

7. Discussion by the Board and **reports from industry representatives, stakeholders, participants, concerning the open Advance Deposit Wagering “experiment” initiated November 7, 2007 continuing through July 13, 2008.**
8. Discussion by the Board **concerning progress and planning for thoroughbred racing alternatives in Northern and Southern California, including options; combined race meetings, financing arrangements for track improvements and time schedule for proposed improvements, development of plans for race dates, stabling and related issues.**
9. Discussion and action by the Board on the **distribution of race day charity proceeds of the Oak Tree Charitable Foundation in the amount of \$78,213 to 21 beneficiaries.**
10. **Public Comment:** Communications, reports, requests for future actions of the Board.
Note: Persons addressing the Board under this item will be restricted to **three (3) minutes** for their presentation.
11. **Closed Session:** For the purpose of receiving advice from counsel, considering pending litigation, reaching decisions on administrative licensing and disciplinary hearings, and personnel matters, as authorized by Section 11126 of the Government Code.
 - A. The Board may convene a Closed Session to confer with and receive advice from its legal counsel regarding the pending litigation described in the attachment to this agenda captioned "Pending Litigation," 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

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

CALIFORNIA HORSE RACING BOARD
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**PENDING LITIGATION
JUNE 2008**

CASE

CASE REFERENCE

**CALIFORNIA HARNESS HORSEMEN'S
ASSOCIATION and CAPITOL RACING,
LLC, v.**
California Horse Racing Board

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

CAPITOL RACING, LLC, v.
California Horse Racing Board and
(California Harness Horsemen's Association
interested Party)

Sacramento County Superior Court
No. 05CS01116

**CALIFORNIA HARNESS HORSEMEN'S
ASSOCIATION v.**
Capitol Racing

Sacramento County Superior Court
No. 05AS05586

JAMGOTCHIAN, JERRY v.
California Horse Racing Board, et al.

Los Angeles County Superior Court
No. BC380314

PARI-MUTUEL EMPLOYEES GUILD v.
California Horse Racing Board

Sacramento Superior Court

SCIENTIFIC GAMES, LLC

Pending Adjudicatory Proceeding

SACRAMENTO HARNESS ASSN.

Pending Adjudicatory Proceeding

PROCEEDINGS of the Regular Meeting of the California Horse Racing Board held at the Cal-Expo State Fair, The Clubhouse, second floor, 1600 Exposition Boulevard, Sacramento, California, on May 20, 2008.

Present: Richard B. Shapiro, Chairman
John C. Harris, Vice-Chairman
John W. Amerman, Member
John Andreini, Member
Jesse H. Choper, Member
Jerry Moss, Member
Kirk E. Breed, Executive Director
Derry L. Knight, Deputy Attorney General

MINUTES

Chairman Shapiro asked for approval of the minutes of the Regular Meeting of March 27, 2008. Vice-Chairman Harris **motioned** to approve the minutes. Commissioner Moss **seconded** the motion, which was **unanimously carried**. Chairman Shapiro asked for approval of the minutes of the Regular Meeting of April 24, 2008. Commissioner Amerman **motioned** to approve the minutes. Commissioner Choper **seconded** the motion, which was **unanimously carried**.

DISCUSSION AND ACTION BY THE BOARD ON THE REQUEST BY THE CALIFORNIA AUTHORITY OF RACING FAIRS ON BEHALF OF THE ALAMEDA, FRESNO, HUMBOLDT, SAN JOAQUIN, SAN MATEO, SOLANO AND SONOMA COUNTY FAIRS TO INCREASE THE TAKEOUT AN ADDITIONAL ONE PERCENT PURSUANT TO BUSINESS AND PROFESSIONS CODE SECTION 19601.4 FOR DEPOSIT INTO THE INCLOSURE FACILITIES IMPROVEMENT FUND.

Francisco Gonzales, CHRB staff, said Assembly Bill 765, Chapter 613, Statutes of 2007, added Business and Professions Code section 19601.4, which provided that a fair, a combination of fairs, or an association conducting racing at a fair may, with approval of the

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Board, deduct an additional one percent from its handle to be used for maintenance and improvements at a fair's racetrack inclosure. The California Authority of Racing Fairs (CARF), on behalf of the Alameda, Fresno, Humboldt, San Joaquin, San Mateo, Solano and Sonoma County fairs, requested an additional one percent increase in the takeout at the subject racing fair meetings pursuant to Business and Professions Code section 19601.4, for deposit into the Facilities Improvement Account Fund. Chairman Shapiro said the Board was aware of the legislation that allowed the racing fairs to deduct an additional one percent from the handle. The Board also supported improvements to the fairs' facilities; however, Chairman Shapiro stated he was not sure the proposal before the Board was the best way to enact any improvements. The staff analysis indicated that \$126 million would be raised by the requested deduction, which raised the question of whether any significant improvements could be made. In addition, the money would go to the Department of Food and Agriculture (DOFA), and it would be up to the Secretary of Food and Agriculture to approve any expenditures. Could there be a more comprehensive plan to address racing fairs' needs and challenges? Vice-Chairman Harris said he was concerned because the request represented an additional tax on the handle, and the racing fairs currently received one percent more than the other tracks. He stated he did not know if the fairs would be able to increase fees paid by out-of-state wagering sites if they increased the takeout by one percent. In addition, there was a point at which a larger takeout would result in diminishing returns. Chairman Shapiro commented California had the second lowest takeout of the States, and clearly the industry needed to find a racing circuit that worked, but he questioned whether increasing the takeout would work. Chris Korby of CARF said the privately owned racetracks were falling victim to increased real estate

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values, and were being considered for purposes other than horseracing. CARF believed the future of racing in California would rest in publicly owned facilities and fairgrounds. To prepare for the future the racing fairs needed to invest significant resources in upgrading their facilities. Implementation of the provisions of Business and Professions Code section 19601.4 would allow the fairs that choose to participate to increase the takeout by one percent. The funds would be placed in a fund at the DOFA for distribution solely for projects that would improve racing facilities at fairgrounds. The industry needed to replace the private racing facilities that would close, and CARF believed its request was a reasonable step to deal with the issue. Chairman Shapiro stated the Board did not disagree, but it wanted to see a plan that indicated where the funds would go, and which facilities would benefit. In the past racing fairs received monies, but they seemed to remain in a state of disrepair. CARF was asking the Board to authorize the deduction of additional funds from the handle, but there was no indication of where those funds would go. Mr. Korby said the funds would initially go to Alameda for improvements in its racing facility. Specific improvements to the Alameda facility would be a synthetic racing surface and repairs to the backstretch area. Once additional funding was secured, the grandstand facilities and other public areas would be improved. Mr. Korby said CARF's request would begin a funding source that would allow the fairs to begin the improvements. Chairman Shapiro stated he agreed the industry needed a replacement for Bay Meadows, and it needed to upgrade the racing fair facilities, but as he looked at the applications for license before the Board, he did not see much effort to upgrade the racing in some cases. Additionally, what CARF described as improvements did not seem to be things that would improve the business. Chairman Shapiro asked what was the plan for

the use of the additional funds? Vice-Chairman Harris stated there needed to be a more comprehensive plan. The money was coming from racing fans in the form of wagers. However, if racing was not selling well, raising prices was usually counterproductive. Vice-Chairman Harris said there should be a comprehensive plan that provided some funding from horsemen, some from the track and some from the fans. Commissioner Amerman stated CARF's description of the needed improvements was substantial, yet the monies that would result from the increase were only a part of the overall program. It was important to look at the big picture, besides the one percent that would come from the fans, which was inadequate for the task. Chairman Shapiro said if CARF had presented a list of improvements, with the dollar amounts needed, the Board would be in full support. Instead, the Board heard a request for money that would go to the DOFA, which would mean that racing would be subject to another agency deciding how it would be spent. There was no guarantee the money would be used for purposes the industry agreed upon. CARF needed to come back to the Board with a comprehensive plan for 2009 through 2011, which demonstrated how the one percent increase in the takeout would fit into the entire picture. Commissioner Choper said he agreed with Vice-Chairman Harris that the fans were going to carry the full burden of the costs. If CARF was concerned that it was losing income over a delay, perhaps the monies could be taken out, but held until a comprehensive plan was agreed upon. Chairman Shapiro said he understood the racing fairs could not self fund the needed improvements. The racing public would fund any projects, and the Board had an obligation to ensure the money would benefit that public. Mr. Korby said the monies would go into a designated fund at the DOFA, and would be earmarked solely for improvement of racing facilities and fairs. The Secretary, acting with an

advisory committee that CARF believed would come from the industry, would disburse the funds. Rod Blonien, representing Alameda, stated the racing fairs voted to make Alameda the sole recipient, for a significant amount of time, of any funds generated from the one percent increase. The monies would be used to improve the backstretch area and to install an artificial racing surface on the track. That would allow Alameda to serve as the primary auxiliary stabling facility for Northern California and it would lead to additional weeks of racing. Mr. Blonien said he favored Commissioner Choper's suggestion that the Board authorize the additional one percent takeout, and escrow the money until a plan to spend it in an appropriate manner was in place. Chairman Shapiro said he appreciated the law that allowed the one percent increase in the takeout, and he was in favor of improving Alameda, but once the money was in escrow, the Board would not have any say in how it was spent. He asked if there was any other way to keep the funds within the racing industry so the Board could make sure it was spent on rebuilding the racing circuit. Mr. Blonien said under the law the money would be paid to the DOFA. Mr. Blonien asked if it was possible to pay the money into an escrow account, which would delay payment to the DOFA until a plan that satisfied the Board was in place. Commissioner Choper said the statute appeared to allow that approval could be conditioned on when the money would be spent. Mr. Blonien stated he was suggesting the Board authorize the additional one percent takeout on the condition that the funds be held in escrow and not paid to the DOFA until CARF came forward with a comprehensive spending plan that was approved by the Board. Commissioner Moss asked if the purpose was solely to renovate the Alameda facility to accommodate the loss of Bay Meadows. He stated he understood it could take \$40 million to accomplish such a transformation. Mr. Blonien said

“yes” regarding auxiliary stabling, and with regards to racing weeks, some would go to Golden Gate Fields, and some would go to Alameda. There was a proposal for \$40 million worth of renovations, but the Alameda County Fair directors did not embrace the concept. Instead, there would probably be \$20 million or less available. Commissioner Moss asked how the \$1.2 million from the one percent increase in the takeout would help towards that goal. Mr. Korby said the funds would be dedicated to Alameda for some time. If the monies went towards debt, it would be for the period of time required to retire the debt. Chairman Shapiro said he did not know if the Board could secure an agreement with the DOFA to dedicate the funds to the purpose of fixing the fairs with the priorities and in the order decided on by the industry. The law stated the funds would be deposited into the Inclosure Facilities Improvement Fund, which was a special fund in the State Treasury, and the monies would be available upon appropriation by the Legislature in the annual budget act. Commissioner Moss asked if there was a budget for the refurbishment and conversion of Alameda. Mr. Blonien said he believed there was a budget for the first phase, but he did not have any details. Chairman Shapiro stated the Board needed a comprehensive business plan. The industry knew profound change was coming for many years, and unfortunately there did not seem to be a plan for Northern California. Mr. Blonien suggested the item be carried over to a future Regular Meeting where a plan of development and answers to the Board’s questions could be discussed. Commissioner Choper stated under the statute it seemed the decision-making authority rested with the Secretary of Food and Agriculture, with an advisory committee appointed by the Secretary. That was not an ideal structure for taking money from racing fans and distributing it at the discretion of the Secretary, and the Legislature, which had to appropriate it every

time. Commissioner Choper said there did not seem to be any reason to believe the statute protected CARF's interests. Chairman Shapiro said the item would be **carried over**.

DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION TO CONDUCT A HORSE RACING MEETING OF THE SOLANO COUNTY FAIR (F) AT VALLEJO, COMMENCING FROM JULY 9 THROUGH JULY 21, 2008, INCLUSIVE.

Jacqueline Wagner, CHRB staff, said the Solano County Fair (SCF) proposed to run from July 9, 2008, through July 21, 2008, or 11 days, the same number of days as in 2006. In 2007 SCF and the Sonoma County Fair, ran a combined horse race meeting, which meant SCF ran five days, and then the racing continued at Sonoma County Fair. Ms. Wagner noted SCF requested an additional day of racing on July 21, 2008, which would coincide with racing at Del Mar Thoroughbred Club. The application contained a request to deduct an additional one percent from the handle per Business and Professions Code section 19601.4. Ms. Wagner stated there were no outstanding issues with the application. Chairman Shapiro said, with respect to the additional one percent deduction from the handle, any Board decision regarding the issue would be considered retroactive to the SCF application. Commissioner Amerman asked if there was information regarding the promotion program the fair was planning. Ms. Wagner said the advertising information was located under item 14 of the application. The information on the Board copy of the application was exactly what the applicant provided staff. Chairman Shapiro stated the application compared the 2006 race meeting with the 2008 projections. The 2007 combined Sonoma/Solano Wine Country race meeting was missing. Ms. Wagner said staff compared like to like when preparing the analysis. Chairman Shapiro said the Board understood the comparison, but 2007 was different, and there needed to be an

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analysis of what happened at that meeting. Commissioner Amerman stated California racing needed to appeal to more fans. An association's plans to reach out to fans should be outlined in the application with a comparison to the previous meeting. Chairman Shapiro stated the 2007 Sonoma/Solano experiment must not have worked because the fairs were not asking to repeat the joint race meeting. However, it seemed that SCF was not doing anything for its 2008 race meeting, except going through the motions. There was nothing in the application that stated what SCF was doing to improve attendance. Joe Barkett of SCF said the 2007 Sonoma/Solano Wine Country race meet was an experiment on the part of the fairs, and was an event the fairs enthusiastically promoted. The joint race meeting was a disappointment, as it only did as well as the fairs' 2006 race meetings, which were separate events. Mr. Barkett stated the joint fair meeting could have been repeated for another couple years, but the Sonoma County Fair Board did not agree. The financial outcome of the 2007 joint meeting was positive for Sonoma, but the fair board was concerned about the effect of adding an additional week of racing. Mr. Barkett spoke about the possibility of combined fair meetings in 2009 and beyond, and about where and how the additional one percent takeout from the handle would be used. Vice-Chairman Harris said it would be helpful if SCF could provide the Board with an analysis of the 2007 Sonoma/Solano Wine Country race meeting versus the separate Sonoma/Solano race meetings, as well as the 2008 meetings. That would provide an idea of what worked. Mr. Barkett said the two fairs found there was not a lot of success with regards to increases in handle and attendance; however, that did not mean the joint meeting was ill conceived. Chairman Shapiro said although SCF had indicated its willingness to revisit the concept of a joint Sonoma/Solano race meeting, the current application contained no reason for

running a meeting other than to make money. Vice-Chairman Harris commented the summer of 2007 was hot, and there were several days with low attendance. Mr. Barkett said 2007 was a hot year, and SFC did not see the improved attendance it was expecting. Chairman Shapiro stated SFC indicated it might not continue racing if it could not revitalize its meeting, yet in 2008 SFC would run 11 days. He said he questioned the wisdom of running those days when their only benefit was to create some revenue for the fair. Vice-Chairman Harris stated a lot of the fair's revenue occurred because it acted as the host, which created profit regardless of the on-track attendance. Mr. Barkett said that was correct. He added the on-track attendance was down at all tracks, and SCF was impacted by other opportunities for fans in the immediate area, such as Golden Gate Fields and other fairs. Chairman Shapiro asked if that was the case, why was SCF not advocating moving the dates to another venue where there might be more and better racing opportunities? Mr. Barkett said SCF wished to preserve its two weeks of fair racing with the intent of working with the broader fair industry to make a better racing product in the future. The Northern California racing fairs did not know what the future would look like, but SCF wanted to be open to all the possibilities, and it was willing to try consolidated meetings if they were on the table once more. Chairman Shapiro asked where SCF would move its race dates if they could be moved. Mr. Barkett stated the SCF fair board felt strongly that the dates should be run at Vallejo. He added he was working with the SCF fair board to convince it to work with the other racing fairs for the good of the entire industry, but it was a process with no simple answers. Vice-Chairman Harris asked if the horsemen had any say in the debate. Mr. Barkett said the horsemen and other industry entities were involved. Commissioner Amerman asked what SCF was going to do to make its 2008 meeting better than

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the 2007 meeting. Mr. Barkett stated in 2008 SCF would put on as good a program of racing as it could, and with a limited budget, it would promote the meeting. Mr. Barkett said the SCF advertising and promotional program included advertising, special amenities for box seat and season ticket holders, and mostly cosmetic improvements to the fairgrounds. Chairman Shapiro stated the Board comments were not directed at any one person; instead, they were an expression of the Board's frustration. The Board recognized the limited budget and the constraints Mr. Barkett worked under. Commissioner Choper **motioned** to approve the application for license of SCF. Commissioner Amerman **seconded** the motion, which was **unanimously carried**. Commissioner Choper said he had been a Board member for one year. During that year he concluded the problem facing the industry was revenue sources. The industry needed to find new revenue, or it would continue its decline. In addition, the closure of Bay Meadows left horseracing in Northern California in question. The Bagley-Keene Open Meeting Act made any intelligent discussion among the Commissioners, and outside the Board meetings, burdensome and difficult. Commissioner Choper said the only alternative was the special meetings, which were informative, long discussions of issues facing the industry. He stated the Board needed to talk about horseracing issues in a series of forums to find out what ought to be done, and to do it in the most informed way possible. Chairman Shapiro said he and many people in the industry shared Commissioner Choper's frustration. The industry needed to improve its product and attract new sources of revenue. The problem was the result of past arrogance, when some in the industry believed it was not vulnerable and allowed the industry's gaming monopoly to be taken away. Now, the industry was looking towards slot machines, instant racing, or other ways to create more revenue. Unfortunately, more states

were coming online with slot machines and life would be more difficult for California. That was why the state was losing racetracks, and why a comprehensive plan for the future was needed. Commissioner Choper said improving the product alone might not provide major assistance in making horseracing a successful business. If the Board was to hold special meetings, it would need to collect data, determine what it wanted to accomplish at the meetings, who it wanted to hear from and how it would handle the issues. Commissioner Amerman stated the Board discussed issues on its monthly agenda, but that did not present the big picture. If a Commissioner submitted an idea there was no way to hold a give-and-take discussion. The Board had to change how it operated. Vice-Chairman Harris said the revenue sources were key. Horseracing was an expensive sport, as opposed to other forms of gambling. It would be helpful if the Board had a decision tree where it decided which way it wanted to go, or what issues it wished to pursue. There were a lot of creative things that the industry could do, but the unfortunate problem was that every participant's first question was what is in it for me? Michael Power, a breeder and horse owner, spoke about horseracing related issues.

DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION TO CONDUCT A HORSE RACING MEETING OF THE SONOMA COUNTY FAIR (F) AT SANTA ROSA, COMMENCING JULY 23, THROUGH AUGUST 4, 2008, INCLUSIVE.

Jacqueline Wagner, CHRB staff, said the Sonoma County Fair (SCF) proposed to run 12 days, the same number of days as in 2006, for a total of 130 races. Ms. Wagner stated in 2007 SCF ran a combined Sonoma/Solano race meeting. The application contained a request for permission to deduct an additional one percent from the total amount handled, pursuant to

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Business and Professions Code section 19601.4. The first post time would be 12:45 p.m. Ms. Wagner added the application was complete. Vice-Chairman Harris asked what SCF thought about the 2007-combined Sonoma/Solano race meeting. Tawny Tesconi of SCF said compared to past meetings that were not combined, her organization's attendance was considerably lower, as was the handle. SCF was concerned with the dilution of its market. The same number of dollars was being spread over more weeks. Other variables included management turmoil, and fair dates that were different from the traditional dates. Upon review of the combined meeting, SCF looked at the wear and tear on its facility, its inability to rent its facility for interim events, and the challenge with its turf course. The fair board decided it was better to stabilize the fair management and develop its race product, so it would be in a better position to look at another possible combined meeting in 2009. Vice-Chairman Harris said he was not clear regarding the third week of the 2007 combined Sonoma/Solano race meeting. Who made the money on that week? Ms. Tesconi said the fairs had a 60/40 split with regards to revenues and expenses. At the end of the combined meeting, SCF made approximately \$25,000 profit. Chairman Shapiro said the combined race meeting was tried for one year for the good of horse racing, rather than the overall fair. There were some management problems, some internal problems and some problems with the turf course, which SCF had a year to solve. Now, SCF was not willing to allow another year to grow the idea of the combined meeting. Instead, the fair went back to the same old pattern for 2008, but it might take additional dates for 2009. Chairman Shapiro said he looked at that and thought when the industry needed SCF to take more dates to help another fair it did not want them, yet when more dates might be more lucrative in 2009, SCF would accept them. Meanwhile, the owners

and trainers were treated as if they did not matter. Vice-Chairman Harris said SCF had somewhat of a finite market, but its worst day of attendance was probably better than one of the better days at Solano. However, the Board needed to see the numbers to determine what was going to work going forward. Chairman Shapiro stated SCF went to the expense of installing a turf course, and did a wonderful job of marketing its fair, but it only tried the combined meeting for one year. Vice-Chairman Harris said the turf course was a big deal because there was no turf racing in Northern California during the summer. Ed Halpern of California Thoroughbred Trainers stated the horsemen did care if there was turf racing during the summer. Commissioner Amerman stated if that was the case, why was there racing at Vallejo when Golden Gate Fields could have an extra five days, or SCF could run longer. Those were two good alternatives, and the worst thing to do was to race at Vallejo. Vice-Chairman Harris said the horsemen should be more vocal regarding the demise of the combined Sonoma/Solano race meeting. Mr. Halpern said the horsemen wanted better racing, and turf racing, but he did not have any other answers. Chairman Shapiro said there were real challenges coming to the Northern California circuit, but he was not confident a viable Northern California circuit would remain in the State. The application before the Board was not going to encourage many people. Mr. Halpern said the problem was that the horsemen were focused on what they would do with the loss of Bay Meadows, and where horses would be stabled. The issue of racing a few days here or there was not a high priority. Chairman Shapiro stated perhaps it was time to cut back on race days. He stated he did not think he would vote in favor of the application. Vice-Chairman Harris said the issue was a combination of Sonoma and Solano working together. The four weeks in question were a continuation of a

decades-long pattern that did not work well, but the industry kept doing the same thing over and over. He said he would like to see the data for the different scenarios. Racing more at SCF might be good for all concerned, depending on how revenue was shared. Jack Liebau of Bay Meadows said the race dates in question were assigned in 2007 and the law prevented them from being changed unless there was a catastrophe that prevented them from being run as assigned. Race dates did not belong to any racing association, they belonged to the State of California, and the Board allocated them on the basis of what was good for the industry. The SCF dates were in place since August 2007, and it did not make sense to switch dates around after the Solano County Fair application was approved with an extra day. Commissioner Choper said the Board ought to do all it could to improve the Northern California summer racing schedule. It should try to get data to make sensible goals for the summer of 2009. Vice-Chairman Harris stated the current racing schedule was not working, and the Board was disappointed that the industry was not thinking in an innovative way. The fairs seemed to like the current schedule because they got to be the host and make money, but in the mean time, racing was deteriorating. Richard Lewis of SCF said it was too late in the year to be asking SCF for a combined meeting, or to change its dates. SCF had started advertising for its fair meeting, and had signed contracts with vendors. Chairman Shapiro asked if SCF would be willing to look again at combining a week with Solano in 2008. Would SCF consider the proposition and return to the Board at its next Regular Meeting? The Board wanted SCF to race, but it was trying to do what was best for the industry in a time of crisis. Ms. Tesconi said changing the SCF race meeting would cause a lot of confusion with its patrons. The box seats were sold, and the marketing campaign had begun. If SCF were to come back and

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change the schedule the third week would not necessarily gain community support. Chairman Shapiro said the Board thought SCF did such a good job of marketing that it was trying to get it to take another week. Commissioner Moss asked how many of SCF's races would be on the turf course. Mr. Lewis said the turf course was currently scheduled for two races per day, and three races on weekends. If the horse inventory was good, there could be additional turf races written. Commissioner Moss **motioned** to approve the application for license to conduct a horse racing meeting of SCF. Commissioner Choper **seconded** the motion, which was **unanimously carried**.

DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION TO CONDUCT A HORSE RACING MEETING OF THE DEL MAR THOROUGHBRED CLUB (T) AT DEL MAR, COMMENCING JULY 16 THROUGH SEPTEMBER 3, 2008, INCLUSIVE.

Jacqueline Wagner, CHRB staff, said the Del Mar Thoroughbred Club (DMTC) proposed to run 43 days, the same number of days as in 2007, for a total of 372 races. The first post time would be 2:00 p.m. Ms Wagner stated the application was complete. Chairman Shapiro asked if patrons would be able to use all of the advance deposit wagering (ADW) providers to wager on DMTC races. Craig Fravel of DMTC said the issue was still under negotiation, but he felt the ADW providers would be willing to continue the ADW experiment for the balance of the year with Golden Gate Fields. He added the DMTC simulcast and accounting departments would do some analysis through the California Racing Information Management System. Mr. Fravel stated it appeared that purses and commissions had done well in 2008; however, he did not know if that was from the normal growth of ADW or if it was due to the ADW experiment. Commissioner Amerman said the industry and the Board needed to

evaluate the ongoing ADW experiment. He stated the industry did not conduct such experiments long enough to really see how they worked. It seemed logical to conduct the current ADW experiment through the end of 2008. Chairman Shapiro said the ADW experiment was something that had been productive, and the wagering fans seemed to appreciate it. Mr. Fravel said he was not a party to the original agreement, but he understood the ADW experiment was to run only for a certain amount of time. He stated he could not speak for the other racing associations, but he would like to see it continue. Mr. Fravel added he was told there was no written agreement, or an agreed upon method of evaluating the ADW agreement. Chairman Shapiro said the ADW experiment was to run for eight months, and all parties recognized there was an exclusive agreement with DMTC, Fairplex and Oak Tree, but the Board and the industry were hopeful the experiment would continue. In the meantime, the parties did agree there would be a review of the data. Commissioner Amerman said there did not seem to be any information regarding advertising and promotions in the application. He asked if DMTC was doing anything different from 2007. Mr. Fravel said the advertising budget was increased to deal with competition from the Olympics and the election cycle. In 2007 DMTC installed a synthetic racing surface, a positional tracking system that provided more information about the actual position of horses in a race, and DMTC installed a new admission and ticketing system that provided for direct online ticketing. The focus in 2008 was to take the new systems and improve on them as much as possible. Mr. Fravel added DMTC would also update its website to include enhanced content. DMTC was working closely with Surfside Race Place to provide a year-round Diamond Club membership. Chairman Shapiro asked about the synthetic racing surface. Mr. Fravel said there were no

problems with drainage. DMTC was working with consultants to analyze different additives to the racetrack, and it settled on an additive that would close the gap between morning and afternoon from a performance standpoint. DMTC was also developing watering protocols to use water on the track, depending on weather conditions. Commissioner Moss **motioned** to approve the application for license to conduct a horse racing meeting of DMTC. Commissioner Choper **seconded** the motion, which was **unanimously carried**. Michael Power, a breeder and horse owner spoke regarding issues related to the DMTC turf course, and the DMTC fan forum. Ron Charles of Santa Anita spoke about the ADW experiment.

DISCUSSION BY THE BOARD REGARDING EXISTING PROCEDURES, PRECAUTIONS, AND ADDITIONAL OPTIONS TO PROTECT THE SAFETY OF HORSES AND RIDERS AT CALIFORNIA RACE TRACKS AND STABLING FACILITIES.

Chairman Shapiro said the item was placed on the agenda to discuss what the industry could do to prevent breakdowns and to recognize additional steps that could be taken to protect the horse and rider in California. Commissioner Shapiro stated California was active in trying to address safety issues. The Board was successful in requiring safer racing surfaces; it adopted rules prohibiting high toe grabs; extensive pre-race veterinarian examinations were in place; the Maddy Laboratory was using instrument testing that was the most precise available; and California conducted a necropsy program as well as a host of other things. Dr. Rick Arthur, Equine Medical Director, said California was a national leader in equine safety. The state had an extensive safety program, and it was continually trying to improve how it protected the horse and rider. Dr. Arthur discussed how each horse was examined before it raced. He added the stewards and the jockeys were also encouraged to report any anomalies in the horse

they might notice. In addition, the Encompass system was bringing online an exam module, which would have extensive information regarding the horse's previous examinations and identification information. Dr. Arthur stated the Board was involved in a national injury-monitoring program that would record all injuries to a national database and would provide additional information that would be helpful in the future. Dr. Arthur stated California was well ahead of other states on the issue of steroids. With the penalty guidelines in place the issue of excessive use of nonsteroidal anti-inflammatories would be a thing of the past. California's ambulance coverage at race meetings and training facilities was better than any other racing jurisdiction. In 2007 there was a drop in total fatalities, which could be attributed to the installation of synthetic racing surfaces. Finally, Dr. Arthur stated there were a number of other initiatives that were designed to protect the welfare of the horse, but the Board and the industry would not be satisfied until it did everything it could. Vice-Chairman Harris asked what could be done to promulgate information about the Board's safety initiatives. He stated it was important for the industry and the public to understand how California differentiates itself from other states. A lot of California's initiatives simply were not done in other racing jurisdictions. California provided a level playing field, and it had a great deal of concern for the welfare of the horse and rider. Chairman Shapiro said advisories about the Board's initiatives could be put out periodically. California was looked at nationally, and although some might think the Board rushed to judgment, or others thought it moved too slowly, California did push the envelope and it had the best laboratory. Vice-Chairman Harris said the Board spent a lot of time and money on public records requests for necropsy information. He stated the Board ought to work on making necropsies as transparent as possible.

Commissioner Moss commented that before the safety and sanctity of synthetic racing surfaces was pronounced, the industry ought to see how the Del Mar and Oak Tree meetings worked. He stated he thought that in both cases the tracks let horsemen down. Chairman Shapiro said the Commissioners might have different opinions on particular issues, but they all recognized the Board was working to protect the safety of horse and rider. Michael Power, a horse owner, spoke about issues related to equine health and safety.

PUBLIC HEARING AND ACTION BY THE BOARD ON THE ADOPTION OF THE PROPOSED AMENDMENT TO CHRB RULE 1420, DEFINITIONS, TO REVISE THE DEFINITION OF A CLAIMING RACE, AND THE PROPOSED ADDITION OF CHRB RULE 1634, CLAIMING OPTION ENTRY, TO PROVIDE THAT HORSES ENTERED IN A CLAIMING RACE MAY BE DECLARED INELIGIBLE TO BE CLAIMED UNDER SPECIFIED CONDITIONS.

Chairman Shapiro said the proposed amendment of Rule 1420, Definitions, and the proposed addition of Rule 1634, Claiming Option Entry, would provide that a horse that had been laid off for at least 180 days could be entered in a claiming race and declared ineligible for claiming. He stated the horse must be entered in a race that was at the same level or higher than the race at which it last entered, and failure to declare the horse ineligible for claiming could not be remedied. Chairman Shapiro said the proposal was the same as that submitted by Thoroughbred Owners of California. Vice-Chairman Harris **motioned** to approve the proposed amendment to Rule 1420 and the addition of Rule 1634. Commissioner Choper **seconded** the motion, which was **unanimously carried**.

Proceedings of the Regular Meeting of May 20, 2008

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

STAFF ANALYSIS
REQUEST BY THE CALIFORNIA AUTHORITY OF RACING FAIRS (CARF)
TO INCREASE THE TAKEOUT AN ADDITIONAL ONE PERCENT

Regular Board Meeting
June 27, 2008

BACKGROUND

AB 765, (Evans), Chapter 613 Statutes of 2007 added Business and Professions Code (B&P) section 19601.4, which provides that a fair, combination of fairs, or an association conducting racing at a fair, may, with California Horse Racing Board (CHRB) approval, deduct an additional 1% from its handle to be used for maintenance and improvements at a fair's racetrack inclosure. Specifically, B&P code section, 19601.4, provides that:

1. The additional deduction on its conventional and exotic wagers shall be deposited in the Inclosure Facilities Improvement Account created for this purpose at the Department of Food and Agriculture.
2. Funds derived pursuant to this section shall be used solely for the purpose of facilities maintenance and improvements at a fair's racetrack inclosure.
3. The Secretary of the California Department Food and Agriculture (CDFA) shall appoint a committee of 3-to-5 individuals with expertise in financing, constructing, and managing horse racing facilities to advise in the administration of the funds. The Secretary shall have oversight over the committee.
4. The Secretary shall include in the annual expenditure plan any allocations made pursuant to B&P Section 19601.4.

This item was presented at the May 20, 2008 Board meeting, at that time the Board directed CARF to present a detail plan of the planned improvements at the Alameda County Fair.

ANALYSIS

According to its author, the purpose of AB 765 was to allow racing fairs in California, which choose to participate, contribute one percent of the total amount handled daily in conventional and exotic pools to the Inclosure Facilities Improvement Account. The revenue generated from this action will be held by CDFA and will be strategically distributed to fairs that conduct live racing in California for capital improvements.

CARF on behalf of its fairs, Alameda, Fresno, Humboldt, San Joaquin, San Mateo, Solano, and Sonoma County Fairs, has requested an additional one percent increase in

the takeout at its live racing fair race meetings, pursuant to B&P Code 19601.4, for deposit into the Inclosure Facilities Improvement Account fund.

The CARF Board has formally adopted a funding plan that directs the new funding to improvement at the Alameda County Fair; however, the final decision remains with the CDFA Secretary. CARF requests that the additional one percent takeout increase be effective indefinitely so the proceeds can be used to pay bond debt service.

Handle at the participating California racing fairs for calendar year 2007 including ADW was \$137,229,647. An additional one percent of takeout would generate an additional \$1,372,296.47, if handle remains consistent. The average takeout rate for that year was 20.13 percent of handle, see table below for additional details.

Participating California Fairs - 2007 Race Year

Track	On track and simulcast handle	ADW handle	Total Handle	Average takeout	Average % takeout	Additional 1% of handle
Alameda County Fair	25,251,746.17	2,104,936.70	27,356,682.87	5,568,702.45	20.36%	273,566.83
Fresno District Fair	10,365,444.30	1,095,608.30	11,461,052.60	2,318,826.27	20.23%	114,610.53
Humboldt County Fair	4,138,140.50	442,928.30	4,581,068.80	855,534.78	18.68%	45,810.69
San Joaquin County Fair	16,645,848.45	1,248,297.50	17,894,145.95	3,610,367.88	20.18%	178,941.46
San Mateo County Fair	18,121,571.90	1,768,495.30	19,890,067.20	4,130,568.57	20.77%	198,900.67
Wine Country Racing	51,930,500.91	4,116,128.90	56,046,629.81	11,527,488.81	20.57%	560,466.30
Total	126,453,252.23	10,776,395.00	137,229,647.23	28,011,488.76	20.13%	1,372,296.47

CARF has stated: "Due to the current economic climate facing the racing industry, we believe the future of racing in California will increasingly move to publicly-owned facilities at Fairgrounds. In order to prepare for this future, Fairs need to invest significant resources to upgrade current facilities. Unfortunately, no one Fair can accomplish this task on its own. Implementation of B&P Code section 19601.4 will allow those Fairs that choose to participate to increase the take out from horse racing by one percent. This money will be placed in a fund at the Department of Food and Agriculture. A committee of experts appointed by the Secretary will review applications for the funds and make recommendations to the Secretary in order to maximize the benefit of the funds to improve fair racing facilities in California."

The fairs have suggested that the announced closure of Bay Meadows at the end of 2008 accelerates the need to improve California's fair racetracks. Fair racing facilities are in need of maintenance and improvement to their facilities in order to provide a high quality product for its racing fans and participants.

Implementation of B&P Code section 19601.4 will improve racing at California's fairs and improve California racing by providing additional necessary funds needed to upgrade fair tracks in California so that they can host prominent races and entertain today's horseracing enthusiasts.

CARF has submitted the attached documents, illustrating its plans for utilizing available moneys at the Alameda County fair, in the event the Board approves its request for the deduction of the additional one percent increase from its handle.

RECOMMENDATION

Staff recommends that the Board hear from CARF representatives and other interested parties.

INDEX OF CARF DOCUMENTS RELATED TO
RACING AND TRAINING
FACILITIES' IMPROVEMENTS AT PLEASANTON

Proposed Implementation

- *Summary*
- *Pleasanton Phasing and Cost Estimates*
- *AB 765 1% Letter*

Phases/costs of development and Design Development Planning

.pdf's

- *Pton Racing Improvements-Phasing and Costs-\$47-080318*
- *DRAFT II-Pleasanton Design Development Presentation-CHRB-June 2008-CK-CARF*

Overview and Planning for Financing Pleasanton Improvements

Power Point

- *Fieldman Rolapp Overview Ila to CARF-Training & Racing Facility Improvements-Pleasanton-080606*

Projections for Revenue from AB 765

Excel—Prepared by Rick English

- *AB 765 Revenue Projections-1%-Fairs inc LACF-R English-Mar08 (Includes Fairplex)*

Longer Term Planning Issues

Testimony—Prepared by Christopher Korby

- *California Fairs, Horse Racing and Agriculture: Planning for the Future*

PRESENTATION TO CALIFORNIA HORSE RACING BOARD
IMPLEMENTATION OF AB 765

Due to the current economic climate facing the racing industry, particularly the increasing value of real estate under existing privately-owned tracks, we believe that the future of racing in California will increasingly move to publicly-owned facilities at Fairgrounds. In order for us to prepare for this future, Fairs need to invest significant resources to upgrade current facilities. Unfortunately, no one Fair can accomplish this task on its own. Implementation of AB 765 will allow those Fairs that choose to participate to increase the take out from horse racing by one percent. This money will be placed in a fund at the Department of Food and Agriculture and will be distributed for projects that will improve racing in California.

The announced closure of Bay Meadows at the end of 2008, accelerates the need to improve California's fair racetracks. Fair racing facilities are in need of maintenance and improvement to their facilities in order to provide a high quality product for its racing fans and participants.

Fairs which conduct racing in California have invested in the improvement of its facilities. However, time has proven that no one fair can adequately raise the money necessary to replace, build, or maintain the facilities needed for a state of the art race meet. Implementation of AB 765 will improve racing at California's fairs and improve California racing by upgrading fair tracks in California so that they can host prominent races and entertain today's horseracing enthusiasts.

AB 765, sponsored by Assembly Member Noreen Evans and signed by Governor Schwarzenegger in 2007, provides that a fair, combination of fairs, or an association conducting racing at a fair, may, with California Horse Racing Board (CHRB) approval, deduct an additional 1% from its handle to be used for maintenance and improvements at a fair's racetrack inclosure. Specifically, this bill, as chaptered in Business and Professions Code Section, 19601.4, provides that:

1. The additional deduction on its conventional and exotic wagers shall be deposited in the Inclosure Facilities Improvement Account created for this purpose at the Department of Food and Agriculture.
2. Funds derived pursuant to this section shall be used solely for the purpose of facilities maintenance and improvements at a fair's racetrack inclosure.
3. The Secretary of the California Department Food and Agriculture (CDFA) shall appoint a committee of 3-to-5 individuals with expertise in financing, constructing, and managing horse racing facilities to advise in the administration of the funds. The Secretary shall have oversight over the committee.
4. The Secretary shall include in the annual expenditure plan any allocations made pursuant to B&P Section 19601.4.

According to its author, the purpose of AB 765 was to allow racing fairs in California, which choose to participate, to increase the takeout on live wagers by 1%. The revenue generated from this action will be held by CDFA and will be strategically distributed to fairs who conduct live racing in California for capital improvements.

We urge the Board to authorize its implementation.

ALAMEDA COUNTY FAIR
PLEASANTON
RACING FACILITY IMPROVEMENTS

PHASING AND COST ESTIMATES

PHASE I

• Engineered surface installed on race track		\$8,000,000
• Storm water management and Barn Expansion		\$5,000,000
		\$13,000,000

PHASE II

• Turf Course		\$4,000,000
• Grandstand Improvements		\$30,000,000
○ Paddock Upgrade		
○ Enclosed, weatherized Grandstand		
○ Upscale seating and enclosed boxes		
○ Food Service and preparation upgrades		
		\$34,000,000

TOTAL		\$47,000,000
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a California joint powers agency

1776 Tribute Road, Suite 205
Sacramento, CA 95815
Office: 916.927.7223 Fax: 916.263.3341
www.calairs.com

May 5, 2008

The Honorable Richard Shapiro, Chairman
California Horse Racing Board
1010 Hurley Way, Suite 300
Sacramento, CA 95825

Dear Chairman Shapiro:

AB 765, introduced by Assembly Member Noreen Evans in the 2007 legislative session and signed by Governor Schwarzenegger, authorized Fairs to contribute 1% of the total amount handled daily in conventional and exotic pools into the Inclosure Facilities Improvement Fund, held at the California Department of Food and Agriculture. The purpose of the fund is to pool money from racing Fairs for the improvement of Fair racing facilities. The bill (now B&P Code 19601.4) requires that a Fair notify the California Horse Racing Board of its decision to utilize this program.

The Fairs listed on the attached page indicate their Fairs' participation in this program and will include this letter in their respective license applications.

Thank you for your consideration. Please contact me if you have any questions.

Respectfully submitted,

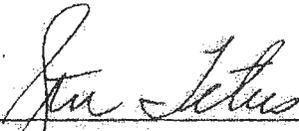
Christopher Korby
Executive Director

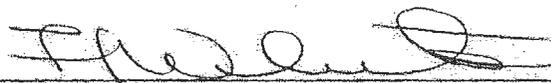
Cc: Kirk Breed, California Horse Racing Board
Assembly Member Noreen Evans
Cynthia Bryant, Office of Governor Schwarzenegger
Michael Treacy, California Department of Food and Agriculture

FAIRS SIGNING LETTER TO
CALIFORNIA HORSE RACING BOARD
IN SUPPORT OF
IMPLEMENTING AB 765 (EVANS)

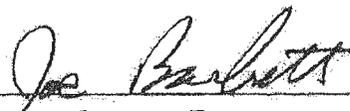
X 
ALAMEDA COUNTY FAIR
RICK PICKERING

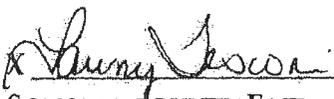
X 
FRESNO DISTRICT FAIR
JOHN ALKIRE

X 
HUMBOLDT COUNTY FAIR
STUART TITUS

X 
SAN JOAQUIN FAIR
FORREST WHITE

X 
SAN MATEO COUNTY FAIR
CHRIS CARPENTER

X 
SOLANO COUNTY FAIR
JOE BARKETT

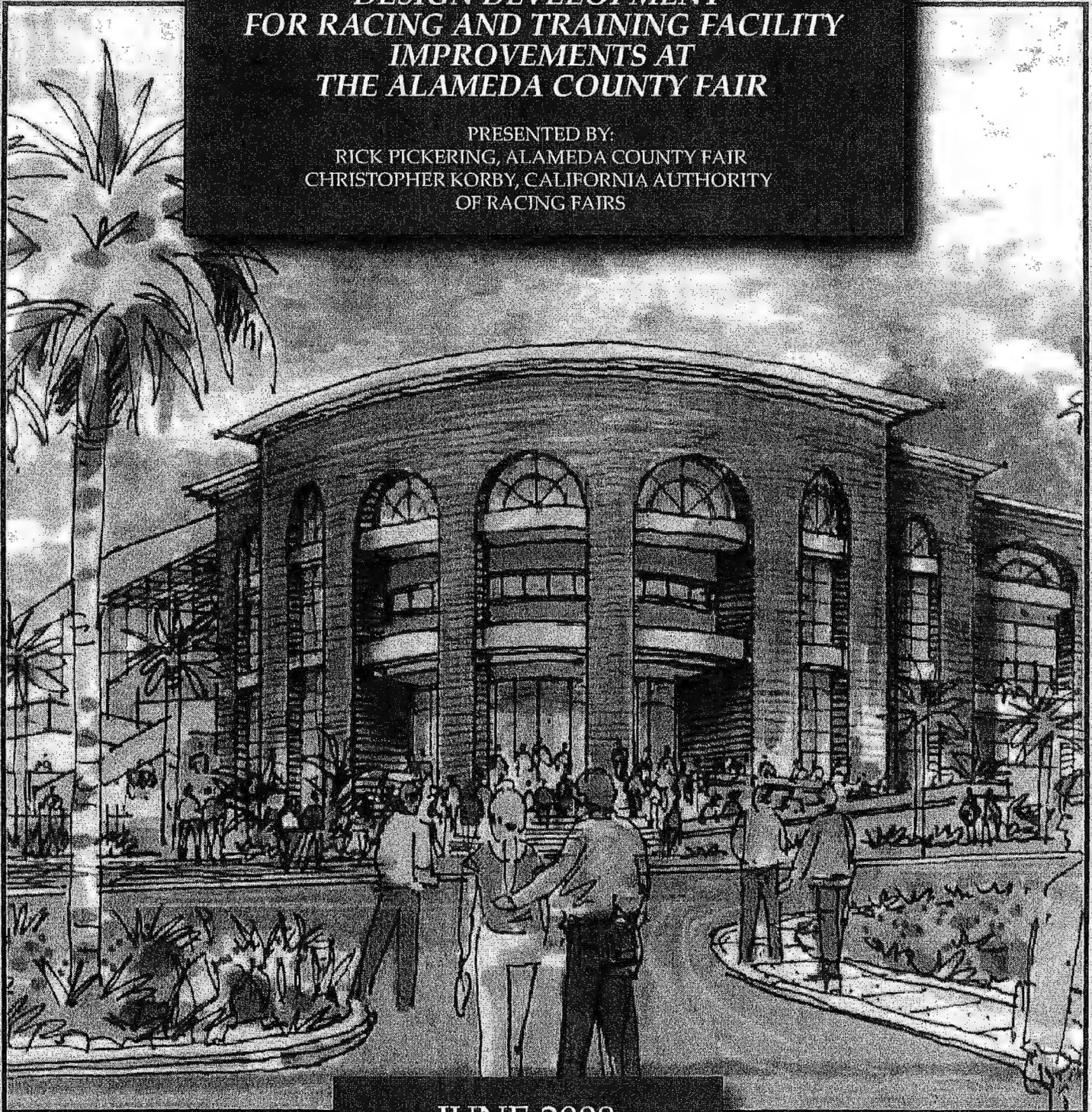
X 
SONOMA COUNTY FAIR
TAWNY TESCONI

PRESENTATION

TO THE
CALIFORNIA HORSE
RACING BOARD

DESIGN DEVELOPMENT FOR RACING AND TRAINING FACILITY IMPROVEMENTS AT THE ALAMEDA COUNTY FAIR

PRESENTED BY:
RICK PICKERING, ALAMEDA COUNTY FAIR
CHRISTOPHER KORBY, CALIFORNIA AUTHORITY
OF RACING FAIRS



JUNE 2008



**Fairground Renovation
for Thoroughbred Racing**
4501 Pleasanton Avenue
Pleasanton, California 94588

PERSPECTIVE AT
GRANDSTAND ENTRANCE

FG Froehlich, Kow & Gong
Architects, Inc.
268 Colorado Boulevard
Los Angeles, California 90001
Tel: (310) 257-9177
Fax: (310) 258-7134

DATE: 08-31-07

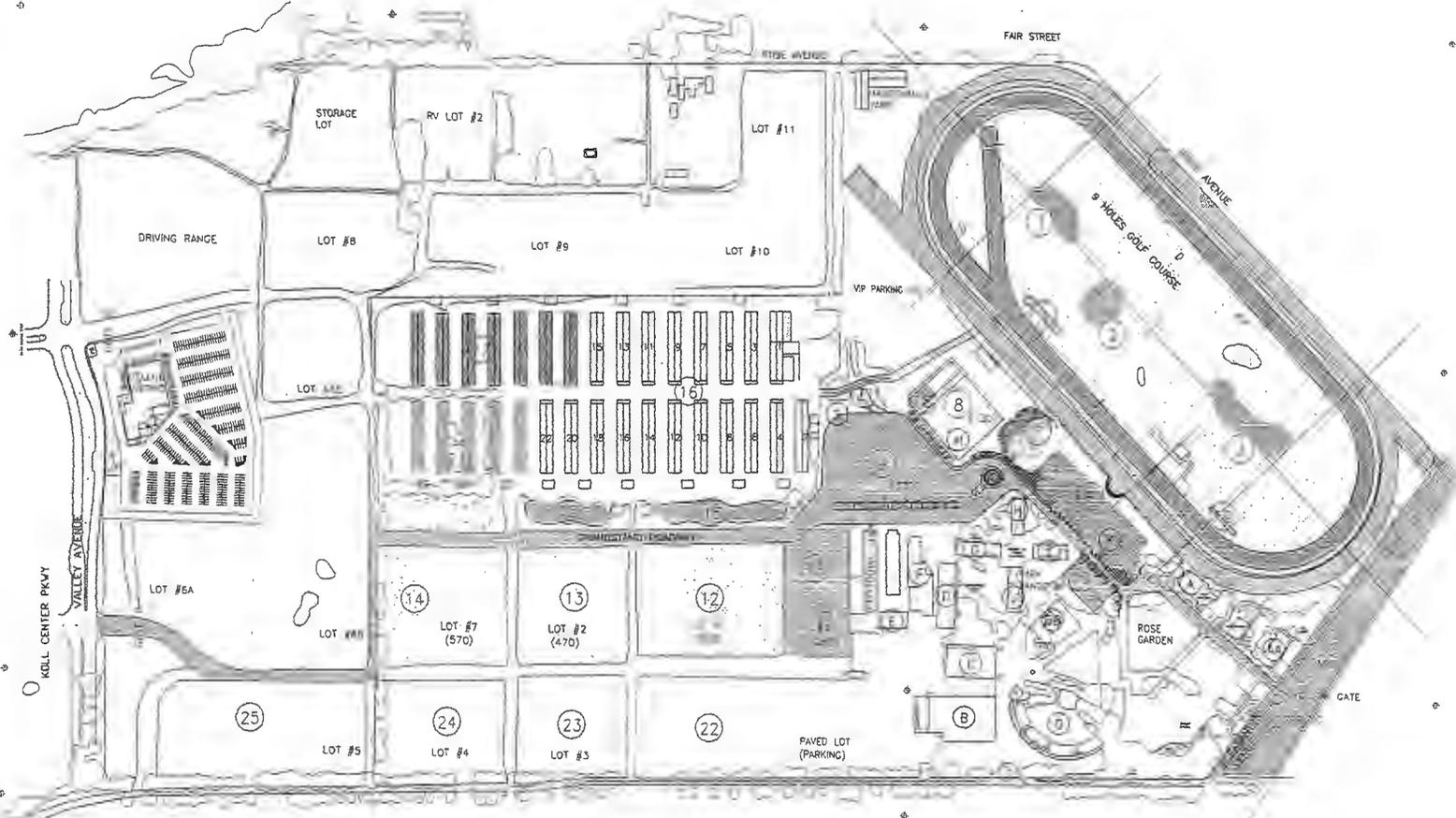
LEGEND

EXISTING FACILITY

- (A) CATERIA
- (B) YOUNG CALIFORNIA BUILDING
- (C) EXHIBITION HALL
- (D) HALL OF COMMERCE
- (E) SPECIAL EXHIBIT BUILDING
- (F) POULTRY
- (G) PG. BUILDING
- (H) MINERAL & GEM BUILDING
- (I) COMMERCIAL BUILDING
- (J) FLORICULTURE BUILDING
- (K) GRANDSTAND
- (L) AMADOR PAVILION
- (M) AMPHITHEATER
- (N) COUNTRY PLAZA
- (O) ADMINISTRATION OFFICE
- (P) HERITAGE HOUSE OFFICES

SCOPE OF WORK

- (1) 1 - MILE SYNTHETIC TRACK
- (2) 7/8 - MILE TURF TRACK
- (3) RETENTION POND
- (4) INFIELD TUNNEL
- (5) GRANDSTAND PARKING
- (6) RENOVATED GRANDSTAND
- (7) NEW JOCKEY'S QUARTERS
- (8) V.I.P. COVERED PARKING
- (9) PREFERRED PARKING
- (10) V.I.P. PARKING
- (11) GRANDSTAND PARKING
- (12) GRANDSTAND PARKING
- (13) GRANDSTAND PARKING
- (14) GRANDSTAND OVERFLOW PARKING
- (15) DETENTION POND
- (16) ADDITION OF DORMITORIES TO EXISTING STABLES
- (17) NEW STABLES
- (18) NEW 4H BUILDING
- (19) EXTEND PEDESTRIAN TUNNEL
- (20) FUTURE STABLES
- (21) WIDEN BRIDLE PATH
- (22) FAIRGROUND PARKING
- (23) FAIRGROUND PARKING
- (24) FAIRGROUND PARKING
- (25) FAIRGROUND PARKING



**Fairground Renovation
for Thoroughbred Racing**
4501 Pleasanton Avenue
Pleasanton, California 94566

RENOVATION SITE PLAN
SCALE: N.T.S. (1:400)

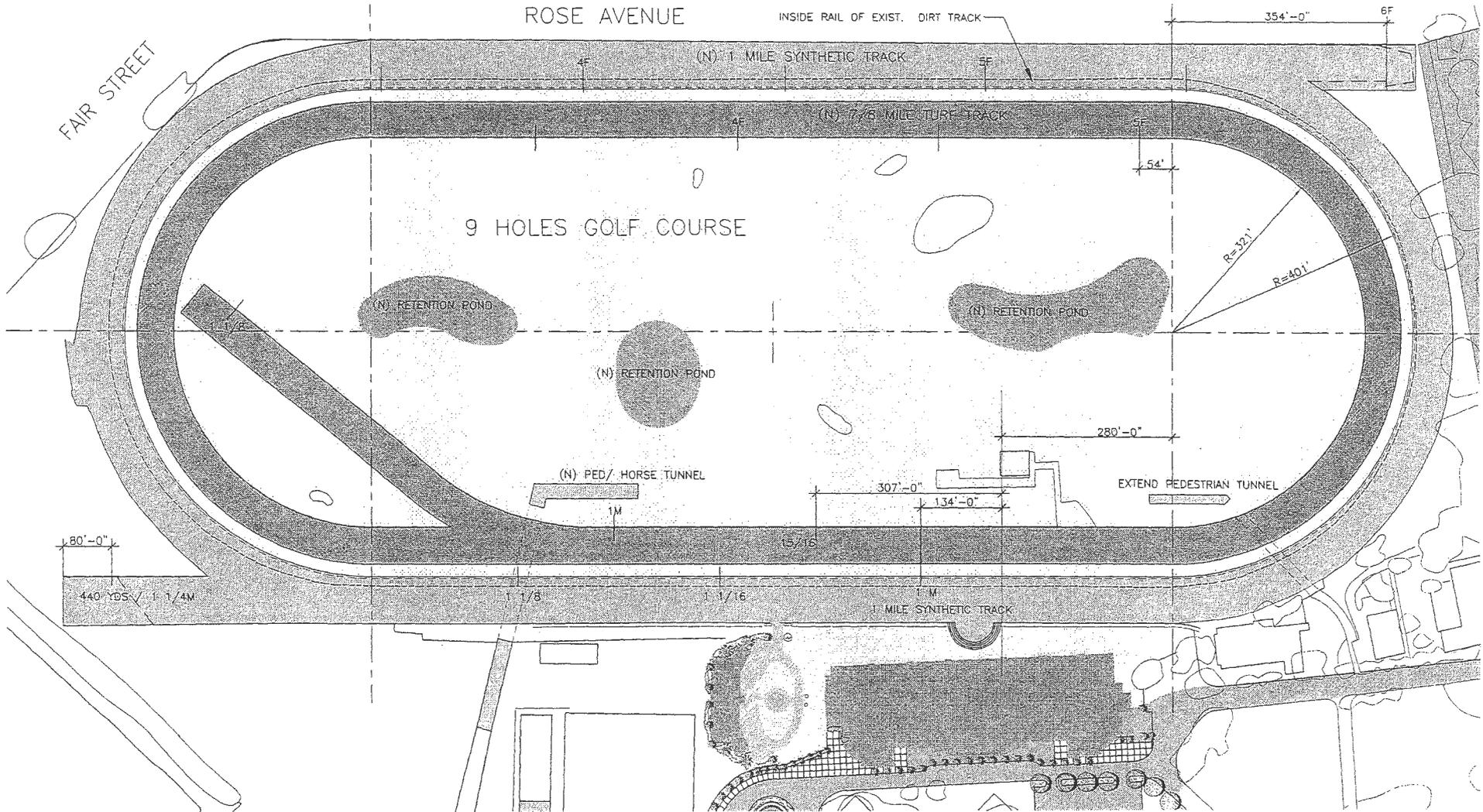


FG **Frøehlich, Kow & Gong
Architects, Inc.**

959 Colorado Boulevard
Los Angeles, California 90041

Tel: (323) 257-0277
Fax: (323) 256-2226

DATE: 08-31-07



Fairground Renovation
for Thoroughbred Racing
4501 Pleasanton Avenue
Pleasanton, California 94566

SYNTHETIC & TURF TRACKS PLAN
SCALE: N.T.S. (1:150)

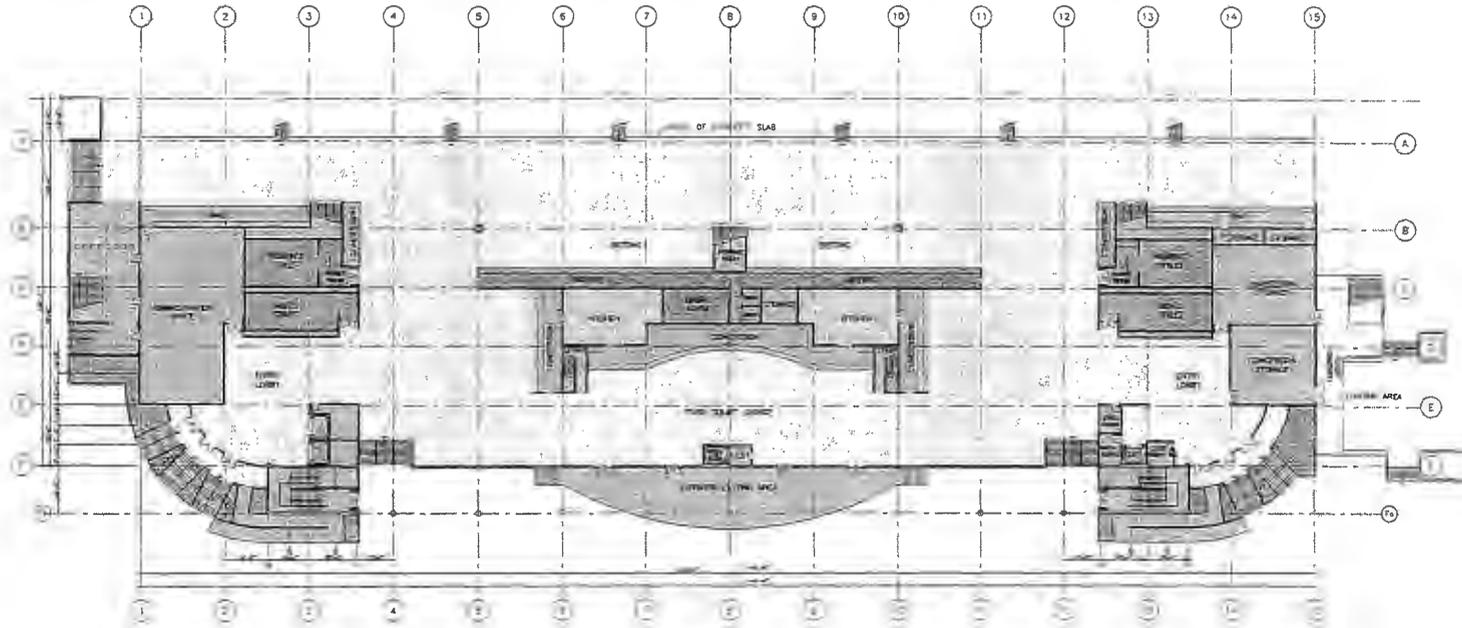


FK Froehlich, Kow & Gong
Architects, Inc.

889 Colorado Boulevard
Los Angeles, California 90041

Tel: (323) 257-0277
Fax: (323) 256-2228

DATE: 08-31-07



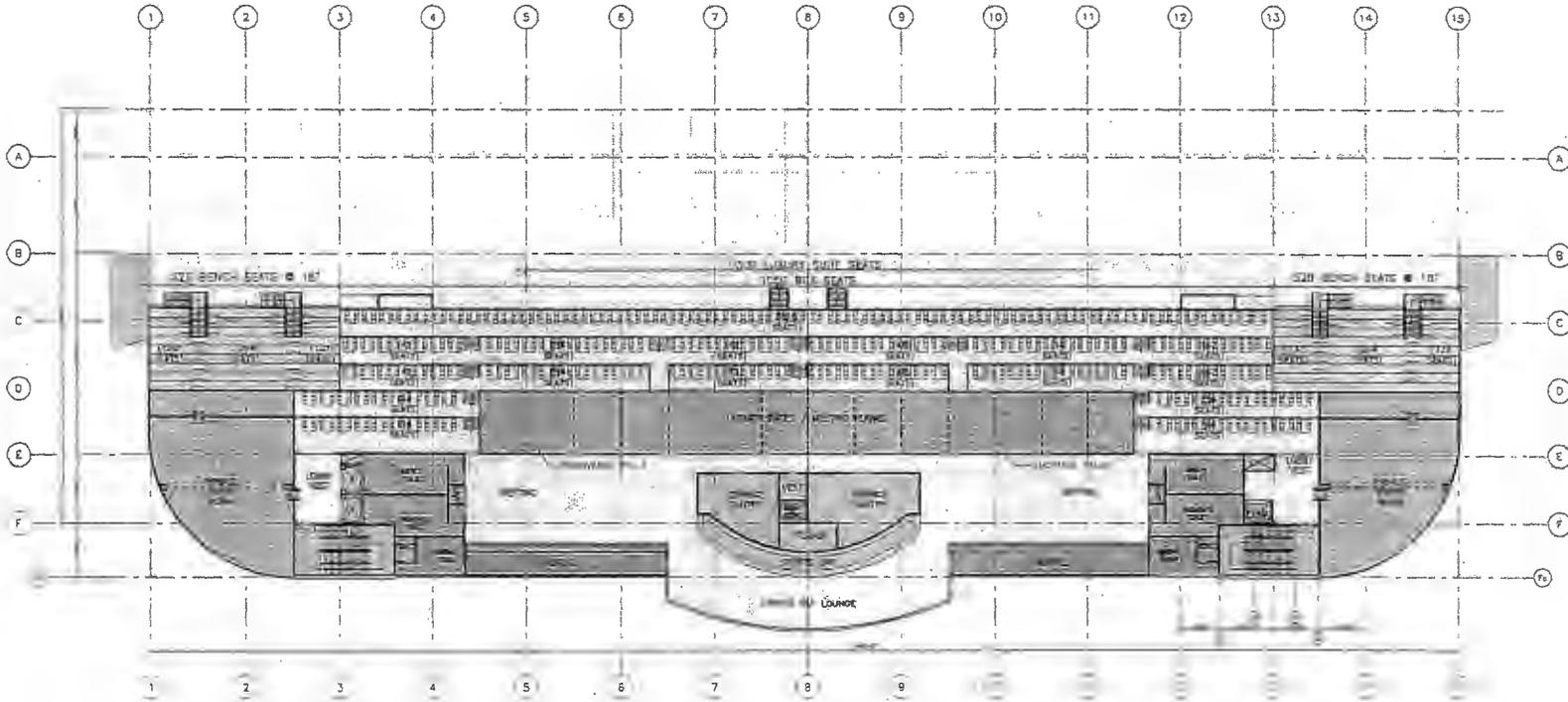
Fairground Renovation
for Thoroughbred Racing
4501 Pleasanton Avenue
Pleasanton, California 94566

FIRST FLOOR PLAN
SCALE: N.T.S. (1:400)



FKG Froehlich, Kow & Gong
Architects, Inc.
959 Colorado Boulevard
Los Angeles, California 90041
Tel: (323) 257-0277
Fax: (323) 256-2275
DATE: 08-31-07

I:\144 104727 08081116_000004.dwg Plot Date: 08/31/07



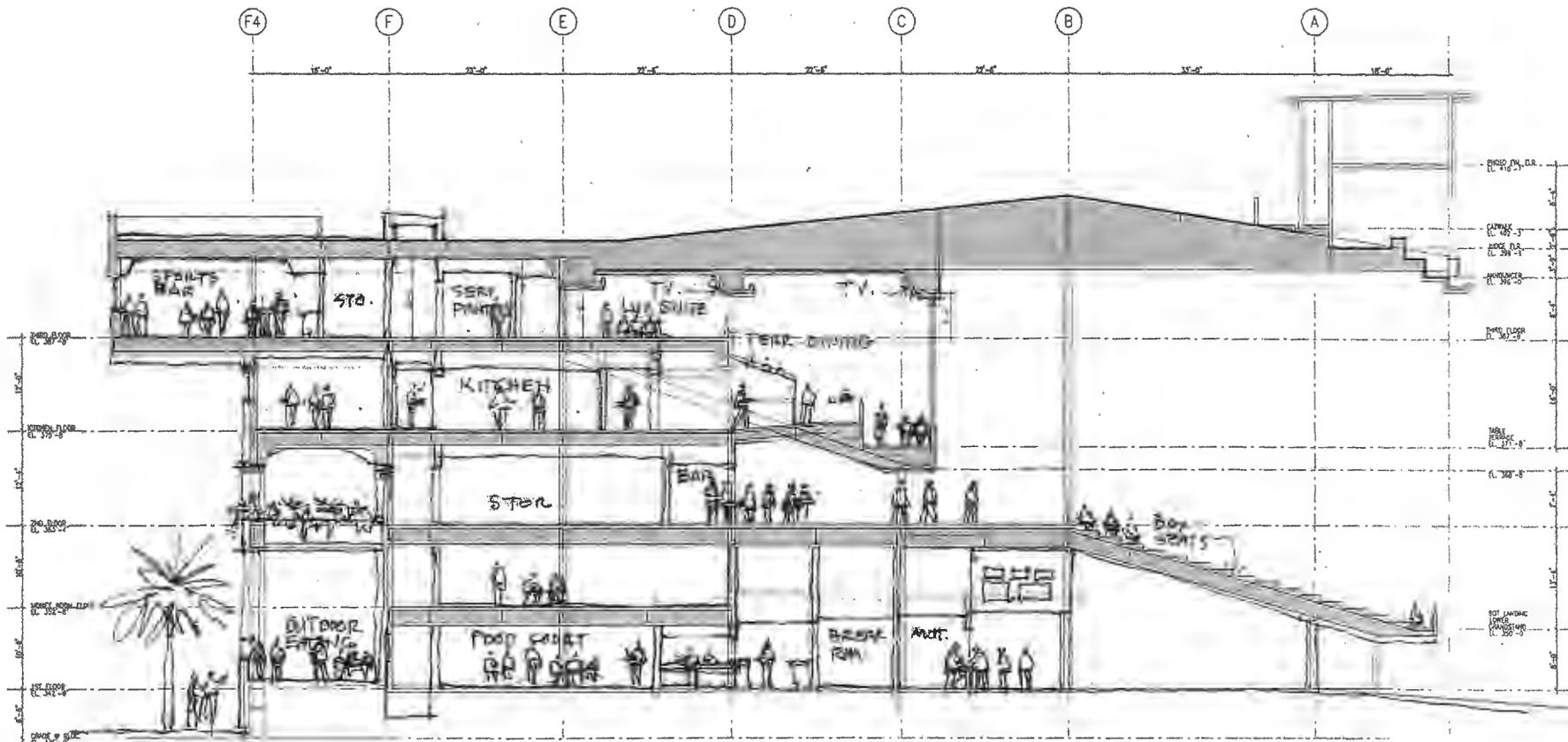
Fairground Renovation
for Thoroughbred Racing
4501 Pleasanton Avenue
Pleasanton, California 94566

THIRD FLOOR PLAN
SCALE: N.T.S. (1:400)



**Frøehlich, Kow & Gong
Architects, Inc.**
969 Colorado Boulevard
Los Angeles, California 90041
Tel: (323) 251-0277
Fax: (323) 756-2226

DATE: 08-31-07



SECTION THROUGH
FINISH LINE
SCALE: N.T.S.



Fairground Renovation
for Thoroughbred Racing
4501 Pleasanton Avenue
Pleasanton, California 94566

Frøehlich, Kow & Gong
Architects, Inc.

989 Colorado Boulevard
Los Angeles, California 90041

Tel: (323) 257-0277
Fax: (323) 256-2226

DATE: 08-31-07

ALAMEDA COUNTY FAIR
PLEASANTON
RACING FACILITY IMPROVEMENTS

PHASING AND COST ESTIMATES

PHASE I

• Engineered surface installed on race track	\$8,000,000
• Storm water management and Barn Expansion	\$5,000,000
	\$13,000,000

PHASE II

• Turf Course	\$4,000,000
• Grandstand Improvements	\$30,000,000
○ Paddock Upgrade	
○ Enclosed, weatherized Grandstand	
○ Upscale seating and enclosed boxes	
○ Food Service and preparation upgrades	
	\$34,000,000

TOTAL	\$47,000,000
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PLANNING FOR HORSERACING IMPROVEMENTS TO
ALAMEDA COUNTY FAIRGROUNDS
CONSULTANTS AND SUPPORTING AGENCIES

County of Alameda – official property owners of the Fairgrounds.

City of Pleasanton – represents the community that surrounds the Fairgrounds.

California Authority of Racing Fairs –CARF obtained unanimous industry support identifying the Fairgrounds as the location of choice as the primary auxiliary training facility in Northern California when Bay Meadows closes. CARF is a Joint Powers Authority that provides management support for racing operations at Alameda County Fair. CARF is managing design development and initial financial planning for improvements to racing facilities.

Froehlich, Kow & Gong – architects for racetracks around the world. FKG designed the existing Racing Grandstand in Pleasanton. Has provided preliminary design detail & artist renderings for future training & racing at the Fairgrounds.

Fieldman & Rolapp – Financial Advisor. Prepared & processed the financing of Del Mar’s new engineered track surface.

Holland & Knight - handled legal & environmental permitting issues for the installation of the new-engineered track surface at Golden Gate Fields.

Michael Sellens - water, hydrology & environmental consultant. Mr. Sellens is experienced in processing potable water & wastewater projects for the Fairgrounds.

Michael Dickenson – TAPETA Track inventor. Installs engineered racing surfaces.

Richard English, CPA – knowledgeable in racing finances & business plans. Mr. English is preparing a draft business plan for expanded training & racing at the Fairgrounds.

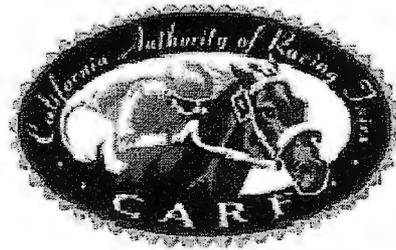
O.C. Jones – master contractor. Installed the new-engineered track surface at Golden Gate Fields. Previously installed a 13-acre parking lot at the Fairgrounds.

California Construction Authority –CCA is responsible for design, construction, project management at California Fairs. CCA managed bidding and contracts for installation of the new engineered track surface (PolyTrack) in Del Mar.

California State Board of Food & Agriculture – advisory body to the Secretary of Food & Agriculture.

CDFA, Division of Fairs & Expositions – responsible for the oversight of all California Fairs & the distribution of State funds to fairgrounds.

California Authority of Racing Fairs



Financing of Improvements to Training and Racing Facilities at the Alameda County Fairgrounds

Daniel Wiles, Esq.
Principal and General Counsel

Paul Pender
Assistant Vice President

June 2008

Training and Racing Facility Improvements

Training Facility Improvements

- ◆ Engineered Track Surface (i.e., Tapeta, Polytrack, Cushion Track)
- ◆ Additional Stabling Capacity, Stormwater Run-off Mitigation and Backstretch Improvements
- ◆ **Requires \$13+ Million in Initial Construction Funds**

Racing Facility Improvements

- ◆ Turf Course
- ◆ Grandstand/Paddock/Racing Facility Upgrades
- ◆ **Requires \$34+ Million in Initial Construction Funds**

*Additional funds will also be needed for issuance costs and bond reserve fund.

Financing the Costs of Improvements

Use of Tax-Exempt Municipal Bonds

- ◆ Provides a financing method — with legal complications — to publicly issue bonds and repay the loan over the long term, e.g. 30 years
- ◆ Bonds issued by or on behalf of governments, if for public capital facilities, are typically tax-advantaged to investors
 - ◆ Interest is not included in gross income under federal (and state) income tax
 - ◆ Results in substantially lower interest rates to municipal entities—often as much as 2%.

Tax-Exempt Bonds Require a Valid Issuer / Entity

- ◆ California Authority of Racing Fairs
- ◆ Authority can access California Fairs Financing Authority or
- ◆ Authority could have separate entity created through legislation (like Del Mar or Cal Expo-SB282)

Security for the Bonds

Revenue Bonds require “coverage”

- ◆ Anticipated revenues exceed debt service
- ◆ Del Mar (22nd Dist. Ag. Assn.) Revenue Bonds had minimum 2x coverage
- ◆ California Fairs Financing Authority Bonds had minimum 2x coverage

Debt Service Reserve Fund

- ◆ Equal to the maximum annual debt service
- ◆ Funded from proceeds of the bonds

Summary of Financing Estimates

	Estimated Facilities Cost	Annual Debt Service Requirement	2x Revenue Requirement
Phase I- Training Improvements			
<i>As Stand-Alone Bond Issues:</i>			
Engineered Surface Installed on Track	\$8,000,000	\$667,472	\$1,334,944
Storm Water Management / Barn Expansion	\$5,000,000	\$430,435	\$860,870
Phase I Improvements (Combined Issue)	\$13,000,000	\$1,063,297	\$2,126,594
Phase II - Racing Improvements			
<i>As Stand-Alone Bond Issues:</i>			
Turf Course	\$4,000,000	\$350,840	\$701,680
Grandstand Improvements -Paddock upgrade, enclosed weatherized grandstand, upscale seating & boxes, food service upgrade	\$30,000,000	\$2,410,052	\$4,820,104
Phase II Improvements (Combined Issue)	\$34,000,000	\$2,725,960	\$5,451,920
Both Phases - as one Bond Issuance	\$47,000,000	\$3,755,735	\$7,511,470

Estimates based on conservative market conditions as of 6/5/2008; borrowing cost related to interest rates is approx. 5.75%, all inclusive borrowing costs range from 5.89% – 6.62% based on amount borrowed.

Funds Available To Repay Debt

- Existing Revenue Streams
 - Stabling and Vanning Fund
 - Department of Food and Agriculture
- Incremental Revenue Streams
 - Additional take-out (e.g., AB2103-proposed)
 - Racing Revenues (selected facilities)
 - Specified Parimutuel Distributions (e.g., AB765)
 - Other

The Financing Process

- Assemble a finance team
- Create a definitive finance plan
 - ◆ Financial analysis, review of potential sources and ability to pledge
 - ◆ Legal Structure, including Issuing Entity and Operating Entity
 - ◆ Marketing analysis, identify potential investors and requirements for them to purchase
 - ◆ Develop and adopt necessary legislation
- Assemble a finance team
- Develop documentation
 - ◆ Ensure that bonds are valid, binding, tax-exempt (to the extent possible)
 - ◆ Provide for efficient operation of the facility
- Evaluate the Credit
 - ◆ Rating Agency/Bond Insurer/Private Placement
- Marketing the Debt
 - ◆ Pricing verification—accountability to the market
- Closing
 - ◆ Receive the funds and apply to project

The Finance Team

- Issuer (California Authority of Racing Fairs-Sponsor)
 - ◆ Hires the team
 - ◆ Approves financing and participates in preparation of legal and bond offering documents
- Financial Advisor—Represents the Issuer (Fieldman, Rolapp & Associates)
 - ◆ Advises on bond pricing, terms and structure suitability, manages financing process
- Bond Counsel – lawyer/law firm
 - ◆ Prepares bond legal documents
 - ◆ Issues opinion as to validity and exemption
- Disclosure Counsel – represents issuer
 - ◆ Develops bond offering document
- Underwriter
 - ◆ Places the bonds with investors at negotiated pricing levels
- Underwriter’s Counsel – represents underwriters
- Trustee
 - ◆ Acts on behalf of bondholders, holds funds, receives debt payments and sends to bondholders
- Rating Agency
 - ◆ Determines credit quality – issues opinions
- Bond Insurance Company
 - ◆ Provides enhancement of credit – backs the bond payments with their credit for a one-time upfront premium

Pre-Financing Process – Next Steps

□ Develop Plan of Finance – Financial Advisor and Bond Counsel

- ◆ Formulate legal structure for issuance of bonds and operation of facility
 - ◆ Ensure tax-exemption for debt
 - ◆ Determine security level for future bondholders – sources of revenues & pledged coverage level
 - ◆ Develop proposed legislation needed for transaction
- ◆ More precise determination of cash flow needs for bonds
 - ◆ Put in context of overall revenues
 - ◆ Define limit to ability to pledge revenues to bondholders
 - ◆ Prepare contingency plan for periods of pledged revenues shortfall
- ◆ Develop Term Sheet for Bonds
 - ◆ Proposed Security for bonds
 - ◆ Cash flow of various revenue sources
 - ◆ Determine limits on additional related financings paid from pledged revenue sources
- ◆ Assembly of entire financial team

Process Timing

□ Complete Financing Process –120 to 150 days

- ◆ Complete Pre-Financing Process
- ◆ Develop legal structure consistent with legislation, particularly if legislation is needed
- ◆ Evaluate credit quality and need/availability of enhancement
- ◆ Develop and review legal documentation
- ◆ Develop and review disclosure to investors
- ◆ Inform rating agencies/credit enhancers
- ◆ Marketing of bonds to investors
- ◆ Pricing of bonds
- ◆ Closing and transfer of funds



There is no substitute for experience.

Questions and Discussion

**AB 765 FUNDS
2007 LICENSE FEES
(pro forma)**

Fair	Northern Calif.	Southern Calif.	Out-of-State	ADW Hubs	Total
San Joaquin	\$ 47,157.37	\$ 50,874.63	\$ 68,426.48	\$ 12,482.98	\$ 178,941.46
Alameda	\$ 78,301.24	\$ 56,959.06	\$ 102,668.72	\$ 21,049.37	\$ 258,978.39
Sonoma/Solano	\$ 135,934.24	\$ 156,730.88	\$ 226,639.89	\$ 41,161.29	\$ 560,466.30
San Mateo	\$ 40,723.31	\$ 56,952.45	\$ 83,539.97	\$ 17,684.95	\$ 198,900.68
Humboldt	\$ 18,480.35	\$ 19,191.91	\$ 3,709.14	\$ 4,429.28	\$ 45,810.68
Cal Expo*	\$ 60,940.34	\$ 58,581.38	\$ 47,843.58	\$ 10,956.08	\$ 178,321.38
Fresno	\$ 52,534.78	\$ 31,623.49	\$ 19,496.18	\$ 10,956.08	\$ 114,610.53
Sub Totals	\$ 434,071.63	\$ 430,913.80	\$ 552,323.96	\$ 118,720.03	\$ 1,536,029.42
Fairplex	\$ 63,262.95	\$ 250,839.37	\$ 401,338.63	\$ 95,673.59	\$ 811,114.54
TOTAL	\$ 497,334.58	\$ 681,753.17	\$ 953,662.59	\$ 214,393.62	\$ 2,347,143.96

*Note 2004 used for traditional handle and Fresno 2007 used for ADW

CALIFORNIA HORSE RACING BOARD
CALIFORNIA FAIRS, HORSE RACING AND AGRICULTURE:
PLANNING FOR THE FUTURE
JUNE 27, 2008
TESTIMONY BY CHRISTOPHER KORBY, EXECUTIVE DIRECTOR
CALIFORNIA AUTHORITY OF RACING FAIRS

Thank you very much for this opportunity to offer some background on the historical, political and economic connections between horse racing, Fairs and agriculture. These long-standing relationships are important as we plan for the future of California horse racing. I'd also like to describe the forces that are pushing the horse racing industry into a period of uncertainty, possibly thereby endangering the future of an important sector of California's agricultural economy. Finally, I will offer a realistic vision for the long-term viability of our industry based on sound public policy and on a strong partnership between the private and public sectors.

Fairs have a grand old tradition of horse racing in California going back over 150 years to the days of the Gold Rush. So when pari-mutuel wagering came along in the early '30s, the Fairs embraced it like an old friend.

Fairs and horse racing share a long political heritage, reflecting a balance of interests that has served the racing industry well since 1933, when support from Fairs helped assure passage of the referendum approving pari-mutuel wagering. That referendum laid the foundation for modern racing in California.

California agriculture and California Fairs also share a long-standing interest in the economic vitality of California racing. The Legislature has recognized the common agricultural connection that links the breeding of horses, Fairs and horse racing. The very first section in Horse Racing Law, B&P Code Section 19401, cites "encouraging agriculture and the breeding of horses in this state" and "supporting the network of California fairs" as important reasons in the legislative intent for allowing pari-mutuel wagering on horse racing. Statute already asserts an affirmative

interconnection between agriculture, horse racing, Fairs and the public interest. Right now, we are lacking an articulated public policy and a coherent, realistic vision for our future that will carry that statutory affirmation forward.

Rounding out the connections to agriculture, the law recognizes Fairs as a vehicle through which the Legislature has chosen to distribute the economic benefits of horse racing to local communities and to the agricultural sector. Revenues derived from horse racing help sustain overall Fair activities, an important part of the fabric of California life. It's more important than ever that this long-standing alliance continue to work for the long-term, best interests of the racing industry in California.

Racing and parimutuel wagering are the economic engines that drive, support and sustain the agricultural components of the industry. These agricultural components are significant. Horse racing represents a multi-billion dollar sector of the state's agricultural economy, employing tens of thousands of Californians on breeding farms, in animal husbandry and related professions, equine medical care, and as suppliers of animal feed. The prosperity of these agricultural enterprises depends on a robust horse racing industry. See UC Davis *Economic Analysis of the California Thoroughbred Racing Industry*, Dr Harold Carter, et al.

There are major changes on the horizon for California horse racing. Planning for these changes will be critically important to its future. We urgently need a vision and a sound public policy that keeps this industry and its agricultural sector economically viable. I'd like to offer some thoughts on this matter from the perspective of the California Fairs.

Background and Perspective

The economic model that underpins ownership of most Thoroughbred tracks in California is under strain. Real estate on which privately-owned, commercial race tracks sit has appreciated to valuations that no longer justify horse racing as the highest and best use of the asset. Corporate owners, with responsibilities to their shareholders, are compelled to consider development of their property for uses other than racing.

The move to develop race track real estate is already underway at Bay Meadows in San Mateo. The San Mateo Fair meeting in August 2008 will be the final horse racing meeting held at this historic track. The same land development company that owns Bay Meadows also owns Hollywood Park and has expressed similar plans for that Southern California track, perhaps as soon as the summer of 2009. These tracks have been pillars of the racing industry in California. Unless we have a plan that provides for replacements, the racing industry in California, and all the attendant economic beneficiaries, will find themselves in a severe crisis.

It's time for industry leaders in racing, breeding, Fairs and in agriculture, leaders who have a major stake in the future vitality of this important sector of California's economy, to step up with a commitment to our industry for the long term. Fairs are making such a commitment.

Fairs' Commitment to Racing-- Historical Antecedents

The significant capital investment and the long history of racing at California Fairs is evidence of the commitment that Fairs have to the sport. Racing has been conducted at Fairs in this state since the 1850's. Fairs were instrumental in securing passage of the initiative that created modern pari-mutuel wagering. In fact, the first racing of the modern pari-mutuel era was conducted at Fairs in 1933 because Fairs had the facilities already in place to accommodate it. Fairs went on to build and re-build grandstands and stable facilities at nine venues around the state, from Humboldt County in the north to Del Mar in the south. Fairs are part of the DNA of California racing.

With the advent of simulcasting in the mid-1980's, Fairs stepped up again, investing in a network of twenty-three simulcast facilities around the state. These satellite facilities annually contribute over \$600 million in pari-mutuel handle to California's racing industry. Through Fairs, which are publicly owned, the public sector already has a significant investment in California horse racing.

A Vision for the Future

So how do we pull all these elements together with an eye to the future? We are offering a vision for the future of California racing that is at once practical, realistic, sustainable and familiar. We propose that publicly-owned racing facilities at Fairs expand and improve to fill the industry's needs as privately-owned, commercial race tracks are developed for purposes other than racing. There are examples and precedents of this public/private partnership model throughout major league professional sports; there is an especially successful example in the racing industry right here in California.

I'd like to describe some of the stars that line up in this vision.

- Fairs are California-based and publicly owned by Californians, with a mission to use their profits right here in our state.
- Fairs already have an investment in the racing industry.
- Fairs can issue bonds, secured by future revenues from pari-mutuel wagering, in order to finance facility expansion and improvements.
- As publicly-owned facilities, Fairs are less susceptible to the impact of changing real estate valuations.
- Fairs are already diversified entertainment and commercial enterprises, landmarks in their communities, with year-round attendance measured in the millions.
- Profits from racing at Fairs are re-invested at California Fairs.
- Fairs can be a good political ally with deep roots in the state's agricultural community and a major presence in the Legislature.

Let's take a quick look at the example of major league professional sports.

Partnership between publicly owned venues and privately-owned franchises is a model long evident in major league professional sports. Such arrangements, though they may vary in form and nature in each instance, generally relieve franchises of

the financial burden of venue ownership while allowing municipalities to secure and maintain major league sport franchises. Both benefit: the franchise is more economically viable and the municipality can realize the sense of civic pride and economic benefits attendant to a major league sports franchise. There are examples from baseball, basketball, football and hockey up and down the state in California.

There is a successful, existing example of this model that already works for California racing: the operating partnership between Del Mar Thoroughbred Club (DMTC) and the 22nd District Agricultural Association (Del Mar Fair). Del Mar Thoroughbred Club, a private entity, operates one of the finest racing meetings in North America at a public venue financed, built and owned by the Del Mar Fair. The current facility was built 1990-1992 through state revenue bonds secured by revenue from pari-mutuel wagering. Profits are re-invested in the facility. The upshot is a tremendously successful operation that benefits DMTC, the Del Mar Fair, the state and California horsemen. We don't think that the California racing industry could find a better model on which to build a strong, stable future.

So let's recap briefly. We have an industry, horse racing, based in agriculture that generates billions of dollars in economic impact and tens of thousands of California jobs. This ag-based industry is on the brink of crisis due to macro-economic forces outside its control. We have a statutory framework that recognizes the affirmative connections between horse racing, agriculture, Fairs and the public interest. We have a vision of a new economic model for conducting horse racing, a model based on existing, publicly-owned venues, structured to underpin a sustainable future, operating for the benefit of agriculture, horse racing, Fairs and ultimately the state of California. So what are we lacking? We need a sound public policy that recognizes the interconnections of all these elements and creates a strong foundation on which to build a prosperous future for our industry. That's where we need this Board's help.

We would like to ask this Board to engage a group of interested parties to develop a public policy recommendation regarding agriculture, horse racing and Fairs. We're here to offer some thoughts on what that would encompass.

The state of California recognizes horse racing as a competitive sport, distinguished from other sports in that its existence depends entirely on the successful breeding, ownership and training of race horses. Breeding, owning, caring for and training horses are elements of the agricultural economy. Therefore, the state of California recognizes horse racing and its attendant equine husbandry as an agricultural activity.

State of California has the sovereign right to permit parimutuel wagering on horse racing. The Legislature exercised this right, in statute, creating the California Horse Racing Board to license and to regulate racing's conduct. Acting through the Board, the state grants annual licenses for the conduct of racing to racing associations, which are either private, for-profit entities, not-for-profit entities, and Fairs. The state also requires that racing associations have a valid contract with horse owners (private entrepreneurs) for the payment of purses. This nexus of state's regulatory mission, private enterprise, and the public interest represents a successful partnership between the public and private sectors.

California statute asserts an affirmative connection between agriculture, horse racing, Fairs and the public interest. The Legislature has recognized that allowing parimutuel wagering serves the public interest when it 1) assures protection of the public; 2) encourages agriculture and the breeding of horses; 3) supports the network of California Fairs; 4) provides for maximum expansion of horse racing opportunities in the public interest; and 5) provides for uniformity of regulation for each type of horse racing (B&P Code §19401).

State government has a revenue interest in the economic vitality of horse racing, beyond meeting the costs of regulation, because horse breeding and racing generate both direct and indirect revenues to the public sector and provide economic

opportunities for its citizens. Revenues are distributed to horsemen as purse payments, to racing associations as commissions, and to the state as license fees. License fees are distributed by the Department of Food and Agriculture for the support of Fairs. Other distributions include wildlife restoration, local charities, and an equine veterinary research and teaching facility at the University of California Davis.

Fairs play an important role in the social fabric of their communities. California Fairs and horse racing have a century-long, mutually beneficial relationship. All Fairs and all Californians who attend Fairs, those employed by Fairs, or who participate in Fairs benefit from this economically interdependent connection. In order to support and encourage this activity it is the policy of the State of California to reinvest revenues generated by horse racing in: 1) California Fairs generally; 2) the improvement of racing venues, equipment and facilities on Fairgrounds; 3) horse racing at California Fairs; 4) a competitive California satellite simulcast program; and 5) the interstate and international export of California-produced equines, products and services.

Horse racing represents a multi-billion dollar component of the state's agricultural economy, employing tens of thousands of Californians on breeding farms, in animal husbandry and related professions, equine medical care, and as suppliers of animal feed. The prosperity of these agricultural enterprises depends on a robust horse racing industry. Thus, the policy of the State of California's Department of Food and Agriculture shall be to support and encourage 1) improvements in breeding stock, supported by the well-regulated conduct of horse racing; and 2) increased interstate and international export of California-bred horses.

In conclusion, racing is a majestic sport with a long and cherished tradition in California. We believe that a realistic vision for its future, along with a sound public policy that governs its structure and conduct, will ensure benefits to Fairs, to agriculture and to the people of California for a long time to come.

STAFF ANALYSIS
REQUEST BY THE LOS ANGELES COUNTY FAIR AT FAIRPLEX
TO INCREASE THE TAKEOUT AN ADDITIONAL ONE PERCENT

Regular Board Meeting
June 27, 2008

BACKGROUND

AB 765, (Evans), Chapter 613 Statutes of 2007 added Business and Professions Code (B&P) section 19601.4, which provides that a fair, combination of fairs, or an association conducting racing at a fair, may, with California Horse Racing Board (CHRB) approval, deduct an additional 1% from its handle to be used for maintenance and improvements at a fair's racetrack inclosure. Specifically, B&P code section, 19601.4, provides that:

1. The additional deduction on its conventional and exotic wagers shall be deposited in the Inclosure Facilities Improvement Account created for this purpose at the Department of Food and Agriculture.
2. Funds derived pursuant to this section shall be used solely for the purpose of facilities maintenance and improvements at a fair's racetrack inclosure.
3. The Secretary of the California Department Food and Agriculture (CDFA) shall appoint a committee of 3-to-5 individuals with expertise in financing, constructing, and managing horse racing facilities to advise in the administration of the funds. The Secretary shall have oversight over the committee.
4. The Secretary shall include in the annual expenditure plan any allocations made pursuant to B&P Section 19601.4.

ANALYSIS

According to its author, the purpose of AB 765 was to allow racing fairs in California, which choose to participate, to contribute one percent of the total amount handled daily in conventional and exotic pools to the Inclosure Facilities Improvement Account. The revenue generated from this action will be held by CDFA and will be strategically distributed to fairs that conduct live racing in California for capital improvements.

The Los Angeles County Fair at Fairplex (LACF) supports the request made by CARF on behalf of its fairs, Alameda, Fresno, Humboldt, San Joaquin, San Mateo, Solano and Sonoma County Fairs, for an additional one percent increase in the takeout at its live racing fair race meetings, pursuant to B&P Code 19601.4, for deposit into the Inclosure Facilities Improvement Account fund.

The LACF is also requesting an additional one percent increase in the takeout at its 2008 live racing fair race meeting at Fairplex, pursuant to B&P Code 19601.4, for deposit into the Inclosure Facilities Improvement Account fund. LACF submits that the additional one percent of take out will be used to temporarily offset design, planning, and pre-construction costs paid for by Fairplex Park for the enhancement of and improvements to the race track and stable area the (Fairplex Expansion Project) which is currently underway. This is a collaborative project with the Southern California Thoroughbred Industry to create a centrally located permanent year-round training center serving Southern California. The total project cost is estimated at \$75 million with pre-construction cost estimated at \$2.4 million.

As represented in the attached request from Fairplex, the soft cost expenditures from now until financing can be secured that have the greatest impact on the timeline of the project all relate to the construction of the racing surface. The preparation of necessary documents will require two to three months (though work will be performed concurrently) for preparation, submittal, and review followed by another two to three weeks for corrections and edits. Upon approval of the additional one percent increase, Fairplex will petition the Los Angeles County Fair Association Board to loan the project up to \$1 million dollars in order to kept the project moving on a timely schedule.

The Los Angeles County Fair at Fairplex Park plans to repay the \$1 million dollar loan with proceeds from the one percent takeout increase and from funds in the CARF fund, which according to Fairplex has a balance of \$250,000 which can be used for improvement to live racing facilities for projects relating to safety and welfare.

Staff notes that handle at the Los Angeles County Fair at Fairplex Park for calendar year 2007 including ADW was \$81,111,453. An additional one percent of takeout would generate an additional \$811,114.53 if handle remains consistent. The average takeout rate for that year was 20.82 see table below for additional details.

Participating California Fairs - 2007 Race Year

Track	On track and simulcast handle	ADW handle	Total Handle	Average takeout	Average % takeout	Additional 1% of handle
Fairplex Park	71,544,094.52	9,567,358.60	81,111,453.12	16,890,568.13	20.82%	811,114.53
Total	71,544,094.52	9,567,358.60	81,111,453.12	16,890,568.13	20.82%	811,114.53

In addition, Fairplex proposes to enter into an agreement with the Secretary of the Department of Food and Agriculture regarding the reimbursement of funds to the LACF.

Attached for your reference are documents detailing LACF's proposal, including the letter to the Secretary of CDFA addressing their agreement.

RECOMMENDATION

Staff recommends that the Board hear from Los Angeles County Fair at Fairplex representatives and other interested parties.

June 13, 2008

The Honorable Richard Shapiro, Chairman
California Horse Racing Board
1010 Hurley Way, Suite 300
Sacramento, CA 95825

Dear Chairman Shapiro:

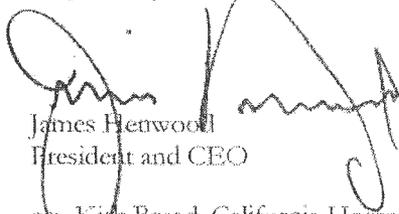
AB 765, introduced by Assembly Member Noreen Evans in the 2007 legislative session and signed by governor Schwarzenegger, authorized Fairs to contribute 1% of the total amount handled daily in conventional and exotic pools into the Inclosure Facilities Improvement Fund, held at the California Department of Food and Agriculture. The purpose of the fund is to pool money from racing Fairs for the improvement of Fair racing facilities. The bill (now B&P Code 19601.4) requires that a Fair notify the California Horse Racing Board of its decision to utilize this program.

The Los Angeles County Fair d/b/a Fairplex is in support of the request by the California Authority of Racing Fairs to institute the provisions of this bill to generate funds beginning with the Alameda County Fair race meeting. In conjunction with this, Fairplex is formally notifying the California Horse Racing Board of the intent to utilize this program for the 2008 Fairplex Park race meeting at the Los Angeles County Fair and requesting approval to do so.

Monies deducted during this race meeting will be used to temporarily offset design, planning, and pre construction costs paid for by Fairplex for the enhancement and improvement to our racetrack and stable area (Fairplex Expansion Project) of which we are currently underway. Please reference the enclosed documents outlining the cost and timeline of the planning activity. Once legislation is enacted allowing for a permanent financing mechanism, Fairplex will request to cease in utilizing the 1% increase in takeout per B&P 19601.4. In the interim, Fairplex will have an agreement in place with the California Department of Food and Agriculture to insure that the funds are returned to Fairplex for the usage outlined herein.

Thank you for your consideration. Please contact me if you have any questions.

Respectfully submitted,



James Henwood
President and CEO

cc: Kirk Breed, California Horse Racing Board
Assembly Member Noreen Evans
Cynthia Bryant, Office of Governor Schwarzenegger
Michael Treacy, California Department of Food and Agriculture

California Business and Professions Code

19601.4. (a) Notwithstanding any other provision of law, a fair, combination of fairs, or an association conducting racing at a fair, may, after approval from the board, deduct an additional 1 percent from the total amount handled daily in its conventional and exotic pools. The additional 1 percent shall be deposited into the Inclosure Facilities Improvement Fund, which is hereby created as a special fund in the State Treasury, the moneys of which are available upon appropriation by the Legislature in the annual Budget Act. Any moneys deducted from the handle pursuant to this section shall be used solely for the purpose of facilities maintenance and improvements at a fair's racetrack inclosure for those fairs that contribute to, or for those fairs where an association conducting racing at that fair contributes to, the Inclosure Facilities Improvement Fund.

(b) The secretary shall appoint a committee of not more than five and no fewer than three individuals with expertise in financing, constructing, and managing horse racing facilities, to advise in the administration of the funds. The secretary shall have oversight over the committee. The secretary shall adhere to the same oversight responsibilities as outlined in Section 19620 when administering the funds contributed and disbursed pursuant to this section.

(c) The secretary shall include in the annual expenditure plan required pursuant to Section 19621 any allocations made pursuant to this section.

(d) For purposes of this section, "secretary" means the Secretary of Food and Agriculture.

**REQUEST BY FAIRPLEX FOR THE 1% INCREASE IN TAKEOUT TO FUND
THE INCLOSURE FACILITIES IMPROVEMENT FUND**

For the June 27, 2008 meeting of the California Horse Racing Board, Fairplex has requested consideration to allow for a 1% increase in takeout on all wagering pools offered during the 2008 race meeting of the Los Angeles County Fair. Upon approval by the Board, the proceeds of this increase will be placed in the Inclosure Facilities Improvement Fund per Business and Professional Code, 19601.4 under the following direction.

Intended Use of Funds:

Fairplex is collaborating with the Southern California Thoroughbred Industry in a project designed to create a centrally located, quality, permanent year-round training center, serving southern California. This project is titled the California Thoroughbred Training Center. The total project cost is \$75 Million with soft costs prior to construction remaining at an estimated at \$2.4 Million.

The critical soft cost expenditures from now until financing can be put in place that have the greatest impact on the timeline of this project all relate to the construction of the racing surface. The preparation of documents including permitting for demolition of existing structures, the grading plan and site utility work will each require two to three months (though work will be performed concurrently) for preparation, submittal and review followed by another two to three weeks for corrections before they are finalized. Due to a gap in time where funding from permanent legislation commences, the architects and consultants are not working on these items. Thus the project is at a veritable stand still.

Upon approval of the 1%, Jim Henwood will petition the Los Angeles County Fair Association Board to loan the project up to \$1 Million in order to keep critical items moving on a timely schedule. The loan will then pay for design, development and engineering, planning and financing costs that are a portion of the aforementioned \$2.4 Million.

Estimated Funds:

It is estimated using the 2007 Fair Racing handle that up to \$800,000 can be generated from the 1% increase. In addition we have a \$250,000 balance in the California Authority of Racing Fairs (CARF) fund for improvements to live racing facilities for projects relating to safety and welfare. Both of these funds together will be used to repay the loan from the LACFA Board.

Agreement in Principle with Department of Food & Agriculture:

Fairplex and the Department of Food and Agriculture will enter into an Agreement in Principle regarding the reimbursement of funds generated during the 2008 Los Angeles County Fair race meeting. Please reference the attached agreement.

Business & Professional Code

To protect Fairplex and the related project with regard to the funds, please refer to B&P 19601.4 (c) which states:

The secretary shall appoint a committee of not more than five and no fewer than three individuals with expertise in financing, constructing, and managing horse racing facilities, to advise in the administration of the funds. The secretary shall have oversight over the committee. The secretary shall adhere to the same oversight responsibilities as outlined in Section 19620 when administering the funds contributed and disbursed pursuant to this section.

This language allows for industry oversight of this fund, insuring its proper use and dispensation.

June 16, 2008

A.G. Kawamura
Secretary
California Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814-5607

Dear Secretary Kawamura,

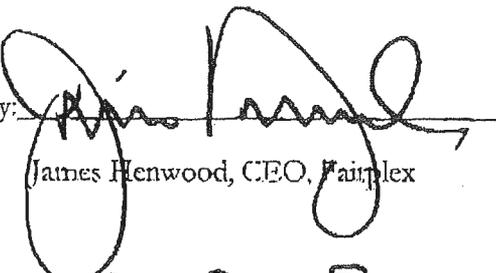
The Los Angeles County Fair d/b/a Fairplex is requesting to exercise its option under B&P 19601.4 by petitioning the California Horse Racing Board (CHRB) to raise takeout 1% on all wagers for its 2008 Los Angeles County Fair race meeting. The purpose of the request and subsequent increase is to provide a funding mechanism for soft costs related to our \$75 Million racetrack and stable area expansion project known as the California Thoroughbred Training Center, currently underway.

The proceeds from this increase will go towards a \$1 Million bridge loan from the Los Angeles County Fair Association (LACFA) Board used to pay for soft costs related to the project's design, development, engineering, legal and financial aspects. This bridge loan is imperative to continue the project on track and bring it in on time. Majority financing is anticipated through the California Horse Racing Industry's intent to pass legislation this year providing for a permanent funding source for this project.

In order to offer an assurance to the CHRB and LACFA that all proceeds generated from exercising this takeout increase for the 2008 race meeting at Fairplex will revert back to LACFA, it is our intent to enter into an agreement in principle with you and the California Department of Food and Agriculture to stipulate just that. Thus:

Be it hereby declared that upon approval of California Horse Racing Board for LACFA to deduct an additional 1% of the total amount handled daily in conventional and exotic pools and that this money is to be deposited in the Inclosure Facilities Improvement Fund held at the California Department of Food and Agriculture and that all such funds generated by LACFA will be then utilized by LACFA and only LACFA to pay for and finance costs incurred in the California Training Center project currently underway at the Los Angeles County Fairgrounds.

By: _____



James Henwood, CEO, Fairplex

By: _____

A.G. Kawamura, Secretary, CDFA

Date: _____

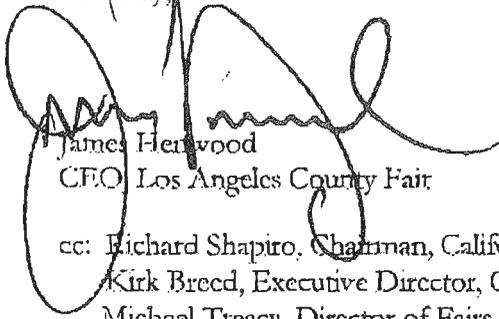
6-17-08

Date: _____

A.G. Kawamura
June 16, 2008
Page 2

Please call my office at 909-865-4201 if you have any questions.

Sincerely,



James Herwood
CEO, Los Angeles County Fair

cc: Richard Shapiro, Chairman, California Horse Racing Board
Kirk Breed, Executive Director, California Horse Racing Board
Michael Treacy, Director of Fairs and Expositions, CDFA

June 16, 2008

A.G. Kawamura
Secretary
California Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814-5607

Dear Secretary Kawamura,

The Los Angeles County Fair d/b/a Fairplex is requesting to exercise its option under B&P 19601.4 by petitioning the California Horse Racing Board (CHRB) to raise takeout 1% on all wagers for its 2008 Los Angeles County Fair race meeting. The purpose of the request and subsequent increase is to provide a funding mechanism for soft costs related to our \$75 Million racetrack and stable area expansion project known as the California Thoroughbred Training Center, currently underway.

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By: _____

James Henwood, CEO, Fairplex

By: _____

A.G. Kawamura, Secretary, CDFA

Date: _____

Date: _____

A.G. Kawamura
June 16, 2008
Page 2

Please call my office at 909-865-4201 if you have any questions.

Sincerely,

James Henwood
CEO, Los Angeles County Fair

cc: Richard Shapiro, Chairman, California Horse Racing Board
Kirk Breed, Executive Director, California Horse Racing Board
Michael Treacy, Director of Fairs and Expositions, CDFA

STAFF ANALYSIS
June 27, 2008

Issue: APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING OF THE HUMBOLDT COUNTY FAIR AT FERNDALE AUGUST 7-17, 2008.

Humboldt County Fair filed its application for license to conduct a horse racing meeting at Ferndale:

- August 7-17, 2008, or 10 days, the same as 2007. The fair proposes to race 77 races, two more races than in 2007.
- The proposed race dates are the approved dates allocated to the fair.
- California Authority of Racing Fairs and Sonoma County fair request permission to deduct an additional one percent from the total amount handled daily in the conventional and exotic pools, pursuant to Business and Professions Code 19601.4. for deposit into the Inclosure Facilities Improvement Fund.

August - 2008						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

- Racing Thursday through Monday the first week and Wednesday through Sunday the second week. Six races Wednesday, 7 Monday and Thursday, 8 Friday and Saturday and 7 or 9 Sunday.
 - Number of horses available determines the number of daily races programmed by breed.
 - 2007 Race Meeting: Average number of runners per race (TB): 6.29
 - 2007 Race Meeting: Average number of runners per race (Arabian): 6.27
 - 2007 Race Meeting: Average number of runners per race (Quarterhorse): 0
 - 2007 Race Meeting: Average number of runners per race (Mules): 6.82
- Racing concurrently with San Mateo Fair and Del Mar 8/7-17.
- First post 1:55 p.m. Saturday and Sunday, 2:25 p.m. Monday, Wednesday and Thursday and 2:55 p.m. Friday.
- Humboldt County Fair will be open for stabling at no cost, Sunday July 27 through Tuesday August 19. Stall application will be accepted form all breeds.
- Request Darrell Sparks be appointed horse identifier pursuant to CHRB Rule 1525.

- Track safety requirements have been fulfilled.

Wagering program will use CHRB rules.

- Request the option to offer a \$1 wager on any exotic wager.
- Request to allow horses entered on one day to be listed on overnight sheets for races scheduled to be run 72 hours from that day.
- The Advance Deposit Wagering (ADW) providers are TVG, Xpressbet, Twin Spires and Youbet.
- Simulcasting conducted with other out-of-state racing jurisdictions pursuant to Business and Professions Code Section 19602; and with authorized locations throughout California.
- A copy of the 2007 Humboldt County Fair end of meet report has been included for your review. This report was previously presented to the Board at the December 2007 CHRB Board meeting.
- Inspection of backstretch worker housing completed.

RECOMMENDATION:

Staff recommends the Board approve the application.

END-OF-MEET OUTLINE SUMMARY

Humboldt County Fair
August 9, 2007 – August 19, 2007
Race Days: 10

AVERAGE DAILY STATISTICS

	PERCENTAGE CHANGE
Ave. Daily Handle	19.47%
Ave. On-Track	8.00%
Ave. Off-Track	4.60%
Ave. Out-Of-State	29.47%
Ave. ADW	41.60%
Ave. Daily Attendance	-0.37%
Ave. Daily On-Track Attendance	4.50%
Ave. Daily Off-Track Attendance	-4.07%

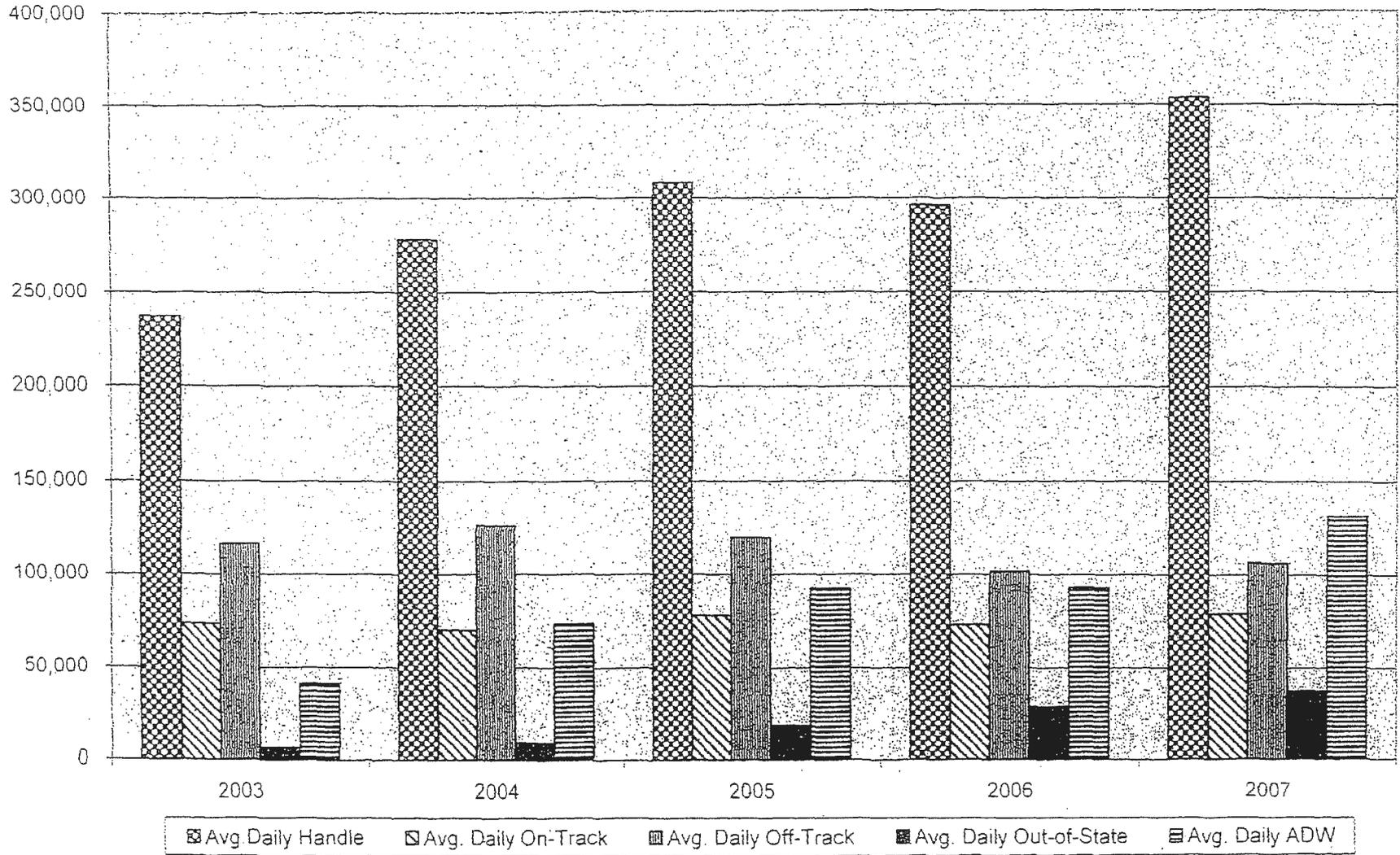
HUMBOLDT COUNTY FAIR

YEAR	2003	2004	2005	2006	2007
TOTAL RACE DAYS	10	10	10	10	10
TOTAL HANDLE	2,389,492	2,787,149	3,080,934	2,959,549	3,535,699
ON-TRACK	731,046	699,081	775,170	727,308	785,505
OFF-TRACK	1,163,479	1,264,637	1,209,644	1,015,848	1,062,530
OUT-OF-STATE	65,262	91,763	182,915	286,480	370,914
ADW	409,705	731,669	922,205	929,913	1,316,750
LIVE	2,389,492	2,787,149	3,080,934	2,959,549	3,535,699
OUT-OF-ZONE IMPORTED	0	0	0	0	0
INTERSTATE IMPORTED	0	0	0	0	0
INTERNATIONAL IMPORTED	0	0	0	0	0
AVERAGE DAILY HANDLE	238,949	278,715	308,093	295,955	353,570
AVERAGE DAILY ON-TRACK	73,105	69,908	77,517	72,731	78,551
AVERAGE DAILY OFF-TRACK	116,348	126,464	120,064	101,585	106,253
AVERAGE DAILY OUT-OF-STATE	6,526	9,176	18,292	28,648	37,091
AVERAGE ADW	40,971	73,167	92,220	92,991	131,675
AVERAGE LIVE	238,949	278,715	308,093	295,955	353,570
AVG. OUT-OF-ZONE IMPORTED	0	0	0	0	0
AVG. INTERSTATE IMPORTED	0	0	0	0	0
AVG. INTERNATIONAL IMPORTED	0	0	0	0	0
TOTAL TAKEOUT	479,314	566,834	626,069	599,750	705,465
EFFECTIVE TAKEOUT	20.23%	20.34%	20.32%	20.26%	19.95%
STATE LICENSE FEES	26,769	28,050	26,662	25,764	27,840
STATE %	1.13%	1.01%	0.93%	0.87%	0.79%
TRACK COMMISSIONS	115,380	118,212	122,852	112,792	119,063
ADW COMMISSIONS	20,179	34,561	43,675	48,837	62,997
TOTAL COMMISSIONS	135,559	152,773	166,527	161,629	182,061
TRACK %	5.72%	5.48%	5.41%	5.46%	5.15%
HORSEMEN'S PURSES	119,695	122,188	127,540	117,310	124,006
ADW PURSES	21,083	35,780	45,104	50,665	65,505
TOTAL PURSES	140,688	157,968	172,644	167,977	189,512
HORSEMEN'S %	5.94%	5.67%	5.60%	5.68%	5.36%

HUMBOLDT COUNTY FAIR

YEAR	2003	2004	2005	2006	2007
CALIFORNIA ATTENDANCE	58,433	52,587	53,112	50,829	50,643
ON-TRACK	22,442	21,759	22,811	21,975	22,964
OFF-TRACK	35,991	30,828	30,301	28,854	27,679
DAILY ATTENDANCE	5,843	5,259	5,311	5,083	5,064
AVERAGE DAILY ON - TRACK	2,244	2,176	2,281	2,198	2,296
AVERAGE DAILY OFF - TRACK	3,599	3,083	3,030	2,885	2,768
TOTAL RACE EVENTS	71	73	75	77	75
TOTAL RUNNERS	416	421	483	484	506
AVERAGE RUNNERS PER EVENT	5.9	5.8	6.4	6.3	6.7
AVERAGE HANDLE PER START	5,696	6,620	6,379	6,115	6,988

HUMBOLDT COUNTY FAIR



APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING OF A CALIFORNIA FAIR
CHRB-18 (Rev.12/06)

Application is hereby made to the California Horse Racing Board (CHRB) for a license to conduct a horse racing meeting of a California fair as authorized by Article 6.5 of the California Business and Professions (B&P) Code, Chapter 4, Division 8, Horse Racing Law, and in accordance with applicable provisions and the California Code of Regulations, Title 4, Division 4, CHRB Rules and Regulations.

1. APPLICANT FAIR ASSOCIATION

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

Humboldt County Fair
1250 5th Street, Ferndale
CA 95536 (707)786-9511

B. Fair association is a: District Fair County Fair Citrus Fruit Fair
 California Exposition and State Fair Other qualified fair

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

2. DATES OF RACE MEETING

A. Inclusive dates of race meeting: **August 7-17**

B. Dates racing will NOT be held: **August 12**

C. Total number of racing days: **10**

3. RACING PROGRAM

A. Total number of races: **77**

B. Number of races by breed:

Thoroughbreds Quarter Horses Appaloosas
 Arabians Paints Mules

C. Number of races daily:

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Thoroughbred	5	4	0	3	4	5	4
Other Breeds	4	3	0	3	3	3	4
Total	9	7	0	6	7	8	8

CHRB CERTIFICATION

Application received: *6/5/08*
Reviewed: *[Signature]*

Hearing date: *6/27/08*
Approved date:
License number:

D. Total number of stakes races by breed:

<input type="text" value="5"/>	Thoroughbreds	<input type="text"/>	Quarter Horses	<input type="text"/>	Appaloosas
<input type="text" value="2"/>	Arabians	<input type="text"/>	Paints	<input type="text" value="2"/>	Mules

E. Attach a listing of all stakes races and indicate the date to be run and the added money or guaranteed purse for each. **Attached**

F. Will provisions be made for owners and trainers to use their own registered colors?

Yes No If no, what racing colors are to be used:

G. List all post times for the daily racing program: **Please see attached list.**

NOTICE TO APPLICANT: Every licensee conducting a horse racing meeting shall each racing day provide for the running of at least one race limited to California-bred horses, to be known as the "California-bred race" pursuant to CHRB Rule 1813.

4. FAIR ASSOCIATION

A. Names of the fair directors: **Don Becker, Bill Branstetter, Clarence Bugenig, John Burger, Ken Christen, Al Cooper, Valerie Davis, Jeff Farley, Don Giacomini, Sandy Hanks, Jay Hight, Travis Low, Gene Lucas, Jack Macdonald, Cindy Olsen, Irv Parlato, Herb Peterson, Robert Prior, Tim Renner, Johanna Rodoni and Wayne Wilson.**

B. Names of the directors serving on the Racing Committee or otherwise responsible for the conduct of the racing program: **Don Becker, Clarence Bugenig, John Burger, Jeff Farley, Jack Macdonald, Cindy Olsen, Irv Parlato, Wayne Wilson, Valerie Davis**

C. Name and title of the fair manager or executive officer and the names and titles of all department managers and fair staff, other than those listed in 9B, who will be listed in the official program:

Stuart Titus, General Manager and Director of Racing

5. PURSE PROGRAM

A. Purse distribution:

1. All races other than stakes:

Current meet estimate: **\$308,000**

Prior meet actual: **\$308,007**

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

Current meet estimate: **\$30,800/day**

Prior meet actual: **\$30,800/day**

2. Overnight stakes:

Current meet estimate: **\$67,500**

Prior meet actual: **\$64,000**

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

Current meet estimate: **\$6,750**

Prior meet actual: **\$6,400**

3E Stakes Races**Friday, August 8****The Ferndale Dash – For 3yo mules, 220 yards, \$4,500 added****Saturday, August 9****Charlie Palmer Starter Handicap-Fillies and Mares, 3yo and upward, Six and one-half furlong, \$6,500 guarantee****Sunday, August 10****Victorian Village Arabian Distaff-Fillies and Mares, 3yo and upward, Five furlong, \$6,500 guaranteed****Paul Cacci Eel River Sprint, Starter Stakes-3yo and upward, Seven Furlong, \$6,500 guaranteed****Friday, August 15****Land of Jazz Starter Stakes- 3yo and upward, Seven Furlong, \$6,500 guaranteed****Saturday, August 16****Les Mademoiselle Stakes-Fillies and Mares, 3yo and upward, One and one-sixteenth mile, \$10,000 added****Sunday, August 17****Ferndale Arabian Stakes-3yo and upward, 660 yards, \$6,500 added****Cream City Mule Handicap-3yo and upward, 660 yards, \$5,500 added****Humboldt County Marathon-3yo and upward, One mile and five furlongs, \$15,000 added****3G Post Times**

<u>Race Number</u>	<u>Monday, Wednesday, Thursdays</u>	<u>Fridays</u>	<u>Saturdays, Sundays</u>
Race #1	2:25	2:55	1:55
Race #2	2:55	3:25	2:25
Race #3	3:25	3:55	2:55
Race #4	3:55	4:25	3:25
Race #5	4:25	4:55	3:55
Race #6	4:55	5:25	4:25
Race #7	5:25	5:55	4:55
Race #8		6:25	5:55
Race #9			6:25

3. Non-overnight stakes:
 Current meet estimate: **0**
 Prior meet actual: **0**

Average Daily Purse (5A3 ÷ number of days):
 Current meet estimate: **0**
 Prior meet actual: **0**

B. Funds to be generated for all California-bred incentive awards:
 Current meet estimate: **\$13,000**
 Prior meet actual: **\$13,847**

C. Payment to each recognized horsemen's organization contracting with the fair:

Current meet estimate:		Prior meet actual:
CTT	\$ 750	\$ 752.93
TOC	\$ 1,500	\$ 1,505.85
NTRA	\$ 895	\$ 895.53
PCQHRA	\$ 30	\$ 30.94
CWAR		
ARAC	\$ 5,900	\$ 5,928.92
AMRA	\$10,300	\$10,374.75
CHBPAPEN	\$ 2,250	\$ 2,258.78
CTHF	\$ 2,250	\$ 2,258.78
Total	\$23,875	Total \$24,006.48

D. Amount from all sources to be distributed at the meeting in the form of purses or other benefits to horsemen (5A+5B+5C):
 Current meet estimate: **\$412,375**
 Prior meet actual: **\$409,860**

Average Daily Purse (5D ÷ number of days):
 Current meet estimate: **\$41,237/day**
 Prior meet actual: **\$40,986/day**

E. Purse funds to be generated from on-track handle and intrastate off-track handle:
 Current meet estimate: **\$124,000.00**
 Prior meet actual: **\$124,006.37**

Average Daily Purse (5E ÷ number of days):
 Current meet estimate: **\$12,400/race day**
 Prior meet actual: **\$12,401/race day**

F. Purse funds to be generated from interstate handle:
 Current meet estimate: **0**
 Prior meet actual: **0**

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

Current meet estimate: **0**

Prior meet actual: **0**

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

West America Bank, (CARF) Account # On file

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

Accountancy Corp. 1816 Maryal Drive, Sacramento, CA 95864 (916)482-4224

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

6. STABLE ACCOMMODATIONS

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

250 permanent 200-220 portables

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

450-470

C. Total number of usable stalls to be made available off-site at approved auxiliary stabling areas or approved training centers: **none**

D. Name and location of each off-site auxiliary stabling area and the number of stalls to be maintained at each site: **n/a**

E. Attach each contract or agreement between the fair and the person(s) furnishing off-site stabling accommodations for eligible racehorses that cannot be provided stabling on-site. **n/a**

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

F. Total number of usable stalls made available on-site for the **1986** meeting:

N/A

G. Estimated cost to provide off-site stalls for this meeting. Show cost per-day per stall:

N/A

H. Estimated cost to provide vanning from off-site stalls for this meeting. Show fees to be paid for vanning per-horse: **N/A**

7. PARI-MUTUEL WAGERING PROGRAM

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

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

	TYPE OF WAGERS	APPLICABLE RULES
Example Race	\$1 E; \$1 Double	CHRB #1959; RCI #VE
Race #1	\$1E,\$1PK3,\$1TRI,\$2Q,\$2DD,1SF	CHRB#1959,1977,1979,1958,1957,1979.1
Race #2	\$1E,\$1PK3,\$1TRI,\$2Q,\$2DD,1SF	CHRB#1959,1977,1979,1958,1957,1979.1
Race #3	\$1E,\$1PK3,\$1TRI,\$2Q,\$2DD,1SF	CHRB#1959,1977,1979,1958,1957,1979.1
Race #4	\$1E,\$1PK3,\$1TRI,\$2Q,\$2DD,1SF	CHRB#1959,1977,1979,1958,1957,1979.1
Race #5	\$1E,\$1PK3,\$1TRI,\$2Q,\$2DD,1SF	CHRB#1959,1977,1979,1958,1957,1979.1
Race #6	\$1E,\$1PK3,\$1TRI,\$2Q,\$2DD,1SF	CHRB#1959,1977,1979,1958,1957,1979.1
Race #7	\$1E,\$1PK3,\$1TRI,\$2Q,\$2DD,1SF	CHRB#1959,1977,1979,1958,1957,1979.1
Race #8	\$1E,\$1PK3,\$1TRI,\$2Q,\$2DD,1SF	CHRB#1959,1977,1979,1958,1957,1979.1
Race #9	\$1E,\$1PK3,\$1TRI,\$2Q,\$2DD,1SF	CHRB#1959,1977,1979,1958,1957,1979.1
Race #10		
Race #11		
Race #12		
Race #13		

- B. Maximum carryover pool to be allowed to accumulate before its distribution OR the date(s) designated for distribution of the carryover pool: N/A

- C. List any options requested with regard to exotic wagering: **Request option of \$1 wager on any exotic wager. Request to all horses entered on one day to also be listed in overnight sheets for races scheduled to be run 72 hours from that day.**

- D. Will "advance" or "early bird" wagering be offered? Yes No
If yes, when will such wagering begin:

- E. Type(s) of pari-mutuel or totalizator equipment to be used by the fair and the simulcast organization, the name of the person(s) supplying equipment, and expiration date of the service contract: **Scientific Games Racing (David Payton). Expires 2011**
Equipment description on file with Board

8. ADVANCE DEPOIST WAGERING (ADW)

- A. Identify the ADW provider(s) to be used by the fair for this race meeting: **TVG, Xpressbet, TwinSpires and youbet.**

9. SIMULCAST WAGERING PROGRAM

- A. Simulcast organization engaged by the fair to conduct simulcast wagering: **California Authority of Racing Fairs (Northern California Off-Track Wagering, Inc.)**
- B. Attach the agreement between the fair and simulcast organization permitting the organization to use the fair's live audiovisual signal for wagering purposes and providing access to its totalizator for the purpose of combining on-track and off-track pari-mutuel pools. **On File.**
- C. California simulcast facilities the fair proposes to offer its live audiovisual signal: **All California facilities authorized to accept the signal, including:**

NORTHERN CALIFORNIA	SOUTHERN CALIFORNIA
Alameda County Fair, Pleasanton	Barona Valley Ranch Resort & Casino, Lakeside
Bay Meadows, San Mateo	Cabazon Fantasy Springs Casino, Indio
Big Fresno Fair, Fresno	Del Mar Thoroughbred Club, Del Mar*
California State Fair & Exposition, Sacramento	Earl's Place at Earl Warren Showgrounds, Santa Barbara
Fresno Club One, Fresno	Fairplex Park, Pomona
Golden Gate Fields, Albany	Hollywood Park, Inglewood
Humboldt County Fair, Ferndale*	Los Alamitos Racecourse, Los Alamitos
Kern County Fair, Bakersfield	Santa Anita Park, Arcadia
Monterey County Fair, Monterey	Shalimar Sports Center, Riverside Fair, Indio
Redwood Acres Fair, Eureka**	Sports Center at National Orange Show, San Bernardino
San Joaquin County Fair, Stockton	Sports Pavilion, San Bernardino Cty. Fair, Victorville
San Mateo County Fair, San Mateo	Sports Pavilion at The Farmer's Fair, Perris
Santa Clara County Fair, San Jose	Surfside Race Place at Del Mar, Del Mar**
Shasta District Fair, Anderson	Sycuan Gaming Center, El Cajon***
Solano County Fair, Vallejo	The Derby Club, Seaside Park, Ventura Cty. Fair, Ventura
Sonoma County Fair, Santa Rosa	The Horsemen's Club, Santa Barbara Cty. Fair, Santa Maria
Stanislaus County Fair, Turlock	Viejas Casino & Turf Club, Alpine
Tulare County Fair, Tulare	Watch & Wager, Antelope Valley Fairgrounds, Lancaster
* Open during Ferndale Fair Meet	* July 16 – September 3, 2008
** Closed during Ferndale Fair Meet	** Closed July 16 – September 3, 2008
	*** Closed for renovation

- D. Out-of-state wagering systems the fair proposes to offer its live audiovisual signal: **Attached**
- E. Out-of-state wagering systems that will combine their pari-mutuel pools with those of the fair: **Attached.**
- F. List the host tracks from which the fair proposes to import out-of-state and/or out-of-country thoroughbred races. Include the dates imported races will be held and whether or not a full card will be accepted. If the full card will not be imported, state "selected feature and/or stakes races": **Attached, by CARF.**

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

Northern California Racing Fairs
 August 7-17, 2008
 Prepared: 6/1/08

Ferndale-Humboldt County Fair

Common Pool Locations	Common Pool Locations	Common Pool Locations
AmWest Entertainment Cypress Bayou Casino (LA) Rider's Up OTB (SD) Time Out Lounge (SD) Triple Crown OTB (SD)	Hoosier Park @ Anderson Horsemen's Park Indiana Downs Evansville OTB Clarksville OTB	Prairie Meadows Presque Isle Downs Raceway Park Racing World Racing US Victor Chandler
Arapahoe Park Arima Race Club Arlington Park Atlantic City Race Course Atokad Downs Balmoral Park/Maywood Park Bangor Historic Track/Millers OTB BetPad Beulah Park Birmingham Race Course Blue Ribbon Downs Bluff's Run Greyhound Buffalo Raceway Calder Race Course Canadian Associations Canterbury Park Capital District OTB Capital District OTB ADW (NY only) Catskill Regional OTB Catskill Regional OTB ADW (NY only) Charles Town Race Course Churchill Downs Churchill Downs ADW Coeur d'Alene Casino & Acct. Wagering Colonial Downs Colonial Downs ADW (VA only) Columbus Races Connecticut OTB Divi Carina Bay Casino Ho-Chunk Casino John Martin's Manor Mohegan Sun Casino Oneida Bingo Pony Bar Simulcast Center Randall James Racetrack Royal Beach Casino Shoreline Star Greyhound Tote Investment Racing Service CT OTB	Jackson Harness Raceway Keeneland Kentucky Downs Lebanon Raceway Les Bois Park Lewiston Raceway Lien Games Chips Lounge and Casino El Rancho Motor Hotel OTB Idaho Falls Racing OTB North Dakota Horse Park Rumors OTB Aberdeen Racing OTB Mitch's Grandstand OTB Clubhouse Lounge @ ND Horse Park Skydancer Casino OTB BetAmerica ADW (non-CA wagers) Lincoln Greyhound Park Lone Star Park Louisiana Downs LVDC Atlantis Paradise Island Casino Cities of Gold/Pojoaque Elite Turf Club Elite Turf Club #2 Elite Turf Club #3 Foxwoods Resort and Casino Meskwaki Bingo & Casino Stables, The	Raynham Taunton Greyhound Raynham Taunton Greyhound ADW (MA only) Remington Park Retama Park RGS River Downs Rockingham Park Rockingham Park ADW (NH only) Seabrook Greyhound Rosecroft Raceway Royal River Racing Ruidoso Downs Sam Houston Race Park Valley Greyhound Park Saratoga Raceway Scarborough Downs Scioto Downs Southland Greyhound Sports Creek Raceway Suffolk Downs Pat's Pizza OTB (ME) Suffolk Regional OTB Suffolk Regional OTB ADW (NY only) Sunland Park SunRay Park Sol Mutuel Ltd. The Greyhound Park @ Post Falls The Lodge @ Belmont The Lodge @ Belmont ADW (NH only) The Meadows The Racing Channel TRNI Thistledown Tioga Downs Tri-State Greyhound Turf Paradise Turfway Park TVG Vernon Downs Western Region OTB Western Region OTB ADW (NY only) Wheeling Downs Will Rogers Downs Wonderland Greyhound Woodlands Wyoming OTB Xpressbet Yavapai Downs Yonkers Raceway Youbet Zia Park
Corpus Christi Greyhound Dairyland Greyhound Park Delaware Park Delta Downs Dover Downs Downs @ Albuquerque Ellis Park Emerald Downs Evangeline Downs Fair Grounds Fair Meadows Finger Lakes Fonner Park Freehold Raceway Gillespie County Fair Global Wagering Solutions (MEC Intl.) MagnaBet	MagnaBet Manor Downs Maryland Jockey Club Meadowlands/Monmouth Meadowlands/Monmouth ADW (NJ only) Mobile Greyhound Montana Simulcast Partners Monticello Raceway Mountaineer Park Mount Pleasant Meadows Nassau Regional OTB Nassau Regional OTB ADW (NY only) Nebraska State Fair Park Nevada Pari-Mutuel Association New Jersey Casinos Newport Jai-Alai New York City OTB New York City OTB ADW (NY only) New York Racing Association NYRA ADW (NY only) Northfield Park Cedar Downs OTB Northville Downs Oaklawn Park Ocean Downs Penn National Penn National ADW (PA only) Philadelphia Park Philadelphia Park ADW (PA only) Plainridge Race Course Plainridge Race Course ADW (MA only) Pocono Downs Pocono Downs ADW (PA only) Portland Meadows	Separate Pool Locations Hipodromo Presidente Remon NV Disseminator MIR/Caiente

THOROUGHBRED SIMULCAST RACES TO BE IMPORTED

Name of Host Track	Race Dates	Full Card or Selected Feature and/or Stakes Races
Arlington Park	8/7/08-8/17/08	Full or Partial Cards
Assiniboia Downs	8/7/08-8/17/08	Full or Partial Cards (International)
Calder	8/7/08-8/17/08	Full or Partial Cards
Canterbury	8/7/08-8/17/08	Full or Partial Cards
Charles Town	8/7/08-8/17/08	Full or Partial Cards
Colonial Downs	8/7/08-8/17/08	Full or Partial Cards
Delaware Park	8/7/08-8/17/08	Full or Partial Cards
Ellis Park	8/7/08-8/17/08	Full or Partial Cards
Emerald Downs	8/7/08-8/17/08	Full or Partial Cards
Evangeline Downs	8/7/08-8/17/08	Full or Partial Cards
Fort Erie	8/7/08-8/17/08	Full or Partial Cards (International)
Grand Prairie	8/7/08-8/17/08	Full or Partial Cards
Hastings Park	8/7/08-8/17/08	Full or Partial Cards (International)
Lone Star	8/7/08-8/17/08	Full or Partial Cards
Louisiana Downs	8/7/08-8/17/08	Full or Partial Cards
Monmouth	8/7/08-8/17/08	Full or Partial Cards
Mountaineer Park	8/7/08-8/17/08	Full or Partial Cards
NYRA (Saratoga)	8/7/08-8/17/08	Full or Partial Cards
Northlands Park	8/7/08-8/17/08	Full or Partial Cards (International)
Penn National	8/7/08-8/17/08	Full or Partial Cards
Philadelphia Park	8/7/08-8/17/08	Full or Partial Cards
Prairie Meadows	8/7/08-8/17/08	Full or Partial Cards
Presque Isle Downs	8/7/08-8/17/08	Full or Partial Cards
River Downs	8/7/08-8/17/08	Full or Partial Cards
South America	8/7/08-8/17/08	Full or Partial Cards (International)
Suffolk Downs	8/7/08-8/17/08	Full or Partial Cards
Thistledown	8/7/08-8/17/08	Full or Partial Cards
Woodbine	8/7/08-8/17/08	Full or Partial Cards (International)
Yavapai Downs	8/7/08-8/17/08	Full or Partial Cards

- G. List imported simulcast races the fair plans to receive during the racing meeting which use breeds other than the breed of the majority of horses racing at its live horse racing meeting. Include the name of the host track, the dates imported races will be held, and how many races will be imported:
N/A

OTHER BREED SIMULCAST RACES TO BE IMPORTED

Name of Host Track	Breed of Horse	Race Dates	Number of Races to be Imported
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- H. If any out-of-state or out-of-country races will commence outside of the time constraints set forth in B&P Code Sections 19596.2 and 19596.3, attach a copy showing agreement by the appropriate racing association(s). N/A

NOTICE TO APPLICANT: All interstate wagering to be conducted by a fair is subject to the provisions of Title 15, United States Codes, which require specific written approval of the CHRB and of the racing commission having jurisdiction in the out-of-state venue. All international wagering to be conducted by a fair is subject to the provisions of B&P Code Sections 19596, 19596.1, 19596.2, 19596.3, 19601, 19602, and 19616.1, and will require specific written approval of the CHRB. Every fair shall pay to the simulcast organization within 3 calendar days following the closing of wagering for each racing program, or upon receipt of the proceeds, such amounts that are retained from off-track simulcast wagering, interstate and out-of-state wagering and

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

10. RACING OFFICIALS, OFFICIALS, AND OFFICIATING EQUIPMENT

A. Racing officials nominated:

Association Veterinarian(s)	
Clerk of Scales	Cheryl White
Clerk of the Course	Dolores Collins
Film Specialist	Matt Nichols
Horse Identifier	Darrel Sparks
Horseshoe Inspector	Maurice Fitzpatrick
Paddock Judge	Darrel Sparks
Patrol Judges	Lisa Jones, Matt Nichols
Placing Judges	Stewards
Starter	Bob Mooneyhan
Timer	Melody Truitt

B. Management officials in the racing department:

Director of Racing	Stuart Titus
Racing Secretary	Ella Robinson
Assistant Racing Secretary	Lisa Jones
Paymaster of Purses	Vicky Layne
Mutual Manager	Dominick DePrenzio

- C. Name, address and telephone number of the reporter employed to record and prepare transcripts of hearings conducted by the stewards: **Sheryl Brown, 591 Arlington Avenue, Ferndale, CA 95536
Phone: 707/786-9497**
- D. Photographic device to be used for photographing the finish of all races, name of the person supplying the service, and expiration date of the service contract: **Plusmic Corp., USA, Bill O'Brien (Expires 2012)**
- E. Photopatrol video equipment to be used to record all races, name of the person supplying the service, and expiration date of the service contract. Specify the number and location of cameras for dirt and turf tracks **Pegasus Communication, Inc. (Jim Porep) (Expires April 30, 2013) Cameras at top of each turn, at finish line, top of grandstands and hand held at Winner's Circle. 3 Camera in tower, 1 hand held camera, 1 pan camera in announcer's booth and a camera at 3/16 pole which is remotely mounted on pole.
Equipment to be used - Exhibit A**
- F. Type of electronic timing device to be used for the timing of all races, name of the person supplying the service, and expiration date of the service contract: **Pegasus Communication, Inc. (Jim Porep) (Expires April 30, 2013)
Equipment to be used - Exhibit A**

EXHIBIT A

EQUIPMENT

- A. 2 Sony SP870 Video Tape Recorders; 2 Panasonic MII Digital Video Tape Recorders
- B. Yamaha 1604 Audio Mixer
- C. Sierra Video systems Routing Switcher
- D. 6 DXC M-7 Cameras with lenses, viewfinders, pan heads, support equipment
- E. Window NT Running Lightware
- F. FORE-A Video Typewriter
- G. FORE-A Frame Sync
- H. AUX Frame Syuc
- I. VIDEO FLYER
- J. 4 Sony 9800 Video Tape Recorders
- K. Microtime IMPACT DVE
- L. GVG 200 with Chroma Key, Silhouette Key, Borderline Option
- M. Remote Production Vehicle
- N. Onboard Isolation Transformer & Voltage Regulator

11. SECURITY CONTROLS

- A. Name and title of the person responsible for security controls on the premises. Include an organizational chart of the security department and a list of the names of security personnel and contact telephone numbers. **Pacific Coast Security, Gene Bass, Owner (707)786-9511**
- B. Estimated number of security guards, gatemen, patrolmen or others to be engaged in security tasks on a regular full-time basis: **1-2 guards in grandstands**
2-3 rovers
3 licensed gatemen on 8-hour shifts
1. Attach a written plan for enhanced security for graded/stakes races, and races of \$100,000 or more, to include the number of security guards in the restricted areas during a 24-hour period and a plan for detention barns. **n/a**
2. Detention Barns: **The fair is not running graded stakes**
- A. Attach a plan for use of graded stakes or overnight races.
- B. Number of security guards in the detention barn area during a 24-hour period.
- C. Describe number and location of surveillance cameras in detention barn area.
3. TCO2 Testing:
- A. Number of races to be tested, and number of horses entered in each race to be tested.
All thoroughbred races and all horses
- B. Plan for enhanced surveillance for trainers with high-test results.
Trainer with high test results will be moved to the detention area.
- C. Plan for detention barns for repeat offenders.
Ten stalls adjacent to test barn, which are under 24-hour surveillance.
- D. Number of security personnel assigned to the TCO2 program.
One 24-hour guard when detention stalls are occupied.
- C. Describe the electronic security system.
Monitored electric surveillance.
1. Location and number of video surveillance cameras for the detention barn and stable gate.
One surveillance camera at or near detention stalls.

12. EMERGENCY SERVICES

- A. Name, address and emergency telephone number of the ambulance service to be used during workouts and the running of the races: **City Ambulance of Eureka, 135 7th Street, Eureka, CA 95501 (707)445-4907**
- B. Name, address and emergency telephone number of the ambulance service to be used during workouts at auxiliary sites: **n/a**
- C. Describe the on-track first aid facility, including equipment and medical staffing: **See attached**
- D. Name and emergency telephone number of the licensed physician on duty during the race meeting:
Licensed physician on duty at Redwood Memorial Hospital

11. Organizational Chart - Security

CHIEF KARL POPPLEREITER – CITY OF FERNDALE

OFFICERS, CITY OF FERNDALE

STUART TITUS, HUMBOLDT COUNTY FAIR

GENE BASS, PACIFIC COAST SECURITY

STAFF MEMBERS, PACIFIC COAST SECURITY

12C First aid and Medical Staffing

The Humboldt County Fair provides emergency care which supports comprehensive care for jockeys, track staff and allied personnel. Emergency care focuses on immediate stabilizing, comfort and evacuation of injured racetrack personnel to appropriate hospital care facilities.

Two Emergency Medical Technicians from City Ambulance of Eureka staff are located in an on-track ambulance, which is located at a location with ease of access to the track during each day of training and racing. This ambulance and crew are present whenever horses are on the track (during both racing and training hours, and are responsible for initiating basic life support measures, including immediate medical stabilization, care and evacuation to medical care facilities.

Licensed Physicians are on-duty at Redwood Memorial Hospital and are responsible for ongoing care for jockeys, track staff and allied personnel requiring emergency medical care.

The Humboldt County Fair provides the services of a Kimzey Horse Ambulance, as well as a senior experienced driver who is responsible for the evacuation and disposition of injured horses.

Redundant communication services are provided to ensure constant contact between all emergency care personnel. Two-way radio networks are established within the racing operations, as well as fair emergency operations. All key emergency care personnel also carry cell phones and each is provided a laminated card containing all contact numbers. The fair also has an emergency response cell which responds to all emergencies, both medical as well as non-medical.

- E. Name, address and emergency telephone number of the hospital to be used for admittance and treatment of emergency injuries in the event of an on-track injury to a jockey:
Redwood Memorial Hospital, 3300 Renner Drive, Fortuna (707)725-7328
- F. Attach, in English and Spanish, the emergency medical plan procedures that will be posted in each jockey's room to be used in the event of an on-track injury to a jockey: **Attached**
- G. Name of health and safety manager and assistant manager responsible for compliance of health and safety provisions pursuant to B& P Code 19481.3(d): **Stuart Titus and Susan Combes**
- H. Attach a fire clearance from the fire authority having jurisdiction over the premises.
Inspection scheduled for July 30, 2008
- I. Attach a Certificate of Insurance for workers' compensation coverage. The CHRB is to be named as a certificate holder and given not less than 10 days' notice of any cancellation or termination of insurance that secures the liability of the fair for payment of workers' compensation.

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

13. CONCESSIONAIRES AND SERVICE CONTRACTORS

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

14. ON- TRACK ATTENDANCE/FAN DEVELOPMENT

- A. Describe any promotional plans: **Promotional plans will be directed towards goal of attracting once again greater on track attendance than the Bay Meadows Fair. Free admission on Monday and Wednesday and other promotional programs throughout program.**
- B. Number of hosts and hostesses employed for meeting: **All volunteer force, including 1,437 citizens and 200 business owners of the City of Ferndale.**
- C. Describe facilities set aside for new fans: **Comfortable seating and friendly atmosphere in any area they choose, with every seat providing a breathtaking view of the Victorian Village of Ferndale, its surrounding dairy properties and the Wildcat mountains south of the City of Ferndale, California.**



April 4, 2008

To: California Horse Racing Board (CHRB)
Attn: Andrea Ogden
1010 Hurley Way, Suite 300
Sacramento, CA 95825

Re: Humboldt County Fair
1250 - 5th Street
Ferndale, CA 95536

Please be advised that the Humboldt County Fair is a member of the California Fair Services Authority (CFSA), and participates in the following self-insurance and loss pooling programs which are administered by CFSA:

I. COMPREHENSIVE GENERAL LIABILITY PROGRAM

- A. Primary Coverage \$750,000 self-insured retention California Fair Services Authority
Coverage continuous until cancelled
- B. Excess Coverage \$9,250,000 in excess of \$750,000
Coverage provided by Insurance Company of the State of Pennsylvania
Term: 01/01/2008 to 01/01/2009

II. WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY

- A. Primary Coverage \$500,000 self-insured retention California Fair Services Authority
Coverage continuous until cancelled
- B. Excess Coverage (a) Workers' Compensation: \$299,500,000 in excess of \$500,000
(b) Employers' Liability: \$4,500,000 in excess of \$500,000
Coverage provided by CSAC Excess Insurance Authority
Term: 07/01/2007 to 07/01/2008

CFSA represents to CHRB that within the above limits, terms and provisions of the coverage stated, to the extent provided by law, CFSA will provide defense, payment, and indemnification on loss funding in accordance with the terms of the contractual assumption of the Humboldt County Fair as set forth in CHRB's "Insurance Requirements".

You will be given at least thirty (30) days notice of any change in the foregoing information. We trust that this commitment will satisfy your insurance requirements.

Please feel free to contact this office on all matters including possible claims.

Sincerely,

Lianne Lewellen
Risk Analyst

12F Medical Protocols and Procedures: English

In case of an accident on the racetrack, the following procedures shall be implemented:

Track Ambulance

The track ambulance will travel immediately to the scene of an accident and assume triage and patient care responsibilities and evacuated.

Security

1. As soon as possible, a member of the track security staff shall report to the scene of the accident and thereafter take direction from the EMT responsible for management of the accident scene. The track security representative shall be responsible for keeping bystanders away from the accident scene.
2. A member of the track security staff shall proceed to the Jockey's Room to secure the ambulance transfer area, as well as prevent visitation from bystanders from entering the accident area.
3. A member of the track security staff shall be responsible for escorting emergency vehicles.
4. The security staff shall be responsible for all crowd control activities.

Racing Staff/Track Veterinarian

1. Upon arrival at the scene, the Outrider should hold the injured horse in order to prevent further harm to people, horses or property.
2. Horses with severe injuries should be transported off the track via the horse ambulance, whenever it is practical to do so.
3. The track veterinarian shall make the decision as to the necessity of euthanasia on the track.
4. A screen blocking the public's view of the injured horse shall be set up prior to the euthanasia procedure.
5. Outriders are responsible for the removal of any debris from the racetrack following the removal of the injured person or horse from the track.

Plant Staff

1. The Horse Ambulance shall travel immediately to the scene of an accident whenever it appears that a horse will require transport.
2. Members of the plant department who are near the accident site shall assist in screening the accident scene from the public view and shall take direction from the EMT that is responsible that is responsible for the management of the accident scene.

Announcer

1. The announcer shall make riders aware of the details of the situation (such as the location of a loose horse, the necessity to pull up, etc.), enabling them to take the necessary steps to mitigate additional problems.

Senior Management

1. A senior management representative should quickly proceed to the location on the racetrack where the accident has occurred. The manager should report to other members of the management team as to the accident status.
2. An additional member of the management team should report to the video department in order to monitor the scene and access the extent of video coverage to be transmitted to the public.
3. A member of the management team should provide input as to announcements to be made by the track announcer.
4. A member of the senior management team should be responsible for seeing that information regarding the accident is communicated to the family member of the injurec. Efforts need to be made to escort family members to the hospital, if necessary. In this regard, a current compilation as to who should be notified in the case of an injured jockey is kept on file.
5. All public address announcements and responses to press inquiries are within the sole purview of the senior members of the management team then available.

All Department Heads

All department heads shall communicate to their employees that, although intentions are good, the treatment of the injured rider must be left up to trained personnel, and all other employees must stay away from the scene of an accident.

12F Medical Protocols and Procedures: Spanish

Procedimiento en caso de Accidente en Humboldt County Fair

De ocurrir un accidente en el hipodromo, se debe hacer lo siguiente:

El personal de la Ambulancia

El personal de la ambulancia trasladarse inmediatamente al lugar del accidente siempre que lo necesario para tratar a la(s) victim(s).

Seguridad

1. Tan pronto como sea posible, un miembro de seguridad del hipodromo deberá reportarse al lugar del accidente y desde ahí recibir las instrucciones del Paramédico responsable del lugar del accidente. El miembro de seguridad será responsable de mantener a los transeúntes fuera del lugar del accidente.
2. Un miembro del departamento de seguridad del hipodromo se acercará al cuartel del jockey para asegurar el área donde la ambulancia estará y prevenir que transeúntes y personas ajenas se acerquen.
3. Un miembro de seguridad del hipodromo será responsable de escoltar a los vehículos de emergencia.
4. Los miembros de seguridad serán responsables de controlar a la multitud.

Personal de Carreras/Veterinario del hipodromo

1. En una vez en el lugar del accidente, el Outrider/escolta deberá sujetar al caballo herido para evitar que lastime a la gente, a otros caballos o a la propiedad.
2. Los caballos muy mal heridos deberán ser sacados de la pista con la ambulancia para caballos, siempre que sea posible hacerlo de esa manera.
3. El veterinario del hipodromo deberá decidir si se sacrifica al caballo en la pista.
4. Sea posible hacerlo, se debe colocar la pantalla/screen para tapar la vista al público, antes de iniciar el procedimiento de sacrificio del animal.
5. Los Outriders son responsables de remover cualquier desecho en la pista después de que la persona a caballo accidentado haya sido trasladado del lugar.

Personal de Planta/Plant Staff

1. La Ambulancia de Caballos deberá trasladarse inmediatamente al lugar del accidente siempre que un caballo esté severamente lesionado y necesite transporte.
2. Los miembros del departamento de planta que estén cerca del accidente deberán ayudar a preparar el lugar para que el público no pueda ver lo que sucede, además deberán recibir instrucciones del Paramédico responsable del lugar del accidente.

Locutor

El locator debera informar a los jinetes acerca de los detalles de la situacion (como la ubicacion del caballo suelto, la necesidad de adelantar, etc.) para que puedan hacer lo necesario y mitigar otros problemas.

Gerencia

1. Un representatante de la gerencia se apersonara rapidamente al lugar del accidente en el hoipodromo. El genente informara a los otros gerents sobre las lesions sufridas.
2. Otro respesentante de la gerencia degera informar al departamento de videio para monitorear la escena y ver la cobertura de video que sera transmitida al publico.
3. Un miembro de la gerencia debera aportar con informacion sobre los anuncios que debera hacer el locator.
4. Un miembro de la gerencia sera responsable de ver que la informacion con respecto al accidente sea dada a los familiares de los heridos. Se debe hacer lo necesario para acompanar a los familiares a los hospitals, de ser el caso. Al respecto, es necesario tenter un registro de la persona a quin se debe comunicar en caso de que un jockey sufra un accidente.
5. Todo los anuncios publicos y respuestas a ls prensa las realice uncamente el funcionario de gerencia de alto nivel que se encuentre disponible en ese momento.

Todos los Jefes de Departamento

Todos los Jefes de Departamento deb en comunicar a sus empleados que, a pesar de que las intenciones sean buenas, el tratamiento de un jinete/jockey herido debe ser realizado por el personal calificado para ello, y todos los demas empleados deben permanecer lejos del lugar del accidente.

13. CONCESSIONAIRES AND SERVICE CONTRACTORS

Food & Non-Alcoholic Beverages

Seamus T-Bones, 1175 Palmer Blvd. Fortuna, CA 95540

Winner's Circle Photo

Vassar Photography, 5075 Double Point Way, Discovery Bay, CA 94514

Racing Grandstand Sound System

Universal Balance, 2163 Park Avenue, McKinleyville, CA 95519

Armored Car Services

NOTWINC, 11875 Dublin Blvd. Dublin, CA 94568

Portable Stalls

Silver Bar Leasing, 3445 S. Fruit, Fresno, CA 93706

D. Describe any improvements to the physical facility in advance of the meeting that directly benefits:

1. Horsemen: **Improved infrastructure in portable stall areas.**
2. Fans: **New party-oriented, more festive tent area for wagering and seminars**
3. Facilities in the restricted areas : **New offices for State and Track Vets, CHRB Investigators and Paymaster, along with new ADA compliant restrooms in Racing Office area.**

15. SCHEDULE OF CHARGES

A. Proposed charges, note any changes from previous year:

Admission (general)	\$7.00
Admission (racing)	\$3.00
Reserved seating (general)	
Reserved seating (clubhouse)	
Parking (general)	\$2.00 per day
Parking (preferred)	\$10.00 per day
Parking (valet)	
Programs (on-track)	\$2.00
(off-track)	

B. Describe any "Season Boxes" or other special accommodation fees: **\$200.00 for box seats**

C. Describe any "package" plans such as combined parking, admission and program: **Pre-fair discounts for all ages, for parking, carnival and for racing admission.**

16. JOCKEYS' QUARTERS

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

<input checked="" type="checkbox"/>	Corners (lockers and cubicles)	How many	<input type="text" value="12"/>
<input checked="" type="checkbox"/>	Showers	<input checked="" type="checkbox"/>	Steam room, sauna or steam cabinets
<input type="checkbox"/>	Masseur	<input type="checkbox"/>	Food/beverage service
<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	Lounge area
<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	Certified platform scale

B. Describe the quarters to be used for female jockeys: **Separate but equal to the boys, including separate corners, showers and sauna.**

17. BACKSTRETCH EMPLOYEE HOUSING

A. Inspection of backstretch housing was completed by **Anne Glascock** on May 30, 2008 .

C. Number of rooms used for housing on the backstretch of the racetrack: **Trailer unit with 10 bunks.**

D. Number of restrooms available on the backstretch of the racetrack: **Six (6)**

E. Estimated ratio of restrooms to the number of backstretch personnel: **Unknown**

18. TRACK SAFETY

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

B. Describe the type(s) of materials used for the inner and outer railings of the race course, the type of inner railing supports (i.e., metal gooseneck, wood 4" x 4" uprights, offset wood 4" x 4" supports, etc.), the coverings, if any, on the top of the inner railing, and the approximate height of the top of the inner railing from the level of the race course. **Outer rail comprised of 3" aluminum railing**

on top of posts, 40" in height. Fontana inner rail, made of offset galvanized posts, with extended aluminum railing on top of gooseneck posts, 42" in height, with average overhang of 24".

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

19. DECLARATIONS

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

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

20. 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 fair to attest to this application on its behalf.

Stuart Titus
Print Name

CEO

[Signature]
Signature

May 8, 2008

STAFF ANALYSIS
June 27, 2008

Issue: APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING OF THE CALIFORNIA EXPOSITION AND STATE FAIR AT SACRAMENTO AUGUST 20, 2008 THROUGH SEPTEMBER 1, 2008.

- California Exposition and State Fair filed its application to conduct a horse racing meeting at Cal Expo in Sacramento:
- August 20 through September 1, 2008, or 11 days the same as 2004, which was the last time Cal Expo conducted a mixed breed race meeting. In 2004 the California Exposition and State Fair ran an 11-day race meeting from August 25 through September 6, 2004.
- The California Exposition and State Fair have not run a state fair (mixed breed) race meeting since 2004. In 2005 they conducted a harness race meeting from July 13 through September 17th. In 2006 and 2007 harness racing was conducted during the time period of the state fair.
- The current meet estimate from all sources to be distributed in the form of purses or other benefits to horsemen during the 2008 fair timeframe is \$1,062,500. In 2004, the total current meet estimate from all sources to be distributed in the form of purses or other benefits to horsemen during the 2004 race meeting was 1,521,200.
- California Exposition and State Fair was allocated 12 race days in 2008 and request permission to reduce live racing by one day eliminating Monday, August 25, 2008 providing for a double-header Friday, August 22 with 16 races. They ran a double header in 2004 running an experiment that reduced live racing by one day, Monday August 30, 2004 allowing them to run a double header August 27 with 17 races.
- The fair proposes to race a total of 126 races.

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

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

- Racing Wednesday through Sunday the first week and Wednesday through Monday the second week. 10 races August 20, 21, 27, 28 and 29, with 12 races August 23, 24, 30, 31 and September 1.
- Number of horses available determines the number of daily races programmed by breed.
- 2004 Race Meeting: Average number of runners per race (TB): 7.57
- 2004 Race Meeting: Average number of runners per race (Arabian): 7.47
- 2004 Race Meeting: Average number of runners per race (Quarterhorse): 8.33
- 2004 Race Meeting: Average number of runners per race (Mules): 7.17

- Racing concurrently with Del Mar Racing Association.
- First post 1:15 p.m. daily and 2:45 p.m. Friday, August 29
- 1:00 p.m. first post on double-header Friday, August 22 through 4:45 p.m. for the eighth race. Tenth race 5:45 p.m. post time and the 16th and final race 8:55 p.m. post time.
- Request to adjust post time when needed to best serve fans wagering on Cal Expo, Del Mar Thoroughbred Club and Los Alamitos.
- Request Darrell Sparks be appointed horse identifier pursuant to CHRB Rule 1525.
- Track Safety Requirements:
 - Cal Expo has submitted the attached letter addressing its racetrack turnover program from harness to mixed breed racing. It is anticipated the racetrack will be ready for training no later than August 13, 2008. If renovations are completed before the August 13, 2008 date, the track will open earlier. The racetrack has been inspected. It will be re-inspected upon completion of the racetrack turnover renovation program.
 - Cal Expo will be open for stabling at no cost Sunday August 10 through Wednesday September 3 for all breeds.
- Wagering program will use CHRB rules.
 - Early wagering will begin at 10:00 a.m.
- Specific changes from the 2004 license application:
 - General Parking increased \$1 from \$7 to \$8.
 - Off-track programs increased \$.25 from \$2 to \$2.25.
 - Season Box seats increased \$155 from \$495 to \$650.
- The Advance Deposit Wagering (ADW) providers are YouBet, TVG, Xpressbet and Twin Spires.
- Simulcasting conducted with other out-of-state racing jurisdictions pursuant to Business and Professions Code Section 19602; and with authorized locations throughout California.
- A copy of the 2004 California Exposition and State Fair and 2007 Sacramento Harness Association end of meet report has been included for your review. These reports were previously presented to the Board at the October 2004 and April 2008 CHRB Board meeting.
- Inspection of backstretch worker housing completed.

RECOMMENDATION:

Staff recommends the Board approve the application.

June 20, 2008

Ms. Jacqueline Wagner
California Horse Racing Board
1010 Hurley Way, Suite 300
Sacramento, CA 95825



Dear Ms. Wagner,

At your request, I offer the following information related to our racetrack turnover from the harness racing meet to our thoroughbred race meet.

We will be assisted in our track turnover by the California Authority of Racing Fairs and TrackMaster, Steve Wood. We may also be utilizing the services of Command Labor to assist in the installation of our inside Fontana safety rail.

The last day for the current harness racing meet is Saturday, August 2, 2008.

- On Saturday night, August 2, the inside safety rail will begin to be installed. This process will take 2 days. The inside safety rail has been stored in two tractor trailers at Cal Expo. The entire rail was removed from the trailers and laid out and inspected to ensure that it was in good condition. It is in good condition and we have ordered and received new "splices" which are the pieces used for joining the rail.
- On Tuesday, August 5 we will "shoot the grade" of the racetrack to be in compliance with existing track safety regulations.
- On Wednesday, August 6, an asphalt grinder will be rented with an operator to dig up our track to a depth of 6" to 10". The asphalt grinder essentially grinds all of the dirt and rocks that may have floated to the surface of the racetrack.
- On Thursday, August 7, we will be adding all of the necessary amendments to the racetrack including sand and organic material to certain specifications. We will be adding the amendments with a rented earth mover or paddlewheel.
- On Friday, August 8, we will begin the process of working the track with a roto tiller to mix the amendments, a cutting harrow and grader, and then will begin the process of watering and harrowing the track. We are hopeful the racetrack will be ready for training no later than Wednesday, August 13 and if it is deemed ready earlier, we will open it earlier.

Ms. Jacqueline Wagner
June 20, 2008
Page 2

The racetrack equipment that Cal Expo owns that will be utilized for the thoroughbred racetrack are:

- 3- Water Trucks ranging from 4,000 to 5,000 gallons each
- 2- Flat Track tractors
- 1- 8870 Ford Tractor
- 1- Thoroughbred racetrack cutting harrow
- 1- Thoroughbred racetrack California harrow
- 1- Grader

CARF will be assisting Cal Expo with other racetrack equipment needs including but not limited to:

- 1- Water Truck
- 2- Flat Track tractors
- 1- Rototiller

Cal Expo will be renting the earth mover or paddlewheel for the installation of all the racetrack soil amendments.

We estimate that the expense of turning the racetrack over this year will be approximately \$75,000 to \$100,000.

We understand the sensitivity of this issue and you can be assured that Cal Expo will do everything to comply with all racetrack safety standards and our racetrack will be safe for all racing participants.

Respectfully,
CALIFORNIA EXPOSITION & STATE FAIR



David Elliott,
Assistant General Manager, Racing Events

cc: Mr. Kirk Breed
Mr. Norb Bartosik

END-OF-MEET OUTLINE SUMMARY

California State Fair at Sacramento
August 25 – September 6, 2004
Race days: 12

AVERAGE DAILY STATISTICS

	PERCENTAGE CHANGE
Ave. daily handle	-1.41%
Ave. On-track	-6.26%
Ave. Off-track	-5.16%
Ave. Interstate-exported	-3.31%
Ave. ADW	38.84%
Ave. daily attendance-Calif.	-15.38%
Ave. On-track	-14.66%
Ave. Off-track	-16.46%

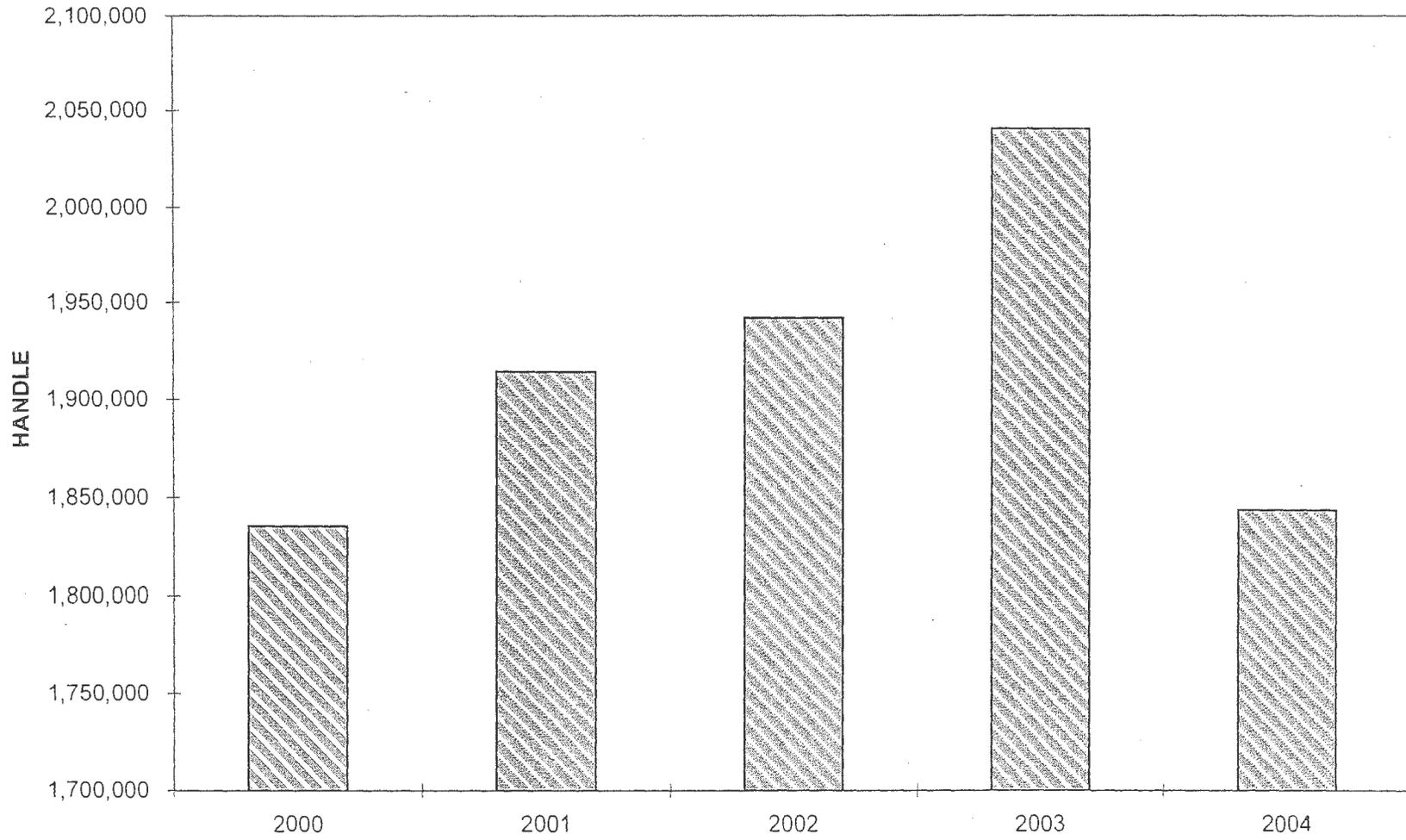
CALIFORNIA EXPOSITION & STATE FAIR

YEAR	2000	2001	2002	2003	2004
TOTAL RACE DAYS	12	12	12	11	12
TOTAL HANDLE	22,027,636	22,977,408	23,311,794	22,443,696	22,128,357
ON-TRACK	3,462,383	3,953,458	3,578,627	3,461,701	3,245,022
OFF-TRACK	12,944,674	13,737,470	13,515,160	12,240,426	11,608,886
INTERSTATE	5,620,579	5,286,480	4,796,266	4,948,061	4,784,358
ADW	0	0	1,421,741	1,793,508	2,490,091
LIVE	13,053,984	13,256,788	13,482,232	13,101,841	13,367,483
INTRASTATE IMPORTED	5,343,275	5,694,268	5,483,105	4,775,143	4,590,345
INTERSTATE IMPORTED	3,594,213	4,026,352	4,346,457	4,566,712	4,170,530
INTERNATIONAL IMPORTED	36,163	0	0	0	0
AVERAGE DAILY HANDLE	1,835,636	1,914,784	1,942,649	2,040,336	1,844,030
ON-TRACK	288,532	329,455	298,219	314,700	270,419
OFF-TRACK	1,078,723	1,144,789	1,126,263	1,112,766	967,407
INTERSTATE	468,382	440,540	399,689	449,824	398,697
AVERAGE ADW	0	0	118,478	163,046	207,508
AVERAGE LIVE	1,087,832	1,104,732	1,123,519	1,191,076	1,113,957
INTRASTATE IMPORTED	445,273	474,522	456,925	434,104	382,529
INTERSTATE IMPORTED	299,518	335,529	362,205	415,156	347,544
INTERNATIONAL IMPORTED	3,014	0	0	0	0
COMMINGLED TAKEOUT	4,448,810	4,627,217	4,409,780	4,177,602	4,511,821
EFFECTIVE TAKEOUT	20.20%	20.14%	18.92%	18.61%	20.39%
STATE LICENSE FEES	252,622	270,607	256,867	234,780	223,971
STATE %	1.15%	1.18%	1.10%	1.05%	1.01%
TRACK COMMISSIONS	852,165	903,094	865,032	790,764	755,072
ADW COMMISSIONS	0	0	64,405	81,947	114,066
TOTAL COMMISSIONS	852,165	903,094	929,437	872,711	869,138
TRACK %	3.87%	3.93%	3.99%	3.89%	3.93%
HORSEMEN'S PURSES	859,102	911,566	872,477	798,522	762,043
ADW PURSES	0	0	66,822	81,258	115,199
TOTAL PURSES	859,102	911,566	939,299	879,780	877,242
HORSEMEN'S %	3.90%	3.97%	4.03%	3.92%	3.96%

CALIFORNIA EXPOSITION & STATE FAIR

YEAR	2000	2001	2002	2003	2004
CALIFORNIA ATTENDANCE	108,294	122,005	119,930	117,101	108,100
ON-TRACK	54,991	69,322	69,701	70,263	65,414
OFF-TRACK	53,303	52,683	50,229	46,838	42,686
DAILY ATTENDANCE	9,025	10,167	9,994	10,646	9,008
AVERAGE DAILY ON - TRACK	4,583	5,777	5,808	6,388	5,451
AVERAGE DAILY OFF - TRACK	4,442	4,390	4,186	4,258	3,557
TOTAL RACE EVENTS	132	131	132	122	127
STARTS	965	1,042	999	943	960
AVERAGE STARTS PER EVENT	7.3	8.0	7.6	7.7	7.6
AVERAGE HANDLE PER START	13,527	12,722	13,496	13,894	13,924

CALIFORNIA STATE FAIR & EXPOSITION
AVERAGE DAILY HANDLE



END OF MEET OUTLINE SUMMARY

Sacramento Harness Association

December 28, 2006 - December 22, 2007

Race Days: 193

AVERAGE DAILY STATISTICS

	Percent Change	Total Value
Avg. Daily Handle	1.93%	17,782
Avg. Daily On-Track Handle	-1.39%	(796)
Avg. Daily ITW Network Handle	-8.02%	(43,434)
Avg. Daily ADW In Network Handle	30.50%	34,492
Avg. Daily Out-Of-State Handle	13.12%	27,520
Avg. Daily Attendance	-2.81%	(106)
Avg. Daily On-Track Attendance	7.47%	31
Avg. Daily ITW Attendance	-4.09%	(137)

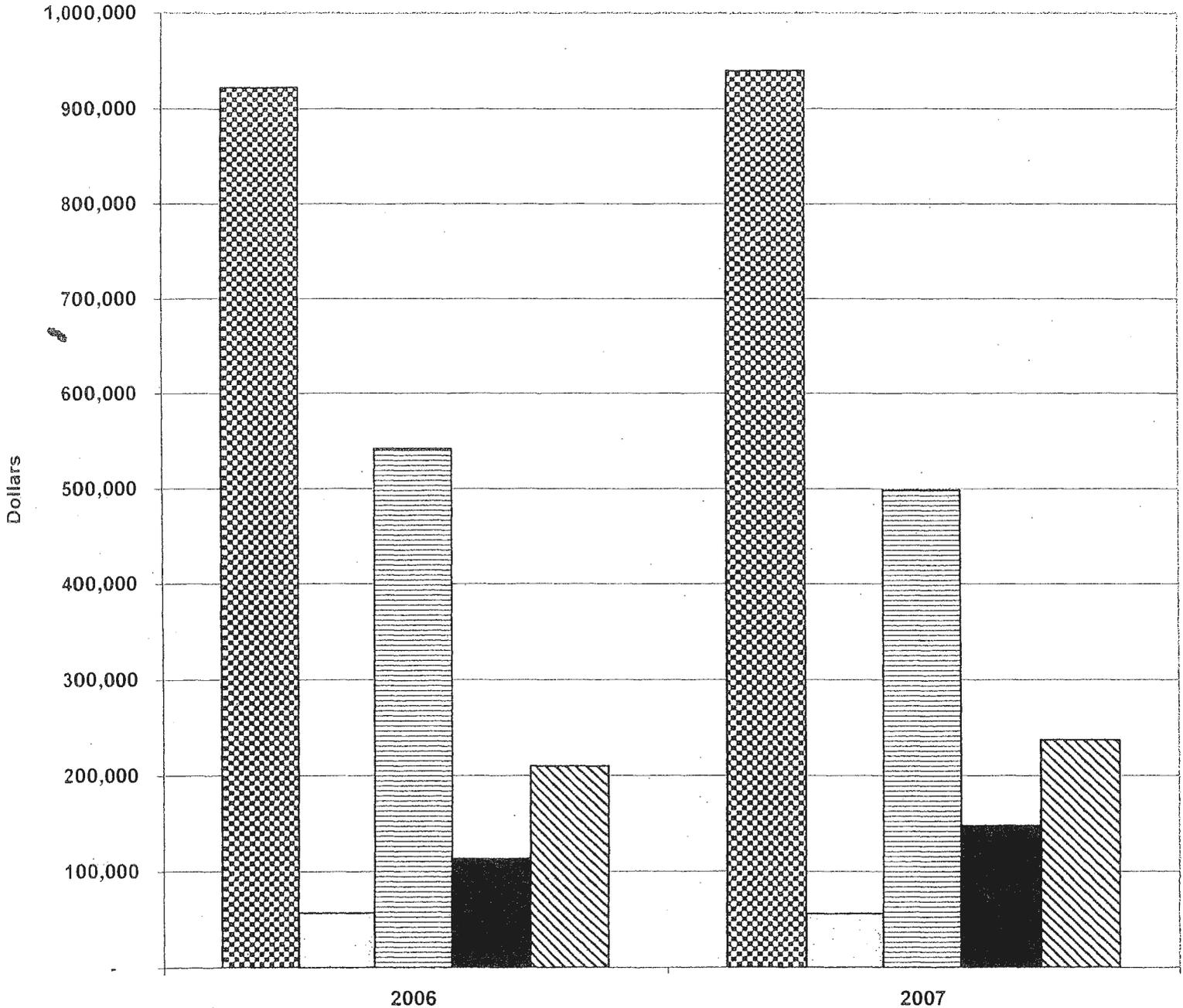
CALIFORNIA HORSE RACING BOARD END OF MEET REPORT

Sacramento Harness Association

Previous Year \$ and % Change

	<u>2006</u>	<u>2007</u>	<u>2007 \$ CHANGE</u>	<u>2007 % CHANGE</u>
TOTAL RACE DAYS	196	193	(3)	-1.53%
TOTAL HANDLE	180,692,184	181,358,462	666,278	0.37%
BY ORIGIN OF WAGER:				
ON-TRACK	11,210,469	10,885,156	(325,313)	-2.90%
ITW NETWORK	106,196,720	96,188,526	(10,008,194)	-9.42%
ADW IN NETWORK	22,165,855	28,483,576	6,317,722	28.50%
OUT-OF-STATE	41,119,140	45,801,203	4,682,063	11.39%
BY ORIGIN OF RACE				
LIVE	130,057,575	128,423,697	(1,633,878)	-1.26%
OUT-OF-ZONE	-	-	0	0.00%
INTERSTATE-IMPORT	48,147,518	50,093,893	1,946,375	4.04%
INTERNATIONAL-IMPORT	2,487,091	2,840,872	353,781	14.22%
AVG DAILY HANDLE	921,899	939,681	17,782	1.93%
AVG BY ORIGIN OF WAGER:				
AVG DAILY ON-TRACK	57,196	56,400	(796)	-1.39%
AVG DAILY ITW NETWORK	541,820	498,386	(43,434)	-8.02%
AVG DAILY ADW IN NETWORK	113,091	147,583	34,492	30.50%
AVG DAILY OUT OF STATE	209,792	237,312	27,520	13.12%
AVG BY ORIGIN OF RACE				
AVG LIVE	663,559	665,408	1,849	0.28%
AVG OUT-OF-ZONE	-	-	-	-
AVG INTERSTATE-IMPORT	245,651	259,554	13,903	5.66%
AVG INTERNATIONAL-IMPORT	12,689	14,720	2,030	16.00%
			0	
TOTAL TAKEOUT	40,613,672	40,521,881	(91,791)	-0.23%
EFFECTIVE TAKEOUT %	22.48%	22.34%	(0)	-0.59%
STATE LICENSE FEES	561,380	530,226	(31,154)	-5.55%
STATE %	0.31%	0.29%	(0)	-5.90%
TRACK COMMISSION	8,875,169	8,568,930	(306,239)	-3.45%
TRACK %	4.91%	4.72%	(0)	-3.81%
PURSE COMMISSION	8,875,533	8,569,353	(306,180)	-3.45%
PURSE %	4.91%	4.73%	(0)	-3.80%
CALIFORNIA NETWORK ATTENDANCE				
ON-TRACK	81,642	86,396	4,754	5.82%
ITW NETWORK	654,645	618,229	(36,416)	-5.56%
AVG DAILY ATTENDANCE	3,757	3,651	(106)	-2.81%
AVG DAILY ON-TRACK	417	448	31	7.47%
AVG DAILY ITW NETWORK	3,340	3,203	(137)	-4.09%
TOTAL RACE EVENTS	2,381	2,345	(36)	-1.51%
STARTERS	18,625	18,077	(548)	-2.94%
AVG STARTERS PER EVENT	7.82	7.71	(0)	-1.45%
AVG HANDLE PER START	6,983	7,104	121	1.74%

Sacramento Harness Association



■ AVG DAILY HANDLE □ AVG DAILY ON-TRACK ▨ AVG DAILY ITW NETWORK ■ AVG DAILY ADW IN NETWORK ▩ AVG DAILY OUT OF STATE

Application is hereby made to the California Horse Racing Board (CHRB) for a license to conduct a horse racing meeting of a California fair as authorized by Article 6.5 of the California Business and Professions (B&P) Code, Chapter 4, Division 8, Horse Racing Law, and in accordance with applicable provisions and the California Code of Regulations, Title 4, Division 4, CHRB Rules and Regulations.

1. APPLICANT FAIR ASSOCIATION

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

California Exposition & State Fair
1600 Exposition Blvd.,
Sacramento, CA 95815
916-263-3000/ Fax - 916-263-3304

B. Fair association is a: District Fair County Fair Citrus Fruit Fair
 California Exposition and State Fair Other qualified fair

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

2. DATES OF RACE MEETING

A. Inclusive dates of race meeting: August 20 through September 1, 2008

B. Dates racing will NOT be held: August 25, August 26

C. Total number of racing days: 11

3. RACING PROGRAM

A. Total number of races: 126

B. Number of races by breed:

Thoroughbreds Quarter Horses Appaloosas
 Arabians Paints Mules

CHRB CERTIFICATION

Application received:
Reviewed: *capw*

Hearing date: 6/27/08
Approved date:
License number:

C. Number of races daily:

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Thoroughbred	9/9	9		8/8	8/8	14/8	9/9
Other Breeds	3/3	3		2/2	2/2	2/2	3/3
Total	12/12	12		10/10	10/10	16/10	12/12

Respectfully request to alter the number of races per breed dependent upon availability of inventory of race horses. As requested by the TOC, we will not exceed the average amount of TB races per day/racing program of 8.6.

D. Total number of stakes races by breed:

Thoroughbreds
 Quarter Horses
 Appaloosas
 Arabians
 Paints
 Mules

E. Attach a listing of all stakes races and indicate the date to be run and the added money or guaranteed purse for each. Attached.

F. Will provisions be made for owners and trainers to use their own registered colors?
 Yes
 No
 If no, what racing colors are to be used:

G. List all post times for the daily racing program:

Post Time Schedule- 2008 California State Fair

	<u>Daily</u>	<u>Friday 8/22</u>	<u>Friday 8/29</u>
Race 1	1:15 PM	1:15 PM	2:45 PM
Race 2	1:45 PM	1:45 PM	3:15 PM
Race 3	2:17 PM	2:15 PM	3:45 PM
Race 4	2:48 PM	2:45 PM	4:15 PM
Race 5	3:18 PM	3:15 PM	4:45 PM
Race 6	3:48 PM	3:45 PM	5:15 PM
Race 7	4:18 PM	4:15 PM	5:45 PM
Race 8	4:38 PM	4:45 PM	6:15 PM
		Break	
Race 9	5:18 PM	5:45 PM	6:45 PM
Race 10	5:48 PM	6:15 PM	7:15 PM
Race 11	6:18 PM	6:45 PM	
Race 12	6:48 PM	7:15 PM	
Race 13		7:40 PM	
Race 14		8:05 PM	
Race 15		8:30 PM	
Race 16		8:55 PM	

Respectfully request to alter above post time schedule when needed to best serve fans wagering on Cal Expo, Del Mar Thoroughbred Club and Los Alamitos.

2008 California State Fair Stakes Schedule

Thoroughbred

Saturday, August 23, 2008

Governor's Handicap, 58th Running
3 year olds and upward, One Mile and One Eighth
\$75,000 Guaranteed

Saturday, August 30, 2008

California State Fair Sprint, 1st Running
3 year olds and upward, Cal Breds, Six Furlongs
\$75,000 Guaranteed, Includes \$10,000 from the CTBA fund

Emerging Breeds

Saturday, August 30, 2008

California State Fair Open Mule Challenge, 9th Running
3 year olds and upward, 440 Yards
\$10,000 Added

Sunday, August 31, 2008

Straight From The Gate Futurity, 8th Running
Mules, 3 year olds, 350 Yards
\$9,000 Added

Saturday, August 23, 2008

The State Fair Distaff
Arabians, Fillies and Mares, 3 Year Olds and Up, 6 Furlongs
\$10,000 Added

Saturday, August 23, 2008

The Jack Clifford, 8th Running
Quarter Horses, 3 year olds and upward, 350 Yards
\$15,000 Guaranteed, Includes \$2,500 from PCQHRA

Monday, September 1, 2008

The Hazel Lucas Stakes, 11th Running
Arabians, 3 year olds and upward, One Mile
\$10,000 Added

NOTICE TO APPLICANT: Every licensee conducting a horse racing meeting shall each racing day provide for the running of at least one race limited to California-bred horses, to be known as the "California-bred race" pursuant to CHRB Rule 1813.

4. FAIR ASSOCIATION

A. Names of the fair directors:

Marko Mlikotin, Chair
 Amparo Perez-Cook, Vice Chair
 Gil Albiani, Director
 Steve Beneto, Director
 Cornelius Gallagher, Director
 Marilyn Hendrickson, Director
 Rex Hime, Director
 Bert Johnson, Director
 Kathy Nakase, Director
 Senator Darrell Steinberg, Ex-Officio Member
 Assembly Member Dave Jones, Ex-Officio Member

B. Names of the directors serving on the Racing Committee or otherwise responsible for the conduct of the racing program:

Racing Committee, California Exposition & State Fair
 Steve Beneto, Chair
 Gil Albiani
 Bert Johnson

C. Name and title of the fair manager or executive officer and the names and titles of all department managers and fair staff, other than those listed in 9B, who will be listed in the official program:

Norbert Bartosik,	General Manager
Trackmaster, Steve Wood	Track Foreman
Anita Ortega	Stable Superintendent
Vic Stauffer	Track Announcer

5. PURSE PROGRAM

A. Purse distribution: ALL PRIOR MEET ACTUALS ARE FROM 2004

1. All races other than stakes:

Current meet estimate: 1,085,000
 Prior meet actual: 1,048,920

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

Current meet estimate: 98,636
 Prior meet actual: 95,356

2. Overnight stakes:

Current meet estimate: 165,000
 Prior meet actual: 140,875

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

Current meet estimate: 15,000

Prior meet actual: 12,806

3. Non-overnight stakes:

Current meet estimate: 0

Prior meet actual: 0

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

Current meet estimate: 0

Prior meet actual: 0

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

Current meet estimate: 90,000

Prior meet actual: 87,120

C. ESTIMATED payment to each recognized horsemen's organization contracting with the fair:

Current meet estimate:		Prior meet actual: 2004
CTT	3,280	3,280
TOC	6,560	6,560
NTRA	8,040	8,040
PCQHRA	1,875	1,875
CWAR	0	2,008
ARAC	9,175	9,175
AMRA	7,176	7,176
CHBPAPEN	9,520	9,520
CTHF	9,520	9,520
Total-	55,146	Total- 57,154

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

Current meet estimate: 1,395,146

Prior meet actual: 1,334,069

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

Current meet estimate: 126,831

Prior meet actual: 121,279

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

Current meet estimate: 1,062,500

Prior meet actual: 1,035,000

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

Current meet estimate: 96,600

Prior meet actual: 94,090

- F. Purse funds to be generated from interstate handle:
 Current meet estimate: 187,500
 Prior meet actual: 187,500

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

Current meet estimate: 17,045

Prior meet actual: 17,045

- G. Bank and account number for the Paymaster of Purses' purse account:
CARF Paymaster of purses account on file with the CHRB

- H. Name, address and telephone number of the pari-mutuel audit firm engaged for the meeting:
Disher Accountancy Corporation, 1816 Maryal Drive, Sacramento, CA 95864
916-482-4224

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

6. STABLE ACCOMMODATIONS

- A. Number of usable stalls available for racehorses at the track where the meeting is held: **1,024**
- B. Minimum number of stalls believed necessary for the meeting: **1,024**
- C. Total number of usable stalls to be made available off-site at approved auxiliary stabling areas or approved training centers: **3,024**
- D. Name and location of each off-site auxiliary stabling area and the number of stalls to be maintained at each site: **Bay Meadows, San Mateo, CA - 900 Stalls**
Golden Gate Fields, Albany, CA- 1440 Stalls
Alameda County Fair, Pleasanton, CA 684 Stalls
- E. Attach each contract or agreement between the fair and the person(s) furnishing off-site stabling accommodations for eligible racehorses that cannot be provided stabling on-site.
Northern California Stabling and Vanning Fund agreement to be provided

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

- F. Total number of usable stalls made available on-site for the **1986** meeting:

- G. Estimated cost to provide off-site stalls for this meeting. Show cost per-day per stall:
- H. Estimated cost to provide vanning from off-site stalls for this meeting. Show fees to be paid for vanning per-horse:

7. PARI-MUTUEL WAGERING PROGRAM

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

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

Example Race	TYPE OF WAGERS	APPLICABLE RULES
	\$1 E; \$1 Double	CHRB #1959; RCI #VE
	Type	Rule Number
	Exacta (1E)	1959
	Quinella (2Q)	1958
	Trifecta (1TRI)	1979
	Daily Double (1DD)	1957
	Superfecta (.10SF)	1979.1
	PK 3 (1PK3)	1977
	PK 4 (1PK4)	1976.9
	PK 6 (1PK6)	1976.
	PPN (1PPN)	1976.8

Wagering Format for August 20, 21, 23, 24, 27, 28, 29, 30, 31, Sept 1

- Race #1 1DD, 1E, 1TRI, .10SF, 2Q, 1PK3
- Race #2 1DD, 1E, 1TRI, .10SF, 2Q, 1PK3, 1PPN
- Race #3 1DD, 1E, 1TRI, .10SF, 2Q, 1PK3
- Race #4 1DD, 1E, 1TRI, .10SF, 2Q, 1PK6
- Race #5 1DD, 1E, 1TRI, .10SF, 2Q, 1PK3
- Race #6 1DD, 1E, 1TRI, .10SF, 2Q, 1PK4
- Race #7 1DD, 1E, 1TRI, .10SF, 2Q, 1PK3
- Race #8 1DD, 1E, 1TRI, .10SF, 2Q, 1PK3 on 10 race card
- Race #9 1DD, 1E, 1TRI, .10SF, 2Q, 1PK3 on 11 race card
- Race #10 1DD, 1E, 1TRI, .10SF, 2Q, 1PK3 on 12 race card
- Race #11 1DD, 1E, 1TRI, .10SF, 2Q,
- Race #12 1DD, 1E, 1TRI, .10SF, 2Q

Wagering Format for August 22 – 16 race card

- Race #1 1DD, 1E, 1TRI, .10SF, 2Q, 1PK3
- Race #2 1DD, 1E, 1TRI, .10SF, 2Q, 1PK3, 1PPN
- Race #3 1DD, 1E, 1TRI, .10SF, 2Q, 1PK3

Race #4 1DD, 1E, 1TRI, .10SF, 2Q, 1PK6
 Race #5 1DD, 1E, 1TRI, .10SF, 2Q, 1PK3
 Race #6 1DD, 1E, 1TRI, .10SF, 2Q, 1PK4
 Race #7 1DD, 1E, 1TRI, .10SF, 2Q, 1PK3
 Race #8 1DD, 1E, 1TRI, .10SF, 2Q, 1PK3
 Race #9 1DD, 1E, 1TRI, .10SF, 2Q, 1PK3
 Race #10 1DD, 1E, 1TRI, .10SF, 2Q, 1PK3
 Race #11 1DD, 1E, 1TRI, .10SF, 2Q, 1PK3
 Race #12 1DD, 1E, 1TRI, .10SF, 2Q, 1PK3
 Race #13 1DD, 1E, 1TRI, .10SF, 2Q, 1PK6
 Race #14 1DD, 1E, 1TRI, .10SF, 2Q, 1PK3
 Race #15 1DD, 1E, 1TRI, .10SF, 2Q,
 Race #16 1DD, 1E, 1TRI, .10SF, 2Q,

- B. Maximum carryover pool to be allowed to accumulate before its distribution OR the date(s) designated for distribution of the carryover pool: **September 1, 2008**
- C. List any options requested with regard to exotic wagering: Option request attached in separate letter
- D. Will "advance" or "early bird" wagering be offered? Yes No
 If yes, when will such wagering begin: **10:00 AM**
- E. Type(s) of pari-mutuel or totalizator equipment to be used by the fair and the simulcast organization, the name of the person(s) supplying equipment, and expiration date of the service contract: **Quantum System Data Center, Scientific Games Racing, Terry McWilliams, Statewide Contract Expires: September 2012**

8. ADVANCE DEPOSIT WAGERING (ADW)

- A. Identify the ADW provider(s) to be used by the fair for this race meeting:
YouBet
TVG
XpressBet
Twin Spires

9. SIMULCAST WAGERING PROGRAM

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

NORTHERN CALIFORNIA	SOUTHERN CALIFORNIA
Alameda County Fair, Pleasanton	Barona Valley Ranch Resort & Casino, Lakeside
Bay Meadows, San Mateo	Cabazon Fantasy Springs Casino, Indio
Big Fresno Fair, Fresno	Del Mar Thoroughbred Club, Del Mar*
California State Fair & Exposition, Sacramento	Earl's Place at Earl Warren Showgrounds, Santa Barbara
Fresno Club One, Fresno	Fairplex Park, Pomona
Golden Gate Fields, Albany	Hollywood Park, Inglewood
Humboldt County Fair, Ferndale*	Los Alamitos Racecourse, Los Alamitos
Kern County Fair, Bakersfield	Santa Anita Park, Arcadia
Monterey County Fair, Monterey	Shalimar Sports Center, Riverside Fair, Indio
Redwood Acres Fair, Eureka**	Sports Center at National Orange Show, San Bernardino
San Joaquin County Fair, Stockton	Sports Pavilion, San Bernardino Cty. Fair, Victorville
San Mateo County Fair, San Mateo	Sports Pavilion at The Farmer's Fair, Perris
Santa Clara County Fair, San Jose	Surfside Race Place at Del Mar, Del Mar**
Shasta District Fair, Anderson	Sycuan Gaming Center, El Cajon***
Solano County Fair, Vallejo	The Derby Club, Seaside Park, Ventura Cty. Fair, Ventura
Sonoma County Fair, Santa Rosa	The Horsemen's Club, Santa Barbara Cty. Fair, Santa Maria
Stanislaus County Fair, Turlock	Viejas Casino & Turf Club, Alpine
Tulare County Fair, Tulare	Watch & Wager, Antelope Valley Fairgrounds, Lancaster
* Open during Ferndale Fair Meet	*July 16 – September 3, 2008
**Closed during Ferndale Fair Meet	**Closed July 16 – September 3, 2008
	***Closed for renovation

- All licensed California fair simulcast facilities, associations, and Indian gaming establishments.
- D. Out-of-state wagering systems the fair proposes to offer its live audiovisual signal:
Attached
 - E. Out-of-state wagering systems that will combine their pari-mutuel pools with those of the fair:
Attached
 - F. List the host tracks from which the fair proposes to import out-of-state and/or out-of-country thoroughbred races. Include the dates imported races will be held and whether or not a full card will be accepted. If the full card will not be imported, state “selected feature and/or stakes races”:

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

THOROUGHBRED SIMULCAST RACES TO BE IMPORTED

Name of Host Track	Race Dates	Full Card or Selected Feature and/or Stakes Races
Arlington Park	8/20-9/1/2008	Full or Partial Cards
Assiniboia Downs	8/20-9/1/2008	Full or Partial Cards
Calder	8/20-9/1/2008	Full or Partial Cards
Canterbury	8/20-9/1/2008	Full or Partial Cards
Charles Town	8/20-9/1/2008	Full or Partial Cards
Colonial Downs	8/20-9/1/2008	Full or Partial Cards
Delaware Park	8/20-9/1/2008	Full or Partial Cards
Ellis Park	8/20-9/1/2008	Full or Partial Cards
Emerald Downs	8/20-9/1/2008	Full or Partial Cards

Northern California Racing Fairs
August 20-September 1, 2008
Prepared: 6/1/08

Sacramento-California State Fair

Common Pool Locations	Common Pool Locations	Common Pool Locations
AmWest Entertainment Cypress Bayou Casino (LA) Rider's Up OTB (SD) Time Out Lounge (SD) Triple Crown OTB (SD)	Hoosier Park @ Anderson Horsemen's Park Indiana Downs Evansville OTB Clarksville OTB	Prairie Meadows Presque Isle Downs Raceway Park Racing World Racing US Victor Chandler
Arapahoe Park Arima Race Club Arlington Park Atlantic City Race Course Atokad Downs Balmoral Park/Maywood Park Bangor Historic Track/Millers OTB BetPad Beulah Park Birmingham Race Course Blue Ribbon Downs Bluffs' Run Greyhound Buffalo Raceway Calder Race Course Canadian Associations Canterbury Park Capital District OTB Capital District OTB ADW (NY only) Catskill Regional OTB Catskill Regional OTB ADW (NY only) Charles Town Race Course Churchill Downs Churchill Downs ADW Coeur d'Alene Casino & Acct. Wagering Colonial Downs Colonial Downs ADW (VA only) Columbus Races Connecticut OTB Divi Carina Bay Casino Ho-Chunk Casino John Martin's Manor Mohegan Sun Casino Oneida Bingo Pony Bar Simulcast Center Randall James Racetrack Royal Beach Casino Shoreline Star Greyhound Tote Investment Racing Service CT OTB	Jackson Harness Raceway Keeneland Kentucky Downs Lebanon Raceway Les Bois Park Lewiston Raceway Lien Games Chips Lounge and Casino El Rancho Motor Hotel OTB Idaho Falls Racing OTB North Dakota Horse Park Rumors OTB Aberdeen Racing OTB Mitch's Grandstand OTB Clubhouse Lounge @ ND Horse Park Skydancer Casino OTB BetAmerica ADW (non-CA wagers) Lincoln Greyhound Park Lone Star Park Louisiana Downs LVDC Atlantis Paradise Island Casino Cities of Gold/Pojoaque Elite Turf Club Elite Turf Club #2 Elite Turf Club #3 Foxwoods Resort and Casino Meskwaki Bingo & Casino Stables, The	Rockingham Park Rockingham Park ADW (NH only) Seabrook Greyhound Rosecroft Raceway Royal River Racing Ruidoso Downs Sam Houston Race Park Valley Greyhound Park Saratoga Raceway Scarborough Downs Scioto Downs Southland Greyhound Sports Creek Raceway Suffolk Downs Pat's Pizza OTB (ME) Suffolk Regional OTB Suffolk Regional OTB ADW (NY only) Sunland Park SunRay Park Sol Mutuel Ltd. The Greyhound Park @ Post Falls The Lodge @ Belmont The Lodge @ Belmont ADW (NH only) The Meadows The Racing Channel TRNI Thistledown Tioga Downs Tri-State Greyhound Turf Paradise Turfway Park TVG Vernon Downs Western Region OTB Western Region OTB ADW (NY only) Wheeling Downs Will Rogers Downs Wonderland Greyhound Woodlands Wyoming OTB Xpressbet Yavapai Downs Yonkers Raceway Youbet Zia Park
Greenetrack Gulf Greyhound Park Harrah's Chester Downs Harrington Raceway Hawthorne Race Course Hazel Park Hinsdale Greyhound Park	MagnaBet Manor Downs Maryland Jockey Club Meadowlands/Monmouth Meadowlands/Monmouth ADW (NJ only) Mobile Greyhound Montana Simulcast Partners Monticello Raceway Mountaineer Park Mount Pleasant Meadows Nassau Regional OTB Nassau Regional OTB ADW (NY only) Nebraska State Fair Park Nevada Pari-Mutuel Association New Jersey Casinos Newport Jai-Alai New York City OTB New York City OTB ADW (NY only) New York Racing Association NYRA ADW (NY only) Northfield Park Cedar Downs OTB Northville Downs Oaklawn Park Ocean Downs Penn National Penn National ADW (PA only) Philadelphia Park Philadelphia Park ADW (PA only) Plainridge Race Course Plainridge Race Course ADW (MA only) Pocono Downs Pocono Downs ADW (PA only) Portland Meadows	Separate Pool Locations Hipodromo Presidente Remon NV Disseminator MIR/Caliente

Evangeline Downs	8/20-9/1/2008	Full or Partial Cards
Fort Erie	8/20-9/1/2008	Full or Partial Cards
Grand Prairie	8/20-9/1/2008	Full or Partial Cards
Hastings Park	8/20-9/1/2008	Full or Partial Cards
Louisiana Downs	8/20-9/1/2008	Full or Partial Cards
Monmouth Park	8/20-9/1/2008	Full or Partial Cards
Mountaineer Park	8/20-9/1/2008	Full or Partial Cards
NYRA (Saratoga)	8/20-9/1/2008	Full or Partial Cards
Northlands Park	8/20-9/1/2008	Full or Partial Cards
Penn National	8/20-9/1/2008	Full or Partial Cards
Philadelphia Park	8/20-9/1/2008	Full or Partial Cards
Prairie Meadows	8/20-9/1/2008	Full or Partial Cards
Presque Isle Downs	8/20-9/1/2008	Full or Partial Cards
River Downs	8/20-9/1/2008	Full or Partial Cards
South America	8/20-9/1/2008	Full or Partial Cards
Suffolk Downs	8/20-9/1/2008	Full or Partial Cards
Thistledown	8/20-9/1/2008	Full or Partial Cards
Woodbine	8/20-9/1/2008	Full or Partial Cards
Yavapai Downs	8/20-9/1/2008	Full or Partial Cards

- G. List imported simulcast races the fair plans to receive during the racing meeting which use breeds other than the breed of the majority of horses racing at its live horse racing meeting. Include the name of the host track, the dates imported races will be held, and how many races will be imported:
n/a

OTHER BREED SIMULCAST RACES TO BE IMPORTED

Name of Host Track	Breed of Horse	Race Dates	Number of Races to be Imported
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- H. If any out-of-state or out-of-country races will commence outside of the time constraints set forth in B&P Code Sections 19596.2 and 19596.3, attach a copy showing agreement by the appropriate racing association(s). **n/a**

NOTICE TO APPLICANT: All interstate wagering to be conducted by a fair is subject to the provisions of Title 15, United States Codes, which require specific **written** approval of the CHRB and of the racing commission having jurisdiction in the out-of-state venue. All international wagering to be conducted by a fair is subject to the provisions of B&P Code Sections 19596, 19596.1, 19596.2, 19596.3, 19601, 19602, and 19616.1, and will require specific written approval of the CHRB.

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

10. RACING OFFICIALS, OFFICIALS, AND OFFICIATING EQUIPMENT

- A. Racing officials nominated:
 Association Veterinarian(s) Dr. Audrey Clifton
 Clerk of Scales Cheryl White

Assistant Clerk of Scales
 Clerk of the Course- TB
 Clerk of the Course- EB
 Film Specialist-
 Horse Identifier
 Horseshoe Inspector
 Paddock Judge
 Patrol Judges
 Placing Judges
 Starter
 Timer

Matt Nichols
 Tina Walker
 Dee Collins
 Dan Winick
 Darrel Sparks
 Troy Thomas
 Joe Gibson
 Joe Gibson, Ken Sjoldal
 Steve Martinelli, Myra Truitt
 Robert Mooneyhan
 Melody Truitt

B. Management officials in the racing department:

Director of Racing
 Director of Operations
 Racing Secretary
 Assistant Racing Secretary
 Assistant Racing Secretary
 Paymaster of Purses
 Others (identify by name and title)

David Elliott
 Kate Phariss
 Tom Doutrich
 Linda Anderson
 Greg Brent
 Victoria Layne

C. Name, address and telephone number of the reporter employed to record and prepare transcripts of hearings conducted by the stewards: **Esther Schwartz, Capitol Reporters, 1300 Ethan Way, Suite 225, Sacramento, Ca 95825, 916-923-5447**

D. Photographic device to be used for photographing the finish of all races, name of the person supplying the service, and expiration date of the service contract: **Plusmic Corporation, Bill O'Brien, Expires December 20, 2008**

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

Pegasus Communications, Inc., Jim Porep, President, Expires December 20, 2008
1- Upper Pan Camera, 1- Lower Pan Camera, 1- Infield Camera, 1- Ground Camera/Winners Circle, 1- Paddock Camera, 3- Tower Cameras.

G. Type of electronic timing device to be used for the timing of all races, name of the person supplying the service, and expiration date of the service contract:
Pegasus DL Track System maintained by Pegasus communications. Expires December 20, 2008

11. SECURITY CONTROLS

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

Chief of Police Robert Craft, 916-263-3000

B. Estimated number of security guards, gatemen, patrolmen or others to be engaged in security tasks on a regular full-time basis: Gate Persons-9, Police Officers 5 supported by 30-110 member Cal Expo police department.

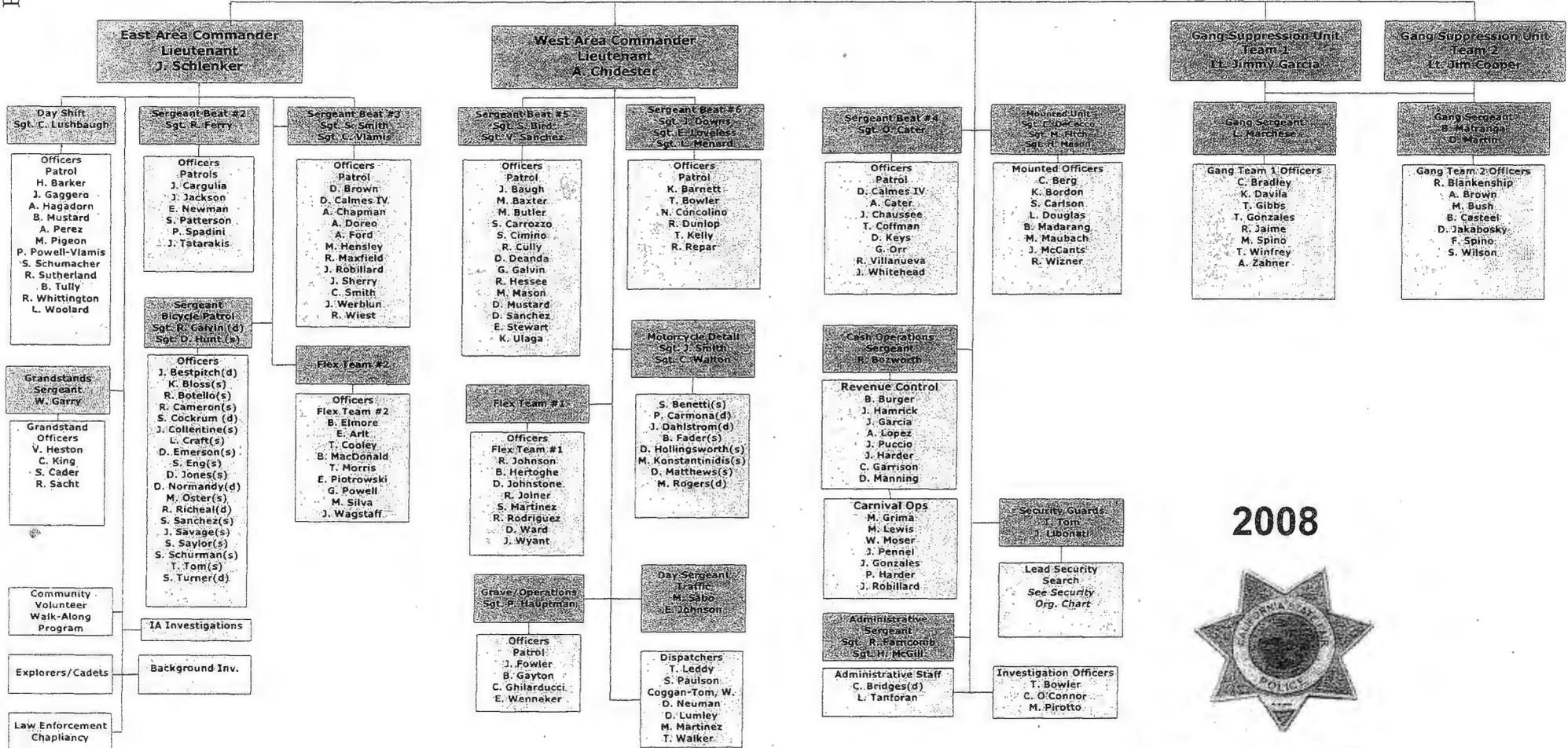


**General Manager
Norb Bartosik**

**Deputy General Manager
Brian May**

**Robert L. Craft
Chief of Police**

Cathy Purcell
Staff Services Analyst



2008



**California
Exposition & State Fair
Police Department**

- 1. Attach a written plan for enhanced security for graded stakes races, and races of \$100,000 or more, to include the number of security guards in the restricted areas during a 24-hour period and a plan for detention barns. **No graded stakes.**
- 2. Detention Barns:
 - The fair is not running graded stakes.
 - A. Attach a plan for use of graded stakes or overnight races.
N/A
 - B. Number of security guards in the detention barn area during a 24-hour period.
N/A
 - C. Describe number and location of surveillance cameras in detention barn area.
N/A
- 3. TCO2 Testing:
 - A. Number of races to be tested and number of horses entered in each race to be tested.
All horses in thoroughbred races
 - B. Plan for enhanced surveillance for trainers with high-test results.
Trainers with high TCO2 results will be moved to the 20 stall detention barn on race days.
 - C. Plan for detention barns for repeat offenders.
Detention barn is located next to Test Barn.
 - D. Number of security personnel assigned to the TCO2 program.
As needed for 24 hour security in eight hour shifts.
- C. Describe the electronic security system.

- 1. Location and number of video surveillance cameras for the detention barn and stable gate.
Cameras and monitors will be installed at Detention Barn and Stable Gate.

12. EMERGENCY SERVICES

- A. Name, address and emergency telephone number of the ambulance service to be used during workouts and the running of the races:
**American Medical Response, 1779 Tribute Rd.,
Sacramento, CA 95815 916-563-0600**
- B. Name, address and emergency telephone number of the ambulance service to be used during workouts at auxiliary sites:

Alameda County Fair	Golden Gate Fields	Bay Meadows
AMR	Turf Rescue LLC	Bay Shore Ambulance
640 143rd Street	19615 Barclay Rd.	PO Box 4622
San Leandro, CA 94577	Castro Valley, CA 94546	Foster City, CA 94404
(510) 895-7600	(510) 581-8470	(650) 525-9700
- C. Describe the on-track first aid facility, including equipment and medical staffing: **The on site first aid facility contains all equipment and supplies necessary for advanced life support treatment of any emergency. The facility is staffed by Paramedics and EMT's.**
- D. Name and emergency telephone number of the licensed physician on duty during the race meeting:
Dr. James Sokolove, 916-927-1114
- E. Name, address and emergency telephone number of the hospital to be used for admittance and

treatment of emergency injuries in the event of an on-track injury to a jockey:
Each emergency injury will be treated at the local hospital determined by the on site MD or Paramedics. The local hospitals and their address and phone numbers are:

UC Davis Medical Trauma Center
Specializing as a Level 1 Trauma Center
2315 Stockton Blvd., Sacramento, CA 95817
916-734-2011

Sutter Memorial Hospital
Specializing in cardiac treatment
5151 F. St., Sacramento, CA 95819
916-454-3333

Kaiser Permanente Hospital
Specializing in orthopedic and cardiac treatment
2016 Morse Ave.
Sacramento, CA 95825
916-817-5660

Mercy General Hospital
Specializing in cardiac treatment
4001 J. St., Sacramento, CA 95819
916-453-4553

F. Attach, in English and Spanish, the emergency medical plan procedures that will be posted in each jockey's room to be used in the event of an on-track injury to a jockey. **Attached**

G. Name of health and safety manager and assistant manager responsible for compliance of health and safety provisions pursuant to B& P Code 19481.3(d):

David Elliott
Kate Phariss

H. Attach a fire clearance from the fire authority having jurisdiction over the premises.
ATTACHED

I. Attach a Certificate of Insurance for workers' compensation coverage. The CHRB is to be named as a certificate holder and given not less than 10 days' notice of any cancellation or termination of insurance that secures the liability of the fair for payment of workers' compensation.

Attached

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

Office of State Fire Marshal

REINSPECTION REPORT



File No.: 04--34--04

0001--024-- -- --

Name of Facility: CAL EXPO

Name of Building: BARN A THROUGH Z

Address: 1400 EXPOSITION BLVD.

SACRAMENTO, CA 95815

Contact Person: DAVE EDDY Telephone No.: (916) 263-3124

Discussed with: DAVE EDDY Title: FLEET SERVICES MGR.

Accompanied by: SAME AND WAYNE SMOOT Title: SAME BARN MANAGER

Fire Safety Deficiencies Numbered 1-b, c; 2-a; 2-b; 2-c; 3-a; AND 5 noted on the letter

Fire Safety Correction Notice (EN-11) dated 03/04/07 have been corrected.

Uncorrected Deficiencies Numbered NONE were re-issued as shown on the Fire Safety Correction Notice dated 5, which is attached to and made a part of this Report.

In addition, NO new deficiencies were identified at the time of this re-inspection, and are shown as Items on the attached Fire Safety Correction Notice.

Fire Clearance Instructions: All deficiencies have been corrected. Fire clearance granted from 1 year from today's date of 02/06/08

FIRE CLEARANCE GRANTED		RE-INSPECTION DATE	NEXT RE-INSPECTION DATE
<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO	02/06/08	
DEPUTY STATE FIRE MARSHAL		PRINT NAME	TELEPHONE NO.
A. Jordan, D.S.F.M.		C. D. JORDAN	(530) 478-1694



February 7, 2008

To: California Horse Racing Board (CHRB)
Attn: Andrea Ogden
1010 Hurley Way, Suite 300
Sacramento, CA 95825

Re: California Exposition & State Fair
1600 Exposition Blvd
Sacramento, CA 95815

Please be advised that the California Exposition & State Fair is a member of the California Fair Services Authority (CFSA), and participates in the following self-insurance and loss pooling programs which are administered by CFSA:

II. WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY

- A. Primary Coverage: \$500,000 self-insured retention California Fair Services Authority. Coverage continuous until cancelled
- B. Excess Coverage:
 - (a) Workers' Compensation: \$299,500,000 in excess of \$500,000
 - (b) Employers' Liability: \$4,500,000 in excess of \$500,000
 Coverage provided by CSAC Excess Insurance Authority
Term: 07/01/2007 to 07/01/2008

CFSA represents to CHRB that within the above limits, terms and provisions of the coverage stated, to the extent provided by law, CFSA will provide defense, payment, and indemnification on loss funding in accordance with the terms of the contractual assumption of the California Exposition & State Fair as set forth in CHRB's "Insurance Requirements".

You will be given at least thirty (30) days notice of any change in the foregoing information. We trust that this commitment will satisfy your insurance requirements.

Please feel free to contact this office on all matters including possible claims.

Sincerely,

Lianne Lewellen
Risk Analyst

Item 12 F.

Emergency Medical Plan Procedures for On Track Injuries

1. Upon arrival of all jockeys and exercise riders who are not employed by Cal Expo, each person will be offered a notification of next of kin form that they can fill out voluntarily that Cal Expo shall secure and use only in the case of an emergency to notify a family member or friend in the case of an emergency.
2. If there is an accident on the racetrack, the following procedures shall be implemented:
 - a. The on track ambulance with staff and the medical doctor on duty will travel immediately to the scene of the accident and assume triage and patient care responsibilities. The outriders shall also travel immediately to the accident scene to assist along with appropriate staff and security.
 - b. The on track ambulance EMT's and/or Paramedics and medical doctor after assessing the patient(s), shall make the determination along with the medical doctor on duty to transport the patient(s) to one of four local hospitals or to transport the patient(s) back to the jocks room.
 - c. If the ambulance is transporting, they will dispatch another ambulance to the racetrack.
 - d. If on site treatment is deemed sufficient, the EMT'S/Paramedics and/or the medical doctor on duty shall administer treatment to the injured jockey.

PRECUDIOS DE EMERGENCIA

“PRIMERA RESPUESTA”

- En caso de un accidente, respondera la ambulancia, el ponador, o, el carrode comensar.
- La Ambulancia respondera par aver lo necesario.
- La Ambulancia tiene el equipo necesario para accidentes.
- Se hara una evaluacion de acuerdo al accidente.

“EVALUACION AL INSTANTE”

- Basandose al (EMT) Emergencia Medica Responsable. Que es la ambulancia. Ellos Aran Una evaluacion al instante. Para ver si se puede tartar al momento o ser transportado, al hospital.

“ATENCION AL ACSIDENTADO”

- El accidentado sera tratado de inmediato por (EMT).
Sies demaciado grabe el accidente sera transportado por ambulancia

procedures for the rapid admittance and treatment of emergency injuries. (d) Each racing association or racing fair shall designate a health and safety manager and assistant manager, who shall be responsible for compliance with the provisions of this section and one of whom shall be on duty at all times when live racing is conducted. The health and safety manager may, at the discretion of the racing association, be the person designated to perform risk management duties on behalf of the association.

13. CONCESSIONAIRES AND SERVICE CONTRACTORS

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

14. ON- TRACK ATTENDANCE/FAN DEVELOPMENT

- A. Describe any promotional plans: **Attached**
- B. Number of hosts and hostesses employed for meeting: **4**
- C. Describe facilities set aside for new fans: **Informational kiosk at the main entrance to the Grandstand, "Rookies Only" pari-mutuel window, Free program sheet available daily for new fans**
- D. Describe any improvements to the physical facility in advance of the meeting that directly benefits:
 - 1. **Horsemen- Restroom remodel, rubberized track ingress/egress ramps for safety, full time tack shop,**
 - 2. **Fans- \$1 million facility remodel with windows overlooking track, Self service machines in box seat area, Roving mutuel clerks, \$100,000 Turf Club remodel**
 - 3. **Facilities in the restricted areas- Jockeys lounge area, gift shop**

15. SCHEDULE OF CHARGES

- A. Proposed charges, note any changes from previous year:

Admission (general)-	\$10.00	Includes Fair Admission
Admission (clubhouse)-	\$3.00	
Reserved seating (general)-	N/A	
Reserved seating (clubhouse)-	N/A	
Parking (general)-	\$8.00	
Parking (preferred)-	\$4.00	
Parking (valet)-	N/A	
Programs (on-track)-	\$2.00	
(off-track)-	\$2.25	
On Track Free Program Sheet-	Free	
- B. Describe any "Season Boxes" or other special accommodation fees:

\$650.00- Season Box Seat includes 6 tickets per racing day with 6 seats, 6 racing programs per day, 1 Preferred Lot pass for season, 1 General Lot pass for season.
- C. Describe any "package" plans such as combined parking, admission and program:

Frequent Player Program- For our satellite wagering and harness racing customers. If they are present at the Cal Expo satellite wagering facility for 21 of 42 CARF racing days during the period of June 25 through August 14, they receive a free season parking pass and a season admission discount pass which requires them to pay an admission fee of \$2.00 per day versus the fair admission of \$10.00 per day and versus the daily satellite wagering admission fee of \$4.00 per day.

**Promotional/Advertising/Marketing Concepts for the
2008 California State Fair Race Meet**

Thoroughbred racing has not occurred at the California State Fair since 2004. We believe, from various types of correspondence, newspaper articles, printed comments and emails that there is a pent up demand for Thoroughbred and Mixed Breed racing at Cal Expo during the fair. It is our goal to turn the Grandstand area into an entertainment destination for our fair guests.

- Advertising for the race meet will be part of and featured prominently in the overall \$1.1 million media buy which includes electronic, viral, print, billboard, and radio.
- Currently, we have an aggressive goal to double the box seat sales for the meet and our sales are on track to meet the goal.
- We are updating and remodeling the Turf Club at an expense of \$100,000 and will be aggressively marketing the group sales program.
- We will have a 5,400 square foot VIP tent installed on the north end grassy area that will be used for special group events.
- On Friday, August 22, the VIP tent will be the site of our annual State Fair Brew Fest and we are expecting a minimum of 30 breweries to be represented and 2,000 attendees.
- The clubhouse will be used primarily for VIP events during the fair and we will make every effort to expose those attending these events to the racing program
- We will drive attendance from the public admission gates to the grandstand by offering coupons for free racing programs, free wagering information, announcements every thirty minutes at each gate, and coupons for discounts on food and beverages.

- We plan on having some type of “Giveaway a Day” during the race meet which may include wagering vouchers, hats, t-shirts, cash, promotional items, etc.
- The grounds entertainment for the fair will be working in the grandstand area daily.
- The Towe Auto Museum will be exhibiting classic, vintage, and celebrity owned or famous Hollywood vehicles during the run of the fair in the Grandstand daily.
- The 9th annual California State Fair Dachshund Derby will be held on the infield lawn on Saturday, August 30. This event is an enormous crowd pleaser as 64 Dachshunds go to the post in 8 races plus a championship race.
- We plan to advertise the Pacific Classic, The Travers Stakes, and the Governor’s Handicap in the Daily Racing Form. All three stakes are on the weekend of August 23-24.
- Our year round satellite wagering and harness racing guests will once again have the opportunity to sign up for our frequent player program which after they have accumulated a specific number of visits during the summer fair racing season, they qualify to receive a FREE every day parking pass to the fair and a 80% every day discount admission pass to the fair.
- We are planning to co-host with the AMRA a “Name the baby Mule” contest each day at the entrance of the grandstand.
- We will host a qualifying round and send 4 people to the “Coast Casinos Horseplayer World Series” to be held in Las Vegas in February, 2009.
- With the concurrence of the Pari Mutuel Guild, we are planning to have a minimum of 2 roving pari mutuel clerks working the box seat and grandstand apron areas.

California **STATE FAIR** presents

BLAZING SADDLES



**LIVE THOROUGHBRED RACING
 RETURNS TO THE
 CALIFORNIA STATE FAIR**

FEATURING LIVE THOROUGHBREDS, MIXED BREEDS & MORE RACING FROM 12:20 - 9:41

STARRING: A CAST OF NEW CHARACTERS, EXHIBITS & ATTRACTIONS - LIKE THE GOING HOLLYWOOD! EXHIBIT, THE STARS OF THE REKING-ACTOBATS & A HOLLYWOOD HIGH TIME ACT!

RETURNING: CASH AWARD WINNING WINES IN THE WINE GARDEN, FREE CONCERTS ON THE GOLDEN! STAGE, THE HYPNOTISE! THE ANIMALS, THE JOLLY AND LIVE MUSIC & DANCING EVERY NIGHT!

NOW OPEN MONDAYS!

THE CALIFORNIA STATE FAIR IS GOING HOLLYWOOD! AUGUST 15 - LABOR DAY, 2008. ONLY AT CAL EXPO



WWW.BIG FUN.ORG

SAFELY

2008 Media Flowchart- California State Fair

	May		June				July			August			Sept			
	5/12	5/19	5/26	6/2	6/9	6/16	6/23	6/30	7/7	7/14	7/21	7/28	8/4	8/11	8/18	8/25
ADULTS																
GUERRILLA & NON-TRADITIONAL MEDIA																
Theater advertising:																
On-screen (140 screens)																
In-Lobby (11 theaters)																
Wal-Mart screens (21 locations)																
<div style="text-align: right; border: 1px solid black; padding: 2px;"> 29,740 spots (approx) 8/1-8/25 2 weeks in each theater 8/1-8/17 105,840 spots (approx) </div>																
NEWSPAPER																
Sacramento Bee:																
Concerts/Events (11.25")																
Opening (63")																
Events/Attractions (31.5")																
Sac News & Review (1/5 p)																
Sacramento Observer (63")																
Outlying Markets:																
Stockton & Modesto (63")																
TV/CABLE (GM & Hisp)																
General (:15)																
RADIO (Sac GM & Hisp)																
Adults 18-49 (:30)																
Traffic Sponsorships (:15)																
OUTDOOR																
High-profile, 30-sheet posters																
Transit (bus tails)																
INTERNET																
TBD	(5/1 start)															
MAGAZINES																
Sacramento Magazine	Page 4 color ad															
TEENS																
RADIO (Sac GM)																
P12-24 (:30)																
INTERNET																
Teen oriented sites																
TV/CABLE																
Kids (:15)																
RADIO (Sac GM)																
Radio Disney																
MAGAZINES																
Sacramento Parents (1/3P4C)																



16. JOCKEYS' QUARTERS

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

- | | | | |
|-------------------------------------|--------------------------------|-------------------------------------|-------------------------------------|
| <input checked="" type="checkbox"/> | Corners (lockers and cubicles) | How many | <input type="text" value="43"/> |
| <input checked="" type="checkbox"/> | Showers | <input checked="" type="checkbox"/> | Steam room, sauna or steam cabinets |
| | | <input checked="" type="checkbox"/> | Lounge area |
| <input checked="" type="checkbox"/> | Masseur | <input checked="" type="checkbox"/> | Food/beverage service |
| | | <input checked="" type="checkbox"/> | Certified platform scale |

B. Describe the quarters to be used for female jockeys: Same Type, different space.

17. BACKSTRETCH EMPLOYEE HOUSING

A. Inspection of backstretch housing was completed by **Martin Snezek on May 24, 2008.**

C. Number of rooms used for housing on the backstretch of the racetrack: **104**

D. Number of restrooms available on the backstretch of the racetrack: **6 restrooms**

E. Estimated ratio of restrooms to the number of backstretch personnel: **50/1**

18. TRACK SAFETY

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

B. Describe the type(s) of materials used for the inner and outer railings of the race course, the type of inner railing supports (i.e., metal gooseneck, wood 4" x 4" uprights, offset wood 4" x 4" supports, etc.), the coverings, if any, on the top of the inner railing, and the approximate height of the top of the inner railing from the level of the race course. Inside Rail: Fontana Safety Rail
 Outside Rail: Steriline Aluminum Racing rail, Racetrack Surface to Rail Height: 38" to 42"

C. Name of the person responsible for supervision of the maintenance of the racetrack safety standards pursuant to CHRB Rule 1474: **David Elliott**

D. Attach a Track Safety Maintenance Program pursuant to CHRB Rule 1474. **On file**

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

19. DECLARATIONS

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

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

20. 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 fair to attest to this application on its behalf.

David Elliott

Print Name

Assistant General Manager, Racing Events

Print Title



Signature

5/23/08

Date

STAFF ANALYSIS
DISCUSSION AND ACTION REGARDING MANDATING THE USE
OF
SAFETY REINS AT CALIFORNIA RACETRACKS

Regular Board Meeting
June 27, 2008

BACKGROUND

Business and Professions Code section 19504 provides that the Board shall determine whether the use of safety reins would provide jockeys and exercise riders greater protection from accidents and injuries than conventional reins. If the Board determines safety reins provide greater protection, it shall adopt a regulation mandating the use of approved safety reins whenever a racehorse is ridden at a racetrack. The Board shall approve any model of mandatory safety rein, if required, in use at a racetrack. Under Business and Professions Code section 19504(d), safety reins are defined as: "...a type of rein that is reinforced with a wire cable, nylon strap, or other safety device or material that is attached to the bit and designed to maintain control of the horse should the rein break."

Safety reins are essentially a rein within a rein. Typical reins are made of leather or nylon and attach to the bit. Reins provide jockeys and drivers with control of the horse; when reins break, control is lost. With safety reins, a nylon cord is stitched into the traditional leather or nylon reins during the manufacturing process, and the safety cord attaches to the bit independently of the conventional reins. Should the outer leather or nylon reins break, the safety reins allow the jockey or rider to maintain control; however, the safety feature is intended to break if a horse or rider should become entangled in the dangling ends. This is the reason nylon is used instead of wire. Additionally, the nylon only goes as far back as the end of the grip for the same reason. Arthur Gray designed the Sure Lines safety reins. Sure Line reins have a nylon cord that emerges from the outer reins and attaches to the bit using a metal clasp. Brian and Lisa Peck designed a second (loop) type of safety rein (BP Safer Rein). The "Peck" safety reins have a nylon cord that remains inside of the outer reins throughout and can be seen. Both the nylon and outer reins are looped around the bit. It should be noted that while the safety rein designers can provide supporting materials, including laboratory reports on the testing of their reins, there are currently no safety standards established for safety reins.

Mandating the use of safety reins was last discussed in late 2007. At that time the Board was informed that the California Horsemen's Safety Alliance (CHSA), which oversees the worker's compensation program at California thoroughbred racetracks, had ordered Sure Line and Peck safety reins to distribute to horsemen to use voluntarily as an experiment to determine their effectiveness and to identify any problems. The Jockey's Guild endorsed a CHSA request that the Board delay mandating safety reins until after the experiment was completed and evaluated.

The CHSA distributed 209 safety reins to 105 CHSA thoroughbred trainer participants. During the experiment the CHSA received feedback from trainers, which resulted in the modification of the grip and the overall length of the reins. The CHSA has reported the response to the reins has been positive. In addition, Chris McCarron, retired jockey, endorses the use of safety reins. The CHSA also reported it was working to establish ASTM International (ASTM) standards for safety reins. This goes a step beyond the Business and Profession Code Section 19504 definition of safety reins, and will provide a standard by which all manufacturers of safety reins may be judged.

Subsequent to the last discussion on safety reins, the Jockeys Guild has submitted a request that the Board adopt regulations mandating the use of safety reins at California race tracks. In response to this request, the proposed text for Rule 1689.2, Safety Reins Required, was developed. This rule would require jockeys, apprentice jockeys, and any person exercising, galloping, breezing, working out or riding a horse at a California racetrack to use safety reins, as defined in Business and Professions Code section 19504 (d). Should the Board determine that the use of safety reins be mandated for jockeys, apprentice jockeys, and any person exercising, galloping, breezing, working out or riding a horse at a California racetrack, it is recommended that the Board instruct staff to initiate the 45-day public notice. The following documents are attached for your reference:

- Draft of proposed CHRB Rule 1689.2
- Business and Professions Code section 19504
- Letter of endorsement from the Jockeys Guild
- Letter from CHSA reporting on the safety reins pilot study program
- Letter of endorsement from Chris McCarron, retired jockey
- Informational packet provided by Art Gray, maker of Sure Lines safety reins
- Informational packet provided by Brian and Lisa Peck, makers of BP Safer Reins

RECOMMENDATION

This item is presented for discussion and action by the Board. The Board may wish to hear from the Jockeys Guild, CHSA, and the manufacturers of the safety reins.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 8. RUNNING THE RACE
PROPOSED ADDITION OF
RULE 1689.2. SAFETY REINS REQUIRED

Regular Board Meeting
June 27, 2008

1689.2. Safety Reins Required.

(a) No jockey or apprentice jockey shall ride in a race, nor shall any person exercise, gallop, breeze, work out or ride a horse on the grounds of a facility under the jurisdiction of the Board unless the horse is equipped with safety reins as defined under Business and Professions Code Section 19504(d).

(b) Conventional reins, as defined under Business and Professions Code Section 19504(e), may be used at facilities under the jurisdiction of the Board for a period of 18 months after the effective date of this regulation.

Authority: Sections 19440 and 19504,
Business and Professions Code.
Reference: Section 19505,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
DIVISION 8, CHAPTER 4, BUSINESS AND PROFESSIONS CODE
SECTION 19504

19504.

(a) No racehorse shall be ridden at a racetrack unless the rider is equipped with a safety helmet and safety vest.

(b) No later than July 1, 2006, the board shall conduct an investigation, including at least one public hearing, to determine whether the use of safety reins would provide jockeys and exercise riders greater protection from accidents and injuries than conventional reins. Should the board determine that the use of safety reins would provide greater protection for jockeys and exercise riders than conventional reins, it shall adopt a regulation no later than July 1, 2007, mandating the use of approved safety reins whenever a racehorse is ridden at a racetrack. The regulation adopted by the board may phase in the use of safety reins, but in the event safety reins are mandated, the board shall not permit the use of conventional reins in a parimutuel race for longer than 18 months following the adoption of the regulation.

(c) The board shall approve any model of safety helmet, safety vest, and mandatory safety rein, if required, in use at a racetrack.

(d) For the purposes of this section, a "safety rein" is a type of rein that is reinforced with a wire cable, nylon strap, or other safety device or material that is attached to the bit and designed to maintain control of the horse should the rein break.

(e) For the purposes of this section, a "conventional rein" is any rein other than a safety rein.

June 5, 2008

Richard Shapiro
Chairperson
California Horse Racing Board
1010 Hurley Way, Suite 300
Sacramento, California 95825

Re: Proposed Safety Rein Regulation

Dear Chairperson Shapiro and Members of the Board:

I am writing on behalf of the Jockeys' Guild to inform the CHRB of our position with regard to the adoption of a regulation mandating the use of safety reins in accordance with the provisions of Business and Professions Code section 19504 (AB 1180, Stats. 2005, Chap. 329).

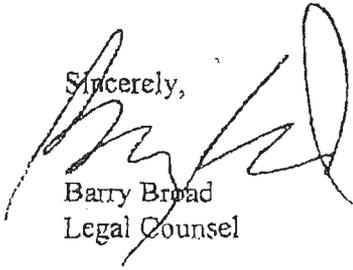
The Guild supports the adoption of the following language:

"No jockey, apprentice jockey, exercise rider or any other person shall gallop, breeze, exercise, workout, or otherwise ride a horse on the grounds of a facility under the jurisdiction of the commission unless the horse is equipped with safety reins. A safety rein is a rein with a nylon safety cord stitched into a leather, nylon, or other synthetic rein during the manufacturing process and the nylon safety cord is securely attached to the bit."

We believe that this language adequately defines a safety rein with sufficient specificity to insure that the desired result--preventing reins from breaking—is achieved without favoring a particular brand or manufacturer. The language also assures that safety reins are used whenever horses are ridden at the track, including non-racing periods as well as during races.

We urge the CHRB to adopt this language as soon as possible.

Sincerely,



Barry Broad
Legal Counsel

1127 11th Street, Suite 501
Sacramento, CA 95814
(916) 442-5999
Fax (916) 442-3209

April 9, 2008

In reference to the Sure Lines safety reins;

To Whom It May Concern:

I believe that the *Sure Lines* safety rein is an invaluable tool that will help prevent serious racing or training accidents. The concept and design of the *Sure Lines* safety rein is a good sound one and the product itself is good quality. I acquired 15 sets of the safety reins from Art Gray in September, 2006 and have been using them in my school, the North American Racing Academy, ever since. I do not allow my students to go out on as horse without them.

During the Santa Anita meet in 2002, I escorted Art around the stable area at Santa Anita and introduced him to many trainers offering my endorsement of safety reins. I persuaded Paco Gonzalez to use them and I rode *Came Home* with the safety reins in both the SA Derby and Kentucky Derby.

I personally have had a rein break or come apart during a race or a workout on three separate occasions during my career. I was fortunate that I was able to get my mount pulled up without incident all three times. However, these incidents are pretty scary, as you could imagine, and don't always end the way they did for me. The first time occurred on the grass course at Del Mar going a mile and a sixteenth for Chay Knight. My left rein broke where the rubber grip begins nearest the bit. It happened three strides out of the gate so I had a minute and 42 seconds travelling at 40 mph to consider the consequences. The good news; we finished second. The second time, for Mike Harrington, the rein came apart at the bit because the buckle was not fastened properly. On the third occasion, I was working a three million dollar Seattle Slew two year old for Eoin Harty (Darley) at Del Mar right after the break. I broke the colt off in company at the five-eighth pole and again the rein came apart at the buckle. So picture this; I'm breezing on the outside fence with horses jogging the wrong way. We had to get by two gaps and thread our way through that traffic. The outrider was able to pick me up at the sixteenth pole. A real eye opener, I must say. Since that day, I ALWAYS check my tack to make sure it is assembled properly and placed on the horse correctly. The reason I mentioned the trainers names is because they are all fantastic horseman with top-class outfits. If it can happen to them, it can happen to anyone.

I believe mandating a product that is designed and constructed to improve the safety of riders and horses is the prudent thing to do. Anytime measures are taken to reduce the chances of accident or injury, it simply is common sense.

I personally like the Sure Lines product because I have been using the reins for 20 months now and they have held up well despite the drastic changes in weather here in Kentucky. I have sent two pairs of reins to Darrell Haire for you to examine.

I'd be happy to speak in further detail if anyone wishes to contact me. 859.797.3843

Yours truly,

Chris McCarron, retired jockey



CALIFORNIA HORSEMEN'S SAFETY ALLIANCE

Date: November 9, 2007
To: Ed Halpern, CHSA President, CTT General Counsel
From: Sonia Flores Pishevar, CHSA Administrator
Subject: Safety Reins Pilot Study Program

A 90 day pilot study program was conducted in Del Mar, Santa Anita, Hollywood Park, Pomona, Golden Gate Fields, and Bay Meadows. Two manufacturers participated in this project. They were willing and able to make adjustments to specs given by a sample pool of trainers and jockeys, requesting to increase the grip length by 2 inches and the over all rein length by 3 inches.

Art Grays' Sure Lines provided 109 leather thoroughbred attached clasp nylon strip reinforced safety reins. It should be noted that these reins have not been tested at an ASTM approved testing facility. This Administrator made the recommendations to Mr. Gray to do.

The second manufacturer, Brian Pecks' Safer Reins, provided 100 units of leather loop reins with reinforced nylon parachute cord. This product has been tested at an ASTM approved laboratory in Kentucky by Mr. Matthew A. Dettman, P.E. On his report dated June 15, 2007, page one notes that the purpose of the testing was to perform quality control of the products as well as to compare results between reinforced and un-reinforced reins. The test results showed failure modes for the reinforced rein at two distinct failure points, first being the leather portion of the rein, second being the reinforcement. Failure modes for the un-reinforced rein was one, is at the leather portion of the rein. The reinforced rein leather failed at 1145 lbs of pull pressure, with the exposed reinforcement (nylon cord) failing at 873 lbs. The un-reinforced rein failed at 493 lbs of pull pressure.

The results were positive as it confirmed that the purpose of the reinforced "safety" rein is to provide a backup for the jockey or exercise rider in the event that the leather rein breaks or fails, the reinforced rein will provide the rider something to hold on to in order to continue to control the horse coming to a safe and controlled stop for the safety of both the horse and the rider.

209 safety reins were distributed to 105 CHSA Trainer participants. Release of liability was secured from all the participants. Only two trainers refused to participate in the pilot study; one citing that he only utilizes custom English leather reins and did not want to try any new products, the other trainer stating that he did not want to be bothered with any safety project.

105 trainers in Northern and Southern California were open to the practice and use of safety reinforced reins given the option to select the style and comfort of their choice. Positive feedback was received from all trainer participants and some have placed additional orders on their own. It should be noted that no written national or international standard exist on safety/reinforced reins, thus how to regulate the "safety" reins without a governing approved standard will be difficult to regulate.

INFORMATION SUBMITTED
BY
ARTHUR GRAY
(SURE LINES)

Gray & Associates Consulting, Inc.
19 Naples Drive West Seneca, NY 14224
Office (716) 675-5572 Fax (716) 675-5736
Art@Gray-Consulting.net

California Horse Racing Board
1010 Hurley Way
Sacramento, CA 95825

April 9, 2008
Subject: Safety reins

Honorable Chairman Shapiro & Board Members:

The California Horse Racing Boards proactive approach to maximizing the level of safety on the racetrack for our human and equine athletes is greatly appreciated.

Safety reins have been a debated issue for many years. In an effort to assist in determining the type of safety rein best suited to ensure safety on the track we have researched and prepared the following report for your consideration. The factors pertaining to this equipment that have been agreed upon and accepted include:

- This equipment innovation is designed to address one of the most dangerous situations on the racetrack, a failed rein.
 - The weakest points of thoroughbred, quarter horse reins and harness lines are at the bit and underneath the grip.
 - The safety innovation is applicable to reins made of leather, nylon and beta (biothane coated nylon) material in both the buckle and loop style.
 - The additional reinforcement in the rein will increase the life span of the equipment.
 - Horsemen initiated the movement to mandate the safety reins.
 - In order to ensure complete protection on the training and racetrack this equipment needs to be implemented universally.
 - The right to manufacture the safety reins is available to all businesses serving the industry in accordance with regulatory and RCI guidelines.
 - Quality control systems are in place for the manufacturers.
- Attached test report #08-65-0125-1 documents eight individual tests of safety reins from various manufacturers. Samples one through six failed to meet the required break loads. Samples seven and eight met the requirements. The instrument used for the testing is also pictured.

- This improvement is cost effective and the patent fees are minimal. With appropriate time allowed for full compliance and financial programs available to assist the horsemen in the transition from conventional reins to the safety equipment the financial hardship is minimized.
- Premium increases for liability, health and equine mortality insurance in the future will be reduced as accidents due to failed reins are eliminated.
- In the last eight years numerous letters supporting the safety reins have been submitted to RCI by industry leading Associations, Racetrack Executives and Hall of Fame horsemen. Additionally, many articles have been published praising this innovation as a potentially life saving improvement whose time has come.
- The public will be protected as their wagers will not be compromised by failed reins altering the outcome of the race.
- Most importantly the level of safety for our jockeys, exercise riders, drivers, trainers, grooms and horses will be enhanced.

The factors still under consideration include:

- The type and style best suited to safely prevent accidents from failed or improperly fastened reins.
- The establishment of standards by an accredited engineering firm or association.
- A maximum break load requirement that will allow the reins to give in exigent circumstances in order to prevent further injury.

Type & Style

The general concensus is that the safety reins with the reserve rein and snap hook providing a secondary backup attachment to the bit provides the best protection. This reserve rein is an integral component. The safety principle is the same for the thoroughbred, quarter horse reins and harness lines. The safety reins have a second nylon rein manufactured inside the original rein with a snap hook attached. The nylon strap extends back through to the far end of the grip away from the bit. The snap hook extends one-half inch beyond the loop and is attached to the bit along with the loop from the rein. There is no pressure on the snap hook. If the original material fails either at the buckle or under the grip; this second attachment to the bit will enable a jockey or exercise rider to maintain control of his/her horse.

It is important to note that other reins submitted to various jurisdictions and the CHRB for approval as safety reins do not have this key component. If the original material fails on these other reins the jockey, exercise rider, the horse and any others nearby are in danger. Without the second attachment to the bit they become passengers without control. These reins have been thoroughly tested and used by trainers in all facets of horse racing since 2003. Ohio, New Mexico and Canada after performing due diligence on the products available mandated the reins and lines with the integral second backup attachment to the bit.

Testing & Standards

The most discussed factor regarding the safety reins is the testing and potential establishment of standards for the equipment. Except for helmets there are no standards available regarding the required strength of horse racing equipment. Determining a standard break load for reins and driving lines would be difficult, very expensive and the result would be a wide range that would take into account the variables of size, strength, demeanor and racing style of both the horsemen and the horses. Additionally the various levels of quality, density and strength of the material used to manufacture the reins will result in a variety of test results. These factors have an equal effect on both conventional and safety reins.

The ASTB and ASTM representatives recommended that we test the conventional reins and utilize that information as a foundation for a required break load. Testing highlighted the weak links in the equipment. Test results dated March 7, 2008 indicated an average break load of five hundred sixty three (563) pounds for the leather reins. (Reference report # 08-65-0125-2) Testing of other manufacturers products averaged as low as four hundred (400) pounds. The deduction from these test results is that conventional reins should have a minimum break load of four hundred (400) pounds.

The original design utilized weather resistant steel cable to anchor the snap hook inside the rein but the break load of both the cable and snap hook were too strong. There were concerns that the steel cable would prevent the rein from breaking in an emergency to prevent further injury. By using a snap hook with a break load of four hundred fifty (450) pounds, replacing the steel cable with nylon and using a square box stitch to attach the snap hook we reduced the strength to a point close to the strength of conventional reins. When tested the snap hook started to open up at approximately four hundred fifty (450) pounds and the nylon material and or stitching started to fail at four hundred (400) pounds. (Reference test # 07-65-0185-1) These improvements result in a safety rein that has comparable strength to conventional reins enabling the equipment to give or be cut under extreme circumstances.

It is important to note that test results for other equipment submitted to various jurisdictions as well as the CHRB as safety reins have a break load of as much as 1100 pounds and do not have a second backup attachment to the bit. These reins do not address industry concerns and will not break at the bit if necessary to prevent further serious injury.

As earlier stated this equipment improvement has been a debated issue for many years. During this time the industry has witnessed numerous incidents due to failed reins, fortunately with only a few serious injuries.

- 2004 Mike Luzzi suffered a broken leg that required surgery in the first race of the meet at Saratoga.
- 2005 Breeders Cup Juvenile John Velazquez aboard Private Vow finished last.
- 2006 Maryland, Edgar Prado finished last in the Black Eyed Susan.
- 2007 John Velazquez finished last in a Grade 3 Stake at Aqueduct.
- 2007 Kent Desormeaux aboard Premium Tap in Dubai had a rein fail fifty yards out of the gate.
- 2008 Arizona, Jockey Ryan Barber suffered a back injury as a result of a failed rein during a morning workout.

These incidents due to failed reins are notable because the jockeys, trainers and horses are prominent members of the horse racing community. There are many more occurrences involving lesser known participants in racing that are as serious but do not receive international attention.

These incidents and injuries could have been averted if a reserve backup rein were available. If any of these jockeys or their horses had succumbed to serious injury this report would not be necessary – the safety reins with the backup attachment would already be mandated in every jurisdiction.

Safety for all participants in horse racing is paramount. Many sports and businesses take a reactive approach to safety until there is a tragedy.

- Dale Earnhardt died in an accident on the racetrack in the Daytona 500.
- A minor league baseball coach was killed last year when he was hit in the head by a line drive.
- Billy Haughton and Dave Dunckley were killed due to serious head trauma suffered in harness racing accidents.
- After these tragedies NASCAR mandated head restraints for all drivers. Major and minor league baseball mandated that all first base and third base coaches wear batting helmets during games and harness racing mandated safety helmets.

As we are all aware we live in litigious times and liability is an ever present concern. If a tragedy occurs due to a failed rein and there is equipment available that could have prevented the accident there may well be legal repercussions. Basing decisions on personal trainer preference will not bode well in court as a factor in mandating safety equipment.



Quality Inspection Services, Inc.

Corporate Headquarters
 Cathedral Park Tower
 37 Franklin Street • Suite 400 • Buffalo, New York 14202
 (716) 853-2611 • Fax (716) 853-2619
 Visit Us At: www.qisi.com E-Mail: Buffalo@qisi.com

REPORT No. : 07-65-0185-1

May 2, 2007

Attn: Arthur Gray
 Sure Lines, Inc.
 19 Naples Dr.
 West Seneca, NY 14224

MECHANICAL TEST REPORT

Date Submitted: 4/26/2007

Sample Submitted: One (1) thoroughbred horse rein with sewn-in safety clip.

Objective: Tensile load test of safety clip assembly.

Test Methods: Assemblies were loaded in tension on our Tinius-Olsen Universal Test Machine S/N 88355 and ultimate load recorder.

Results:

Ultimate Load:	400 lbs.
Failure Mode:	Safety clip strap stitching

Sincerely,
 QUALITY INSPECTION SERVICES, INC.

Michael W. Timmons
 Metallurgical Services Manager

Page 1 of 1

Madison, Connecticut
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 Fax (203) 245-8017

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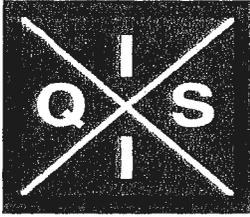


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REPORT No. : 07-65-0185-2

May 2, 2007

Attn: Arthur Gray
 Sure Lines, Inc.
 19 Naples Dr.
 West Seneca, NY 14224

MECHANICAL TEST REPORT

Date Submitted: 4/26/2007

Sample Submitted: One (1) thoroughbred horse rein with sewn-in safety clip.

Objective: Tensile load test of safety clip assembly.

Test Methods: Assemblies were loaded in tension on our Tinius-Olsen Universal Test Machine S/N 88355 and ultimate load recorder.

Results:

Ultimate Load:	350 lbs.
Failure Mode:	Safety clip strap stitching

Sincerely,
 QUALITY INSPECTION SERVICES, INC.

Michael W. Timmons
 Metallurgical Services Manager

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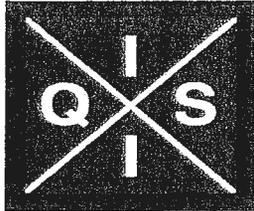


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REPORT No. : 08-65-0125-1

March 7, 2008

Attn: Arthur Gray
 Gray & Associates Consulting, Inc.
 19 Naples Dr.
 West Seneca, NY 14224

MECHANICAL TEST REPORT

Date Submitted: 4/26/2007

Sample Submitted: Eight (8) thoroughbred horse reins with sewn-in safety clip.

Objective: Tensile load test of safety clip assembly.

Test Methods: Assemblies were loaded in tension on our Instron Universal Test Machine S/N 2524 and ultimate load recorded.

Results:	Rein Sample No.	Ultimate Load (lbs.)	Failure Mode
	1	145	Nylon strap failure
	2	150	Nylon strap failure
	3	143	Nylon strap failure
	4	155	Nylon strap failure
	5	146	Nylon strap failure
	6	132	Nylon strap failure
	7*	450	Stitching failure
	8*	478	Nylon strap failure

* SLI samples

Note: A photograph of the test set-up is attached.

QUALITY INSPECTION SERVICES, INC.

Michael W. Timmons
 Metallurgical Services Manager

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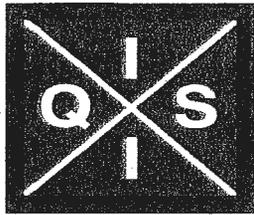
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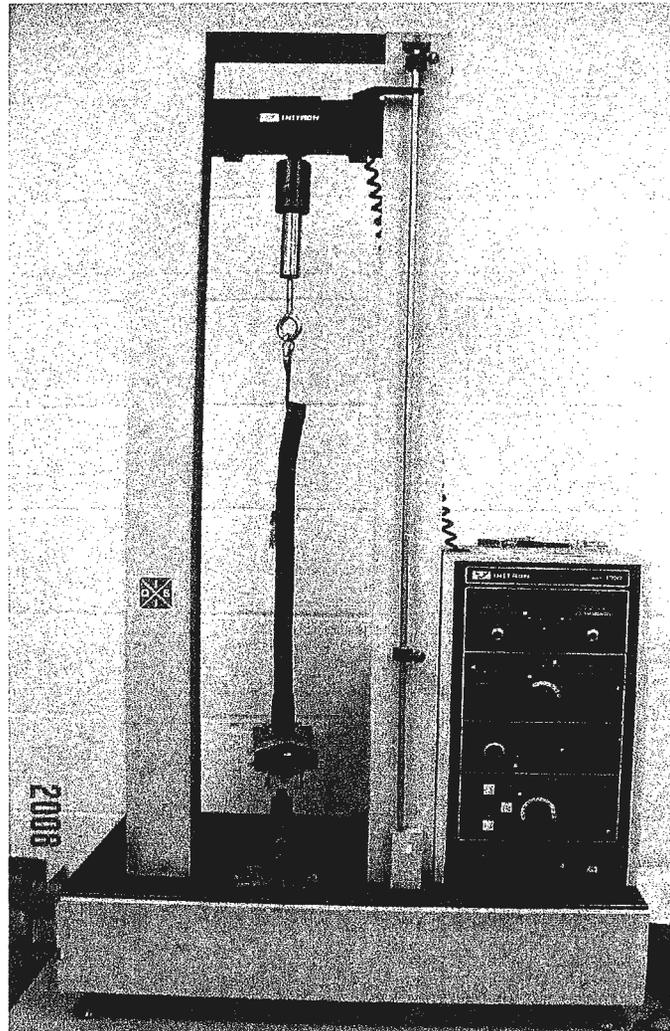
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REPORT No. : 08-65-0125-1

March 7, 2008

TEST SET-UP



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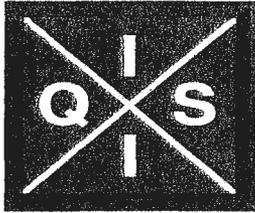


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REPORT No. : 08-65-0125-2

March 7, 2008

Attn: Arthur Gray
Gray & Associates Consulting, Inc.
19 Naples Dr.
West Seneca, NY 14224

MECHANICAL TEST REPORT

Date Submitted: 2/15/2008

Sample Submitted: Six (6) thoroughbred horse reins with sewn-in safety clip.

Objective: Tensile load test of leather loop assembly.

Test Methods: Assemblies were loaded in tension on our Instron Universal Test Machine S/N 2524 and ultimate load recorded.

Results:	Rein Sample	Ultimate Load	Failure Mode
	No.	(lbs.)	
	1	530	Leather strap failure
	2	685	Leather strap failure
	3	597	Leather strap failure
	4	537	Leather strap failure
	5	526	Leather strap failure
	6	498	Leather strap failure

Note: A photograph of the test set-up is attached.

QUALITY INSPECTION SERVICES, INC.

Michael W. Timmons
Metallurgical Services Manager

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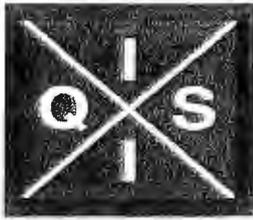


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REPORT No. : 08-65-0125-2

March 7, 2008

TEST SET-UP



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Sure Lines Inc. Safety Rein Information
Table of Contents

- Original safety rein rule draft and notes
- ARCI/Indiana safety rein thoroughbred and standardbred rule draft.
- Thoroughbred Times article
- Stan Bergstein article
- Endorsements from industry leaders
- Conventional and safety rein test results and analysis
- Safety rein picture, note the safety hook just above the loop at the bit.

SAFETY REIN RULE DRAFT

No one will be permitted to exercise, gallop, breeze, work out or other wise ride a horse at any time on the premises of a State racetrack unless the horse is equipped with safety reins of a type, style and design approved by the commission and tested to meet the necessary break load requirements.

All safety reins shall be equipped with a second nylon rein and hook originally manufactured inside the rein. The second rein must be anchored inside, emerge from the rein from under the buckle and hook to the bit.

Similar wording can be applied to a harness rule by replacing breeze, gallop, workout and ride with the appropriate harness terminology; jog, train or drive. .

NOTE: It is important to note that the attorneys and insurance companies I talked to recommended that the safety reins should not be mandated for racing only. If there is an injury or fatality on the training track due to a broken rein both the state and racetrack are liable to be found culpable for not implementing the same safety measures for the entire facility. The same applies if there is an injury due to a broken rein at a track in a jurisdiction where the safety reins not required. The fact that the safety reins are available and not mandated also leave the state and racetrack open to liability. The wording specifying a secure secondary attachment to the bit is also important. Most times the rein fails at the bit. It is rare but if the rein should happen to fail at the handholds or at any other section of the rein this wording will protect all from culpability.

Creating a better, safer rein

Sure Line's patented safety rein has been hailed by riders but has encountered resistance from horsemen
by Don Clippinger

IT WAS a death, a horse's death, that propelled Arthur A. Gray to action.

To be sure, the veteran New York harness racing judge had seen plenty of broken leather in his time on the track. As a young man, he was training a horse at Roosevelt Raceway when the right-hand line of the horse and driver outside him broke. Gray remembers the sensation of the horse's head passing over his own as the horse made a sudden left-hand turn toward the rail.

Gray also remembered an incident at Roosevelt in the early 1980s when one of the lines broke on a horse heading for the finish line. The driver quickly stood up on his sulky and jumped on the horse's back so he could control it and protect his fellow drivers. He was disqualified from the victory—the driver must be in the bike when crossing the finish line—but the driver may well have saved himself and other drivers and horses from serious injury.

As a judge, Gray had witnessed three or four incidents a year where leather gave way, almost always with no warning that the harness lines—the equivalent of reins—were weakened and ready to snap.

But the incident that really got to him occurred in 1997 in a \$5,000 claimer at Buffalo Raceway. Sequoia Blue Chip's line broke, and he dumped his driver. A track employee made a mistake and opened the gate to the paddock; the gelding cut sharply into the paddock, ripped open his side on a post, and bled to death. "That night, I went home and started drawing pictures, making a design," Gray said.

Sure Lines Inc.

He wanted to create a harness-racing line that, in cases where the leather broke, the driver would retain control of the horse. And he accomplