

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 20, 2011, commencing at 9:30 a.m., in the Baldwin Terrace Room at the Santa Anita Park Race Track, 285 West Huntington Drive, Arcadia, California. The audio portion only of the California Horse Racing Board regular meeting will be available online through a link at the CHRB website (www.chrb.ca.gov) under "Webcasts."

AGENDA

Action Items:

1. Approval of the minutes of December 16, 2010.
2. **Public Comment:** Communications, reports, requests for future actions of the Board. **Note:** Persons addressing the Board under this item will be restricted to **three (3) minutes** for their presentations.
3. Discussion and action by the Board regarding the proposed amendment of CHRB Rule 1974, Wagering Interest, to 1) provide that a horse that is removed from the wagering pool in error shall run as a non-wagering interest for purse only, and the following affected regulations: CHRB Rule 1954.1, Parlay Wagering on Win, Place or Show; 1957, Daily Double; 1959, Special Quinella (Exacta); 1976, Unlimited Sweepstakes; 1976.8, Place Pick (n); 1976.9 Pick (n) Pool; 1977, Pick Three; 1978, Select Four; 1979, Trifecta; and 1979.1, Superfecta, 2) and the proposed amendment of CHRB Rule 1606, Coupling of Horses to repeal the provision that requires two or more horses to be coupled as a single wagering interest when such horses are owned in whole or in part by the same person or persons, and to provide that the racing association inform the public when two or more horses entered in the same race are owned in whole or in part by the same persons or persons, or are trained by the same trainer.
4. Discussion and action by the Board regarding the proposed amendment of CHRB Rule 1876, Financial Responsibility, to add financial responsibility complaints from equine medical hospitals, services by horse farms that are directly related to horse racing where the debt exceeds \$1,000.00, thoroughbred horse auction sales, and wage disputes between licensees.

5. Discussion and action by the Board regarding an update on the progress of random drug testing of persons who hold specified classes of occupational licenses.
6. Discussion and action by the Board regarding the distribution of race day charity proceeds of the Hollywood Park Racing Association in the amount of \$110,000, to 22 beneficiaries.
7. Discussion and action by the Board regarding adoption of proposed recommendations for inclusion in the 2009/2010 Annual Report.
8. Discussion and action by the Board on a report from CHRIMS regarding their annual activities and plans for 2011 and beyond.
9. Discussion and action by the Board on the Application for License to Operate a Simulcast Wagering Facility at the Sycuan Casino, El Cajon, California submitted for the purpose of re-location of the wagering area at its simulcast facility.
10. Discussion and action by the Board regarding the request from Los Alamitos Racing Association to amend the November 9, 2010 Application for License to Conduct a Horse Racing Meeting, to include implementation of the provisions of Business and Professions Code section 19601.3.
11. Discussion and action by the Board on the Application for Approval to Conduct Advance Deposit Wagering (ADW) of ODS Technologies, L.P., dba TVG, for an out-of-state multi-jurisdictional wagering hub, for a period of up to but not exceeding two years.
12. Discussion and action by the Board on the Application for Approval to Conduct Advance Deposit Wagering (ADW) of Churchill Downs Technology Initiatives Company, dba Twinpires.com, for an out-of-state multi-jurisdictional wagering hub, for a period of up to but not exceeding two years.
13. Discussion and action by the Board on the Application for Approval to Conduct Advance Deposit Wagering (ADW) of Youbet.com, Inc., for a California multi-jurisdictional wagering hub and approval for an out-of-state multi-jurisdictional wagering hub, for a period of up to but not exceeding two years.
14. Discussion and action by the Board on the Application for License to Conduct Advance Deposit Wagering (ADW) of XpressBet, LLC, dba XpressBet.com, DelMarBets.com and OakTreeBets.com for a California multi-jurisdictional wagering hub, for a period of up to but not exceeding two years.

15. **Closed Session:** For the purpose of receiving advice from counsel, considering pending litigation, reaching decisions on administrative licensing and disciplinary hearings, and personnel matters, as authorized by section 11126 of the Government Code.
- A. The Board may convene a Closed Session to confer with and receive advice from its legal counsel regarding the pending litigation described in the attachment to this agenda captioned "Pending Litigation," as authorized by Government Code section 11126(e).
 - B. The Board may convene a Closed Session to confer with and receive advice from its legal counsel regarding the pending administrative licensing or disciplinary matters described in the attachment to this agenda captioned "Pending Administrative Adjudications," as authorized by Government Code section 11126(e).

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

CALIFORNIA HORSE RACING BOARD

Keith Brackpool, Chairman
David Israel, Vice Chairman
Jesse H. Choper, Member
Bo Derek, Member
John C. Harris, Member
Jerry Moss, Member
Richard Rosenberg, Member
Kirk E. Breed, Executive Director

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



PENDING LITIGATION
JANUARY 2011

CASE

- A. Glen Hill Farm, LLC v. CHRB, et al.
Los Angeles County Superior Court of California, Case No. BS116655
Court of Appeal of the State of California Second Appellate District Division One,
Case No. B221010
- B. Donaciano Centeno, et al v. CHRB, et al.
Los Angeles County Superior Court Case No. KC056300
and
Misty Brayley v. CHRB, et al.
Los Angeles County Superior Court Case No. KC058050

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



PENDING ADMINISTRATIVE ADJUDICATIONS
JANUARY 2011

CASE

- A. MI Developments, Inc.
- B. Motion for Reconsideration
Trainer Frank Petrelli
- C. Fitness for Licensure
Joel Aragon

PROCEEDINGS of the Regular Meeting of the California Horse Racing Board held at the Santa Anita Park Race Track, Baldwin Terrace Room, 285 West Huntington Drive, Arcadia, California, on December 16, 2010.

Present: Keith Brackpool, Chairman
David Israel, Vice-Chairman
Jesse H. Choper, Member
Bo Derek, Member
John C. Harris, Member
Jerry Moss, Member
Richard Rosenberg, Member
Kirk E. Breed, Executive Director
Robert Miller, Staff Counsel

MINUTES

Chairman Brackpool asked for approval of the minutes of the Regular Meeting of November 9, 2010. Vice-Chairman Israel **motioned** to approve the minutes. Commissioner Derek **seconded** the motion, which was **unanimously carried**.

PUBLIC COMMENT

Richard Castro, representing the Pari-Mutuel Employees Guild, spoke about a pari-mutuel clerk who issued a \$1,200 ticket in error and was unable to correct the error because he only had a three second delay, rather than a four second delay. The clerk had to cover the cost of the ticket. Mr. Castro stated he was sharing the information because he was periodically asked for examples of such events.

Proceedings of the Regular Meeting of December 16, 2010

PUBLIC HEARING AND ACTION BY THE BOARD REGARDING THE PROPOSED AMENDMENT OF CHRB RULE 1974, WAGERING INTEREST, TO 1) PROVIDE THAT THE WITHDRAWAL OF ONE HORSE FROM A WAGERING INTEREST THAT CONSISTS OF MORE THAN ONE HORSE CONSTITUTES THE WITHDRAWAL OF THE COUPLED ENTRY OR FIELD AND ANY HORSE REMAINING IN THE COUPLED ENTRY OR FIELD SHALL RUN AS A NON-WAGERING INTEREST FOR THE PURSE ONLY, AND 2) TO PROVIDE THAT A HORSE THAT IS REMOVED FROM THE WAGERING POOL IN ERROR SHALL RUN AS A NON-WAGERING INTEREST FOR PURSE ONLY, AND THE FOLLOWING AFFECTED REGULATIONS: CHRB RULE 1954.1, PARLAY WAGERING ON WIN, PLACE OR SHOW; 1957, DAILY DOUBLE; 1959, SPECIAL QUINELLA (EXACTA); 1976, UNLIMITED SWEEPSTAKES; 1976.8, PICK (N) POOL; 1977, PICK THREE; 1978, SELECT FOUR; 1979, TRIFECTA, AND 1979.1, SUPERFECTA.

Jacqueline Wagner, CHRB staff, said the proposed amendment to Board Rule 1974, Wagering Interest, provided that the withdrawal of one horse from a wagering interest that consisted of more than one horse would constitute the withdrawal of the entire entry or field, and any horse or horses remaining in the entry or field would run as a non-wagering interest for purse only. The proposed amendment would also require that any horse removed in error from the wagering pool – where the owner or trainers were not at fault - would run as a non-wagering interest for purse only. The racing association would be required to announce the circumstances on its public address system to adequately inform the public, and to inform off-site wagering facilities. Ms. Wagner stated the proposed amendment to Rule 1974 affected a number of pari-mutuel wagering regulations that contained provisions for coupled entries or fields; this necessitated the amendment of the rules. The following regulations would also be amended: Rule 1954.1, Parlay Wagering on Win, Place or Show; 1957, Daily Double; 1959, Special Quinella (Exacta); 1976, Unlimited Sweepstakes; 1976.8, Pick (N) Pool; 1977, Pick Three; 1978, Select four; 1979, Trifecta, and 1979.1, Superfecta. During the 45-day public comment period staff received comments from Golden Gate Fields (GGF) and from Thoroughbred Owners of California (TOC). GGF stated it believed the proposed amendment would confuse the public. Instead,

Proceedings of the Regular Meeting of December 16, 2010

GGF suggested the Board consider repealing Rule 1606, Coupling of Horses, to allow two or more horses that were owned in whole or in part by the same person or persons to run as independent wagering interests. GGF contended that eliminating coupling would allow the public to wager on the horse it believed would perform the best. The TOC also stated the proposed amendment to Rule 1974 would confuse the public. However, TOC supported the provision that would allow horses removed from the wagering pool in error to run for purse only. The TOC believed the provision would protect owners' rights. Chairman Brackpool said the proposed amendment to Rule 1974 seemed to have the potential to cause more problems that it solved. He stated the provision that allowed a horse removed from the wagering pool in error to run for purse only was sound, but the provision that dealt with entries on the field was troublesome. The industry should be doing everything it could to encourage fuller fields, which made the idea of repealing Rule 1606 something that should be considered. Commissioner Harris stated it might be somewhat controversial to repeal the coupling rule. However, the industry might be better off without coupling. Commissioner Moss stated that some years ago the Pari-Mutuel Committee put forward the idea of abolishing coupling. However, the issue of integrity was raised. He said there should be no more coupling, but the public should be informed if two or more horses entered in the same race were trained by the same trainer, or had ownership interests in common. Vice-Chairman Israel said if a trainer or owner had two horses entered in the same race, and he wanted one horse to be a rabbit for the other, he would do it regardless of whether the horses were coupled. He stated he did not see how the public would be abused if coupling were abolished. Commissioner Choper stated if coupling were abolished the industry should go out of its way to inform the public about ownership and trainers training more than one horse in a race. It ought to be as easy as possible for the public to spot such ownership

Proceedings of the Regular Meeting of December 16, 2010

and training as soon as possible. Sherwood Chillingworth of Oak Tree Racing Association stated he advocated for the repeal of coupling for some time. If anyone wished to have a horse interfere with others, it would be trainers, as they were the first line and they would have the ability to make it happen. However, horses trained by the same trainer were currently not coupled. If such horses were not coupled, why couple horses owned by the same owner? Mr. Chillingworth said he favored repealing Rule 1606. Chairman Brackpool said at the January 2011 Regular Meeting staff would return with a repeal of Rule 1606 and a new proposal to amend Rule 1974 to address the issue of horses removed from the wagering pool in error. Chairman Brackpool **motioned** to disapprove the proposed amendment of Rule 1974. Commissioner Harris **seconded** the motion, which was **unanimously carried**.

DISCUSSION AND ACTION BY THE BOARD REGARDING THE PROPOSED ADDITION OF CHRB RULE 1500.1, JOCKEY/DRIVER SUBJECT TO TESTING, TO REQUIRE RANDOM DRUG TESTING OF JOCKEYS, APPRENTICE JOCKEYS AND DRIVERS AND THE PROPOSED AMENDMENT TO CHRB RULE 1498, PHYSICAL EXAMINATION, TO REQUIRE DRUG SCREENING DURING THE ANNUAL JOCKEY/DRIVER PHYSICALS.

Jacqueline Wagner, CHRB staff, said the proposed addition of Rule 1500.1, Jockey/Driver Subject to Testing, would provide a framework under which California jockeys, apprentice jockeys and drivers would be subject to random drug testing. The proposed regulation was modeled after regulations used in other horse racing jurisdictions, as well as the Association of Racing Commissioners International model rule. The proposed amendment to Rule 1498, Physical Examination, would add drug screening to the requirements of the annual jockey/driver physicals. Ms. Wagner stated the proposals were submitted to the Jockey's Guild (Guild) for review. The Guild indicated it supported the concept, but it had a number of specific questions

Proceedings of the Regular Meeting of December 16, 2010

and concerns. To respond to the Guild staff recommended the Board direct staff to continue to work on the texts before going forward with a 45-day public comment period. Commissioner Harris stated the issue had been circulating for a long time. It always seemed like the Guild had reservations that required further work. He said the regulations should be put out for a 45-day comment period. Vice-Chairman Israel commented that at the December 14, 2010, Stewards' Committee Meeting the issue of testing other on-track personnel who could affect safety was raised. The license classifications mentioned included gate workers, exercise riders and pony riders. Vice-Chairman Israel stated exercise riders under the influence were just as likely to have accidents as jockeys. As staff looked at revising the proposal, it might be a good thing to add the additional classes. CHRB Executive Director Kirk Breed said there were several issues that needed to be addressed. One of the main issues, which were also brought up by the Guild, was why the regulation was aimed only at jockeys and drivers. The entire enclosure should be treated as a workplace, not only for jockeys and drivers, but for everyone. If the drug policy applied to some, but not others, the workplace was in jeopardy. That was the most important reason to provide another period of time to work on the proposal. Chairman Brackpool stated that if staff could develop a better product by January 2011, it might be placed on the agenda; however, the item would without fail be on the February 2011 agenda. Chairman Brackpool said the item was **tabled**.

DISCUSSION AND ACTION BY THE BOARD REGARDING A REPORT FROM THE CALIFORNIA MARKETING COMMITTEE (CMC) REGARDING ITS MARKETING AND PROMOTION PLANS AND THE CMC'S REQUEST TO ADJUST THE 0.2

Proceedings of the Regular Meeting of December 16, 2010

PERCENT DISTRIBUTION TO THE CMC, TO 0.25 PERCENT EFFECTIVE JANUARY 1, 2011, PURSUANT TO BUSINESS AND PROFESSIONS CODE SECTION 19605.73(C).

Robert Hartman, representing the California Marketing Committee (CMC), stated Senate Bill (SB) 1072 (Calderon), Chapter 283, Statutes of 2010, changed the CMC funding. This resulted in a number of CMC meetings, as well as meetings with Commissioner Rosenberg and Commissioner Derek. The result was a CMC budget, which was provided to the Board for review. Mr. Hartman said the CMC ran the Race Results Line, which fielded approximately three million telephone calls in 2010; the Cal-Racing website with approximately 2 million hits in 2010; and a Significant Rewards Program that rebated customers between 1 percent and 3 percent of the amount they wagered. Mr. Hartman stated the CMC was requesting an increase in its distribution from 0.2 percent to 0.25 percent to allow it to run a public relations and branding campaign. He said the campaigns were a direct result of the CMC meetings with Commissioners Rosenberg and Derek. Commissioner Rosenberg commented the CMC funding was provided by the satellite wagering facilities, which was one of the flaws in the program, as the satellite income was on a downward trend. He asked if any advance deposit wagering (ADW) revenue was distributed to the CMC. Mr. Hartman stated the CMC did not receive ADW distributions. Vice-Chairman Israel asked where the money was for an increase. Mr. Hartman said SB 1072 actually decreased the distribution to the CMC from 0.4 percent to 0.2 percent. However, the legislation allowed the CMC to request an increase in the distribution to a level not to exceed 0.25 percent. The CMC was requesting that the Board increase its distribution to 0.25 percent effective January 1, 2011, which was the effective date of SB 1072. Vice-Chairman Israel said a unified marketing program was a good idea, but the CMC program was not effective because it was not big enough. It would take additional money from racing association marketing

Proceedings of the Regular Meeting of December 16, 2010

programs to make the CMC program effective. Commissioner Rosenberg stated SB 1072 would result in a 50 percent cut in overall CMC income. The CMC request did not represent a change in the total amount of distributions to the organization. The funds would otherwise go back to the handle, but the actual amount was only \$350,000 for the year. Shannon McDonald of the CMC stated the bulk of the increase would pay for the branding and public relations campaign which would be the result of the CMC research project. The project would include horsemen and horse racing fans, and it would attempt to understand how to help California horse racing going forward. Commissioner Choper said a committee of the Board approved the research project and the request to increase the takeout did not represent a large amount, so it should be approved. However, the CMC could look to other sources of funds to engage in a larger, coordinated marketing program. Vice-Chairman Israel stated he would like to see a seamless marketing program where thoroughbred racing would be sold year-round, and where it would not matter if Santa Anita, Hollywood Park or Del Mar were running. Although, he commented, 1.9 million or even 2 million dollars was not "real money" for a marketing campaign. The current proposal had to be completely rethought, as it was piecemeal; \$700,000 for rebates and \$500,000 for public relations and branding would not go far. Commissioner Derek stated the \$500,000 was for market research, so the CMC could be coming back for additional funds. Chairman Brackpool said he supported additional funds to market horse racing, but a source would have to be found. The racing associations marketed their specific product, while the CMC was trying to market a brand. Chairman Brackpool stated the marketing research should go forward, and if it demonstrated that \$3 million would solve the industry's marketing ills, the next step would be the identification of funding. John Bucalo of the Barona Casino off-track wagering facility spoke about his concerns regarding simulcast wagering facility advertising funds. Mr. Hartman

Proceedings of the Regular Meeting of December 16, 2010

stated the revamped CMC budget dedicated \$250,000 to fair marketing. While the individual fairs or simulcast facilities would not receive funds, they would receive giveaway items and other things on a coordinated, state-wide basis. He added future CMC board meetings would be posted on the Cal Racing website, and anyone was invited to attend. Mr. Hartman commented there were two satellite representatives on the board. Commissioner Rosenberg motioned to approve the CMC request to increase the distribution to the CMC from 0.2 percent to 0.25 percent, effective January 1, 2011. Commissioner Derek seconded the motion, which was unanimously carried.

DISCUSSION AND ACTION BY THE BOARD REGARDING THE STATUTORY INTERPRETATION OF SB 1072 (CALDERON), CHAPTER 283, STATUTES OF 2010, AS TO THAT PORTION OF THE LAW (BUSINESS AND PROFESSIONS CODE SECTION 19601.02(A) (B) (C) AND (D)) DIRECTED AT INCREASING THE OVERNIGHT PURSES.

Alan Balch of the California Thoroughbred Trainers (CTT) and the CTT backstretch employees' pension plan (pension plan) said modern horse racing law was inscrutable in many respects. He stated the CTT wished to suggest a way of looking at the additions to the handle and the law that were provided under Senate Bill (SB) 1072 (Calderon), Chapter 283, Statutes of 2010. The CTT believed that while it was a well intended addition to the law, SB 1072 also resulted in serious unintended consequences. The CTT was before the Board to examine those consequences, particularly as they relate to the pension plan. However, perhaps the best way to examine the issue was with a small committee composed of Commissioners. The committee could receive written submissions, as well as testimony, while under the oversight of the Board. This was suggested because the CTT did not wish to disturb any of the industry's plans for going forward. It merely wished to ensure that the unintended consequences of SB 1072 were handled in a

Proceedings of the Regular Meeting of December 16, 2010

simple and agreeable way. Chairman Brackpool asked if the CTT was adding anything to its position, which it previously stated in its letter to the Board. Mr. Balch said the CTT letter (letter) dated November 8, 2010, raised the issues the CTT wished to discuss. Vice-Chairman Israel stated the letter contended the CTT was not involved with the Thoroughbred Owners of California (TOC) in any of its discussions. Yet, the CTT and the TOC were represented at meetings in Sacramento in which the entire industry agreed how the funds generated by SB 1072 would be handled. He added he did not understand how that meant the CTT was not involved; the TOC, the racing associations, the California Authority of Racing Fairs (CARF), the Governor's office and the Board were all represented, and so was the CTT. Mr. Balch said he was at the meeting, which was the start of a long legislative process that concluded with a bill that in many respects did not resemble what the CTT was told (in the meeting) it would have. He stated the context of the conversation in the Governor's office and subsequent conversations were whether the increase in the takeout would result in increases in overnight purses as opposed to stakes, and would any of the additional takeout go to other sources such as capital improvements at CARF or to the racing associations. The CTT assumed that when the industry said "purses" the funds would go into the purse account. After SB 1072 was signed a number of emails regarding the so-called ambiguity of the bill and the definition of incremental purses were circulated. The CTT looked at the issue and realized its pension plan depended on an off-the-top 1 percent of the total purse account. The CTT then focused on how to define the incremental amount and whether the industry would end up with two purse accounts. The CTT did not think the true incremental amount could be determined because the price elasticity of demand was not in the equation. The CTT believed the industry needed to meet and resolve the issue so it could be on the same page regarding incremental amounts. The CTT understood that in meetings that

Proceedings of the Regular Meeting of December 16, 2010

took place after SB 1072 passed the issue was discussed, which resulted in the email traffic. Commissioner Choper stated the history of SB 1072 was the history, so the issue was really a question of what the law required. The CTT could bring the item to a court for judgment and that would be it; however, it appeared the CTT wanted to do something short of that. He asked how the CTT recommended the Board should proceed, and who would resolve the question. Carlo Fisco of the CTT stated there were three CTT representatives present, and each was prepared to speak about a different component relevant to the issue. He said he would inform the Board that a plain reading of SB 1072 revealed that the legislature was aware of the deductions from the purse account which it intended to protect. The CTT was proposing a separate meeting to examine the language of SB 1072, which would take time. Chairman Brackpool said the CTT's contention that things changed subsequent to the meeting in the Governor's office was upsetting. At that meeting it was clear that 100 percent of the additional handle would go to purses. The CTT had multiple concerns with another element of SB 1072, but it assured the parties that it was in full support of the increase to the purses. Jack Liebau of Hollywood Park stated the primary question was whether the Board had the ability to interpret the law. He said without question a regulatory agency did have such ability. The CTT could disagree with the Board and go to court, but the Board should move on to an interpretation. In addition, the letter in the Board package from Senator Calderon, the author of SB 1072, specifically stated the intent of the bill. Mr. Liebau said a possible solution to the so called-ambiguity would be for all parties could come to an agreement regarding the incremental increase under Business and Professions Code section 19601.01, but the CTT did not appear willing to do that. Chairman Brackpool commented that staff counsel advised the Board that it had the right to interpret the law. He read a letter from State Senator Calderon, the author of SB 1072, which was dated December 2, 2010.

Proceedings of the Regular Meeting of December 16, 2010

“Dear Chairman Brackpool, I was the author of SB 1072 which raised the takeout on exotic wagers. I understand a question has been raised as to how the incremental funds generated from this increase in takeout are to be utilized. The legislative counsel’s digest of the bill correctly states that the incremental funds generated from the increased takeout are to be used to augment overnight purses. I also note that subsection (d) of section 19601.2 clearly states that the incremental funds generated from the increase in the takeout on exotic wagers “shall be utilized solely to augment and not supplant overnight purses.” As the Author of SB 1072, I can confirm that it was the intent of the legislation for the incremental funds resulting from the increase in takeout to be used entirely for the augmentation of overnight purses and that is the very reason the word “solely” was used to assure that all of the incremental funds were used to augment overnight purses. If you have any further questions please feel free to contact my office.” Mr. Fisco stated there had been some “picking and choosing” of the statute’s language; the word “solely” was being detached from the context within which it appeared in the bill. No rational reading of the word “solely” could mean that it was to the exclusion of the purse account deductions. As Commissioner Choper stated, the history of the bill was the history, but it was the language of the legislation that would be used for the statutory interpretation. Mr. Balch stated there was a practical issue that related to how the statute would work going forward. He said Business and Professions Code section 19613 was to some extent in contradiction to section (c) of SB 1072. The CTT’s attention was drawn to the issue when it was looking at how it would budget income to its pension on a forward basis. The question arose as to how money could be dedicated solely to overnight purses when Business and Professions Code section 19613 provided for deductions to the pension and to CTT and TOC right off the top of the purse account. SB 1072 referred to an agreement being made to determine the amount of the

Proceedings of the Regular Meeting of December 16, 2010

incremental funding, but it was hard to understand how there would be two purse accounts. It appeared that there would be a baseline account that had to be defined, and an incremental account that was solely for overnight purses. That would create problems going forward for the pension, the CTT and the TOC. Mr. Balch said the CTT asked how the California Horse Racing Information Management System (CHRIMS) would determine the incremental amount. In an exchange of email with CHRIMS the CTT learned CHRIMS never determined how much went to the pension, CTT or TOC. Instead, CHRIMS strictly calculated one purse account number, and the derivations from that one purse account were made based on the statute. Commissioner Choper asked what procedure the CTT recommended to examine and resolve the question, and would the procedure be a final resolution? Mr. Balch stated the CTT did not wish to go to court. Mr. Fisco said the CTT would like the increased takeout to be subject to the existing statutory distributions, with distributions to the pension, the CTT and the TOC. Vice-Chairman Israel commented he was confused. Earlier he heard the CTT wished to convene a meeting to determine how to implement SB 1072, but Mr. Fisco was stating the CTT wished the increase to be subject to the existing distributions. He asked what the point of having a meeting was if the CTT already knew what it wanted as the end result. Mr. Fisco stated there was more than one component of SB 1072. The first part was subparagraph (b) which dealt with the purse account, but the law also required a formula for the incremental increase. The formula was the purpose of the meeting. To answer Commissioner Choper, the CTT wanted the purse account distributions protected. Chairman Brackpool said there were two issues. The first issue was ambiguity and CTT's desire to ensure it did not breach its fiduciary obligations as administrators of a pension obligation. He stated the Board was dealing with the ambiguity, and so it would make a legislative interpretation. The second issue was that the CTT actually wanted the money. Mr.

Proceedings of the Regular Meeting of December 16, 2010

Balch said if a committee were formed, and it examined the language as well as the facts and the relative amounts – and examined the law – the CTT believed the committee would arrive at a reasonable conclusion. Vice-Chairman Israel said when SB 1072 was crafted, it was agreed that the increases would be made absent any statutory deductions. It was one thing if the CTT were stating the legislation was improperly crafted and did not accomplish its objective. However, there was no doubt regarding the intent of the legislation, and that was made clear in Senator Calderon's letter. He asked if the CTT was saying it no longer agreed to the intent, and it was trying to have its way based on the ambiguity in the bill. Mr. Balch stated the CTT had become more educated on the issue, and would like to educate the Board and the other stakeholders about the implications of the competing sections. Vice-Chairman Israel asked if the CTT would accept rewritten legislation that clearly stated 2 percent to 3 percent was to be segregated and not subject to any statutory deductions. Mr. Fisco said it might be possible for a committee to draft a simple cleanup bill. Mr. Liebau stated the tracks did not need any education on SB 1072. Historically statutory distributions were divided between the tracks and the horsemen. To improve racing and the product the tracks agreed that they would waive any claim to the incremental increase so the funds could be devoted solely to overnight purses and the good of the industry. He said without question the TOC also did not expect that it would receive any portion of the increase. When questions were raised the CTT was unwilling to participate in a solution. Mr. Liebau stated the Board was able to interpret the law. If it provided an interpretation that the CTT did not like, the CTT had legal recourse. That meant there was no need for a committee of other stakeholders. Commissioner Choper said the CTT obviously had specific statutory points in mind, and it ought to submit them to the staff counsel. Chairman Brackpool stated the Board could make a finding regarding a statutory interpretation of SB 1072, and if the CTT believed

Proceedings of the Regular Meeting of December 16, 2010

there was more, it could submit a brief and the parties would determine if there was further legislative cleanup required. Vice-Chairman Israel said the backstretch pension fund was important and needed to be secure and properly funded. He stated he did not believe segregating the incremental increases would undermine the pension. In the long run, the increase in overnight purses could benefit the pension because of the long-term benefit to horse racing across the board. Vice-Chairman Israel said with that in mind, he was confused. Was the CTT willing to help eliminate the ambiguity in SB 1072 to arrive at the result the industry intended, or would the CTT insist that the deductions be made regardless of the legislation's intent? Mr. Balch said he and Mr. Fisco could not answer the question, as they had a board of directors. The CTT board discussed the issue in detail and was concerned about protecting the pension. However, the CTT welcomed Commissioner Choper's suggestion that however the CHRB voted, the CTT could submit a written brief. The memorandum the CTT submitted to the CHRB contained questions about how the incremental increase would be calculated and issues sorted out, because the CTT believed two sections of the Business and Professions Code were in conflict and they presented a lot of practical difficulties. Mr. Balch added he was at the meetings in the Governor's office, and it could be that most of those in attendance did not realize the purse account deductions were separate in the law. Commissioner Choper asked if it was fair to say the deductions were never mentioned. Mr. Balch said that was correct, and it was why the CTT wished to solve the issues amicably. Chairman Brackpool asked staff counsel Robert Miller to read the motion. Mr. Miller said: "The California Horse Racing Board moves as follows, the California Horse Racing Board hereby declares the statutory interpretation of Business and Professions Code section 19601.02, including subsections (a), (b), (c) and (d), as enacted by Senate Bill 1072 is as follows, the increases in takeouts set forth in Senate Bill 1072 be used

Proceedings of the Regular Meeting of December 16, 2010

solely for increases of overnight purses and for no other purpose.” Chairman Brackpool stated that was his motion. Vice-Chairman Israel seconded the motion, which was unanimously carried.

DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING (ADW) OF ODS TECHNOLOGIES, L.P., DBA TVG, FOR AN OUT OF-STATE MULTI-JURISDICTIONAL WAGERING HUB, FOR A PERIOD OF UP TO BUT NOT EXCEEDING TWO YEARS.

DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING (ADW) OF CHURCHILL DOWNS TECHNOLOGY INITIATIVES COMPANY, DBA TWINSPIRES.COM, FOR AN OUT-OF-STATE MULTI-JURISDICTIONAL WAGERING HUB, FOR A PERIOD OF UP TO BUT NOT EXCEEDING TWO YEARS.

DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING (ADW) OF YOUTBET.COM, INC., FOR A CALIFORNIA MULTIJURISDICTIONAL WAGERING HUB AND APPROVAL FOR AN OUT-OF-STATE MULTI-JURISDICTIONAL WAGERING HUB, FOR A PERIOD OF UP TO BUT NOT EXCEEDING TWO YEARS.

DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT ADVANCE DEPOSIT WAGERING (ADW) OF XPRESSBET, LLC, DBA XPRESSBET.COM, DELMARBETS.COM AND OAKTREEBETS.COM FOR A CALIFORNIA MULTI-JURISDICTIONAL WAGERING HUB, FOR A PERIOD OF UP TO BUT NOT EXCEEDING TWO YEARS.

Chairman Brackpool stated the applications for the advance deposit wagering (ADW) providers would be heard as a group because the questions from the Board would be similar and there were many speaker cards on the issues. John Hindman of TVG stated his organization worked with staff to submit its application, and he believed the document submitted to the Board was complete. Dave Elliott of the California State Fair and Exposition (Cal-Expo) stated his organization had a contract with TVG; however, Cal-Expo would like the Board to enquire if TVG could expose the live harness product on its telecast. As an example, on Thursday nights

Proceedings of the Regular Meeting of December 16, 2010

Cal-Expo harness was usually the latest United States signal, but TVG showed two Australian racetracks until 10:15 p.m., and never Cal-Expo. Mr. Elliott said his organization's product was popular with all California ADW patrons, as well as with many out-of-state patrons. In an effort to get some air-time, Cal-Expo talked to TVG, but it was not successful. Vice-Chairman Israel asked if TVG ever televised Cal-Expo races. Mr. Elliott said "no." Vice-Chairman Israel stated TVG could televise what it wished, so it had no obligation. He asked if TVG had a reason for not televising live Cal-Expo races. Mr. Hindman said at certain points in time, on certain wagers, TVG's patrons were treated differently with regards to takeout from others in the pari-mutuel pool. TVG did not wish to expose its patrons to that any more than it had to. TVG carried the Cal-Expo product on its platform and it was available for video streaming. Mr. Elliott stated if high takeout were the issue, there were other, higher takeouts that TVG televised. He said Cal-Expo was not asking for full coverage. He was asking for two or three races on a late Thursday night when there was no other United States product. Commissioner Choper stated the Board hoped TVG would make some sort of accommodation with Cal-Expo, and that Mr. Hindman would relate the Board's hopes to TVG management. Commissioner Rosenberg asked if TVG turned down Cal-Expo's requests, or if it took the requests under submission. Mr. Elliott stated TVG turned down Cal-Expo's requests. Commissioner Rosenberg said he considered the request a serious issue and he thought TVG should provide a written response as to why it did not televise California harness racing. Chairman Brackpool asked if HRTV televised the California harness product. Mr. Elliott said the HRTV live program was finished by 10:00 p.m., but the TVG live programming was up and showing Australian racing. Mr. Hindman said he understood the Board's concerns and would convey them to TVG. Chairman Brackpool stated TVG could respond to the letter Cal-Expo distributed. The Board would be interested in TVG's

Proceedings of the Regular Meeting of December 16, 2010

response, and was sure the parties would reach an agreement. Jerry Jamgotchian, a horse owner, spoke about his concerns with TVG. Alan Horowitz of the California Harness Horsemen's Association stated his organization supported Cal-Expo's efforts to have TVG broadcast the harness product. John Bucalo of the Barona Casino spoke about his casino's ability to offer the same races for wagering as ADW. Chairman Brackpool stated the Board would like to hear what the ADW providers believed they could do or change to improve the industry. He said the ADW applications were basically the same as those submitted in the prior year. What were the ADW providers doing differently to improve the game for the customer? Brad Blackwell of Twinspires and Youbet.com (Youbet) (owned by Churchill Downs, Inc. (Churchill)) stated the ADW providers were the fastest growing segment of the industry. Churchill continued to invest heavily in ADW platforms with two acquisitions in three years. In addition, Churchill introduced new technologies such as Twinspires TV. He stated his organization was situated in Silicon Valley, California, precisely because of the innovative technology coming out of that area. Twinspires also partnered with racetracks to bring its customers to live race meetings. Mr. Blackwell commented Twinspires felt live racing was important as ADW existed due to live meetings. Scott Daruty of XpressBet said ADW was an important, growing part of the industry. Mr. Daruty stated ADW was not a brick and mortar business, so it worked to fill in the gaps where fans might not be able to see a live meeting or visit a satellite. He added XpressBet agreed to pay 100 percent of the takeout increase on exotics for overnight purses. Mr. Hindman stated TVG provided a great deal of growth, and in 2010 it would return approximately \$80 million to tracks and horsemen nationwide. The majority of that money would be returned to the California industry. TVG also agreed to give 100 percent of the takeout increase on exotics for overnight purses. Mr. Hartman added TVG was trying to hold more events at live race meetings.

Proceedings of the Regular Meeting of December 16, 2010

It also invested heavily in televising the California product. One thing TVG did with track management was have management list the top three reasons fans would want to go to the track, then it would spend the day talking about those three items. Commissioner Harris said the Board's rules required a \$500,000 bond from each ADW provider. He asked if that was still an appropriate number given the amounts on deposit from the account holders. Jacqueline Wagner, CHRB staff, said all of the ADW providers currently had bonds on file with the Board. Commissioner Harris stated he would like to see some relevancy between the amount of the bonds and the amount on deposit with the ADW providers. Mr. Hindman stated in 2009 TVG purchased a bond to cover the entire amount it had on deposit, nationally. Vice-Chairman Israel asked if Churchill would join the other ADW providers in returning 100 percent of the incremental increase in the takeout on exotic wagers, as provided in Senate Bill (SB) 1072. Mr. Blackwell said the issue was being discussed. He stated Churchill was not aware of the intent of the legislation, but it viewed it as a situation where TVG and XpressBet received something in return for their position on the increased takeout. SB 1072 was the same bill that authorized exchange wagering. Vice-Chairman Israel said exchange wagering could be implemented after a specific date by anyone; it was not limited to Betfair or XpressBet. Mr. Blackwell stated he was not taking that position, he was merely pointing out the support for the bill. Vice-Chairman Israel commented Churchill recently acquired Youbet. Mr. Blackwell said that was correct. Vice-Chairman Israel stated a reason the merger worked was economy of scale, which included laying off a number of Youbet employees, and those employees were based in California. Mr. Blackwell said in an acquisition employees were typically laid off, and an unknown number of those employees were based in California. The Youbet office was in California, but Churchill also had a California office and remaining Youbet employees were relocated there. Vice-

Proceedings of the Regular Meeting of December 16, 2010

Chairman Israel stated Churchill was not a California entity, so it did not wish to return 100 percent of the increases in exotic handle for overnight purses because it did not accrue the benefits that went to a California racing entity. However, Churchill would cut jobs in California. Vice-Chairman Israel asked how Churchill expected the Board to look upon that. Mr. Blackwell said there were two separate issues. Churchill did have a California presence, but the takeout was not going to an entity that Churchill owned and operated in California. Chairman Brackpool stated the increased takeout was going to overnight purses, not to racetracks. He said the tracks made that concession with SB 1072. Vice-Chairman Israel said the takeout went to put on the races that Churchill sold and benefited from. The takeout put horses on the racetrack and paid the people who worked in the industry. Mr. Blackwell stated Churchill understood the economics of the takeout. He was not the point person on the issue; instead, he was representing the application. Mr. Blackwell added if he could not answer a question he would follow up, but the discussions about the takeout were ongoing. Chairman Brackpool asked if the discussions would continue once the application was approved. Mr. Blackwell stated the discussions were tied to taking the signal; Churchill would not be able to take the signal without a resolution. Commissioner Choper said he did not fully understand Churchill's position regarding its connection to California. It was not fair for Churchill to ignore the intent of SB 1072, which was a measure to save California racing – an activity in which Churchill had a vital interest. Commissioner Choper urged Churchill to get its discussions regarding the incremental increase over with and to align itself with the remainder of the industry. He added he did not think it would be right for the Board to grant a renewal of the ADW license as long as the issue was outstanding. Ms. Wagner stated TVG provided all the outstanding management contracts for the California tracks, including contracts for meetings commencing December 26, 2010. Ms.

Proceedings of the Regular Meeting of December 16, 2010

Wagner said TVG also provided the hub agreements, as well as the labor agreement. However, the TVG bond would expire October 11, 2010, so as a condition of license staff recommended TVG obtain a bond to cover the entire term – or through December 31, 2011. Ms. Wagner added TVG was missing its horsemen's agreement. Guy Lamothe of Thoroughbred Owners of California (TOC) stated his organization had not received any horsemen's agreements. He stated Monarch Content Management, LLC (Monarch) was negotiating the agreements on behalf of the California racetracks. Monarch was negotiating with the ADW providers, and would go to the TOC for approval and consent to the rates. Mr. Lamothe stated the law allowed hub agreements to be signed with a racetrack or the horsemen. TOC had not seen that agreement. Past hub agreements were not negotiated with TOC, but the documents were provided after the fact. Ms. Wagner stated no 2011 contracts were received for Churchill. In addition, two persons needed to be licensed. Of the greatest concern was the race meeting that was scheduled to commence on December 26, 2010. Richard Castro of the Pari-Mutuel Employees Guild (Guild) stated his organization had an agreement with TVG. Chairman Brackpool asked what the outstanding issues were with Churchill and XpressBet. Mr. Castro said the Guild had not had talks with Churchill. Chairman Brackpool commented the labor agreements were due for meetings that would start within 15 days. He asked if the ADWs were relying on existing labor agreements rolling forward. Mr. Blackwell stated the law required the labor union to notify ADW providers in writing that it wanted an agreement 90 days before a license was issued. He said Churchill had not heard from the union, so it did not believe the labor agreement was an issue that would affect its application for 2011. Mr. Blackwell added Churchill was always willing to discuss any issues with the union. Chairman Brackpool asked if Churchill had a current agreement with the union. Mr. Blackwell said the current agreement would expire on December 31, 2010. Vice-

Proceedings of the Regular Meeting of December 16, 2010

Chairman Israel asked if Churchill did not feel any sense of urgency to get a labor agreement for 2011 if its current agreement would expire in 2010. Mr. Blackwell said Churchill relied on the statute governing labor agreements with ADW providers. Chairman Brackpool asked if the Guild had a rebuttal to the applicant's position. Mr. Castro said he did not send a letter to any of the ADW providers, but he did hear from XpressBet and TVG. Ms. Wagner stated the outstanding items for XpressBet were the management contracts, the horsemen's agreement and the labor agreement. She added staff recommended the XpressBet bond be extended to coincide with the term of the license. Scott Daruty of XpressBet said his organization understood that there was not an affirmative obligation to have a horsemen's agreement. XpressBet would provide notice of the hub agreement to the horsemen, and the horsemen then had an opportunity to object. Mr. Daruty stated XpressBet had a hub agreement. The agreement was presented to the horsemen, and to date, the horsemen had not objected. Mr. Daruty said negotiations between Monarch and the racetracks were ongoing. The agreements would be signed shortly. XpressBet did not receive notice from the union regarding a labor contract; however, in September 2010 XpressBet presented a proposed agreement to labor. XpressBet was notified that the union was in the midst of an election. Now that the election was resolved, the issue could be revisited. Chairman Brackpool asked if the labor agreement would be in place by January 2011. Mr. Daruty stated typically there were items outside the statute the parties had not been able to agree on. XpressBet was ready to immediately sign an agreement that covered issued required by statute. Chairman Brackpool commented he was troubled by the notion that Churchill was exempt from having a labor agreement because the Guild did not send a notice as required by statute. Mr. Blackwell stated the statute was clear, and Churchill did not think the labor agreement was a reason to postpone approval of its application. Churchill signed previous

Proceedings of the Regular Meeting of December 16, 2010

agreements, but in the past the introduction of external issues kept the agreements in negotiations for months. What was finally negotiated was what the statute required. Chairman Brackpool stated Churchill's argument was that the statute was the statute and one should comply with the statute. However, when it came to the increase in the takeout on exotic wagers, Churchill did not want to comply. Mr. Blackwell said he was not the point person for that issue, and he was not aware that takeout was an issue affecting the ADW application. Chairman Brackpool stated it was an issue in California. Churchill was indicating it did not want to pay back the increase even though it was in the statute, but it was arguing statutory release with regards to the labor agreement. Mr. Blackwell said Churchill was present to discuss its application for renewal of license, which was based on the ADW statute; he did not think takeout was addressed in that statute. Vice-Chairman Israel asked if Churchill had a hub agreement in place beginning January 1, 2011. Mr. Blackwell said he did not think the hub rate was an issue in the negotiations. Vice-Chairman Israel asked if Churchill would return 100 percent of the SB 1072 increase to California. Mr. Blackwell stated he was not able to provide an answer because he was not involved with that issue. He stated that was being handled by the Chief Financial Officer and Chief Operating Officer at Churchill; he was Vice President of TwinSpires. Commissioner Choper said it was mentioned that there was no real issue with the horsemen's agreement. Mr. Daruty stated XpressBet signed a hub agreement with Santa Anita Park Race Track and Golden Gate Fields. The document was submitted to the TOC, and XpressBet understood it approved the agreement by not objecting. Mr. Lamothe said that was correct. TOC was fine with the proposed agreement. Commissioner Choper asked if that were also true with TVG. Mr. Lamothe stated TOC had not seen a TVG hub agreement. He added he believed Churchill was also on record as saying it did not have a hub agreement. Mr. Blackwell said that was correct; as

Proceedings of the Regular Meeting of December 16, 2010

part of its application Churchill submitted its current simulcast agreements which had a provision addressing the hub rate. Mr. Daruty said the hub rate was the rate that was set in the agreement. It was the rate an ADW got when it took a wager on a California racetrack, which was a matter of contract between the racetrack and the ADW. When Twinspires took a wager on Santa Anita it was entitled to a certain hub rate that was negotiated between Santa Anita and Twinspires. Mr. Daruty stated there was a hub agreement with TVG; the XpressBet agreement would soon be in place; the agreement with Twinspires was in negotiation. The Twinspires agreement was hung up on the portion of the takeout increase Twinspires was willing to pay. The other issue with hub agreements was what an ADW got as its hub rate when it took a wager on an out-of-state signal. There was a separate hub agreement that Twinspires could sign with any racetrack in California that would entitle Twinspires to retain a hub rate of "X" on every wager it took from an out-of-state entity. That agreement was presented to TOC which had five days to object. The proposal that Monarch made to Twinspires was the same proposal it made to the other ADW providers. It stated Twinspires could have all California races and could retain a hub agreement of "X" when it took a wager on a California race. Twinspires would also be free to import all out-of-state signals into California, and it would get a hub rate of "X." The only delay with Twinspires was the SB 1072 takeout, which was not resolved. Mr. Hindman stated TVG did sign an agreement with Monarch that set the in-state hub fees. TVG had another agreement that set the out-of-state hub fees. That agreement was multi-year and was given to TOC a while ago. Chairman Brackpool said that he was not sure the Board would vote to renew the ADW licenses for two years. However, regardless of the term of license, the bonds should be coterminous. He stated he wanted to revisit the labor issue and there was the issue of complying with the provisions of SB 1072. Chairman Brackpool said he would like to see as many ADW providers

Proceedings of the Regular Meeting of December 16, 2010

as possible in the market place, and there should be time for negotiations to comply with the statute. However, it seemed if there were no compliance with the statute, the entity would not be able to reach an agreement with the racing associations. Mr. Daruty said that was correct; the takeout was an integral part of the agreement. Chairman Brackpool stated if the Board were to reject the applications because they were incomplete the parties would rapidly reach an accommodation. Any approval of ADW licenses would be conditioned on receipt of the missing items, which would have to be provided by January 1, 2011. Commissioner Rosenberg asked if the ADW providers had the right to refuse to comply with SB 1072. Chairman Brackpool said they did not have the right, but they could refuse to take the signal at that price. It would also involve larger negotiations involving whether their signals could be brought into their competitors systems. Chairman Brackpool said another issue was labor. He read Business and Professions Code section 19604(d)(1)(B): "The Board shall not approve an application for an original or renewal license as an ADW provider unless the entity, if requested in writing by a bonafide labor organization no later than 90 days prior to licensing, has entered into a contractual agreement." He asked if Churchill claimed that it was exempted from having a labor agreement because the Guild did not comply with the section. Mr. Blackwell said that was correct. David Rosenfeld representing the Guild stated the union's position had always been that an agreement had to be in place before an ADW provider could be licensed. The ADW providers were obligated to have a complete license application and a signed labor agreement before a license could be approved. Mr. Blackwell said it was not Churchill's intention to escape the requirement. Churchill's simply did not wish the issue used to prevent it from being licensed. He stated the statute was clear as to what should be in an agreement. The problem was that other issues were introduced. Churchill did not have a problem signing an agreement; it just did not

Proceedings of the Regular Meeting of December 16, 2010

want the labor agreement to hold up its license. Mr. Rosenfeld said there was an underlying issue that Churchill was not prepared to include in its agreement, and that was telephone jobs the Guild thought should be in California. Commissioner Derek commented that since she had been a Commissioner the Board was asked to approve applications with many contingencies and agreements that have not been completed. The Board should, if necessary, have another meeting by telephone when the applications were complete. Chairman Brackpool stated the existing licenses could be extended until January 30, 2011, which would provide time for the parties to resolve their issues in time for the January 20, 2011, Regular Meeting. Mr. Blackwell asked what the Board's position on the labor issue was. Chairman Brackpool said the Board's position was that a labor agreement was necessary. If Churchill was going to rely on the 90-day notice requirement, the Board would ensure that the application was heard at the end of 90 days. Chairman Brackpool said he would propose that the existing ADW licenses and approvals be extended to January 30, 2011, with the condition that all outstanding agreements would be in place by January 1, 2011. At the January 20, 2011 Regular Meeting the Board would want to see every agreement in place, or to hear why they were not, what the outstanding issues were, and when they might be in place. The Board was not a rubber stamp that approved applications with absolutely none of the exhibits or associated documents. Chairman Brackpool asked why Churchill was presenting the Youbet application apart from Twinpires. Mr. Blackwell said the entities were in the process of migrating Youbet patrons to Twinpires, and it did not wish to be in a position of not having a license in place. Churchill wanted to have its bases covered and not be in a position of operating in a non-licensed environment. Youbet was a separate platform owned by Churchill and was not a white label such as DelMarBets and OakTreeBets. Mr. Blackwell asked, for clarification, if Twinpires would not be able to take ADW wagers from

Proceedings of the Regular Meeting of December 16, 2010

California residents on any product if it did not have a simulcast agreement in place on January 1, 2011. Chairman Brackpool said that was correct. Commissioner Choper added that each ADW provider ought to honor the agreements that were made to honor the provisions of SB 1072 for the purposes of the industry. Robert Miller, CHRB staff counsel, said the Board made the following motion: "The advance deposit wagering licenses of ODS Technologies, L.P., doing business as TVG, Churchill Downs Technology Initiatives Company, doing business as Twinspires.com, Youbet.com Inc., and XpressBet, LLC, doing business as XpressBet.com, DelMarBets.com, and OakTreeBets.com are extended to and including January 30, 2011, on condition that simulcast and hub agreements are signed and in effect as of January 1, 2011, which reflect enactment of Business and Professions Code section 19601.02, including subsections (a), (b), (c) and (d). Chairman Brackpool stated that was his motion. Vice-Chairman Israel seconded the motion, which was **unanimously carried**.

DISCUSSION AND ACTION BY THE BOARD REGARDING A REPORT FROM SAN LUIS REY DOWNS CONCERNING THE SUBSIDY FROM THE SOUTHERN CALIFORNIA OFF-TRACK WAGERING, INC. (SCOTWINC) STABLING AND VANNING FUND.

Kevin Carey of San Luis Rey Downs (SLRD) said for many years SLRD produced horses that made an impact on the sport and contributed to the satellite wagering fund. However, during the years SLRD was involved in the issue of the Southern California Off-Track Wagering, Inc. (SCOTWINC) stabling and vanning fund it has been treated as the poor stepchild of the racing industry. SLRD had to fight for a portion of the stabling fund in 1989, in 2001 and SLRD was excluded from consideration at the most recent SCOTWINC board meeting in August of 2009. Mr. Carey stated that despite the objections of others, SLRD believed in was covered by the

Proceedings of the Regular Meeting of December 16, 2010

Horse Racing Law. The Board and at times the State Attorney General's Office supported SLRD in its efforts to receive a subsidy. Most recently, the Board intervened on SLRD's behalf in 2001, and SLRD received a subsidy from 2001 into the third quarter of 2008. Mr. Carey said the issues were: should SLRD receive a subsidy? And if the answer was "no" because SLRD was not covered by the Horse Racing Law, then fairness became an issue. It was SLRD's position that the entities currently receiving a subsidy were being paid more than the limitations imposed by Business and Professions Code sections 19607 and 19607.1, as the stabling fund was never intended to cure negative cash flows; it was intended to reimburse direct incremental costs of off-site stabling. The current distributions provided SLRD's competitors with an unfair advantage, and made it difficult for horsemen in San Diego County to compete. Guy Lamothe of Thoroughbred Owners of California (TOC), representing the SCOTWINC Vanning and Stabling committee, stated the statute referred to off-site stabling to a racing association. It was up to the Board to interpret and enforce the statute. Over the years the Stabling and Vanning committee looked at several factors in determining the subsidy. The factors included horse population, fund generation and the incremental costs. Representatives of SLRD were present at the committee meetings and discussed the issues, which were in significant decline. Mr. Lamothe said the fund currently had liabilities of a few million dollars, which was being carried by the racing associations until the fund could turn around. Chairman Brackpool asked if over the years the stabling and vanning fund paid SLRD for vanning or stabling or nothing. Mr. Lamothe said the fund paid stabling and vanning through October 21, 2009. There were subsequent requests from SLRD representatives to continue at least vanning payments. The fund continued to pay vanning. Vice-Chairman Israel asked if SLRD was owned by MI Developments, Inc. (MID). Mr. Carey said that was correct, and SLRD had a lease with MID that began on March 17, 2010.

Proceedings of the Regular Meeting of December 16, 2010

Vice-Chairman Israel asked who operated SLRD prior to the lease. Laura Rosier of SLRD said her organization did business as San Luis Rey Downs Thoroughbred Training Center, which was owned by Magna Entertainment Corporation (MEC). Leanne Howard of SLRD stated MEC sold SLRD to MID in 2007 and leased back the facility. Vice-Chairman Israel said by 2010 no funds were paid for stabling and vanning, so why did SLRD enter into a lease? Ms. Howard stated SLRD charged rent. Vice-Chairman Israel commented his point was that there was a “caveat emptor” aspect to the lease. Ms. Rosier said the SLRD management lived and worked with the horsemen, and management and horsemen tried to craft a plan to keep SLRD viable until California’s industry got back on its feet. Chairman Brackpool asked if SLRD was now saying its plan was not sufficient and it needed help. Vice-Chairman Israel said he understood, but where did SLRD expect the funds to come from? He added he was not questioning anyone’s dedication or good intentions. However, the issue was a business matter, and it seemed SLRD entered into a rental agreement and decided how to pay for it later. Ms. Rosier said SLRD knew SCOTWINC would correct itself. There was a plan for SCOTWINC to be in the black by the end of 2010. Vice-Chairman Israel commented one of the ways SCOTWINC corrected itself was by cutting off SLRD. Ms. Rosier said she understood that, but the funding was withdrawn not because of the Horse Racing Law. SLRD was covered by the law, and the precedence had been set for 20-something years. Vice-Chairman Israel stated the SLRD claim with the Victim’s Compensation Claims Board was denied. Ms. Rosier stated that only meant SLRD could go to court and litigate the matter. She added SLRD continued to contribute to the fund and do its part knowing that SCOTWINC would correct itself and do the right thing. Vice-Chairman Israel asked how SLRD knew it would receive any funding. Ms. Rosier stated she believed in the California industry, and the word from the industry was that SLRD would get equal funding with

Proceedings of the Regular Meeting of December 16, 2010

Fairplex to cover horses that could not stable at Santa Anita. Vice-Chairman Israel asked who informed SLRD it would receive funding. Ms. Rosier said things leaked out from the industry. The bottom line was that Fairplex was subsidized, and SLRD received nothing. Chairman Brackpool asked what TOC's position was. Mr. Lamothe said the stabling and vanning committee's position was that in lieu of the horse population, decisions were made to reduce funding that subsidized empty stalls at the off-site facilities. Fairplex and SLRD were cut off. Chairman Brackpool asked if SCOTWINC thought it would be detrimental to Southern California if SLRD closed. Mr. Lamothe said SLRD was a fabulous facility. However, the horse population was not there, and SCOTWINC could not continue to spend money it did not have. Commissioner Harris said the issue was tough. No one wanted SLRD to close, but its economic viability was in question. He commented the overall off-site stabling model could be out of date. Each track had a stable area that would be adequate for the current inventory. Commissioner Rosenberg asked what would happen if Hollywood Park closed. Commissioner Harris stated it depended on the horse inventory. Originally, there were a lot more horses in training than were currently training. There were also farms that competed with SLRD and Fairplex. Ms. Rosier commented SLRD competed with every facility, as racing secretaries reported that 800 to 1,000 of the horses at Hollywood Park and Santa Anita were not actively training to race. She stated that was the problem. SLRD had horses that were running races, but were not subsidized, while the tracks had horses that should be on farms and instead were taking funds that should go to SLRD. Ms. Rosier added SLRD was running on a shoestring, and had cut staff in half. She asked why the industry was paying subsidies to empty stalls and horses that were not running, but not the horses that were bringing in the funds. Commissioner Rosenberg said SLRD was not being compensated and it was paying money into the fund. He asked what

Proceedings of the Regular Meeting of December 16, 2010

the number of starts from SLRD was in 2009. Ms. Rosier stated SLRD only had numbers from 2008. SLRD ran twice as many horses per start. Chairman Brackpool commented SLRD made a good point when it stated the horses were actually racing and contributing. Perhaps there could be a credit to every horse that actually raced, as the industry needed to encourage horses to run. He commented he was sympathetic to the notion that SLRD should receive some benefit for getting horses into races. Simply stating any horse at SLRD did not count was somewhat inequitable. Ina Hajek, a trainer, spoke in support of SLRD. Sam Scolamieri, a trainer, spoke in support of SLRD. Commissioner Choper asked if SCOTWINC considered using different criteria for the distribution of stabling and vanning funds. It was suggested that stalls should be used for horses that were actually racing. Mr. Lamothe stated TOC was on record that the current subsidy model needed to be examined. However, such things did not happen quickly. TOC would look at basing the subsidy on starts, because paying for horses that did not start was doing the industry a disservice. Commissioner Choper commented there might be statistics that demonstrated how many horses started from SLRD. Perhaps they could be used to advance SLRD some funds while SCOTWINC established new criteria for the distribution. Mr. Lamothe said that was a sensible notion, but the method of distribution was not entirely in the TOC's hands. It was industry-wide, and there were constituencies that had a stake in stabling horses that were not running – as opposed to putting horses out on farms. Commissioner Rosenberg asked when the SCOTWINC board met, and who was on the board? Mr. Lamothe said the Stabling and Vanning committee was composed of racing associations and the TOC; the TOC acted as chair. He added the committee met periodically. Commissioner Rosenberg asked when the next meeting was scheduled. Mr. Lamothe stated there was no set schedule. Commissioner Rosenberg said he would suggest the committee hold a meeting and solve the problem because it

Proceedings of the Regular Meeting of December 16, 2010

was unfair to have horsemen running horses, paying into the fund, and getting nothing in return. Chairman Brackpool stated the item would be put over until early 2011. At that time, the parties should return with basic statistics of how many horses started from SLRD compared to Hollywood Park and Santa Anita. Hopefully, the parties would also return with a short-term fix and a committee that would try to solve the issue. Chairman Brackpool said that basing the distribution on starts had a compelling logic, and he was not hearing anything helpful from the other side. Mr. Carey asked if SCOTWINC could also provide the model it used to determine the subsidy. Chairman Brackpool encouraged the parties to meet prior to the next discussion as he did not want each side hearing each other's positions for the first time.

DISCUSSION AND ACTION BY THE BOARD REGARDING A REPORT AND UPDATE FROM THE COMMERCE CLUB MINISATELLITE WAGERING FACILITY REGARDING ITS FUTURE PLANS FOR THE FACILITY.

Rod Blonien, representing the Commerce Club minisatellite wagering facility, said the Commerce Club was the first minisatellite in California. It started in 2009 with one room and grew to a second room. The Commerce Club was proposing to take an adjacent building to remodel and create a minisatellite facility of approximately 10,000 square feet. The cost of the new facility would be about \$1 million. The building would face Interstate 5 and it would have huge signage to inform the public of its existence. Mr. Blonien stated the Commerce Club would return in early 2011 to renew its license.

MEETING ADJOURNED AT 1:29 P.M.

Proceedings of the Regular Meeting of December 16, 2010

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

Chairman

Executive Director

CALIFORNIA HORSE RACING BOARD

JANUARY 20, 2011
REGULAR BOARD MEETING

There is no board package material for Item 2

STAFF ANALYSIS

DISCUSSION AND ACTION BY THE BOARD REGARDING THE PROPOSED AMENDMENT OF CHRB RULE 1974, WAGERING INTEREST, TO 1) PROVIDE THAT A HORSE THAT IS REMOVED FROM THE WAGERING POOL IN ERROR SHALL RUN AS A NON-WAGERING INTEREST FOR PURSE ONLY, AND THE FOLLOWING AFFECTED REGULATIONS: CHRB RULE 1954.1, PARLAY WAGERING ON WIN, PLACE OR SHOW; 1957, DAILY DOUBLE; 1959, SPECIAL QUINELLA (EXACTA); 1976, UNLIMITED SWEEPSTAKES; 1976.8, PLACE PICK (N); 1976.9 PICK (N) POOL; 1977, PICK THREE; 1978, SELECT FOUR; 1979, TRIFECTA; AND 1979.1, SUPERFECTA, 2) AND THE PROPOSED AMENDMENT OF CHRB RULE 1606, COUPLING OF HORSES TO REPEAL THE PROVISION THAT REQUIRES TWO OR MORE HORSES TO BE COUPLED AS A SINGLE WAGERING INTEREST WHEN SUCH HORSES ARE OWNED IN WHOLE OR IN PART BY THE SAME PERSON OR PERSONS, AND TO PROVIDE THAT THE RACING ASSOCIATION INFORM THE PUBLIC WHEN TWO OR MORE HORSES ENTERED IN THE SAME RACE ARE OWNED IN WHOLE OR IN PART BY THE SAME PERSON OR PERSONS, OR ARE TRAINED BY THE SAME TRAINER.

Regular Board Meeting
January 20, 2011

BACKGROUND

Business and Professions Code section 19420 provides that the Board shall have jurisdiction and supervision over meetings in this State where horse races with wagering on their results are held or conducted, and over all persons or things having to do with the operation of such meetings. Business and Professions Code section 19440 states the Board shall have all powers necessary and proper to enable it to carry out the purposes of this chapter. Responsibilities of the Board shall include adopting rules and regulations for the protection of the public and the control of horse racing and pari-mutuel wagering. Business and Professions Code section 19562 provides that the Board may prescribe rules, regulations, and conditions under which all horse races with wagering on their results shall be conducted in this State. Board Rule 1606, Coupling of Horses, states that two or more horses shall be coupled as a single wagering interest and as an entry when such horses are owned in whole or in part by the same person or persons. Horses are exempt from coupling when two or more thoroughbred horses are owned by different partnership whose compositions are not mirror images are entered in the same race and there is at least one partner who has ownership interest in each partnership. Quarter horses are not subject to coupling requirements. Board Rule 1974, Wagering Interest, provides that a declaration or withdrawal of one horse from a wagering interest that consists of more than one horse shall have no effect on any wagers made on such wagering interest.

Patrons whose wagers include a coupled entry often complain when the horse they like in the entry is scratched and they are left with the remaining part of the entry for wagering purposes. If such patrons are in a position to cancel their wagers the problem can be avoided, but many wagers involve multiple races that cannot be canceled once the

sequence has begun, and many patrons make wagers and become otherwise occupied; only to find out later about the scratch. Such complaints are not new. One solution that has been brought forward in the past is to amend the Board's regulations to provide that the withdrawal of one horse from a wagering interest constitutes the withdrawal of the coupled entry, and any horse that remains in the coupled entry shall run as a non-wagering interest for purse only. In November 2005, the (then) Pari-Mutuel Operations Committee discussed scratching an entire entry for pari-mutuel purposes if part of the entry was scratched after the wagering pool was opened. The intended outcome of scratching an entire entry for pari-mutuel purposes was the protection of patrons who might get a horse they did not like, as well as the horse owner. Patrons could wager on other horses in the race and the owner was protected because he could still run for purse money. However, others stated the logic of the proposal was flawed. The technology existed to inform patrons about which part of the entry would still run. Advance Deposit Wagering providers could cancel wagers, and patrons could cancel a wager, or even make a wager on the remaining part of the entry. Opponents stated it did not make sense to refund wagers by unnecessarily eliminating a wagering interest. The larger issue was the total pool. Would the industry give up a portion of the pool to satisfy a small number of vocal patrons? In addition, there was the dilemma of scratching an unpopular horse in an entry, with the popular horse being left to run for purse only; wagering patrons would be just as irate.

At the November 2005 Pari-Mutuel Operations Committee meeting, the elimination of coupled entries was discussed as an alternative to the proposal to amend Rule 1974 to run the remaining horse(s) in an entry for purse only. Proponents argued that eliminating entries would increase field size and solve the problem of patrons being stuck with a horse they do not want when the favored horse in an entry was scratched. At its January 2006 Regular Meeting, the Board heard proposals to: 1) repeal Rule 1974 and Rule 1606, which would eliminate coupled entries in California, or 2) amend Rule 1974 to provide that the withdrawal of one horse from a wagering interest that consists of more than one horse constitutes the withdrawal of the coupled entry for wagering purposes only, and the remaining horse shall run for purse only. After discussion, the Board voted to repeal Rule 1974 and Rule 1606. The rationale was that eliminating entries would increase field size. Proponents also argued that owners did not have the same ability to influence a race as did trainers, who were currently exempted from coupling.

The repeal of Rule 1974 and Rule 1606 was never finalized, as the issue was tabled due to conflicting opinions about the ramifications of eliminating coupling of horses. However, in 2007, Rule 1606 was amended to exempt the quarter horse industry from coupling requirements. In 2008 and in 2009, Rule 1606 was amended to further narrow the coupling requirements for thoroughbred horses owned by partnerships.

At the July 2010 Regular Board meeting a proposal to amend Rule 1974 was discussed. The proposed amendment would allow horses remaining in a coupled entry or field to run for purse only if a horse was withdrawn from the wagering interest. The amendment would also allow horses that were withdrawn in error from the wagering pool to run for purse only. The Board heard that the proposed amendment was to provide direction to

stewards, as the current rule did not provide objective criteria for when a horse may run for purse only. The amendment was not necessarily the result of many complaints or an increase in horses being withdrawn from coupled entries. During the discussion of the proposed amendment some expressed the view that the rule would lead to confusion and could leave fans thinking they had won a wager when the entire entry had in fact been withdrawn. Others stated the proposed amendment would protect the wagering public and horse owners. The wagering public would not be "stuck" with horses remaining in an entry if their favorite were withdrawn and owners would still be able to run for the purse after having invested in preparing their horses to race. The Board determined it would direct staff to initiate a 45-day public comment period for the proposed amendment to Rule 1974.

At its December 2010 Regular Meeting the Board heard comments from Golden Gate Fields in opposition to the proposed amendment to Rule 1974. Golden Gate Fields proposed eliminating Rule 1606 to allow two or more horses that are owned in whole or in part by the same person or persons to run as independent wagering interests. The elimination of coupling would allow the wagering public to wager on the individual horse it believes would perform best. Golden Gate Fields also stated that the proposed amendment would create confusion among horse racing fans, as fans that wagered on a scratched entry may believe they were holding winning tickets, or fans may believe they were holding losing tickets because they did not understand that a non-wagering interest finished ahead of their selections. The Thoroughbred Owners of California (TOC) also provided a comment in general opposition to the proposed amendment. The TOC stated the proposal would merely trade one arguable problem for another greater problem of losing a wagering interest at a time when the industry is trying to stem the decline of handle. The TOC added it supported subsection 1974(c) because it would protect owners' rights where horses are scratched in error. The TOC proposed that Rule 1606 be suspended or amended to allow more entries to run uncoupled. The Board agreed with the comments and directed staff to initiate an amendment to Rule 1606 that would eliminate the practice of coupling horses owned in whole or in part by the same person or persons, while providing for adequate public notice if two or more horses in a race were owned in whole or in part by the same persons or person, or were trained by the same trainer. The Board also directed staff to modify the proposed amendment to Rule 1974 to remove references to couple horses, but to retain the provision that would allow horses removed in error from the wagering pool to be disregarded for pari-mutuel purposes and to run for purse only.

ANALYSIS

The proposed amendment to Board Rule 1974 defines a wagering interest as any one horse in a race. The proposed amendment removes the reference to horses coupled as a single wagering interest, as under the amendment of Rule 1606 horses will no longer be coupled in California. A new subsection 1974(b) provides that if a horse is improperly removed from a wagering pool due to a totalizator error or another unjustified reason, and the owner and trainer are not at fault, the horse shall compete as a non-wagering interest

for the purse only. This provision addresses those instances when a horse is not scratched, but is inadvertently removed from the wagering pool by error. A new subsection 1974(c) requires the racing association to inform the public if a horse runs for purse only by making an announcement over the public address system and by informing off-track wagering outlets. This is intended to adequately inform the public regarding the status of the horse and to minimize confusion.

The proposed amendment to Rule 1606, Coupling of Horses, will remove the provision that requires coupling of horses owned in whole or in part by the same person or persons. This means that California no longer will couple horses as a single wagering interest when there is common ownership. A new subsection 1606(a) requires the racing association to take such actions as are necessary to adequately inform the public when two or more horses that are entered in the same race are owned in whole or in part by the same person or persons, or when two or more horses are trained by the same trainer. Such notice will include publishing the names of the owners and trainers in the official program and announcing the circumstances over the public address system. The proposed amendment will also change the title of the regulation to: "Association to Disclose Ownership." This reflects the change from coupling entries to providing the public with information regarding the ownership of horses entered in a race.

The proposed amendment to Rule 1974 and Rule 1606 will impact the following regulations. The regulations are attached for review:

- 1954.1, Parlay Wagering on Win, Place or Show - subsections (g), (h)
- 1957, Daily Double - subsections (h), (i), (j)
- 1959, Special Quinella (Exacta) - subsections (d), (e)
- 1976, Unlimited Sweepstakes – subsections (e), (h)
- 1976.8, Place Pick (n) – subsections (d), (e)
- 1976.9, Pick (n) Pool – subsections (c) and (d)
- 1977, Pick Three – subsections (c), (h)
- 1978, Select Four – subsections (e), (m)
- 1979, Trifecta – subsections (c), (g)
- 1979.1, Superfecta – subsections (c), (g)

RECOMMENDATION

Staff recommends the Board direct staff to initiate a 45-day public comment period for the proposed amendment of Rule 1974, Rule 1606 and the pari-mutuel wagering regulations.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 18. PARI-MUTUEL WAGERING
PROPOSED AMENDMENT OF
RULE 1974. WAGERING INTEREST

Regular Board Meeting
January 20, 2011

1974. Wagering Interest.

~~(a) A wagering interest may be is any one horse in a race, or may be two or more horses coupled as a single wagering interest as an "Entry" or the "Field." A declaration or withdrawal of one horse from a wagering interest which consists of more than one horse shall have no effect on any wagers made on such wagering interest.~~

(b) If a horse is removed from the wagering pool due to a totalizator error, or due to any other error, and neither the trainer nor the owner is at fault, the horse shall start in the race as a non-wagering interest for the purse only, and shall be disregarded for pari-mutuel purposes.

(c) If a horse is removed from the wagering pool to start in a race as a non-wagering interest for purse only and is disregarded for pari-mutuel purposes, the circumstances shall be announced over the public address system at the time the action is taken and thereafter to adequately inform the public. The racing association shall also inform off-track wagering outlets at the time such action is taken.

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

Reference: Section 19562,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
 TITLE 4. CALIFORNIA CODE OF REGULATIONS
 ARTICLE 6. ENTRIES AND DECLARATIONS
 PROPOSED AMENDMENT OF
 RULE 1606. COUPLING OF HORSES ASSOCIATION TO DISCLOSE OWNERSHIP

Regular Board Meeting
 January 20, 2011

1606. ~~Coupling of Horses.~~ Association to Disclose Ownership.

~~(a) Two or more horses shall be coupled as a single wagering interest and as an entry when such horses are owned in whole or in part by the same person or persons.~~

~~(b) Subsection (a) of this regulation does not apply when two or more thoroughbred horses, each owned by different partnerships whose composition are not mirror images, are entered in the same race, and~~

~~(1) There is at least one partner who has an ownership interest in each of the partnerships.~~

~~(c) Quarter horse races are exempt from subsection (a) of this regulation.~~

(a) If two or more horses that are entered in the same race are owned in whole or in part by the same person or persons, or are trained by the same trainer, the racing association shall take such actions as are necessary to adequately inform the public, including publishing the name of the owners and trainer in the official program as required under Rule 1461 of this division, and announcing the circumstances over the public address system.

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

Reference: Section 19401,
 Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 18. PARI-MUTUEL WAGERING
PROPOSED AMENDMENT OF
RULE 1954.1. PARLAY WAGERING ON WIN, PLACE OR SHOW

Regular Board Meeting
January 20, 2011

1954.1. Parlay Wagering on Win, Place or Show.

(a) The parlay is not a separate pari-mutuel pool, it is a series of wagers (consisting of legs) combining wagering entries in Win, Place or Show pools. The initial amount wagered constitutes the wager on the first leg, and if successful, the payout from the first leg constitutes the wager on the second leg, etc.

(b) A parlay wager is limited to Win, Place or Show which have a corresponding pool conducted on the race selected. The wager must combine at least two races but not more than six races. The races in a parlay must be in chronological order but do not need to be consecutive races or combine the same type pool.

(c) A parlay wager may only be on one pool and one wagering interest per leg and cannot combine wagers on races on other days.

(d) Payouts included as wagers in subsequent races and the final payout to the parlay wagerer shall be broken to the nearest dime. Parlay breakage shall be reported separately and added to regular breakage at the end of the day for the purpose of taxation and distribution.

(e) Parlay payouts will be included as wagers in subsequent pools by the track operator so the amount of such wagers, including their impact on the wagering odds, will be displayed. Wager totals in such pools shall be displayed in truncated fashion, to the lowest dollar.

(f) Parlay wagers may be cancelled by the ticket holder, in accordance with track policy, only before the start of the first parlay leg in which a parlay selection starts. Parlay wagers not cancelled must be completed or terminated by operation of these rules in order to be entitled to a payout.

(g) If a race, pool or wagering entry interest in a parlay is scratched, which includes an entry being declared a non-starter for wagering purposes, or if a wagering interest is designated to run for purse only in accordance with Rule 1974 of this article, or a race or pool is cancelled, the parlay shall consist of the remaining legs. The parlay terminates if there are no remaining legs.

~~(h) A wager on a coupled entry or field is considered a wager on the remaining part of the coupled entry or field if any part of the coupled entry or field starts for parimutuel purposes in accordance with Rule 1974 of this Article.~~

Authority: Section 19590,
Business and Professions Code.

Reference: Sections 19594, 19597 and 19598,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 18. PARI-MUTUEL WAGERING
PROPOSED AMENDMENT OF
RULE 1957. DAILY DOUBLE

Regular Board Meeting
January 20, 2011

1957. Daily Double.

(a) The Daily Double is a separate ~~parimutuel~~ pari-mutuel pool established on two (2) races. The pool consists of amounts wagered on the selection of the winning horse of both races. It is not a parlay and has no connection with or relation to other pools conducted by the association or to rules governing the distribution of other pools.

(b) A valid Daily Double ticket shall be evidence of a binding contract between the holder of the ticket and the association and shall constitute an acceptance of Daily Double provisions and rules contained in this Article.

(c) The association shall distribute the net pool to holders of valid tickets that correctly selected the winner of both races. If no ticket selected the winner of both races, the net pool shall be distributed as a place pool among tickets that included the winner of the first race and tickets that included the winner of the second race.

(d) If no ticket included the winner of the first race the net pool shall be distributed equally among tickets that included the winner of the second race; and, if no ticket included the winner of the second race the net pool shall be distributed equally among tickets that included the winner of the first race.

(e) If no ticket included the winner of either race the net pool shall be distributed equally among tickets selecting the second place finishers of both races.

(f) The association shall refund the entire pool if no ticket requires a payout or if the first race is cancelled.

(g) If the second race is cancelled after the first race has been completed, the net pool shall be distributed as a single price pool among tickets selecting the winner of the first race.

(h) Before the first race is run, any money wagered on a horse in either race that is scratched, excused by the Stewards, or prevented from racing or is designated to run for purse only in accordance with Rule 1974 of this article shall be deducted from the pool and refunded.

(i) If, after the first race is completed, any horse is scratched, excused by the Stewards or prevented from racing because of the failure of the stall doors or starting gate to open in the second race, or designated to run in the second race for purse only in accordance with Rule 1974 of this article, ~~after the first race has been completed,~~ all tickets including such horse(s) shall be deducted from the pool, and the pool(s), thus formed shall be distributed as a straight pool(s) among tickets combining the winner of the first race with such horse(s).

~~(j) A wager on a coupled entry or field is considered a wager on the remaining part of the coupled entry or field if any part of such entry starts for parimutuel purposes in accordance with Rule 1974.~~

~~(k)~~(j) If a dead heat occurs in either race the net pool is figured as a place pool. Example: Number eight (8) and five (5) dead heat in the first race, and number three (3) wins the second race, the pool would be divided and apportioned to tickets bearing eight (8) and three (3), and five (5) and three (3).

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

Reference: Section 19590,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 18. PARI-MUTUEL WAGERING
PROPOSED AMENDMENT OF
RULE 1959. SPECIAL QUINELLA (EXACTA)

Regular Board Meeting
January 20, 2011

1959. Special Quinella (Exacta).

(a) The Special Quinella is not a parlay and has no connection with or relation to the win, place and show pools shown on the totalizator board. All tickets on the Special Quinella will be calculated in a separate pari-mutuel pool.

(b) A Special Quinella race shall be given a distinctive name to be selected by the association conducting such race, such as "Perfecta" or "Exacta," subject to the approval of the Board.

(c) All Special Quinella tickets will be for the win and place combination only. Each person purchasing a Special Quinella ticket shall designate the exact order in which the first two horses will finish in a Special Quinella race. For example, if number 3 is selected to finish first and number 6 is selected to finish second, they must come in number 3, first and number 6 second in order to win.

~~(d) Entries or field horses in a race comprising the Special Quinella shall race as single wagering interests for the purposes of mutuel pool calculations and payouts to the public. If, in the event that any part of the entry or the field is a starter, there shall be no refund to persons wagering on such entry or field. In the event any part of an entry or the field finishes first, the order of finish of all other horses making up such entry or field will be disregarded in determining which horse finished second for the purpose of this rule.~~

(e)(d) Should any horse or horses entered in a Special Quinella race be scratched or excused by the Stewards after wagering has commenced or should any horse or horses be prevented from racing because of the failure of the stall doors of the starting gate to open, or if a horse is designated to run for purse only, all tickets including such horse or horses shall be deducted from the Special Quinella Pool and money refunded to the purchasers of tickets on the horse or horses so designated, excused or prevented from racing.

(f)(e) In the event that no ticket is sold on the winning combination of a Special Quinella Pool, the net pool shall be distributed equally among holders of tickets selecting the winning horse to finish first and holders of tickets selecting the second place horse to finish second.

(g)(f) In the event of a dead-heat between two horses for first place, the net pool shall be calculated and distributed as a place pool to holders of the winning combinations.

~~(h) In the event of a dead-heat between two or more horses for place, all tickets designating the proper first horse to win which are coupled with any of the place horses involved in a dead-heat shall be the winners of the Special Quinella race and payouts calculated according to their respective interest in the net pool.~~

(i)(g) In the event of a dead-heat for second place, if no ticket is sold on one of the two winning combinations, the entire net pool shall be calculated as a win pool and distributed to those holding tickets on the other winning combinations. If no tickets combine the winning horse with either of the place horses in the dead-heat the Special Quinella Pool shall be calculated and distributed to holders of tickets designating the winning horse or either of the place horses according to their respective interest in the net pool.

(j)(h) In the event of a dead-heat among three or more horses for first place, the net pool shall be calculated and distributed to holders of tickets designating any two of the horses participating in the dead-heat according to their respective interest in the net pool.

(k)(i) In the event that no ticket is sold that would require distribution to any winner as above defined the Special Quinella shall be deemed "No Contest" and all money in the Special Quinella shall be promptly refunded.

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

Reference: Section 19590,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 18. PARI-MUTUEL WAGERING
PROPOSED AMENDMENT OF
RULE 1976. UNLIMITED SWEEPSTAKES

Regular Board Meeting
January 20, 2011

1976. Unlimited Sweepstakes.

(a) The Unlimited Sweepstakes ~~parimutuel~~ pari-mutuel pool is not a parlay and has no connection with or relation to any other ~~parimutuel~~ pari-mutuel pool conducted by the association, nor to any win, place and show pool shown on the totalizator, nor to the rules governing the distribution of such other pools.

(b) An Unlimited Sweepstakes ~~parimutuel~~ pari-mutuel ticket shall be evidence of a binding contract between the holder of the ticket and the association and the said ticket shall constitute an acceptance of the Unlimited Sweepstakes provisions and rules contained in article Article 18.

(c) An Unlimited Sweepstakes may be given a distinctive name by the association conducting the meeting, subject to approval of the Board.

(d) The Unlimited Sweepstakes ~~parimutuel~~ pari-mutuel pool consists of amounts contributed for a selection for win only in each of nine races designated by the association with the approval of the Board. Each person purchasing an Unlimited Sweepstakes ticket shall designate the winning horse in each of the nine races comprising the Unlimited Sweepstakes.

~~(e) Those horses constituting an entry of coupled horses or those horses coupled to constitute the field in a race comprising the Unlimited Sweepstakes shall race as a single wagering interest for the purpose of the Unlimited Sweepstakes parimutuel pool calculations and payouts to the public. However if any part of either an entry or the field racing as a single wagering interest is a starter in a race the entry or the field selection shall remain as the~~

~~designated selection to win in that race for the Unlimited Sweepstakes calculation and the selection shall not be deemed a scratch.~~

~~(f)(e)~~ The Unlimited Sweepstakes ~~parimutuel~~ pari-mutuel pool shall be calculated as follows:

(1) One hundred percent (100%) of the net amount in the ~~parimutuel~~ pari-mutuel pool subject to distribution among winning ticket holders shall be distributed among the holders of ~~parimutuel~~ pari-mutuel tickets which correctly designate the official winner in each of the nine races comprising the Unlimited Sweepstakes.

(2) In the event there is no ~~parimutuel~~ pari-mutuel ticket properly issued which correctly designates the official winner in each of the nine races comprising the Unlimited Sweepstakes, twenty-five percent (25%) of the net amount in the ~~parimutuel~~ pari-mutuel pool shall be distributed among the holders of ~~parimutuel~~ pari-mutuel tickets which correctly designate the most official winners, but less than nine, in each of the nine races comprising the Unlimited Sweepstakes, and the remaining seventy-five percent (75%) of the net amount in the ~~parimutuel~~ pari-mutuel pool shall not be distributed as provided above but shall be retained by the association as distributable amounts and shall be carried over and included in the Unlimited Sweepstakes ~~parimutuel~~ pari-mutuel pool for the next succeeding racing date as an additional net amount to be distributed as provided in subsection ~~(f)(e)~~(1).

~~(g)(f)(1)~~ Except as provided in subsection ~~(k)(j)~~ and subsection ~~(m)(l)~~, should no distribution be made pursuant to subsections ~~(f)(e)~~(1), then the distributable pool and all monies accumulated therein shall be carried over until that amount equals or exceeds five million dollars (\$5,000,000) or such lesser amount as the racing association designates to the Board at the time it files its license application with the Board.

(2) Once the pool and all monies accumulated therein equals or exceeds five million dollars, or such lesser amount designated by the racing association pursuant to subsection

~~(g)~~(f)(1), that amount shall be distributed on the next racing day as provided in subsection ~~(f)~~(e)(1); but if no holder of ~~parimutuel~~ pari-mutuel tickets correctly designates the official winner in each of the nine races comprising the Unlimited Sweepstakes, then seventy-five percent (75%) of the pool shall be distributed among the holders of ~~parimutuel~~ pari-mutuel tickets which correctly designate the most official winners, but less than nine, in each of the nine races comprising the Unlimited Sweepstakes. The remaining twenty-five percent (25%) of the pool shall be distributed to those holders of ~~parimutuel~~ pari-mutuel tickets which correctly designate the next greatest number of official winners.

~~(h)~~(g) In the event an Unlimited Sweepstakes ticket ~~designates~~ includes a selection in any one or more of the races comprising the Unlimited Sweepstakes ~~and that selection is scratched,~~ excused or determined by the Stewards to be a nonstarter in the race, or if any selection is designated to run for purse only in a race comprising the Unlimited Sweepstakes, the actual favorite, as evidenced by the amounts wagered in the win pool at the time of the start of the race, will be substituted for the nonstarting or the designated selection for all purposes, including pool calculations and payouts.

~~(i)~~(h) In the event of a dead heat for win between two or more horses in any Unlimited Sweepstakes race, all such horses in the dead heat for win shall be considered as winning horses in the race for the purpose of calculating the pool.

~~(j)~~(i)(1) In the event that all nine races comprising the Unlimited Sweepstakes are cancelled or declared as no contest, all ~~parimutuel~~ pari-mutuel tickets held on the Unlimited Sweepstakes for that day or night shall be refunded and the Unlimited Sweepstakes shall be cancelled in its entirety for that day or night and any retained distributable amounts carried over from any prior Unlimited Sweepstakes pool pursuant to subsection ~~(f)~~(e)(2) shall be carried over to the next succeeding racing date of that meeting.

(2) In the event that fewer than nine, but no more than three, races comprising the Unlimited Sweepstakes are completed due to the cancellation of one or more races or the Stewards declaring one or more races as no contest, the pool for that racing day shall be refunded and the Unlimited Sweepstakes shall be cancelled in its entirety as provided in subsection ~~(f)~~(i)(1).

(3) In the event that fewer than nine, but no fewer than four, races comprising the Unlimited Sweepstakes are completed due to the cancellation of one or more races or the Stewards declaring one or more races as no contest, one hundred percent (100%) of the net amount in the ~~parimutuel~~ pari-mutuel pool for that day or night, exclusive of any retained distributable amounts carried over from any prior Unlimited Sweepstakes pool pursuant to subsection ~~(f)~~(e)(2), shall be subject to distribution among holders of ~~parimutuel~~ pari-mutuel tickets which correctly designate the most winners in the completed races of the Unlimited Sweepstakes. The retained distributable amounts carried over from any prior Unlimited Sweepstakes pool pursuant to subsection ~~(f)~~(e)(2) shall be carried over to the next succeeding racing date of that meeting.

~~(k)~~(j)(1) Should no distribution be made pursuant to subsection ~~(f)~~(e)(1) on the last day of the association's race meeting, then the distributable pool and all monies accumulated therein shall be distributed on that day. Seventy-five percent (75%) of the pool shall be distributed among holders of ~~parimutuel~~ pari-mutuel tickets which correctly designate the most official winners, but less than nine, in each of the nine races comprising the Unlimited Sweepstakes. The remaining twenty-five percent (25%) of the pool shall be distributed to those holders of ~~parimutuel~~ pari-mutuel tickets which correctly designate the next greatest number of official winners.

(2) In the event that an association is unable to distribute the retained distributable amount carried over from any prior Unlimited Sweepstakes pool established pursuant to

subsection ~~(f)~~(e)(2) by the end of its race meeting due to cancellation of the final day(s) or night(s) of racing or any other reason, the retained distributable amount shall be carried forward to the next race meeting having an Unlimited Sweepstakes at the same location and of the same breed of horse as the racing association that generated the retained distributable amount. The retained distributable amount shall be included in the Unlimited Sweepstakes pool for the first day or night of racing at the subsequent race meeting.

~~(f)~~(k) No ~~parimutuel~~ pari-mutuel ticket for the Unlimited Sweepstakes pool shall be sold, exchanged or cancelled after the time of the closing of wagering in the first of the nine races comprising the Unlimited Sweepstakes, except for such refunds on Unlimited Sweepstakes tickets as required by this regulation, and no person shall disclose the number of tickets sold in the Unlimited Sweepstakes pool or the number or amount of tickets selecting winners of Unlimited Sweepstakes races until such time as the Stewards have determined the last race comprising the Unlimited Sweepstakes each day to be official.

~~(m)~~(l) The racing association may, at its election, designate to the Board, at the time it files its license application with the Board, one or more racing days (nights) during its racing meeting on which the retained distributable amount carried over from any prior Unlimited Sweepstakes pool established pursuant to subsection ~~(f)~~(e)(2), shall be distributed as provided in subsection ~~(g)~~(f)(2), even though the retained amount is less than the amount specified in or designated by the racing association pursuant to subsection ~~(g)~~(f)(1).

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

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 18. PARI-MUTUEL WAGERING
PROPOSED AMENDMENT OF
RULE 1976.8. PLACE PICK (N)

Regular Board Meeting
January 20, 2011

1976.8. Place Pick (n).

(a) The Place Pick (n) is a separate pari-mutuel pool established by the association on a designated number of races. The pool consists of amounts wagered on a horse to finish first or second in each of the races. It is not a parlay and has no connection with or relation to other pools conducted by the association, except for the provisions in subsection (e), or to rules governing the distribution of other pools.

(b) A valid Place Pick (n) ticket shall be evidence of a binding contract between the holder of the ticket and the association and shall constitute an acceptance of Place Pick (n) provisions and rules contained in this Article.

(c) A Place Pick (n) may be given a distinctive name by the association conducting the meeting, subject to Board approval.

~~(d) A wager on a coupled entry or field is considered a wager on the remaining part of the coupled entry or field if any part of such entry starts for pari-mutuel purposes in accordance with Rule 1974 of this article.~~

~~(e)~~(d) If a ticket in any Place Pick (n) race designates a selection that is scratched, excused or determined by the Stewards to be a nonstarter in the race, or designates a selection that runs for purse only, the association may substitute ~~designate~~ the actual favorite, which is determined by the amounts wagered in the win pool at the time of the start of the race, or may allow patrons the option of selecting an alternate betting wagering interest. The actual favorite or

the alternate ~~betting~~ wagering interest will be substituted for the ~~nonstarting~~ non-starting selection or the selection designated to run for purse only for all purposes.

~~(f)(c)~~ (e) Except as provided in subsection ~~(f)(1)~~, in In a dead heat for win between two or more horses, only the horses in such dead heat shall be considered winning horses.

~~(1)~~ In a dead heat for win between two or more coupled horses, all such horses together with the horse(s) which finishes next in order shall be considered winning horses.

(2) Except as provided in subsection ~~(f)(e)~~, a dead heat for second between two or more horses, all such horses together with the horse which finished first shall be considered winning horses.

~~(g)(f)~~ The association shall distribute the net pool to holders of valid tickets that correctly selected the most first or second place finishers.

~~(h)(g)~~ All tickets shall be refunded if all races comprising the Place Pick (n) are cancelled or declared as no contest. The entire pool shall be refunded if less than four races are completed and if four or more races are completed the net pool shall be distributed pursuant to subsection ~~(g)(f)~~.

~~(i)(h)~~ After wagering closes on the first race comprising the Place Pick (n) no ticket shall be sold, exchanged or cancelled. No person shall disclose the number of tickets sold in the Place Pick (n) or the number or amount of tickets that selected winners of Place Pick (n) races until the Stewards declare the last race official.

~~(j)(i)~~ If the racing surface changes from turf to dirt or dirt to turf in any race of a Place Pick (n), and such change is not announced to the public before the close of wagering on the Place Pick (n) pool, all wagers on such race shall be considered winning wagers for the purposes of the Place Pick (n).

Authority: Sections 19440 and 19590,
Business and Professions Codes.

Reference: Sections 19593 and 19594,
Business and Professions Code.

TITLE 4. DIVISION 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 18. PARI-MUTUEL WAGERING
PROPOSED AMENDMENT OF
RULE 1976.9. PICK (N) POOL

Regular Board Meeting
January 20, 2011

1976.9. Pick (n) Pool.

(a) The Pick (n) requires selection of the first-place finisher in each of a number of races designated by the association. The association shall designate the percentage of the net pool considered the major share, and the percentage of the net pool considered the minor share, if any. The number of races comprising a Pick (n) must be at least four but no more than ten. Subsequent changes to the Pick (n) shall be requested in writing by the association. The Board or its designated representative shall respond in writing to requests within five working days of their receipt at Board headquarters.

(b) The major share of the net Pick (n) pool, along with the Pick (n) carryover, shall be distributed to ticket holders that selected the first-place finisher in each of the Pick (n) races, based upon the official order of finish, and the minor share of the net Pick (n) pool shall be distributed as a win pool to ticket holders whose selection finished first in the second greatest number of Pick (n) races; if there are no wagers selecting the first place finisher in each of the Pick (n) races, then:

(1) The minor share of the net pool shall be distributed as a win pool to ticket holders whose selection finished first in the greatest number of Pick (n) races, and

(2) The major share of the net Pick (n) pool shall be retained by the association and added to the corresponding Pick (n) pool of the next performance. The additional Pick (n) pool resulting from such a carryover shall be termed the "Pick (n) carryover."

(c) In a dead heat for first in any of the Pick (n) races ~~involving:~~

~~(1) Coupled horses or horses coupled to constitute the field, the Pick (n) pool shall be distributed as if a dead heat had not occurred, or~~

(2) Horses representing two or more wagering interests, all horses in the dead heat for win shall be considered winning horses to calculate the pool.

(d) If a wagering interest in any of the Pick (n) races is scratched, or if a horse is designated to run for purse only in accordance with Rule 1974 of this article, the association may ~~designate~~ substitute the favorite for the scratched or designated wagering interest, determined by total amounts wagered in the win pool at the close of wagering on that race, or allow patrons the option of selecting an alternate wagering interest. The favorite or alternate wagering interest shall be substituted for the scratched wagering interest, or horse designated to run for purse only, for all purposes. If the association elects to ~~designate~~ substitute the favorite and the win pool total is identical for two or more horses, the horse with the lowest program number is used. The totalizator shall produce written reports showing each of the wagering combinations with substituted wagering interests that became winners as a result of the substitution, in addition to the normal winning combination, at the end of each race where substitutions occur.

(e) The Pick (n) pool shall be canceled and all Pick (n) wagers for the individual performance shall be refunded if:

(1) Three or more races included as part of a Pick 4, Pick 5 or Pick 6 are canceled or declared no contest; or

(2) Four or more races included as part of a Pick 7, Pick 8 or Pick 9 are canceled or declared no contest; or

(3) Five or more races included as part of a Pick 10 are canceled or declared no contest.

(f) If at least one race included as part of a Pick (n) is canceled or declared no contest, but

fewer than the number specified in subsection (e), the net pool shall be distributed as a win pool to ticket holders whose selection finished first in the greatest number of Pick (n) races for that performance. Such distribution shall include the portion ordinarily retained for the Pick (n) carryover but not the carryover from previous performances.

(g) The Pick (n) carryover may be capped at an amount designated by the association, with Board approval. If, at the close of any performance, the carryover equals or exceeds the designated cap, it will be frozen until it is won or distributed under other provisions of this rule. After the carryover is frozen, 100% of the net pool shall be distributed to ticket holders whose selection finished first in the greatest number of Pick (n) races for that performance.

(h) Permission to distribute the Pick (n) carryover on a specific date and performance shall be obtained from the Board. The mandatory payout request must contain the intended date and performance for the distribution.

(i) If the Pick (n) carryover is designated for distribution on a specified date and performance in which no wager selects the first-place finisher in each of the Pick (n) races, the entire pool including the carryover shall be distributed as a win pool to ticket holders whose selection finished first in the greatest number of Pick (n) races. The Pick (n) carryover shall be designated for distribution on a specified date and performance only under the following circumstances:

- (1) With written approval from the Board as provided in subsection (h); or
- (2) With written approval from the Board when there is a change in the carryover cap, a change from one type of Pick (n) wagering to another, or when the Pick (n) is discontinued; or
- (3) On the closing performance of the meet or split meet.

(j) If the Pick (n) carryover must be carried over to the corresponding Pick (n) pool of a subsequent meet, it shall be deposited in an interest-bearing account approved by the Board. The Pick (n) carryover plus accrued interest shall then be added to the net Pick (n) pool of the following meet on a date and performance designated by the association, with Board approval.

(k) With Board approval, the association may contribute to the Pick (n) carryover a sum of money up to the amount of any designated cap.

(l) No ticket for the Pick (n) pool shall be sold, exchanged or canceled after the close of wagering in the first race comprising the Pick (n), except for refunds required by this rule.

(m) Providing information to any person regarding covered combinations, amounts wagered on specific combinations, number of tickets sold, or number of live tickets remaining is prohibited. The totalizator will be programmed to suppress all information related to Pick (n) wagering activity until the conclusion of the final race except for the following:

(1) Total amount of the net pool at the close of Pick (n) wagering.

(2) Information regarding possible Pick (n) payouts for each of the runners when the last race of the Pick (n) pool is the only race remaining to be run.

(n) If the racing surface changes from turf to dirt or dirt to turf in any race of a Pick (n) pool, and such change was not announced to the public before the close of wagering on the Pick (n) pool, all wagers on such race shall be considered winning wagers for the purposes of the Pick (n) pool.

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

Reference: Sections 19440, 19590 and 19593,
Business and Professions Code.

TITLE 4. DIVISION 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 18. PARI-MUTUEL WAGERING
PROPOSED AMENDMENT OF
RULE 1977. PICK THREE

Regular Board Meeting
January 20, 2011

1977. Pick Three.

(a) The Pick Three is a separate pari-mutuel pool established on three consecutive races. The pool consists of amounts wagered on the winning horse in each of the races. It is not a parlay and has no connection with or relation to other pools conducted by the association, or to rules governing the distribution of other pools.

(b) A valid Pick Three ticket shall be evidence of a binding contract between the holder of the ticket and the association and shall constitute an acceptance of Pick Three provisions and rules contained in this article.

~~(e) A wager on a coupled entry or field is considered a wager on the remaining part of the coupled entry or field if any part of such entry starts for pari-mutuel purposes in accordance with Rule 1974.~~

~~(d)~~(c) The association shall distribute the net pool to holders of valid tickets that correctly selected the winners in all three races.

~~(e)~~(d) In a dead heat for win between two or more horses in any of the Pick Three races, all such horses shall be considered winning horses in that race for calculating the pool. The payout shall reflect the proportionate amount of money wagered on each winning combination.

~~(f)~~(e) If no ticket selected the winner in all three races, the net pool shall be paid for tickets that selected the winner in any two races; and if no ticket selected two winners

the net pool shall be paid for tickets that selected the winner of any one race. The association shall refund the entire pool if no ticket selected the winner of any one race.

~~(g)~~(f) If one of the races is cancelled, the net pool shall be distributed as provided in subsection ~~(f)~~(e). If more than one race is cancelled the association shall refund the entire pool.

~~(h)~~(g) If a wagering interest is scratched (which hereinafter includes being declared a non-starter) from any leg of the Pick Three prior to the running of the first leg, or if a wagering interest is designated to run for purse only in accordance with rule 1974 of this article, all wagers containing such scratched or designated wagering interests shall be refunded.

~~(i)~~(h) If a wagering interest is scratched or designated to run for purse only from the second leg after the start of the first leg, a consolation payout shall be computed for those wagers combining the winners of the first and third legs with such scratched or designated horse(s) as follows: The amount represented by wagers on combinations involving horse(s) scratched or designated to run for purse only from the second leg shall be deducted from the gross pool. The resulting pool, net of takeout, shall be distributed as a win pool among tickets combining the winners of the first and third legs with horse(s) designated to run for purse only or scratched from the second leg.

~~(j)~~(i) If a wagering interest is designated to run for purse only or scratched from the third leg after the start of the second leg, a consolation payout shall be computed for those wagers combining the winners of the first and second legs with such designated or scratched horse(s) as follows: The amount represented by wagers on combinations involving horse(s) designated to run for purse only or scratched from the third leg shall

be deducted from the gross pool. The resulting pool, net of takeout, shall be distributed as a win pool among tickets combining the winners of the first and second legs with horse(s) designated to run for purse only or scratched from the third leg.

~~(k)~~(j) If wagering interests are designated to run for purse only or scratched from both the second and third legs after the start of the first leg, a consolation payout shall be computed for those wagers combining the winner of the first leg with horse(s) designated to run for purse only or scratched from both the second and third legs as follows: The amount wagered on the winner of the first leg combined with all other horse(s) designated or scratched from the second and third legs shall be deducted from the gross pool. The resulting pool, net of takeout, shall be distributed as a win pool among tickets combining the winner of the first leg with horse(s) designated to run for purse only or scratched from both the second and third legs.

~~(k)~~(k) After wagering closes on the first race of the Pick Three no ticket shall be sold, exchanged or cancelled. No person shall disclose the number of tickets sold in the Pick Three races or the number or amount of tickets that selected winners of Pick Three races until the stewards declare the last race official. After the second of the three races, the association may display potential distributions dependent upon the outcome of the third race.

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

Reference: Section 19590,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 18. PARI-MUTUEL WAGERING
PROPOSED AMENDMENT OF
RULE 1978. SELECT FOUR

Regular Board Meeting
January 20, 2011

1978. Select Four.

(a) The Select Four ~~parimutuel~~ pari-mutuel pool is not a parlay and has no connection with or relation to any other ~~parimutuel~~ pari-mutuel pool conducted by the association, nor to any win, place and show pool shown on the totalizator board, nor to the rules governing the distribution of such other pools.

(b) A valid Select Four ticket shall be evidence of a binding contract between the holder of the ticket and the racing association, and the said ticket shall constitute an acceptance of Select Four provisions and rules contained in ~~Article~~ article 18.

(c) A Select Four may be given a distinctive name to be selected by the association conducting such races, such as "PICK 4", subject to the approval of the Board.

(d) The Select Four ~~parimutuel~~ pari-mutuel pool consists of amounts contributed for a selection for win only in each of four races designated by the association with the approval of the Board. Each person purchasing a Select Four ticket shall designate the winning horse in each of the four races comprising the Select Four.

~~(e) Those horses constituting an entry of coupled horses or those horses coupled to constitute the field in a race comprising the Select Four shall race as a single wagering interest for the purpose of the Select Four parimutuel pool calculations and payouts to the public. However, if any part of either an entry or the field racing as a single interest is a starter in a race,~~

~~the entry or the field selection shall remain as the designated selection to win in that race for the Select Four calculation, and the selection shall not be deemed a scratch.~~

~~(f)~~(e) The net amount in the ~~parimutuel~~ pari-mutuel pool subject to distribution among winning ticket holders shall be distributed among the holders of tickets which correctly designate the winners in all four races comprising the Select Four.

~~(g)~~(f) If no ticket is sold combining the four winners of the Select Four, the net amount in the ~~parimutuel~~ pari-mutuel pool shall be distributed among the holders of tickets which include the winners of any three of the four races comprising the Select Four.

~~(h)~~(g) If no ticket is sold combining at least three winners of the Select Four, the net amount in the ~~parimutuel~~ pari-mutuel pool shall be distributed among holders of tickets which include the winner of any two races comprising the Select Four.

~~(i)~~(h) If no ticket is sold combining at least two winners of the Select Four, the net amount in the ~~parimutuel~~ pari-mutuel pool shall be distributed among holders of tickets which include the winner of any one race comprising the Select Four.

~~(j)~~(i) If no ticket is sold that would require distribution of the Select Four pool to a winner under this rule, the association shall make a complete and full refund of the Select Four pool.

~~(k)~~(j) If for any reason one of the races comprising the Select Four is cancelled, the net amount of the ~~parimutuel~~ pari-mutuel pool shall be distributed as provided above in subsections (f), (g), (h), and (i) ~~and (j)~~.

~~(l)~~(k) If for any reason two or more of the races comprising the Select Four is cancelled, a full and complete refund will be made of the Select Four pool.

~~(m)~~(l) In the event a Select Four ticket ~~designates~~ includes a selection in any one or more of the races comprising the Select Four ~~and that selection~~ is scratched, excused or determined by

the Stewards to be a non-starter in the race, or if the Select Four ticket includes a selection that is designated to run for purse only in accordance with Rule 1974 of this article, the actual favorite, as evidenced by the amounts wagered in the win pool at the time of the start of the race, will be substituted for the non-starting or designated selection for all purposes, including pool calculations and payouts.

(n)(m) In the event of a dead heat for win between two or more horses in any Select Four race, all such horses in the dead heat for win shall be considered as winning horses in the race for the purpose of calculating the pool.

(n) No ~~parimutuel~~ pari-mutuel ticket for the Select Four pool shall be sold, exchanged or cancelled after the time of the closing of wagering in the first of the four races comprising the Select Four, except for such refunds on Select Four tickets as required by this regulation, and no person shall disclose the number of tickets sold in the Select Four pool or the number or amount of tickets selecting winners of Select Four races until such time as the Stewards have determined the last race comprising the Select Four to be official. Notwithstanding the above, at the conclusion of the third of the four races comprising the Select Four, an association may with the approval of the Board display potential distribution to ticket holders depending upon the outcome of the fourth race of the Select Four.

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

Reference: Section 19594 19590,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 18. PARI-MUTUEL WAGERING
PROPOSED AMENDMENT OF
RULE 1979. TRIFECTA

Regular Board Meeting
January 20, 2011

1979. Trifecta.

(a) The Trifecta is a separate pari-mutuel pool established on a single race. The pool consists of amounts wagered on horses to finish first, second and third in that exact order. It is not a parlay and has no connection with or relation to other pools conducted by the association or to rules governing the distribution of other pools.

(b) A valid Trifecta ticket is evidence of a binding contract between the holder of the ticket and the association and constitutes acceptance of Trifecta provisions and rules contained in this article.

(c) No Trifecta pool shall be established for a race with less than four wagering interests scheduled to start when the Trifecta pool opens for wagering in California. ~~A wager on a coupled entry or field is considered a wager on the remaining part of the coupled entry or field if any part of such entry starts for pari-mutuel purposes in accordance with Section 1974.~~

(d) After the stewards' official order of finish is posted, the association shall distribute the net pool to holders of valid tickets that correctly selected the first, second and third finishers.

(e) In a dead heat for first or second position, only tickets selecting the correct order of finish for the first three finishers shall be winning tickets; that is, two horses in a dead heat for first shall be first and second, in either position; and two horses in a dead heat for second shall be second and third, in either position. In a triple dead heat for first, the three horses shall be the winning combination regardless of the order of selection. In a triple dead heat for second, tickets

with the correct first selection and two of the three horses shall be winning tickets. In a triple dead heat for third, tickets with the correct first and second selection and one of the three horses shall be winning tickets.

(f) If no ticket correctly selected the first, second and third position, the net pool shall be paid for tickets that selected first and second. If no ticket selected first and second the net pool shall be paid for tickets that selected first. The association shall refund the entire pool if no ticket selected first.

(g) If the stewards scratch a horse or designate a horse to run for purse only in accordance with Rule 1974 of this article before wagering is closed, the association may exchange any ticket that includes the scratched or designated horse. After wagering is closed, tickets selecting a scratched or designated horse, or a horse the stewards declared a nonstarter, shall be eliminated from the pool and the purchase price refunded.

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

Reference: Section 19590,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 18. PARI-MUTUEL WAGERING
PROPOSED AMENDMENT OF
RULE 1979.1. SUPERFECTA

Regular Board Meeting
January 20, 2011

1979.1. Superfecta.

(a) The Superfecta is a separate pari-mutuel pool established on a single race. The pool consists of amounts wagered on horses to finish first, second, third, and fourth in that exact order. It is not a parlay and has no connection with other pools conducted by the association or to rules governing the distribution of other pools.

(b) A valid Superfecta ticket is evidence of a binding contract between the holder of the ticket and the association and constitutes acceptance of Superfecta provisions and rules contained in this article.

(c) No Superfecta pool shall be established for a race with less than six wagering interests scheduled to start when the Superfecta pool opens for wagering in California. ~~A wager on a coupled entry or field is considered a wager on the remaining part of the coupled entry or field if any part of the entry starts for pari-mutuel purposes under Rule 1974 of this division.~~

(d) After the stewards' official order of finish is posted, the association shall distribute the net pool to holders of valid tickets that select the first, second, third, and fourth finishers.

(e) In a dead heat for first, second, or third position, only tickets selecting the correct order of finish for the first four finishers shall be winning tickets; that is, two horses in a dead heat for first shall be first and second, in either position; two horses in a dead heat for second shall be second and third, in either position; and two horses in a dead heat for third shall be third and fourth, in either position. In a dead heat for fourth, tickets with the correct first, second, and

third selection and one of the two horses in the dead heat for fourth shall be winning tickets. In a triple dead heat for first, tickets selecting the three horses in the dead heat, regardless of the order of selection, and the horse finishing fourth shall be winning tickets. In a triple dead heat for second, tickets with the correct first selection and all three horses in the dead heat shall be winning tickets. In a triple dead heat for third, tickets with the correct first and second selection and two of the three horses in the dead heat shall be winning tickets. In a triple dead heat for fourth, tickets with the correct first, second, and third selection and one of the horses in the dead heat shall be winning tickets.

(f) If no ticket selects the first, second, third, and fourth position, the net pool shall be paid for tickets that select first, second, and third. If no ticket selects first, second, and third position, the net pool shall be paid for tickets that select first and second. If no ticket selects first and second, the net pool shall be paid for tickets that select first. The association shall refund the entire pool if no ticket selects first.

(g) If the stewards scratch a horse or designate a horse to run for purse only in accordance with Rule 1974 of this article before wagering is closed, the association may exchange any ticket that includes the scratched or designated horse. After wagering is closed, tickets selecting a scratched or designated horse, or a horse the stewards declared a nonstarter, shall be eliminated from the pool and the purchase price refunded.

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

Reference: Section 19590,
Business and Professions Code.

STAFF ANALYSIS
DISCUSSION AND ACTION BY THE BOARD REGARDING
THE PROPOSED AMENDMENT TO
CHRB RULE 1876, FINANCIAL RESPONSIBILITY,
TO ADD FINANCIAL RESPONSIBILITY COMPLAINTS FROM
EQUINE MEDICAL HOSPITALS,
SERVICES PROVIDED BY HORSE FARMS THAT ARE
DIRECTLY RELATED TO HORSE RACING
WHERE THE DEBT EXCEEDS \$1,000.00,
THOROUGHBRED HORSE AUCTION SALES, AND
WAGE DISPUTES BETWEEN LICENSEES

Regular Board Meeting
January 20, 2011

BACKGROUND

Business and Professions Code section 19440 provides that the Board shall have all powers necessary and proper to enable it to carry out fully and effectually the purposes of this chapter. Responsibilities of the Board shall include, but not be limited to administration and enforcement of all laws, rules, and regulations affecting horse racing and pari-mutuel wagering, as well as adjudication of controversies arising from the enforcement of those laws and regulations dealing with horse racing and pari-mutuel wagering. Business and Professions Code section 19460 states all licenses are subject to all rules, regulations, and conditions from time to time prescribed by the Board. Business and Professions Code section 19461 provides that every license granted under this chapter is subject to suspension or revocation by the Board in any case where the Board has reason to believe that any condition regarding it has not been complied with, or that any rule or regulation of the Board affecting it has been broken or violated.

Board Rule 1876, Financial Responsibility, states that no licensee shall willfully and deliberately fail or refuse to pay any moneys when due for any service, supplies or fees connected with his or her operations as a licensee, nor shall he or she falsely deny any such amount due or the validity of the complaint thereof with the purpose of hindering or delaying or defrauding the person to whom such indebtedness is due. The regulation also provides a guideline for the filing of financial responsibility complaints against licensees.

- A financial responsibility complaint against a licensee must be in writing and signed by the complainant.
- A financial responsibility complaint must be accompanied by documentation of services, supplies or fees alleged to be due, OR accompanied by a judgment from a civil court which has been issued within one year of the date of the complaint.

Under Board Rule 1876, the Board will only consider financial responsibility complaints that meet the following criteria:

- The complainant has NOT made a complaint against the same accused within a twenty-four month period.
- The complaint involves services, supplies or fees that are directly related to the licensee's California racetrack operations.
- The debt or civil court judgment was issued in California within one year of the filing of the complaint.

To assist in the enforcement of Rule 1876 the CHRB has issued a series of Directives. A Directive issued in July 2008 (CHRB Directive 06-08) basically reiterated the text of the regulation – except that it limited the acceptance of financial responsibility complaints to those received from “licensed vendors.” (Rule 1876 allowed any “complainant” to file a financial responsibility complaint.) The directive also expanded on Rule 1876 by stating complaints submitted by licensees regarding wage disputes and equine medical hospitals, would be accepted without civil court judgments. All other financial responsibility complaints would require civil court judgments before they would be accepted.

The CHRB Directives are intended to provide guidance in the application of Rule 1876. However, the result seems to be uneven application. A financial responsibility complaint that is considered in Northern California might not be considered if it were submitted in Southern California. Further, all persons who wish to submit financial responsibility complaints have access to the text of Rule 1876, but few may be aware of the requirements of the directive. The Board's rules are promulgated on its website, published in a rulebook issued by the Board and are otherwise available in the California Code of Regulations. Directives are generally internal documents distributed to Board staff, stewards and official veterinarians, and are not as widely available to the public.

In June 2010, the issue of financial responsibility complaints from horse farms was brought to the CHRB, and the stewards were directed to hear the financial responsibility complaints of Tommy Town Thoroughbreds LLC (Tommy Town). Following the hearings, Tommy Town requested that the CHRB consider amending Rule 1876 to include horse farm debts. Tommy Town stated trainers and owners were more concerned about paying debts at the racetrack, but as farm bills did not impact an owner's or trainer's ability to race, they were of a lesser concern. Tommy Town suggested that to avoid wasting the stewards' time, a minimum debt of \$1,000 or more could be set.

At its July 2010 Regular Meeting the Board discussed a proposed amendment to Rule 1876. The proposed amendment was crafted to include the provisions of CHRB Directive 06-08, which required that financial responsibility complaints include a civil court judgment (with the exception of wage disputes between licensees and equine medical hospitals). However, the proposed amendment inadvertently omitted equine medical hospitals from the civil court judgment exemption. The proposed amendment also included horse farms as entities whose financial responsibility complaints will be considered if the debts were directly related to the horse racing operations of the licensee and was at least \$1,000 or more.

At the July 2010 Regular Board Meeting staff was directed to put the proposed amendment to Rule 1876 out for a 45-day public comment period.

During the 45-day public comment period a new Directive (CHRB Directive 02-10) was issued, which superseded CHRB Directive 06-08. The new August 2010 Directive requires that all financial responsibility complaints – except wage disputes between licensees – include a civil court judgment and have a minimum balance of \$1,000.

At the November 2010 hearing for adoption the Board was informed that a substantive number of comments were received during the 45-day public comment period. The majority of those who commented objected to the proposed requirement that a civil court judgment must be obtained before the stewards would consider a financial complaint. Many persons who commented stated that obtaining a civil court judgment would be an onerous burden, and that licensees often simply ignored civil court judgments, but licensees did respond to the threat of losing their licenses. Commissioner Derek stated she would support looking into whether civil court judgments were needed if that would move the issue and solve the expressed objections. Commissioner Rosenberg said it appeared it was impractical for creditors to keep returning to small claims court every time they had problems with creditors, and Vice-Chairman Israel suggested that requiring complainants to obtain a civil court judgment would be unfair to the courts. Conversely, Commissioner Choper stated it was true the courts were overloaded, but so were the stewards. In addition, the courts were the most efficient bodies to make the determinations. Once a judgment was obtained, the stewards could calendar the complaint and resolve them quickly. The item was deferred so that the comments received during the 45-day public comment period (specifically those relating to civil court judgments) could be incorporated into the proposed amendment.

ANALYSIS

The proposed amendment to Rule 1876 no longer requires that a complainant submit a civil court judgment. Instead, a complainant may choose to submit documentation of services, supplies or fees owed, or a civil court judgment that has been issued within one year of the date of the complaint. This is currently how the text of the regulation reads, and is not a change. The proposed amendment states complaints made by equine medical hospitals; horse farms (where the debt is \$1,000 or more) and thoroughbred horse auction sales authorized by the Board, will be heard. This makes it clear that such financial complaints will be heard when the debts are directly related to the licensee's horse racing operations. The \$1,000 debt level for horse farms was suggested by the Tommy Town farm to avoid over-burdening the stewards. The proposed amendment also includes horse racing related wage disputes between licensees. This was added to ensure that licensees could take such disputes to the stewards, as some licensees may be reluctant to use other avenues to address wage disputes.

RECOMMENDATION

Staff recommends the Board direct staff to initiate a 45-day public comment period regarding the proposed amendment to Rule 1876.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 16. GENERAL CONDUCT
PROPOSED AMENDMENT OF
RULE 1876. FINANCIAL RESPONSIBILITY

Regular Board Meeting
January 20, 2011

1876. Financial Responsibility.

(a) No licensee shall willfully and deliberately fail or refuse to pay any moneys when due for any service, supplies or fees ~~connected with~~ directly related to his or her California racetrack operations as a licensee, nor shall he or she falsely deny any such amount due or the validity of the complaint thereof with the purpose of hindering or delaying or defrauding the person to whom such indebtedness is due.

(b) Any financial responsibility complaint against a licensee shall be in writing, signed by the complainant, and accompanied by documentation of the services, supplies or fees alleged to be due, or by a judgment from a civil court which has been issued within one year of the date of the complaint.

(c) The Board will not consider a financial responsibility complaint made by the complainant against the same accused within twenty-four months of the filing of the instant complaint.

(d) The Board will consider only those financial responsibility complaints which meet the following criteria:

(1) The complaint involves services, supplies or fees that are directly related to the licensee's California racetrack operations; and

(2) The debt or cause for action originated, or the civil court judgment was issued,

in this State within one year of the filing of the complaint.

(e) Financial responsibility complaints submitted by equine medical hospitals, horse farms, and thoroughbred horse auction sales authorized by the Board in accordance with Rule 1807 of this Division, will be considered provided such complaints comply with subsections (b), (c) and (d) (1) through (d) (2) of this regulation, and are directly related to the California horse racing operations of a person licensed by the Board.

(1) In the case of horse farms, no financial responsibility complaint for less than one thousand dollars will be considered.

(f) Financial responsibility complaints that are horse racing related wage disputes originating between persons licensed by the Board will be considered.

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

Reference: Sections 19440, 19460 and 19461,
Business and Professions Code.

STAFF ANALYSIS
DISCUSSION AND ACTION BY THE BOARD REGARDING
AN UPDATE ON THE PROGRESS OF RANDOM DRUG TESTING
OF PERSONS WHO HOLD SPECIFIED CLASSES OF
OCCUPATIONAL LICENSES

Regular Board Meeting
January 20, 2011

BACKGROUND

Business and Professions Code section 19420 provides that the Board has jurisdiction and supervision in this State where horse races with wagering on their results are held or conducted, and over all persons or things having to do with the operation of such meetings. Business and Professions Code section 19440 states the Board shall have all powers necessary and proper to enable it to carry out fully and effectually the purposes of this chapter. Responsibilities of the Board include, but are not limited to, adopting rules and regulations for the protection of the public and the control of horse racing. Business and Professions Code section 19460 provides that all licenses granted under this chapter are subject to all rules, regulations, and conditions from time to time prescribed by the Board, and shall contain such conditions as are deemed necessary or desirable by the Board for the purposes of this chapter. 19520 states every person who participates in, or has anything to do with the racing of horses shall be licensed by the Board pursuant to rules and regulations that the Board may adopt.

At its December 2010 Regular Meeting the Board discussed random drug testing of California licensed jockeys, apprentice jockeys and drivers. The proposed vehicle for a CHRB random drug testing program was the addition of Rule 1500.1, Jockey/Driver Subject to Testing, and the proposed amendment of Board Rule 1498, Physical Examination. The Board learned that the Jockey's Guild had indicated its support for the concept, but it had a number of specific questions and concerns. In addition, the Board was informed that at the December 14, 2010, Stewards' Committee meeting the issue of testing other on-track personnel who could affect safety was raised. At the conclusion of the discussion, staff was directed to continue to work on the proposed regulations and to include other on-track personnel in such license classifications as gate workers, exercise riders and pony riders.

Following the December 2010 Regular Meeting staff modified the proposed text of Rule 1500.1 to include additional classes of occupational licenses. In addition to jockeys, apprentice jockeys and drivers, it is proposed that persons who hold the following classes of occupational licenses will be subject to random drug testing: *stewards, official veterinarians, starters, assistant starters, exercise riders, pony riders, outriders and provisional exercise riders*. Because stewards may be subject to random drug testing, the procedure for initiating random testing is being reviewed.

With the Jockey Guild's comments in mind, staff is in the process of comparing the Board's proposed regulation(s) with the federal regulations and the California Boxing Commission rule to see how Rule 1500.1 may be improved. Staff will continue to work with the Jockey's Guild in the development of the proposed random drug testing program.

STAFF ANALYSIS
DISCUSSION AND ACTION BY THE BOARD REGARDING THE
DISTRIBUTION OF RACE DAY CHARITY PROCEEDS OF
THE HOLLYWOOD PARK RACING ASSOCIATION IN THE
AMOUNT OF \$110,000 TO 22 BENEFICIARIES

Regular Board Meeting
January 20, 2011

BACKGROUND

Business and Professions Code section 19550 (a) states the Board shall require each licensed racing association that conducts 14 or less weeks of racing to designate three racing days, and each licensed racing association that conducts more than 14 weeks of racing to designate five racing days during any one meeting, to be conducted as charity days by the licensee for the purpose of distribution of the net proceeds therefrom to beneficiaries through the distribution agent. Business and Professions Code section 19550 (b) states no racing association shall be required to pay beneficiaries more than an amount equal to two-tenths of 1 percent of the association's total on-track handle on live races conducted. Business and Professions Code section 19556 provides that the distributing agent shall make the distribution to beneficiaries qualified under this article. At least 50 percent of the distribution shall be made to charities associated with the horse racing industry.

ANALYSIS

The Hollywood Park Racing Association is requesting approval to distribute proceeds from charity day races conducted at Hollywood Park during its 2010 race meetings from April 21, 2010 through July 18, 2010 and November 3, 2010 through December 19, 2010. The net proceeds from the charity days totaled \$110,000. The list of organizations selected and amount to be distributed is attached. Staff notes that 53 percent of the proceeds will be given to racing related organizations.

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 90306

(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.

RECEIVED
CHRB

2010 DEC 30 PM 2:55

December 30, 2010

Mr. Francisco Gonzales
California Horse Racing Board
1010 Hurley Way, Suite 300
Sacramento, California 95825

Fax # (916) 263-6042

Re: HOLLYWOOD PARK RACING CHARITIES 2010 GRANTS

This is a list of the grants for 2010 from the Hollywood Park Racing Charities, Inc. Please include these in the next available meeting. We would like to get the checks out as soon as possible.

Any questions or corrections, please contact me at (626) 922-2912, or call Eual Wyatt at Hollywood Park, (310) 419-1527.

Sincerely,



Julie Hale
Administrative Secretary

Hollywood Park Racing Charities, Inc. - 2010 Grants

Education

Inglewood Education Fund \$10,000

Health

Inglewood Children's Dental Center \$ 2,000

Miscellaneous

Los Angeles NAACP \$ 5,000

Los Angeles Urban League \$ 5,000
\$10,000

Racing

California Equine Retirement Foundation \$ 3,000

California Thoroughbred Horsemen's Foundation \$ 6,000

Disabled Jockeys Endowment \$22,000

Edwin Gregson Foundation \$ 4,000

Don MacBeth Memorial Jockey Fund \$ 5,000

Racetrack Chaplaincy of America \$ 5,000

Southern California Equine Foundation \$ 4,000

Tranquility Farm \$ 3,000

Winners Foundation \$ 6,500
\$58,500

Social Services

Centinela Valley Juvenile Diversion Project \$ 2,000

Children's Bureau of So. California \$ 4,000

Inglewood After School Program \$ 2,000

Inglewood Recreation Department \$ 2,000

Inglewood Senior Citizens Center \$ 3,000

International Life Services \$ 5,000

Saint Margaret's Center \$ 2,500

Salesian Boys & Girls Club \$ 4,500

Watts/Willowbrook Boys & Girls Club \$ 4,500
\$ 29,500

TOTAL \$110,000

STAFF ANALYSIS
DISCUSSION AND ACTION BY THE BOARD REGARDING
ADOPTION OF PROPOSED RECOMMENDATIONS
FOR INCLUSION IN THE 2009/2010 ANNUAL REPORT

Regular Board Meeting
January 20, 2011

BACKGROUND

Business and Professions Code section 19441 provides that the Board shall annually make a full report to the Governor and the Legislature of its proceedings and the state of the business of horse racing for the preceding fiscal year, on or before January 31, and shall embody therein any recommendations deemed needed for improved functioning of the horse racing laws. Business and Professions Code section 19441.2. states in its annual report required under Section 19441, the Board shall include a tabulation of injuries, fatalities, and comparative accident rates for all racing and training venues within its jurisdiction. The report shall also include recommendations concerning the worker safety impacts of improvements in racetrack design, jockey equipment, racing procedures, and track and facility maintenance.

Accordingly, the Board intends to develop and implement strategies to improve jockey and equine safety by:

- Maximizing the innovative CHRB-CAHFS/UC Davis necropsy program to better understand the pathophysiology and biomechanics of racing injuries.
- Investigating and analyzing racing and training accidents, injuries and fatalities
- Monitoring, analyzing, and making recommendations to improve veterinary and training practices
- Monitoring, analyzing, and making recommendations to improve drug testing and medication practices
- Developing and adopting safety standards for evaluation and control of track surfaces.
- Monitoring, analyzing, and making recommendations to improve track surface material and maintenance procedures
- Developing continuing education programs for licensees responsible for horse care.

While the safety of racing participants is a top priority for the CHRB, the health of the overall California horse racing industry is another valid concern. The Board intends to insure that adequate funds are being devoted to marketing horse racing in California. The Board will consider revising the application for licensure to operate a race meet by requiring each applicant to submit its audited financial statements, including a statement of financial position, statement of activities, and statement of cash flows relating to the specific race meet in the license application. This would enable the Board to determine – in the judgment of the racing commissioners – if the applicant is spending enough to promote horse racing.

The Board also intends to develop and implement a strategy to increase attendance at brick-and-mortar wagering facilities in the state. This could involve legislation but at a minimum will require updating and expanding the CHRB regulations pertaining to the conditions and operation of simulcast wagering facilities.

STAFF ANALYSIS
DISCUSSION AND ACTION BY THE BOARD
ON A REPORT FROM
CHRIMS REGARDING ITS
ANNUAL ACTIVITIES AND PLANS FOR
2011 AND BEYOND

Regular Board Meeting
January 20, 2011

BACKGROUND

Business and Professions Code section 19642 provides that cash vouchers that are not redeemed within 365 days of the close of the racing meeting at which the voucher was purchased shall be distributed to a nonprofit organization designated by the Board for purposes of maintaining a data base of horseracing information. In November 10, 1999 the Board designated the California Horse Racing Information Management System, Inc (CHRIMS) as such organization.

Senate Bill (SB) 1072 (Calderon), Chapter 283, Statutes of 2010, added section 19642.1 to the Business and Professions Code. Section 19642.1 provides that an amount not to exceed 0.05 percent of the total amount handled by each satellite wagering facility shall be distributed to the nonprofit organization designated by the Board for purposes of maintaining a database of horse racing information. The amount to be distributed to the nonprofit organization initially shall be 0.05 percent of the total amount handled by each satellite wagering facility and may be adjusted by the Board. The nonprofit organization must annually submit its budget for the ensuing calendar year to the Board at its November Regular Meeting and it shall file quarterly financial statements with the Board.

ANALYSIS

CHRIMS Historical Development

- In 1990 the California Authority of Racing Fairs (CARF) developed and administered a computerized horse racing information system. The system was initially sponsored by the California Department of Food and Agriculture, Division of Fairs and Expositions (F and E).
- In 1995 F and E transferred to CARF all the rights, title, and interest in all hardware, propriety software and computer programs. During the year CARF formally established the California Horse Racing Information System (CHRIMS) to make horse racing data available to the horse racing industry. CHRIMS then became a separate division under CARF. In addition, in 1995 the CHRB officially recognized CARF as the organization to maintain a database of horse racing information in accordance to Business and Professions Code section 19642.

- At the November 1999 Regular Board meeting the Board designated CHRIMS Inc. as the organization in accordance with Business and Professions Code section 19642.
- In February of 2002 CARF formally transferred CHRIMS ownership to the CHRB. Soon after a draft agreement was developed to transfer the CHRIMS ownership from the CHRB to CHRIMS Inc. The original Memorandum of Understanding was never executed. In 2010 CHRIMS Inc. and the CHRB negotiated a new Memorandum of Understanding, which reflects the current state of affairs between CHRIMS and the CHRB. The new Memorandum of Understanding has not been signed yet.

Currently CHRIMS Inc. is a non-profit pari-mutuel wagering data processing system that provides comprehensive simulcast settlement services to the horse racing industry. Since 2000, every pari-mutuel facility in California has relied on CHRIMS for consolidated wagering information. Instead of tracks logging and calculating their own data, tracks depend on CHRIMS to calculate their money-room shifts, and the distribution of takeout to purses, breeders, simulcast fees, taxes, workers' compensation funds, etc.

Other services offered by CHRIMS include customized reports and consulting services to assist the analysis of trends, budgets, and projections. Under the California Business and Professions Code, CHRIMS is the source of pari-mutuel wagering data for the CHRB in discharging its regulatory responsibilities and monitoring the integrity of pari-mutuel pools and distributions from those pools. CHRIMS also manages the intrastate communications system through which wagering data is transmitted both inter-track and throughout the state's off-track wagering network.

The table below shows CHRIMS Inc. revenues and expenses for years 2007-2009.

CHRIMS Revenues and Expenses			
	2007	2008	2009
Unclaimed vouchers per BP 19642	637,164	635,836	585,983
Other revenues	1,270,540	1,683,248	2,065,317
Total revenue	1,907,704	2,319,084	2,651,300
Total expenses	2,188,378	2,491,488	2,705,512

RECOMMENDATION

In anticipation of the implementation of SB 1072, a representative of CHRIMS is prepared to discuss CHRIMS annual activities and plans for 2011 and beyond.

STAFF ANALYSIS

January 20, 2011

Issue: APPLICATION FOR AUTHORIZATION TO OPERATE A SIMULCAST WAGERING FACILITY OF SYCUAN CASINO OPERATED BY THE SYCUAN BAND OF THE KUMEYAAAY NATION.

The Sycuan Casino Simulcast Wagering Facility (SWF) has submitted its Application to Operate a Simulcast Wagering Facility to relocate its simulcast wagering facility. Sycuan is currently undergoing a \$27 million renovation and is happy to announce that the SWF is included in the remodel. The new room is virtually identical to the existing location with more seating area. The remodeled SWF location will be located on the North side of the building.

The Sycuan Casino Simulcast Wagering Facility opened October 7, 1990, and closed May 8, 2005, for renovations. They were able to expand their SWF in 2009 when they were allotted more gaming machines and needed additional space to accommodate the equipment. The Board approved the Sycuan Casino SWF application to reopen at the July 9, 2009, Regular Board Meeting.

Proposed dates of operation during current racing year:

- Applicant requesting approval to begin operation in new area January 21, 2011.
- Days of operation for thoroughbred racing Wednesday through Sunday; selected Mondays and holidays; quarter horse and harness racing – Thursday through Sunday; selected days and holidays.
- Opening 10:00 a.m. through 11:30 p.m.; selected days opening 8:00 a.m. and closing 12:00 a.m.
- The facility will not be utilized as a simulcast wagering facility Mondays and Tuesdays.

Admission Charges

- There are no fees charged for admission or parking.

General Admission

- Seating capacity – 68 and additional seating for 144 guests available in the poker room immediately outside of the Off Track Betting facility. The poker room offers ten plus TV monitors that can be used for viewing horseracing.
- Number of tables – 17 four seat tables allowing for 68 guests.

Premium Area

- Seating capacity – Turf club will provide four, four-seat booths with personal TV's and bar/stools that will seat another 10 guest. The total seating capacity is 26.
- Number of tables – Turf club area for the Off Track Betting facility will provide four, four-seat booths and a bar top that will accommodate ten guests.

Specific information **still needed** to complete this application includes:

1. Number of pari-mutuel terminals to be on site.
2. Fire Clearance

RECOMMENDATION:

Staff recommends that the Board hear from the applicant.

If the application is considered for approval, staff recommends a contingent approval pending the submission of outstanding items.

January 3rd, 2011

To: Ms. J. Wagner

CHRB

Via: E-Mail & Fed-Ex

Dear Ms. Wagner:

Sycuan is currently undergoing a \$27m renovation and we are happy to announce that the Simulcast Wagering facility (OTB) is included in the remodel. While the new room will be virtually identical to the existing location, it may have a little more seating area and it will be located on the North side of the building.

As you know our property is under the jurisdiction of the Sycuan Fire Department and prior to any part of our facility being open to the public, we undergo a thorough Fire and Life Safety Inspection. Knowing that the CHRB meeting is scheduled for Jan 20th and that the completion of the renovation for the new OTB is expected Jan 21st, I would request that the inspection to be shown as "pending" as it cannot be approved and safe until the renovation of the area is completed.

Attached Documents:

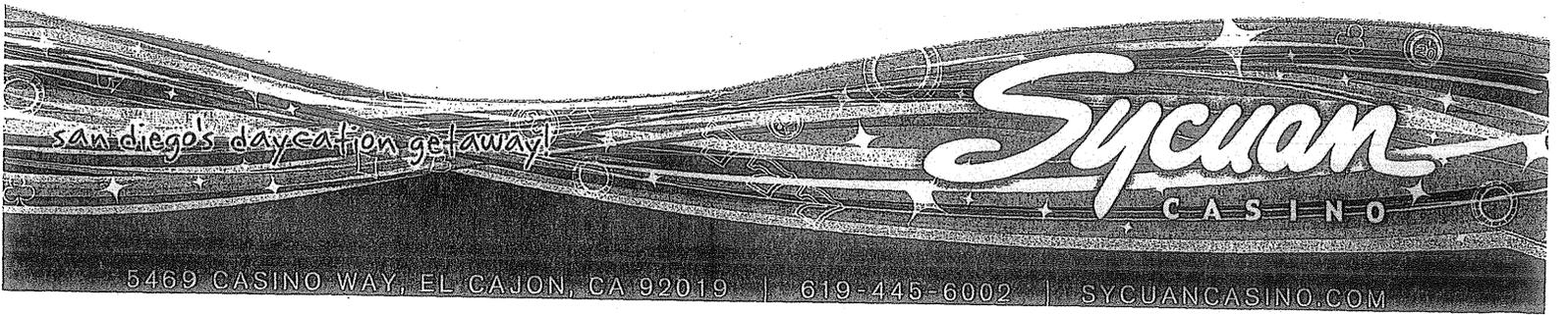
1. A schematic CAD/PDF drawing of the proposed room.
2. A current Certificate of Liability Insurance.
3. A CHRB Application for Authorization to Operate a Simulcast Wagering Facility.

We much appreciate all your assistance with this process and hope to see you again at the hearing later this month. Please do not hesitate to contact myself or Tim Briggs if we can be of further assistance.

Yours sincerely,

Wendy J Reeve

Director of Casino Operations



STATE OF CALIFORNIA
 CALIFORNIA HORSE RACING BOARD
 APPLICATION FOR AUTHORIZATION TO OPERATE A SIMULCAST WAGERING FACILITY
 CHRB-25 (Rev. 4/92)

Application is hereby made to the California Horse Racing Board (CHRB) for authorization to operate a simulcast wagering facility in accordance with the California Business and Professions Code (B&P), Chapter 4, Division 8 (Horse Racing Law) and the California Code of Regulations, Title 4, Division 4 (CHRB Rules and Regulations).

Name of applicant association, fair, or tribal facility:

Sycuan Casino, owned and operated by the Sycuan Band of the Kumeyaay Nation

Location of facility (City and County): **El Cajon, San Diego County**

Mailing address of association, fair, or tribal facility: **5469 Casino Way, El Cajon, CA, 92019**

Telephone number: **619-445-6002**

Name and title of the managing officer or tribal council representative of the applicant association, fair, or tribal facility:

Daniel J. Tucker, Tribal Chairman

Name of the affiliated (simulcast) organization(s) that will operate the pari-mutuel wagering at the facility:

**Southern California Off-Track Wagering Inc.
 4961 Katella Ave.
 Los Alamitos, CA 90720
 (714) 761-1660**

The regular schedule for operation of the facility will be as follows:

**Day Thoroughbred Racing – regularly Wed-Sun; selected Mondays and Holidays
 Night Quarter Horse & Harness Racing – regularly Thu-Sun; selected other days and Holidays**

Inclusive date during which the applicant proposes to operate as a simulcast wagering facility during the current racing year:

Simulcast facility is currently undergoing relocation, renovation and upgrades. Pending the approval of the Board Sycuan would like to operate the facility on 01/21/2011.

Application must be filed not later than 90 days before the scheduled start date for operation of the proposed facility pursuant to CHRB Rule 2057.

CHRB CERTIFICATION

Application filed on: **8/5/11**
 Reviewed by: **JW**
 Date of Hearing: **1/20/11**

Approved on:
 License number issued:
 Date tribal compact approved: **8/30/1990**

OPERATION OF THE SIMULCAST WAGERING FACILITY

Inclusive hours for operation of the facility:

Daily Wed - Sun Tues - Sat Other - specify:

Regularly 10:00 a.m. – 11:30 p.m Open 8:00 a.m. on selected days; close at 12:00 a.m. on selected days

Inclusive time periods during the calendar year the facility will not be utilized as a simulcast wagering facility:

All Mondays, All Tuesdays

Exceptions to the foregoing:

None

If approved, wagering will be offered on live race meetings being held or conducted by the following racing associations:

RACE MEETING	BREED	DAY OR NIGHT
Cal Expo	Harness	Night
Del Mar Thoroughbred Club	Thoroughbred	Day
Fairplex (L.A. County Fair)	Thoroughbred/mixed	Day
Hollywood Park	Thoroughbred	Day
Los Alamitos	Quarter Horse/mixed	Night
Oak Tree Racing Assoc.	Thoroughbred	Day
Santa Anita (L.A. Turf Club)	Thoroughbred	Day

Dates during which the applicant will conduct or has conducted live horse racing during the current racing year (if none, so state):

ELIGIBILITY FOR APPROVAL AS A GUEST ASSOCIATION

The applicant association is: Racing Association Fair
 Tribal Facility Other Business Entity

COMPLETE THE APPLICABLE SUBSECTION:

RACING ASSOCIATION - approval pursuant to B&P Section 19605.

The name under which the association is licensed by the Board:

The names and titles of management personnel assigned to the facility:

CHRB-25 (Rev. 4/92)

FAIR

Approval is requested pursuant to B&P Section 19605.1 OR 19605.2.

Correct title of the fair or fair association:

Names and titles of the present fair directors:

Names and titles of management personnel assigned to the simulcast wagering facility:

TRIBAL FACILITY

Approval is requested pursuant to the Tribal-State Compact signed on August 30, 1990.

The name of the tribe under which the Tribal-State Compact was approved:

The Sycuan Band of the Kumeyaay Nation

Names and titles of management personnel assigned to the facility:

Wendy Reeve, Director of Casino Operations

If applicable, names and titles of management personnel comprising management company or other entity operating gaming and simulcast wagering at the facility:

Not Applicable

Has the management company or other entity been approved by the U. S. Bureau of Indian Affairs?

Yes No If yes, the date of that approval

_____.

Not Applicable

NOTICE TO APPLICANT Changes to management personnel and Simulcast Facility Supervisor(s) must be immediately reported to the Board.

CONCESSIONAIRES AND VENDORS

The concessionaires, vendors, and other entities providing food service, beverage service, racing selection services, janitorial or custodial service, or other service or supplies within the simulcast wagering facility are (specify the name and type of service of supplies):

Sycuan Casino Food & Beverage Department

CHRB-25 (Rev. 4/92)

Other vendors to be permitted to sell products or services outside, but on the premises of, the simulcast wagering facility are:

None

SUPERVISION, SECURITY AND FIRE PREVENTION

The names of all persons to be employed as a Simulcast Facility Supervisor at the simulcast wagering facility:

Wendy Reeve –Director of Casino Operations

The workers' compensation insurance carrier and the policy number securing the applicant's liability for payment of workers' compensation is (if self-insured, give details):

Workers Compensation insurance is provided by Tribal First Insurance Company

Attach a copy of the Certificate of Insurance.

Attached

Attach a fire clearance from the fire authority having jurisdiction.

The fire authority having jurisdiction is the Sycuan Fire Department.

The name of the person having responsibility for security controls at the facility is:

Juan Baca

The number of security officers and/or guards to be regularly employed at the facility is:

18

The police or sheriff's department having jurisdiction for criminal law enforcement over the premises of the facility is:

Sycuan Tribal Police

Specify the name, address and telephone number of the emergency ambulance service the applicant will utilize in event of illness or injury at the facility:

Sycuan Fire Department,
Sycuan Indian Reservation,
Station C: 619-445-7138
ADMIN: 619-445-2893
Schedule A Division
5449 Sycuan Road, El Cajon, Ca 92019.
www.sycuanfire.com



CERTIFICATE OF LIABILITY INSURANCE

OP ID SH
SYCUA-1

DATE (MM/DD/YYYY)
01/04/11

PRODUCER Alliant Specialty Ins Svcs P.O. Box 609015 San Diego CA 92160 Phone: 858-541-1900 Fax: 858-277-4519	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
	INSURERS AFFORDING COVERAGE	NAIC #
INSURED Sycuan Band of the Kumeyaay Nation/Sycuan Resort & Casino 5485 Casino Way El Cajon CA 92019	INSURER A: Hudson Insurance Company	25054
	INSURER B:	
	INSURER C:	
	INSURER D:	
	INSURER E:	

COVERAGES

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

INSR ADD'L LTR INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR <input checked="" type="checkbox"/> 100,000 SIR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC	NAA00002-10	07/01/10	07/01/11	EACH OCCURRENCE	\$ 10,000,000
					DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ INCLUDED
					MED EXP (Any one person)	\$ INCLUDED
					PERSONAL & ADV INJURY	\$ 10,000,000
					GENERAL AGGREGATE	\$ N/A
					PRODUCTS - COMP/OP AGG	\$ 10,000,000
A	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS <input checked="" type="checkbox"/> 100,000 SIR	NAA00002-10	07/01/10	07/01/11	COMBINED SINGLE LIMIT (Ea accident)	\$ 10,000,000
					BODILY INJURY (Per person)	\$
					BODILY INJURY (Per accident)	\$
					PROPERTY DAMAGE (Per accident)	\$
	GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT	\$
					OTHER THAN AUTO ONLY: EA ACC	\$
					AGG	\$
	EXCESS / UMBRELLA LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> DEDUCTIBLE <input type="checkbox"/> RETENTION \$				EACH OCCURRENCE	\$
					AGGREGATE	\$
						\$
						\$
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) <input type="checkbox"/> Y/N If yes, describe under SPECIAL PROVISIONS below	NAA00002-10	07/01/10	07/01/11	WC STATUTORY LIMITS	OTHER
					E.L. EACH ACCIDENT	\$ 1,000,000
					E.L. DISEASE - EA EMPLOYEE	\$ 1,000,000
					E.L. DISEASE - POLICY LIMIT	\$ 1,000,000
A	OTHER PHYSICAL DAMAGE	NAA00002-10	07/01/10	07/01/11	Comp Ded	Included
					Coll Ded	Included

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS
 EVIDENCE OF COVERAGE ONLY FOR SYCUAN BAND OF KUMEYAAY NATION...

CERTIFICATE HOLDER EOONLY EVIDENCE OF COVERAGE ONLY	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30* DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE
--	--

Does the applicant propose to have emergency medical care available at the facility:

Yes No If yes, describe:

Sycuan has a full security department which also comprises 24hour on-site Emergency Medical Technicians (part of the Security Department).

EQUIPMENT PROVIDED BY THE GUEST ASSOCIATION

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

Decoders (RCN, NYRA, Woodbine/Hastings)

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

In-house audio/visual system.

Attach a detailed scale plan of the facility indicating all points of access, emergency exits, and the placement of offices and food and beverage service locations.

See Attachment

PARI-MUTUEL EQUIPMENT AND WAGERING SERVICES

Describe the pari-mutuel equipment, odds displays, modems or muxes, and method of data transmission to be utilized (include the number of pari-mutuel terminals to be on-site):

Self service and manned teller machines (Scientific Games) – number: TBD; primary and back-up communication lines (RCN/CHRIMS)

Will the applicant be responsible for maintenance of the pari-mutuel equipment?

Yes No

Describe the method by which patron complaints regarding wagering operation and/or the facility or its employees may be filed:

Customer complaints that deal with wagering related problems will be addressed to SCOTWINC and/or the host racing association.

Has the applicant made arrangements to provide for the encashment of valid pari-mutuel tickets issued at other facilities or at California race meetings?

Yes No

ADMISSIONS, CHARGES AND SERVICE FEES

The admissions charges are: Level 1 (Gen. Adm.)

IDF

1021

A1

C-A3111.2

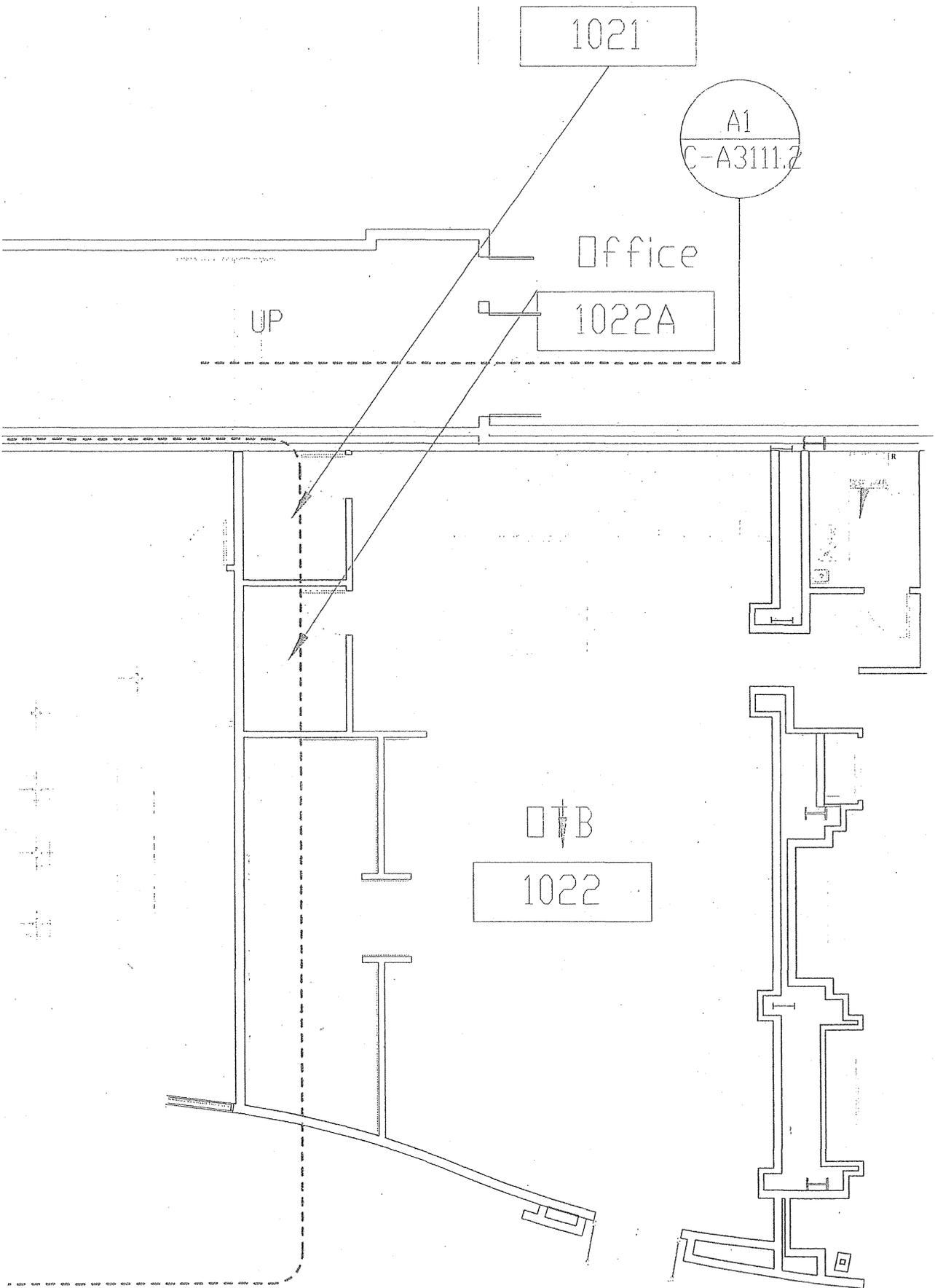
Office

1022A

UP

IDB

1022



CHRB-25 (Rev. 4/92)

Level 2 (Premium CH)

Level 3 (Membership)

Parking Charges are:

Level 1 (General)

Level 2 (Premium)

Level 3 (Valet)

Program costs are:

Seating costs, if any, are:

FOOD AND BEVERAGE SERVICE

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

Full meals served; cafeteria-style full meals; short-order counter service; pre-ordered prepared sandwiches and fast foods available

The seating capacity in the general admission area is:

The general admission area in the OTB facility will have 17 four-seat tables, allowing for 68 guests. Immediately outside the OTB facility there is the poker room, with 10+ TV monitors that can be switched to horse racing and currently seats 144 guests.

The number of tables in the general admission area is:

The general admission area in the OTB facility will have 17 four-seat tables.

The seating capacity in the premium area is:

The "Turf Club" area for the OTB facility will have four 4-seat booths with personal TVs and a bar/stool area that will seat another 10 guests – for a total of 26 guests.

The number of tables in the premium area is:

The "Turf Club" area for the OTB facility will have four 4-seat booths and a bar top that can accommodate 10 guests.

Overall square footage in the public general admission area is:

900 square foot

Overall square footage in the public premium admission area is:

288 square foot

Overall square footage available for "overflow" attendance:

The overall casino at Sycuan has approximately 300,000 square foot of gambling facility. We have recently upgraded our Audio/Visual system and can now turn ALL 50 casino television monitors onto any TV channel or promotion through our SCALA system. This will allow us to convert the whole casino into a horse racing venue for big races. For example, when the Kentucky Derby is running we will turn all TVs to the race, thus allowing for all guests to enjoy the programming and not limiting them to viewing only in the OTB facility.

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

Our Fire Department has offered occupancy levels at 100

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

The Sycuan facility currently has an enclosed parking structure that houses 1922 vehicles. Also available are 285 Valet spots, and 2428 land lot parking spots.

Total useable spaces as of 12/31/2010 - 4,635

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

None

AGREEMENTS

Fair applicants must attach the resolution of its governing body that determined that the conduct of simulcast wagering at its fair facility best serves the interest of the fair.

Attach a copy of the agreement between the applicant and the (simulcast) organizations(s) that sets forth therein the duties of the respective parties.

Previously submitted

Attach a copy of the written consent of the horsemen's organization(s), if applicable, consenting to the acceptance of wagers at the facility.

(Scotwinc)

NOTICES TO APPLICANT

Notice is given to the applicant that its application, if approved by the Board, authorizes the applicant to offer pari-mutuel wagering at its simulcast facility until notified otherwise.

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

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

DECLARATIONS

All labor agreements, concession contracts, service contracts, horsemen's agreement, lease agreements and agreement with the (simulcast organization(s) necessary to conduct and operate the simulcast wagering program at the facility have been finalized except as follows (if there are no exceptions, so state):

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

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

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

CHRB-25 (Rev. 4/92)

CERTIFICATION BY APPLICANT

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

Wendy Reeve.
Print Name

WJ Reeve (4836)
Signature

Director of Casino Operations
Print Title

12-31-2011.
Date

DISCUSSION AND ACTION BY THE BOARD REGARDING
THE REQUEST FROM LOS ALAMITOS RACING ASSOCIATION
TO AMEND THE NOVEMBER 9, 2010
APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING
TO INCLUDE IMPLEMENTATION OF THE PROVISIONS OF
BUSINESS AND PROFESSIONS CODE SECTION 19601.3

Regular Board Meeting
January 20, 2011

BACKGROUND

Business and Professions Code Section 19601.3 provides that a quarter horse racing association, subject to approval by the Board, may deduct from the total amount handled in the pari-mutuel pool for any type of wager up to 2 percent more of the total amount handled than was authorized on May 1, 2009. All of the funds, up to 1 percent of the first fifty thousand dollars per day handled shall be distributed to eligible satellite wagering facilities as specified, provided they accept all available signals from the quarter horse racing association. The remainder of the funds shall be distributed 50 percent to the quarter horse horsemen's organization, as specified, and the other 50 percent retained by the racing association.

At its January 15, 2010, Regular Meeting the Board approved a temporary 2 percent increase in the takeout on conventional and exotic races conducted by the Los Alamitos Racing Association. The increase was approved through September 8, 2010. At the April 15, 2010, Regular Board Meeting the Los Alamitos Racing Association presented a report regarding the impact of the 2 percent increase on the takeout. During the presentation it became evident that statistics presented by Los Alamitos, Board staff and horse racing fan interests could not be reconciled. The item was deferred until the parties could return to the Board with a consensus regarding the effect of the increase on the handle. At the July 22, 2010, Regular Board Meeting the issue was again discussed, and the Board extended the 2 percent increase through December 31, 2010.

At the November 9, 2010, Regular Board Meeting the application for license to conduct a horse racing meeting of the Los Alamitos Racing Association for the period January 1, 2011 through December 18, 2011, inclusive, was heard by the Board. While the 2 percent increase was not discussed at the hearing, the application, as presented, was predicated on a continuance of the 2% increase in the takeout. The Board approved the application, which included a purse structure premised upon the increase in takeout. Subsequent to the November 2010 approval of the Los Alamitos application, staff contacted Los Alamitos to inform it that while the Board approved its application for the 2011 racing year, which was predicated on a 2 percent increase in the takeout, the approval that was granted by the Board in 2010 technically expired on December 31, 2010, and that Los Alamitos would have to request that its application be amended to include the implementation of Business and Professions Code section 19601.3. On December 30, 2010, Los Alamitos submitted a letter to staff requesting that its application for license to conduct a horse racing meeting for the 2011 racing year be amended.

STAFF ANALYSIS

January 20, 2011

APPLICATION FOR APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING (ADW) OF ODS TECHNOLOGIES, L.P., DBA TVG NETWORK ADVANCE DEPOSIT WAGERING (ADW) FOR AN OUT-OF-STATE MULTI-JURISDICTIONAL WAGERING HUB, FOR A PERIOD OF UP TO BUT NOT EXCEEDING TWO YEARS.

At the December 16, 2010 Regular Board Meeting, the application for approval to conduct Advance Deposit Wagering (ADW) of ODS Technologies, L.P., dba TVG Network ADW for an out-of-state multi-jurisdictional wagering hub, for a period of up to but not exceeding two years was presented for approval. The application was incomplete as there were several outstanding items. The ADW representative reported that negotiations on the outstanding items were continuing. TVG's outstanding items included:

1. Contract and/or agreements required pursuant to Business and Professions Code section 19604 that allows TVG to accept wagers on LATC and PRA race meetings scheduled to commence December 26, 2011.
2. Horsemen's Approval
3. Contract Agreement with Labor Organization
4. A surety bond that coincides with the term of the license renewal.

The Board in lieu of approving any ADW applications for the applicable requested term extended the existing ADW licenses until January 30, 2011, to provide time for the parties to resolve any outstanding issues in time for the January 20, 2011 Regular Meeting of the Board where the issue of licensing ADW providers would be revisited. The extension was conditioned on the simulcast and hub agreement(s) being signed and in effect by January 1, 2011.

TVG has filed its application as an out-of-state multi-jurisdictional wagering hub to provide advance deposit wagering (ADW). It is currently licensed through January 30, 2011, as an out-of-state multijurisdictional wagering hub. TVG Network was acquired by Betfair Group Limited in January 2009.

A bond or other form of financial security in the amount of \$500,000 is required to be submitted with an application for license to conduct ADW. TVG, as a current ADW provider, has a \$500,000 bond on file that will expire October 12, 2011. The bond will expire prior to the term of the proposed license renewal. Staff recommends that the Board require TVG to extend its bond to coincide with the term of the license renewal, thus assuring a financial guarantee through the duration of the ADW license.

This application provides for:

- Operation 365 days a year; up to twenty-four hours a day. TVG has applied for a two-year license beginning January 1, 2011 through December 31, 2012. CHRB Rule 2072, Approval to Conduct Advance Deposit Wagering by an out-of-state Applicant, provides for a two-year license term.

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

19604 (b) (1) and (2)

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

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

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

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

19604 (a) (7)

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

19604 (d) (1) (B)

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

Historically, the horsemen and track agreement(s) have not been negotiated between the associations, fairs and ADW providers until the beginning of each race meet. The timing of the negotiations is a contributing factor to the delay in obtaining the agreements for submission with the ADW applications. Therefore, to ensure compliance the Board has required that the agreements be provided with the submission of the association/fair “Application for License to Conduct a Horse Racing Meeting”.

At its November 22, 2010, Regular Meeting the Board approved the applications for race meetings scheduled to begin in December 2010, conditioned upon the receipt of outstanding documents. TVG was listed as an ADW provider on the California Exposition and State Fair Harness Association; Pacific Racing Association and Los Angeles Turf Club race meet applications. The associations provided at the time of the November Regular Meeting that they were in negotiations with TVG. The agreement with California Exposition and State Fair was provided; however, the PRA and LATC agreements were outstanding. Subsequent to the November 22, 2010 meeting TVG provided copies of their agreements with California Exposition and State Fair and Monarch Content Management LLC which covers the 2011 thoroughbred and fair race meetings.

Documents received in compliance with Business and Professions code section 19604:

TVG’s Associate General Counsel, Melanie Sims Frank provided the following statement clarifying the TVG documents. *“The documents are presented as both hub and license agreements. The agreements that we provided to the Board encapsulate all elements of TVG’s relationships with those racing associations. Specifically, Article II provides the written agreement of the racing association for TVG to accept wagers on its races pursuant to B&P Code Section 19604 (b) (1) (B). The agreements are normally approved by the horsemen’s organization on a meet-by-meet basis. The purpose of a “Hub Agreement” in B&P Code Section 19604 is to set forth the agreed upon contractual compensation retained by TVG for wagers by California*

residents on races conducted outside of California. The contractual compensation for such wagers is set forth in Section 3.1 of the License Agreements that TVG provided to the Board. We provided License Agreements for each breed as required under the law.”

- Account Wagering Agreement by and between ODS Technologies, L.P. d/b/a TVG Network and Monarch Content Management, LLC dated, December 1, 2010. (Monarch Content Management Agreement covers 2011 thoroughbred and fair race meetings).
- Thoroughbred Owners of California-2010-2011 Santa Anita Winter/Spring Meet Interstate Simulcast Approvals
- Thoroughbred Owners of California-2010-2011 Pacific Racing Association Summer/Fall Meet Interstate Simulcast Approvals
- Account Wagering Agreement by and between ODS Technologies, L.P. d/b/a TVG Network and Los Alamitos Quarter Horse Racing Association, Los Alamitos Harness Racing Association, dated December 12, 2007. The agreement has been extended through December 31, 2018.
- Account Wagering Agreement by and between ODS Technologies, L.P. and California State Fair (Sacramento) d/b/a Cal Expo, dated March 2008. The agreement has been extended through December 31, 2012.
- Pari-mutuel Employees Guild Local 280 (labor organization) addendum extending their agreement with ODS Technologies, L.P. d/b/a TVG Network dated December 2, 2009. The agreement is effective until December 31, 2011. The addendum covers a one-year time period. The TVG application is seeking approval for a two-year license.

A representative of TVG is prepared to address the Board regarding the status of the outstanding documents.

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

1. A surety bond that coincides with the term of the license renewal.

Specific information which will be required during the proposed license term:

1. Horsemen Approval (Hollywood Park, Del Mar, Oak Tree and Fairs).

RECOMMENDATION:

Staff recommends the Board not approve the application until the outstanding documents are submitted.

If the application is considered for approval, staff recommends a contingent approval upon the submission of outstanding items and recommends the applicant be required to appear again before the Board to address the status of the outstanding documents and to remove the contingency status from the Board's approval.

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:

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

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

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

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

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

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

APPENDIX 1 to this document contains 1) an abstract of valid and binding contracts with the following licensed California racing associations: Hollywood Park, Los Alamitos, and Cal Expo that identifies the amount of the market access fee to be paid to the California racing association or fair for access to the California market for wagering purposes; 2) copies of License Agreements between i) Hollywood Park; ii) Los Alamitos; and iii) California State Fair (Sacramento) d/b/a Cal Expo; 3) letter agreement dated November 28, 2007 between TVG Network and Local 280.

Application received: 9/15/10 Reviewed: <i>[Signature]</i>	CHRB CERTIFICATION	Hearing date: 1/20/11 Approval date:
---	---------------------------	---

2. DATES OF OPERATION

- A. Dates Advance Deposit Wagering will be conducted: 365 days/year
- B. Hours Advance Deposit Wagering will be conducted: 24 hours/day

3. BUSINESS STRUCTURE

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

Complete the applicable subsection

B. CORPORATION

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

C. LLC

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

D. OTHER

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

ODS Holding LLC
6701 Center Drive West, Suite 160
Los Angeles, CA 90045

Limited Partner: Pinnacle Entertainment, Inc.

2. If a partnership, attach partnership agreement.

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

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

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

APPENDIX 3 contains the TVG Advance Deposit Wagering Business Plan for the projected term of approval.

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

A. List the procedures to establish an Account:

1. Customers must be at least 21 years of age to establish an advance deposit wagering account.
2. Customers can establish an account by telephone by calling 1-888-PLAY TVG, on the Internet at www.tvg.com, by mail, or in person at a TVG retail outlet or racetrack partner by providing the following information:
 - Name
 - Social Security Number
 - Date of Birth
 - Principal Residence Address Including Postal ZIP Code
 - Telephone Number
3. Each application submitted to TVG is subject to electronic verification by a nationally recognized third party information services provider with respect to name, principal residence address including postal zip code, date of birth and Social Security Number. If there is a discrepancy between the application information submitted to TVG and the information provided by the electronic verification described above, or if no information on the applicant is available from such electronic verification, the applicant will be required to provide identification issued by a recognized government agency (driver's license or government ID) showing his or her date of birth and residence address to complete the application process.
4. Provided that the account applicant's information has been positively identified, each applicant is assigned his or her TVG Personal Wagering Account Number and is asked to establish a Personal Identification Number consisting of four (4) numeric characters.

TVG provides each new wagering accountholder with a "Guide to Interactive Wagering" containing standard terms and conditions, deposit and withdrawal information (including customized deposit and withdrawal slips and a direct deposit/withdrawal authorization form) as well as comprehensive information about accessing account information, placing wagers and maintaining the account. APPENDIX 4 contains a TVG "Guide to Interactive Wagering."

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

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

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

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

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

A. Submit a copy of your plan for operation.

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

B. List the type of deposits you will accept:

Deposits will be accepted in the form of:

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

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

TVG account holders have the choice of two fee plans.

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

6. SECURITY ACCESS

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

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

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

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

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

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

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

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

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

7. PARI-MUTUEL

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

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

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

Totalizator services are provided by contract with Scientific Games Racing, LLC. The contract expires December 31, 2011 with provision for an automatic extension of two years. Please refer to the Plan of Operation in APPENDIX 6 for more details.

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

Ajax Downs, Ajax, ON	Fraser Downs, Canada	Prairie Meadows Racetrack, Altoona, IA
Arapahoe Park, Aurora, CO	Freehold Raceway, Freehold, NJ	Presque Isle Downs, Erie, PA
Assiniboia Downs, Winnipeg, MB	Great Britain (ATR/TRNI)	Remington Park, Oklahoma City, OK
Balmoral Park, Crete, IL	Chester Downs and Marina, LLC	Retama Park, TX
Beulah Park, Grove City, OH	d/b/a Harrah's Chester Casino & Racetrack, Chester, PA	River Downs, Cincinnati, OH
Buffalo Raceway, Hamburg, NY	Harrington Raceway, Harrington, DE	Ruidoso Downs, Ruidoso, NM
Cal Expo, Sacramento, CA	Hastings Racecourse, Vancouver, BC	Running Aces, Columbus, NM
Canterbury Park, Shakopee, MN	Hawthorne Racecourse, Stickney/Cicero, IL	Sam Houston Race Park, Houston, TX
CARF (T)		
Ferndale (Humboldt Co. Fair), Ferndale, CA	Hollywood Park, Inglewood, CA	Scioto Downs, Columbus, OH
Fresno (Fresno Fair), Fresno, CA	Hialeah Park Race Track	Suffolk Downs, East Boston, MA
Pleasanton (Alameda Co. Fair), Pleasanton, CA	Indiana Downs, Shelbyville, IN	Sunland Park (Nuevo Sol Turf Club), Sunland Park, NM
Golden Gate Fair	Japan Racing Association	Tampa Bay Downs, Tampa, FL
Santa Rosa (Sonoma Co. Fair), Santa Rosa, CA	Keeneland, Lexington, KY	Tioga Downs, Nichols, NY
Stockton (San Joaquin Fair), Stockton, CA	Kentucky Downs, Franklin, KY	TrackNet Tracks
Vallejo (Solano Co. Fair), Vallejo, CA	Los Alamitos, Los Alamitos, CA	Arlington Park, Arlington Heights, IL
Colonial Downs, New Kent, VA	Louisiana Downs, Bossier City, LA	Calder Race Course, Miami Gardens, FL
Del Mar, Del Mar, CA	Maywood Park, Maywood, IL	Churchill Downs, Louisville, KY
Delaware Park, Wilmington, DE	Monticello Raceway, Monticello, NY	Fair Grounds Race Course, New Orleans, LA
Delta Downs, Vinton, LA	Mountaineer Park, Chester, WV	Golden Gate Fields, Berkeley, CA
Dover Downs, Dover, DE	NJSEA Meadowlands: East Rutherford, NJ; Monmouth: Oceanport, NJ	Gulfstream Park, Hallandale Beach, FL
Dubai	Northfield Park, Northfield, OH	Hoosier Park, Anderson, IN
Ellis Park, Henderson, KY	NYRA	Laurel Park, Laurel, MD
Emerald Downs, Auburn, WA	Oak Tree, Arcadia, CA	Lone Star Park, Grand Prairie, TX
Evangeline Downs, Opelousas, LA	Ocean Downs, Berlin, MD	Oaklawn Park, Hot Springs, AR
Fair Meadows, Tulsa, OK	Penn National Gaming Inc.	Pimlico Race Course, Baltimore, MD
Fairmount Park, Collisville, IL	Bangor Historic Racetrack	Pinnacle Race Course, New Boston, MI
Fairplex Park (Los Angeles County Fair Association), Pomona, CA	Charles Town, Charles Town, WV	Portland Meadows, Portland, OR
Finger Lakes, Farmington, NY	Penn National, Grantville, PA	Santa Anita Park, Arcadia, CA
Fonner Park, Grand Island, NE	Raceway Park, Toledo, OH	Thistledown, North Randall, OH
Fort Erie Race Track, Fort Erie, ON	Zia Park, Hobbs, NM	
	Philadelphia Park (T) (Includes Atlantic City), Bensalem, PA	
	Pocano Downs	
	Pompano Park, Pompano Beach, FL	

CHRB-133 (New 9/01)

Turf Paradise, Phoenix, AZ
 Turfway Park, Florence, KY
 Vernon Downs, Vernon, NY

Will Rogers Downs, Claremore, OK
 Woodbine Racetrack/Mohawk
 Raceway, Toronto, ON

Wyvern, Australia
 Yavapai Downs, Prescott, AZ
 Yonkers, Yonkers, NY

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

8. CONTRACTS AND AGREEMENTS

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

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

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

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

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

9. ADVERTISING

Name and address of the advertising agency you will use:

MEA Digital
 1111 6th Ave, 6th Floor
 San Diego, California 92101
 (T) 619.308.5266 (F) 619.238.8923

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.

John Hindman
Print Name


Signature

General Counsel
Print Title

9-14-2010
Date

STAFF ANALYSIS

January 20, 2011

APPLICATION FOR APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING (ADW) OF CHURCHILL DOWNS TECHNOLOGY INITIATIVES COMPANY DBA TWINSPIRES FOR AN OUT-OF-STATE MULTI-JURISDICTIONAL WAGERING HUB, FOR A PERIOD OF UP TO BUT NOT EXCEEDING TWO YEARS.

At the December 16, 2010 Regular Board Meeting, the application for approval to conduct Advance Deposit Wagering (ADW) of the Churchill Downs Technology Initiatives Company dba Twinspires for an out-of-State multi-jurisdictional wagering hub, for a period of up to but not exceeding two years was presented for approval. The application was incomplete as there were several outstanding items. The ADW representative reported that negotiations on the outstanding items were continuing. Twinspires outstanding items included:

1. Contract and/or agreements required pursuant to Business and Professions Code section 19604 that allows Twinspires to accept wagers.
2. Horsemen's Approval
3. Hub Agreement
4. Labor Agreement
5. CHRBR License Renewal: Rohit Thukral, Mike Cody

The Board in lieu of approving any ADW applications for the applicable requested term extended the existing ADW licenses until January 30, 2011, to provide time for the parties to resolve any outstanding issues in time for the January 20, 2011 Regular Meeting of the Board where the issue of licensing ADW providers would be revisited. In addition Churchill was requested to inform the Board of their position on the SB 1072 incremental increase of takeout on exotic wagers. The extension was conditioned on the simulcast and hub agreement being signed and in effect by January 1, 2011.

Twinspires has filed its application as an out-of-state multi-jurisdiction wagering hub. It is currently licensed through January 30, 2011, as an out-of-state multi-jurisdictional wagering hub. Twinspires was acquired by Churchill Downs Technology Initiatives Company in June of 2010. Churchill Downs Technology Initiatives Company also owns Youbet, a current ADW licensed provider with the California Horse Racing Board.

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

This application provides for:

- Operation normally 24 hours a day, 7 days a week, except December 25. Hours are 5:00 am – 9:30 pm (Pacific Standard Time). Twinspires has applied for a one-year license. CHRBR Rule 2071 and 2072 allows for a two-year license term.

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

19604 (b)(1) and (2)

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

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

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

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

19604 (a)(7)

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

19604 (d)(1) (B)

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

Historically, the horsemen and track agreement(s) have not been negotiated between the associations, fairs and ADW providers until the beginning of each race meet. The timing of the negotiations is a contributing factor to the delay in obtaining the agreements for submission with the ADW applications. Therefore, to ensure compliance the Board has required that the agreements be provided with the submission of the association/fair “Application for License to Conduct a Horse Racing Meeting”.

At its November 22, 2010, Regular Meeting the Board approved the applications for race meetings scheduled to begin in December 2010, conditioned upon the receipt of outstanding documents. Twinspires was listed as an ADW provider on the California Exposition and State Fair Harness Association; Pacific Racing Association (PRA) and Los Angeles Turf Club (LATC) race meet applications. The associations provided at the time of the November regular meeting that they were in negotiations with the Twinspires.

Churchill Downs Technology Initiatives dba Twinspires has not submitted any of the outstanding documents identified at the December 16, 2010, Regular Board meeting.

To date, no documents have been provided to substantiate an agreement with the racing associations scheduled to commence racing December 2010. Twinspires has not communicated nor acknowledged staff’s request for documentation since the December 16, 2010 Board meeting.

Documents received subsequent to the December 16, 2010 meeting of the Board, supplied by Cal Expo Harness and Monarch Content Management, LLC Group include:

- Cal Expo Simulcast Addendum (Contract)
- California Harness Horsemen’s Association Approval
- Thoroughbred Owners of California - 2010-2011 LATC Winter/Spring Meet Interstate Simulcast Approval
- Thoroughbred Owners of California - 2010-2011 PRA Summer/Fall Meet Interstate Simulcast Approval

Pari-Mutuel Employees Guild, SEIU Local 280 submitted a letter, dated December 22, 2010 confirming an existing labor agreement with TVG and that they are seeking a similar contractual agreement with XpressBet, Twinspires and Youbet.

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

1. Contract and/or agreements required pursuant to Business and Professions Code section 19604 that allows Twinspires to accept wagers.
2. Horsemen’s Approval (Remaining 2011 race meetings)

3. Hub Agreement
4. Labor Agreement
5. CHRB License Renewal: Rohit Thukral

A representative of Twinspires is prepared to address the Board regarding the status of the outstanding documents.

RECOMMENDATION:

Staff recommends the Board not approve the application until the outstanding documents are submitted.

If the application is considered for approval, staff recommends a contingent approval upon the submission of outstanding items and recommends the applicant be required to appear again before the Board to address the status of the outstanding documents and to remove the contingency status from the Board's approval.

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

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

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

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

- A. Name, mailing address, telephone and fax numbers: Churchill Downs Technology Initiatives Company, 800 W. El Camino Real, Mountain View, CA 94040. Phone: (650) 429-2900; Fax: (650) 967-3201.
- B. Name, title, license number and racing jurisdiction where licensed for all management personnel:
Rohit Thukral, President
Mike Cody, Vice President
Brad Blackwell, Vice President, Licensed by the CHRB (304449)
Richard Broadbent, Vice President
Jeremy Clemons, Vice President
- C. Name, title and mailing address of the California agent for receipt of service of process:
CT Corporation System
818 West Seventh St.
Los Angeles, CA 90017
- D. Attach the contract with the California racing association or fair and the required horsemen's approval under the Interstate Horseracing Act that permits you to provide Advance Deposit Wagering services and identify the amount of the market access fee to be paid to the California racing association or fair for access to the California market for wagering purposes. Attached at Tab 2

2. DATES OF OPERATION

- A. Dates Advance Deposit Wagering will be conducted: Every day except December 25
- B. Hours Advance Deposit Wagering will be conducted: 24 hours a day

3. BUSINESS STRUCTURE

- A. Corporation (complete subsection B)

CHRB CERTIFICATION

Application received: 9/9/10
Reviewed: *ap*

Hearing date: 1/20/11
Approval date:

LLC (complete subsection C)

Other (specify, and complete subsection D)

Complete the applicable subsection

B. CORPORATION

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

 - Robert Evans, Director**
 - William Carstanjen, Director**
 - Rebecca Reed, Director**
 - Rohit Thukral, Director**

No officer or director holds any shares of Churchill Downs Technology Initiatives Company

5. Names (true names) of all persons, other than the officers and directors listed above, that hold 5% or more of the outstanding shares in the corporation and the number of shares held by each: **N/A**
6. Number of outstanding shares in the corporation: **100**
7. Are the shares listed for public trading? Yes No
If yes, on what exchange and how is the stock listed:
8. Name of the custodian of the list of shareholders and/or the transfer agent for the share holdings of the corporation: **Bradley K. Blackwell**
9. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity:
Churchill Downs Incorporated holds 100% of the shares
10. Attach the most recent annual financial statement for the corporation, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the corporation and/or the Securities and Exchange Commission and/or the corresponding state where you registered your corporation. **Attached at TAB 3 is the most recent Annual Report on Form 10-K for Churchill Downs Incorporated**
11. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the approval. **Attached at TAB 4**

C. LLC

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

D. OTHER

1. Name(s) of partners/sole proprietor:
 2. If a partnership, attach partnership agreement.
 3. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the approval.
4. **ESTABLISHING ADVANCE DEPOSIT WAGERING ACCOUNTS – must comply with Rule 2074.**
- A. List the procedures to establish an Account: **See Section 2.1 of the Plan of Operations attached at TAB 5, which complies with Rule 2074**
 - B. If an application form is used to establish an Account attach a copy of the form. **Attached at TAB 5 is the form of application available online at www.twinspires.com.**
 - C. Name and address of the third party you will use to verify identity, residence and age verification: **Equifax Secure, Inc., 1550 Peachtree St., NW, Atlanta, GA 30309**

5. OPERATION OF ADVANCE DEPOSIT WAGERING ACCOUNTS – must comply with Rule 2073.
- A. Submit a copy of your plan for operation. Attached at TAB 6.
 - B. List the type of deposits you will accept: ACH, credit card, debit card, Green Dot Money Pack, cash at specified locations, check and money order by mail.
 - C. Identify any fees or transaction-related charges and the amount that will be assessed: 3.98% is applied to credit/debit card transactions and 4.5% is charged for credit card cash advance transaction processed over the phone. \$25 fee for returned checks.

6. SECURITY ACCESS

- A. Attach your security access policy and safeguards pursuant to B&P Section 19604 (c) (2). Policy must include the following:
 1. Description of the technology to ensure identity, residence, and age verification when an Account is established: Applicant uses Equifax, an independent third party, to provide comprehensive verification of the account information provided by customers. For a more detailed description on verification see Section 2.1.1.1 of the Plan of Operations attached at TAB 6.
 2. Description of the technology to ensure confidentiality of the Means of Personal Identification: See Section 2.1.5 of the Plan of Operations attached at TAB 6.
 3. Methods and locations available for Account Holders to withdraw funds from their Account: Requests for withdrawal may be made online or by phone. Checks are mailed to the address on record within five (5) business days. For more details, see the Plan of Operations attached at TAB 6.
 4. If the Advance Deposit Wagering records will be maintained at a site other than the out-of-state Hub provide the name, address, telephone and fax numbers and the hours of operation: Records are maintained at: U.S. Off-Track, 6130 NE 78th Court, Suite C4, Portland, OR (phone: (503) 253-0234; fax: (503) 253-0140) with hours of operation of 8:30 a.m. to 10:30 p.m. – 12:00 a.m. PST, depending on the time of the last race for the day. Records are also maintained at 801 Corporate Drive, Lexington, Kentucky (phone: (877)-774-7371) with hours of operation of 9:00 a.m. to 1:00 a.m. EST.

7. PARI-MUTUEL

- A. Name, address and telephone number of the pari-mutuel audit firm: PricewaterhouseCoopers LLP, 500 W. Main St., Suite 1800, Louisville, KY 40202.
- B. Type(s) of pari-mutuel or totalizator equipment to be used and the simulcast organization, name of the entity supplying equipment, and expiration date of the service contract: Totalizator services are provided by AmTote International, Inc. The contract expires November, 2012.
- C. List the locations of the racing venues on which Advance Deposit Wagering will be accepted: See the tracks listed at TAB 7 which are subject to annual simulcast agreements.

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:
 Paymentech, 1601 Elm St., Dallas, TX 75201
 Global Cash Access, 3525 E. Post Rd., Suite 120, Las Vegas, NV 89120
 Green Dot Corporation, 605 E. Huntington Dr., Suite 205, Monrovia, CA 91016
 Roberts Communications Network, Inc., 4175 Cameron St., Suite B-10, Las Vegas, NV 89103
- B. List each contract or agreement to facilitate Advance Deposit Wagering that is not finalized and signed: N/A

9. ADVERTISING

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

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

10. CERTIFICATION

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

Brad Blackwell
 Print Name
VP
 Print Title

Brad Blackwell
 Signature
9/2/10
 Date

STAFF ANALYSIS

January 20, 2011

APPLICATION FOR APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING (ADW) OF YOBET.COM, INC., FOR A CALIFORNIA MULTI-JURISDICTIONAL WAGERING HUB AND APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING (ADW) OF YOBET.COM, INC., FOR AN OUT-OF-STATE MULTI-JURISDICTIONAL WAGERING HUB FOR A PERIOD OF UP TO BUT NOT EXCEEDING TWO YEARS.

At the December 16, 2010 Regular Board Meeting, the application for approval to conduct Advance Deposit Wagering (ADW) of the Youbet.com Inc. (Youbet) for a California multi-jurisdictional wagering hub and an out-of-State multi-jurisdictional wagering hub, for a period of up to but not exceeding two years was presented for approval. The application was incomplete as there were several outstanding items. The ADW representative reported that negotiations on the outstanding items were continuing. Youbet's outstanding items included:

1. Contract and/or agreements required pursuant to Business and Professions Code section 19604 that allows Youbet to accept wagers.
2. Horsemen's Approval
3. Hub Agreement
4. Labor Agreement
5. CHRB License Renewal: Rohit Thukral, Mike Cody

The Board in lieu of approving any ADW applications for the applicable requested term extended the existing ADW licenses until January 30, 2011, to provide time for the parties to resolve any outstanding issues in time for the January 20, 2011 Regular Meeting of the Board where the issue of licensing ADW providers would be revisited. In addition Churchill was requested to inform the Board of their position on the SB 1072 incremental increase of takeout on exotic wagers. The extension was conditioned on the simulcast and hub agreement being signed and in effect by January 1, 2011.

Youbet.com has filed its application as a California multi-jurisdictional wagering hub and an out-of-state multi-jurisdictional wagering hub. It is currently licensed through January 30, 2011, as an out-of-state multi-jurisdictional wagering hub to provide ADW. YouBet was acquired by Churchill Downs Technology Initiatives Company in June of 2010. Churchill Downs Technology Initiatives Company also owns Twinspires, a current ADW licensed provider with the California Horse Racing Board.

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

This application provides for:

- o Operation normally 24 hours a day, 7 days a week, except December 25. Hours are 5:00 am – 9:30 pm (Pacific Standard Time). Youbet has applied for a one-year license. CHRB Rule 2071 and 2072 allows for a two-year license term.

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

19604 (b)(1) and (2)

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

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

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

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

19604 (a)(7)

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

19604 (d)(1) (B)

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

Historically, the horsemen and track agreement(s) have not been negotiated between the associations, fairs and ADW providers until the beginning of each race meet. The timing of the negotiations is a contributing factor to the delay in obtaining the agreements for submission with the ADW applications. Therefore, to ensure compliance the Board has required that the agreements be provided with the submission of the association/fair “Application for License to Conduct a Horse Racing Meeting”.

At its November 22, 2010, Regular Meeting the Board approved the applications for race meetings scheduled to begin in December 2010, conditioned upon the receipt of outstanding documents. YouBet was listed as an ADW provider on the California Exposition and State Fair Harness Association; Pacific Racing Association (PRA) and Los Angeles Turf Club (LATC) race meet applications. The associations provided at the time of the November regular meeting that they were in negotiations with the Youbet.

Youbet has not submitted any of the outstanding documents identified at the December 16, 2010, Regular Board meeting.

To date, no documents have been provided to substantiate an agreement with the racing associations scheduled to commence racing December 2010. Youbet has not communicated nor acknowledged staff’s request for documentation since the December 16, 2010 Board meeting.

Documents received subsequent to the December 16, 2010 meeting of the Board, supplied by Cal Expo Harness and Monarch Content Management, LLC Group include:

- Cal Expo Simulcast Addendum (Contract)
- California Harness Horsemen’s Association Approval
- Thoroughbred Owners of California - 2010-2011 LATC Winter/Spring Meet Interstate Simulcast Approval
- Thoroughbred Owners of California – 2010-2011 PRA Summer/Fall Meet Interstate Simulcast Approval

Pari-Mutuel Employees Guild, SEIU Local 280 submitted a letter, dated December 22, 2010 confirming an existing labor agreement with TVG and that they are seeking a similar contractual agreement with XpressBet, TwinSpires and Youbet.

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

1. Contract and/or agreements required pursuant to Business and Professions Code section 19604 that allows Youbet to accept wagers.

2. Horsemen's Approval (Remaining 2011 race meetings)
3. Hub Agreement
4. Labor Agreement
5. CHRB License Renewal: Rohit Thukral

A representative of Youbet is prepared to address the Board regarding the status of the outstanding documents.

RECOMMENDATION:

Staff recommends the Board not approve the application until the outstanding documents are submitted.

If the application is considered for approval, staff recommends a contingent approval upon the submission of outstanding items and recommends the applicant be required to appear again before the Board to address the status of the outstanding documents and to remove the contingency status from the Board's approval.

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, LLC
 5901 De Soto Avenue
 Woodland Hills, California 91367
 (818) 668-2100 Telephone
 (818) 668-2101 Fax

With a copy to:

Youbet.com, LLC
 700 Central Avenue
 Louisville, Kentucky 40208
 (502) 636-4439 Fax

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

Rohit Thukral, President
 Mike Cody, Vice President and Treasurer
 Brad Blackwell, Vice President and Secretary, Licensed by the CHRB (304449)

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

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

D. Attach the contract with the California racing association or fair and the required horsemen's approval under the Interstate Horseracing Act that permits you to provide Advance Deposit Wagering services and identify the amount of the market access fee to be paid to the California racing association or fair for access to the California market for wagering purposes. See TAB 2.

2. DATES OF OPERATION

CHRB CERTIFICATION

Application received: 9/9/10

Reviewed: 

Hearing date: 1/20/11
 Approval date:

- A. Dates Advance Deposit Wagering will be conducted:
Through December 31
- B. Hours Advance Deposit Wagering will be conducted:
Service is normally available 14.5 hours a day, 7 days a week with hours of operation being approximately 5:00 a.m. – 9:30 p.m. PT

3. BUSINESS STRUCTURE

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

Complete the applicable subsection

B. CORPORATION

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

C. LLC

1. Registered name of the LLC:
Youbet.com, LLC
2. State where articles of organization are filed:
Delaware
3. Registry or file number for the LLC:
4751610
4. Names of all officers and directors, titles, and the number of shares of the LLC held by each:
Robert Evans, Director
Bill Carstanjen, Director
Rebecca Reed, Director
Rohit Thukral, Director and President
Mike Cody, Vice President
Brad Blackwell, Vice President

No officer or director owns any shares of the LLC
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:

N/A
6. Are the shares listed for public trading? Yes No
If yes, on what exchange and how is the stock listed:
Youbet.com LLC is a wholly-owned subsidiary of Churchill Downs Incorporated which is a publicly traded company on the NASDAQ under the symbol CHDN.
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:
Churchill Downs Incorporated owns 100% of the LLC.
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. Please see the Annual Report on Form 10-K for Churchill Downs Incorporated which attached at TAB 3.
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. Attached at TAB 4.

D. OTHER

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

2. If a partnership, attach partnership agreement.
 3. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the approval.
4. ESTABLISHING ADVANCE DEPOSIT WAGERING ACCOUNTS – must comply with Rule 2074.

- A. List the procedures to establish an Account:
An interested individual must complete several steps in order to become a Youbet.com customer and to open a wagering account.

Currently, an applicant must contact us either via the youbet.com website or telephonically to open an account. When the necessary information is provided, Youbet uses a third party electronic verification service to verify the customer's state of residence and age. Once verified, the customer becomes an ADW customer. In the event the third party verification service is unable to verify the information provided by the customer, Youbet may secure additional documentation (e.g., government issued identification and utility bills) to verify the information provided.

For more details see the Operation Plan attached at TAB 6.

- B. If an application form is used to establish an Account attach a copy of the form.
Attached at TAB 5.
- 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.
Attached at TAB 6.
- B. List the type of deposits you will accept:
Credit card, electronic check, check, money order, wire transfer.
- C. Identify any fees or transaction-related charges and the amount that will be assessed:
Certain customers are charged \$10.95 per month for up to ten hours of live video per month or \$17.95 for unlimited video per month.

Customers are charged a service fee of \$2.50 for an account withdrawal in an amount equal to or less than \$25.00. The service fee will be automatically withdrawn from the subscriber's wagering account. If the subscriber's withdrawal is equal to or less than \$2.50, the amount of the withdrawal will be applied to the service fee.

6. SECURITY ACCESS

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

1. Description of the technology to ensure identity, residence, and age verification when an Account is established:
Prior to establishing a wagering account, an interested individual must complete several steps in order to become a youbet.com customer and to open a wagering account. As part of the sign-up process, among other information obtained, we obtain:

Residential jurisdiction; and
Date of Birth.

Currently, an applicant must contact us either via the Youbet.com website or telephonically to open an account. When the necessary information is provided, Youbet uses a third party credit and identity verification service (currently Equifax) to verify the customer's state of residence and age. In the event information provided by the customer does not match the information from the electronic verification, Youbet may seek other documentation (e.g., government issued identification and utility bills) from the applicant to verify the information provided.

For more operational details see Youbet's Operation Plan attached at TAB 6.

2. Description of the technology to ensure confidentiality of the Means of Personal Identification: All sensitive data is stored in an encrypted state in Youbet's database. The data is only decrypted when used by internal secure applications. The customer's Social Security Number and password/PIN are encrypted and cannot be viewed by non-authorized Youbet personnel. The following data is encrypted:

Password
Social Security Number
Credit Card Numbers
Checking Account Numbers

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

The Customer's PIN must differ from their User ID
The Customer's PIN must be four (4) digits in length
The Customer's account is locked on the consecutive third unsuccessful attempt to log in. The Customer must contact Youbet customer support and provide appropriate identification to have the account unlocked.
If the Customer forgets their password, they must supply their User ID, date of birth and registered email address to obtain the password.

3. Methods and locations available for Account Holders to withdraw funds from their Account: Youbet Customers can request a withdrawal on-line or by mail or fax a signed withdrawal slip to Youbet's office. A check in the amount of the withdrawal is mailed to the mailing address on file.
4. If the Advance Deposit Wagering records will be maintained at a site other than the out-of-state Hub provide the name, address, telephone and fax numbers and the hours of operation: Records are maintained at Youbet's headquarters located at 5901 De Soto Avenue, Woodland Hills, California 91367, as well as Warner Center Self Storage located at 21051

Oxnard Street, Woodland Hills, California 91367. Certain records are also stored by United Tote Company at the same address.

7. PARI-MUTUEL

- A. Name, address and telephone number of the pari-mutuel audit firm:
PricewaterhouseCoopers LLP
500 W. Main Street, Ste. 1800
Louisville, KY 40202
- B. Type(s) of pari-mutuel or totalizator equipment to be used and the simulcast organization, name of the entity supplying equipment, and expiration date of the service contract:
United Tote Totalizator Equipment – a subsidiary of Churchill Downs Incorporated
Yobet Inter-Tote Systems Protocol (“ITSP”) is provided by Robertson Communication
- C. List the locations of the racing venues on which Advance Deposit Wagering will be accepted:
See the tracks listed at TAB 7 which are subject to annual simulcast agreements.

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
Comerica Bank-California, 250 Lytton Avenue, 3rd Floor, Palo Alto, CA 94301
US Offtrack, LLC, P.O. Box 22099, St. Petersburg, FL 33742
Local 280 of the SEIU, 1838 Huntington Drive, Duarte, CA 91010
- B. List each contract or agreement to facilitate Advance Deposit Wagering that is not finalized and signed:
N/A

9. ADVERTISING

Name and address of the advertising agency you will use:
Yobet.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.

Brad Blackwell
Print Name

Brad Blackwell
Signature

VP
Print Title

9/2/10
Date

STATE OF CALIFORNIA
 CALIFORNIA HORSE RACING BOARD (CHRB)
 APPLICATION FOR LICENSE TO CONDUCT ADVANCE DEPOSIT WAGERING
 CHRB-132 (New 9/01)

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

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

1. APPLICANT

- A. Racing Association (Licensee) Racing Fair (Licensee)
 Betting System CA Multi-jurisdictional Wagering Hub (CA Hub)

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

Yobet.com, LLC
 5901 De Soto Avenue
 Woodland Hills, California 91367
 (818) 668-2100 Telephone
 (818) 668-2101 Fax

With a copy to:
 Yobet.com, LLC
 700 Central Avenue
 Louisville, Kentucky 40208
 (502) 636-4439 Fax

C. Names and titles of all management personnel:

Rohit Thukral, President
 Mike Cody, Vice President and Treasurer
 Brad Blackwell, Vice President and Secretary, Licensed by the CHRB (304449)

NOTICE – All management personnel must be CHRB licensed.

- D. Racing Fairs are not required to complete Section 3, Business Structure.
- E. Betting Systems and CA Hubs - attach the contract with the Licensee and the required horsemen's approval under the Interstate Horseracing Act that permits you to provide Advance Deposit Wagering services and identify the amount of the market access fee to be paid to the Licensee for access to the California market for wagering purposes.

See Attachments 1-5 to Yobet's Application For Approval to Conduct Advance Deposit Wagering filed with the CHRB.

CHRB CERTIFICATION

Application received: 9/9/10
 Reviewed: *CPA*
 Hearing date: 1/20/11

Approval date:
 License number:

2. DATES OF OPERATION

- A. Dates Advance Deposit Wagering will be conducted:
Through December 31.
- B. Hours Advance Deposit Wagering will be conducted:
Service is normally available 14.5 hours a day, 7 days a week with hours of operation being
approximately 5:00 a.m. – 9:30 p.m. PT

3. BUSINESS STRUCTURE

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

Complete the applicable subsection

B. CORPORATION

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

C. LLC

1. Registered name of the LLC:
Youbet.com, LLC
2. State where articles of organization are filed:
Delaware
3. Registry or file number for the LLC:
4751610
4. Names of all officers and directors, titles, and the number of shares of the LLC held by each:
Robert Evans, Director
Bill Carstanjen, Director
Rebecca Reed, Director
Rohit Thukral, Director and President

Mike Cody, Vice President
Brad Blackwell, Vice President

No officer or director owns any shares of the LLC

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:
N/A
6. Are the shares listed for public trading? Yes No
If yes, on what exchange and how is the stock listed:
Youbet.com, LLC is a wholly-owned subsidiary of Churchill Downs Incorporated which is a publicly traded company on the NASDAQ under the symbol CHDN.
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:
Churchill Downs Incorporated owns 100% of Youbet.com, LLC.
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. Attached at TAB 3 is the most recent Annual Report on Form 10-K for Churchill Downs Incorporated
9. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the license. Attached at TAB 4

D. OTHER

1. Name(s) of partners/sole proprietor:
 2. If a partnership, attach partnership agreement.
 3. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the license.
4. ESTABLISHING ADVANCE DEPOSIT WAGERING ACCOUNTS – must comply with Rule 2074.

- A. List the procedures to establish an Account:
An interested individual must complete several steps in order to become a Youbet.com customer and to open a wagering account.

To become a Youbet ADW customer, an applicant must be a resident in one of the jurisdictions in which Youbet provides service and must meet the applicable minimum age requirement.

Currently, an applicant must contact us either via the youbet.com website or telephonically to open an account. When the necessary information is provided, Youbet uses a third party electronic verification service to verify the customer's state of residence and age. Once verified, the customer becomes an ADW customer. In the event the third party verification service is

unable to verify the information provided by the customer, Youbet may secure additional documentation (e.g., government issued identification and utility bills) to verify the information provided.

For more details see the Operation Plan attached at TAB 6.

- B. If an application form is used to establish an Account attach a copy of the form. Attached at TAB 5 is the form of application available online at www.youbet.com.
- 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.
Attached at TAB 6.
- B. List the type of deposits you will accept:
Credit card, electronic check, check, money order, wire transfer.
- C. Identify any fees or transaction-related charges and the amount that will be assessed:
Certain customers are charged \$10.95 per month for up to ten hours of live video per month or \$17.95 for unlimited video per month.

Customers are charged a service fee of \$2.50 for an account withdrawal in an amount equal to or less than \$25.00. The service fee will be automatically withdrawn from the subscriber's wagering account. If the subscriber's withdrawal is equal to or less than \$2.50, the amount of the withdrawal will be applied to the service fee.

6. SECURITY ACCESS

- A. Attach your security access policy and safeguards pursuant to B&P Section 19604 (c) (2). Policy must include the following:
 - 1. Description of the technology to ensure identity, residence, and age verification when an Account is established:
Prior to establishing a wagering account, an interested individual must complete several steps in order to become a youbet.com customer and to open a wagering account. As part of the sign-up process, among other information obtained, we obtain:

Residential jurisdiction; and
Date of Birth.

Currently, an applicant must contact us either via the Youbet.com website or telephonically to open an account. When the necessary information is provided, Youbet uses a third party credit and identity verification service (currently Equifax) to verify the customer's state of residence and age. In the event information provided by the customer does not match the

information from the electronic verification, Youbet may seek other documentation (e.g., government issued identification and utility bills) from the applicant to verify the information provided.

For more operational details see Youbet's Operation Plan attached at TAB 6.

2. Description of the technology to ensure confidentiality of the Means of Personal Identification: All sensitive data is stored in an encrypted state in Youbet's database. The data is only decrypted when used by internal secure applications. The customer's Social Security Number and password/PIN are encrypted and cannot be viewed by non-authorized Youbet personnel. The following data is encrypted:

Password
Social Security Number
Credit Card Numbers
Checking Account Numbers

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

The Customer's PIN must differ from their User ID
The Customer's PIN must be four (4) digits in length
The Customer's account is locked on the consecutive third unsuccessful attempt to log in. The Customer must contact Youbet customer support and provide appropriate identification to have the account unlocked.
If the Customer forgets their password, they must supply their User ID, date of birth and registered email address to obtain the password.

3. Methods and locations available for Account Holders to withdraw funds from their Account: Youbet Customers can request a withdrawal on-line or by mail or fax a signed withdrawal slip to Youbet's office. A check in the amount of the withdrawal is mailed to the mailing address on file.
4. If the Advance Deposit Wagering records will be maintained at a site other than the applicants provide the name, address, telephone and fax numbers and the hours of operation: Records are maintained at Youbet's headquarters located at 5901 De Soto Avenue, Woodland Hills, California 91367, as well as Warner Center Self Storage located at 21051 Oxnard Street, Woodland Hills, California 91367. Certain records are also stored by United Tote Company at the same address.

7. PARI-MUTUEL

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

PricewaterhouseCoopers LLP
500 W. Main Street, Ste. 1800
Louisville, KY 40202

- B. Type(s) of pari-mutuel or totalizator equipment to be used and the simulcast organization, name of

the entity supplying equipment, and expiration date of the service contract:
United Tote Totalizator Equipment – a subsidiary of Churchill Downs Incorporated
Yobet Inter-Tote Systems Protocol (“ITSP”) is provided by Robertson Communication

- C. List the locations of the racing venues on which Advance Deposit Wagering will be accepted:
See the tracks listed at TAB 7 which are subject to annual simulcast agreements.

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
Comerica Bank-California, 250 Lytton Avenue, 3rd Floor, Palo Alto, CA 94301
US Offtrack, LLC, P.O. Box 22099, St. Petersburg, FL 33742
Local 280 of the SEIU, 1838 Huntington Drive, Duarte, CA 91010

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

N/A

NOTICE – Pursuant to B&P Section 19604 (c) (1) you must contract with the bona fide labor organization that has historically represented the same or similar classifications of employees at the nearest horse racing meeting.

9. ADVERTISING

Name and address of the advertising agency you will use:
Yobet utilizes an internal advertising team.

NOTICE – Pursuant to Rule 2071 (h) all advertisements shall contain a statement that persons under 18 are not allowed to open or have access to Accounts. All advertisements shall contain contact information for a recognized problem-gambling support organization. Additionally, pursuant to B&P Section 19604 (D) (3) advertisements shall not be deceptive to the public.

10. CERTIFICATION

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

Brad Blackwell

Print Name

VP

Print Title

Brad Blackwell

Signature

9/2/10

Date

STAFF ANALYSIS

January 20, 2011

APPLICATION FOR APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING (ADW) OF XPRESSBET.COM, DELMARBETS.COM AND OAKTREEBETS.COM FOR AN OUT-OF-STATE MULTI-JURISDICTIONAL WAGERING HUB, FOR A PERIOD OF UP TO BUT NOT EXCEEDING TWO YEARS.

At the December 16, 2010 Regular Board Meeting, the application for approval to conduct Advance Deposit Wagering (ADW) of XpressBet LLC. dba XpressBet.com, DelMarBets.com and OakTreeBets.com for an out-of-state multi-jurisdictional wagering hub, for a period of up to but not exceeding two years was presented for approval. The application was incomplete as there were several outstanding items. The ADW representative reported that negotiations on the outstanding items were continuing. XpressBet's outstanding items included:

1. Contract and/or agreements required pursuant to Business and Professions Code section 19604 that allows XpressBet to accept wagers.
2. Hub Agreement
3. Horsemen Approval
4. Labor Agreement
5. A surety bond that coincides with the term of the license renewal.

The Board in lieu of approving any ADW applications for the applicable requested term extended the existing ADW licenses until January 30, 2011, to provide time for the parties to resolve any outstanding issues in time for the January 20, 2011 Regular Meeting of the Board where the issue of licensing ADW providers would be revisited. The extension was conditioned on the simulcast and hub agreement(s) being signed and in effect by January 1, 2011.

XpressBet, LLC (XpressBet) has filed its application as an out-of-state multi-jurisdictional wagering hub to provide advance deposit wagering (ADW). It is currently licensed through January 31, 2011 as an out-of-state multi-jurisdictional wagering hub. XpressBet is a wholly owned subsidiary of MI Developments Investments Inc. In April 2010 a Delaware bankruptcy judge approved a plan that allowed Magna Entertainment Corp. (MEC) to transfer the vast majority of its racing assets to its parent company and largest creditor, MI Developments. MID also owns Los Angeles Turf Club at Santa Anita Race Track (LATC) and Pacific Racing Association at Golden Gate Fields (PRA). The Board at its November 9, 2010 Regular Meeting found that the purposes of California Horse Racing Law would be better served by permitting MI Developments Inc., to own and operate the LATC, PRA and XpressBet.com under common ownership and waived the prohibition set forth in Business and Professions Code sections 19483 and 19484.

A bond or other form of financial security in the amount of \$500,000 is required to be submitted with an application for license to conduct ADW. XpressBet, as a current ADW provider, has a \$500,000 bond on file that will expire August 10, 2011. The bond will expire prior to the term of the proposed license renewal. Staff recommends that the Board require XpressBet to extend its bond to coincide with the term of the license renewal, thus assuring a financial guarantee through the duration of the ADW license.

This application provides for:

- Operating during all times races are run up to twenty-four hours a day. XpressBet has applied for a one-year license (January 1, 2011 through December 31, 2011). CHRB Rules 2071 and 2072 allow for a two-year license term.

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

19604 (b)(1) and (2)

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

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

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

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

19604 (a)(7)

"Hub agreement" as a written agreement providing for contractual compensation paid with respect to advance deposit wagers placed by California residents on a particular breed of racing conducted outside of California. In the event a hub agreement exceeds a term of two years, then an ADW provider, one or more racing associations or fairs that together conduct no fewer than five weeks of

live racing for the breed covered by the hub agreement, and the horsemen's organization responsible for negotiating purse agreements for the breed covered by the hub agreement shall be signatories to the hub agreement. A hub agreement is required for an ADW provider to receive contractual compensation for races conducted outside of California.”

19604 (d)(1) (B)

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

Historically, the horsemen and track agreement(s) have not been negotiated between the associations, fairs and ADW providers until the beginning of each race meet. The timing of the negotiations is a contributing factor to the delay in obtaining the agreements for submission with the ADW applications. Therefore, to ensure compliance the Board has required that the agreements be provided with the submission of the association/fair “Application for License to Conduct a Horse Racing Meeting”.

At its November 22, 2010, regular meeting the Board approved the applications for race meetings scheduled to begin in December 2010, conditioned upon the receipt of outstanding documents. XpressBet was listed as an ADW provider on the California Exposition and State Fair Harness Association; PRA and LATC race meet applications. The associations provided at the time of the November regular meeting that they were in negotiations with the XpressBet. The documents were still outstanding at the time of the Boards’ December 16, 2010 Regular Meeting.

Documents received, in compliance with Business and Professions code section 19604, subsequent to the December 16, 2010 meeting of the Board include:

- XpressBet Hub Agreement
- Account Wagering Agreement by and between Xpressbet and Monarch Content Management, LLC dated, December 1, 2010. (Monarch Content Agreements covers 2011 Thoroughbred and fair race meetings)
- Thoroughbred Owners of California - 2010-2011 LATC Winter/Spring Meet Interstate Simulcast Approval
- Thoroughbred Owners of California – 2010-2011 PRA Summer/Fall Meet Interstate Simulcast Approval
- Simulcast Agreement by and between California Exposition and State Fair d/b/a Cal Expo and XpressBet
- California Harness Horsemen’s Association Approval

Pari-Mutuel Employees Guild, SEIU Local 280 submitted a letter, dated December 22, 2010 confirming an existing labor agreement with TVG and that they are seeking a similar contractual agreement with XpressBet, Twinspires and Youbet.

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

1. Labor Agreement
2. A surety bond that coincides with the term of the license renewal.

Information which will be required during the proposed term:

1. Horsemen Approval (Hollywood Park, Del Mar, Oak Tree and Fairs)

A representative of XpressBet is prepared to address the Board regarding the status of the outstanding documents.

RECOMMENDATION:

Staff recommends the Board not approve the application until the outstanding documents are submitted.

If the application is considered for approval, staff recommends a contingent approval upon the submission of outstanding items and recommends the applicant be required to appear again before the Board to address the status of the outstanding documents and to remove the contingency status from the Board's approval.

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

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

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

Application must be filed not later than 90 days in advance of the date scheduled to conduct advance deposit wagering and must be accompanied by a bond or other form of financial security in the amount of \$500,000.

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

A. Name, mailing address, telephone and fax numbers:
 XpressBet, LLC dba XpressBet.com, DelMarBets.com, OakTreeBets.com
 200 Race Track Road
 Washington, PA 15301
 Telephone: (412) 232-6916
 Facsimile: (412) 232-6917

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

Please note that under Oregon law, the following individuals are not required to hold a license issued by the Oregon Racing Commission, but each individual does hold a license issued by the CHRB.

<u>Name</u>	<u>Title</u>	<u>CHRB License No.</u>
Ronald W. Luniewski	President	275875
Dan Newman	Vice President	305020
Jane Lynn	Secretary	302888
Scott Fischer	Vice-President, Finance	302873

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

CT Corporation System
 818 West Seventh Street
 Los Angeles, CA 90017

CHRB CERTIFICATION

Application received: 9/13/10
 Reviewed: *apw*

Hearing date: 1/20/11
 Approval date:

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

Below is a list of the Race Track licensees with which XpressBet either has contracted or is in the process of contracting for the purpose of offering such licensees' content through XpressBet's advance deposit wagering service. Please find attached as Exhibit 1 a copy of various Race Track licensee agreement, along with a copy of XpressBet's agreement with the Thoroughbred Owners of California.

<u>Race Track</u>	<u>Licensee</u>
Santa Anita Park	Los Angeles Turf Club, Incorporated
Golden Gate Fields	Pacific Racing Association/ Cal Fair
California Expo	Sacramento Harness Association
Sacramento	California State Fair
Stockton	San Joaquin Fair
Fresno	Fresno County Fair
Pleasanton	Alameda County Fair
Vallejo	Solano County Fair
Santa Rosa	Sonoma County Fair
Del Mar	Del Mar Thoroughbred Club
Fairplex Park	Los Angeles County Fair Association
Humboldt	Humboldt County Fair
Los Alamitos Race Course	Los Alamitos
Los Angeles Turf Club	Oak Tree Racing Association
Hollywood Park	Hollywood Park Racing Association, LLC

2. DATES OF OPERATION

- A. Dates Advance Deposit Wagering will be conducted:
XpressBet, LLC will conduct advance deposit wagering January 1, 2011 up to and including December 31, 2011.
- B. Hours Advance Deposit Wagering will be conducted:
While races are run, up to twenty-four (24) hours per day

3. BUSINESS STRUCTURE

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

Complete the applicable subsection

B. CORPORATION

- 1. Registered name of the corporation:
- 2. State where incorporated:

3. Registry or file number for the corporation:
4. Name of all officers and directors, titles, and number of shares of the corporation held by each;
5. Names (true names) of all entities and persons, other than the officers and directors listed above, that hold 5% or more of the outstanding shares in the corporation and the number of shares held by each:
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 audited financial statements for the corporation, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the corporation and/or the Securities and Exchange Commission and/or the California Corporations Commission.
11. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the license.

C. LLC

1. Registered name of the LLC:
XpressBet, LLC
2. State where articles of organization are filed:
Delaware
3. Registry or file number for the LLC:
3373240

- 4. Names of all officers and directors, titles, and the number of shares of the LLC held by each:

<u>Name</u>	<u>Title</u>	<u>Number of Shares Owned</u>
Ronald W. Luniewski	President	None
Dan Newman	Vice President	None
Jane Lynn	Secretary	None
Scott Fischer	Vice-President, Finance	None

- 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:
MI Developments Investments Inc. holds 100% of the membership interests in the LLC

- 6. Are the shares listed for public trading? [] Yes [X] 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 audited financial statements for the LLC, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the LLC and/or the Securities and Exchange Commission and/or the California Corporations Commission.
Enclosed is a copy if MID's most recent audited quarterly report which XpressBet is a component of the results.

- 9. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the license.
XpressBet's business plan for 2011 is being provided under separate confidential cover, and it is requested that such business plan remain confidential at all times to the CHRB

D. OTHER - Not Applicable

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

4. ESTABLISHING ADVANCE DEPOSIT WAGERING ACCOUNTS – must comply with Rule 2075

- A. List the procedures to establish an Account:
Included in the attached Exhibit 2, Plan of Operation, is the Applicant's *Account Opening Procedures*.
- B. If an application form is used to establish an Account, attach a copy of the form.

Attached as Exhibit 3 is a copy of the application form, similar forms are used for on-site or in-person applications.

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

In respect of wagers placed through the Applicant's internet and telephone account wagering products, the Applicant will make use of the services of Equifax Information Services LLC and/or TransUnion, LLC to provide identity, residence and age verification services. The address of Equifax Information Services LLC and TransUnion, LLC are set forth below:

Equifax Information Services LLC
1550 Peachtree N.W.
Atlanta, Georgia 30348

TransUnion, LLC
555 W. Adams Street
Chicago, IL 60661

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

- A. Submit a copy of your plan for operation.
Attached as Exhibit 2 is Applicant's *Plan of Operation*.

- B. List the type of deposits you will accept:
In respect of internet and telephone account wagering, the Applicant will accept the following types of deposits: cash deposits made directly, personal checks, cashier's checks, money orders made directly or mailed, debits to an Account Holder's credit card or debit card, and wire and other electronic transfers from a monetary account controlled by Account Holder. The Applicant is currently working with Green Dot to offer Green Dot Money Paks.

- C. Identify any fees or transaction-related charges and the amount that will be assessed:
For purposes of internet and telephone account wagering, customers will not be charged a monthly membership or wagering fee or a per-call or wager transaction fee. However, customers may be charged a value added transaction fee of \$0.25 per telephone call when dealing with a live teller. Processing fees may be charged in respect of deposits made pursuant to Item 5B above, via credit card cash advance or wire transfers.

To the extent credit cards are used/permitted in connection with internet and telephone account wagering, processing fees for credit card cash advances will be no greater than 6%. High value customers may not be subject to credit card cash advance processing fees.

A wire transfer of less than \$250.00 is subject to a \$5 processing fee. A wire transfer of greater than \$250.00 is not subject to any charge.

Customers requesting special delivery (e.g. courier) may be charged the cost of those services.

As the distribution platforms evolve and future enhancements deliver increased functionality to customers, monthly fees or surcharges may be implemented for added value services.

6. SECURITY ACCESS

- A. Attach your security access policy and safeguards pursuant to B&P Section 19604 (c) (2). Policy must include the following:
Please refer to Exhibit 4 for Items 1 - 4.
 - 1. Description of the technology to ensure identity, residence, and age verification when an Account is established.
 - 2. Description of the technology to ensure confidentiality of the Means of Personal Identification.
 - 3. Methods and locations available for Account Holders to withdraw funds from their Account.
 - 4. If the Account Deposit Wagering records will be maintained at a site other than the out-of-state Hub provide the name, address, telephone and fax numbers and the hours of operation.

7. PARI-MUTUEL

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

Bowen & McBeth
 10722 Arrow Route, Suite 110
 Rancho Cucamonga, California 91730
 Telephone: 909-944-6465
 Facsimile: 909-980-4788

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

- (i) Types of pari-mutuel or totalizator equipment to be used.
 Totalizator equipment and services will be provided to Applicant by AmTote International, Inc. In addition to standard totalizator equipment and services, Applicant will be utilizing (a) IVR – “interactive voice response technology” (an automated touch-tone betting system), provided by AmTote International, Inc. (b) on-line computer wagering technology (c) IVR – natural language voice recognition system provided by AmTote International, Inc. and Applicant is currently operating under an agreement with AmTote International, Inc. which expires on October 31, 2012.

- (ii) Simulcast Organization
 Roberts Communications Network, Inc., and AmTote International, Inc.

- (iii) Name of entity supplying equipment, and expiration date of the service contract.

Equipment to be supplied by:

AmTote International, Inc.
 11200 Pepper Road
 Hunt Valley, MD 21031-1324

Expiration date: October 31, 2012

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

Attached as Exhibit 5 is the list of racing venues on which the Applicant currently intends to accept Advance Deposit Wagering. The applicant will update the website as racing venues are confirmed or added.

NOTICE – The pari-mutuel system used must use a device or combination of devices authorized and operated exclusively for placing, receiving, or otherwise making a wager and by which a person must subscribe to in order to place, receive or otherwise make a wager; an effective customer and age verification system and the appropriate data security standards to prevent unauthorized access by any person who has not subscribed or who is under the age of 21.

8. CONTRACTS AND AGREEMENTS

- A. List name and address of all organizations you contracted with to facilitate Advance Deposit Wagering:

AmTote International, Inc.
11200 Pepper Road
Hunt Valley, MD 21031-1324

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

9. ADVERTISING

Name and address of the advertising agency you will use:

Candelaria Advertising
1545 Idlewood Rd.
Glendale, California 91202

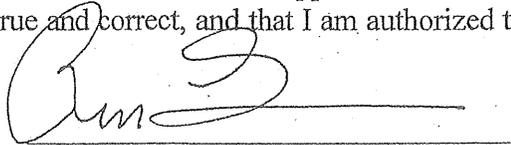
NOTICE – Pursuant to Rule 2072 (h) all advertisements shall contain a statement that persons under 18 are not allowed to open or have access to Accounts. All advertisements shall contain contact information for a recognized problem-gambling support organization. Additionally, pursuant to B&P Section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

Ron Luniewski

Print Name:



Signature:

President

Print Title:

9-8-2010

Date: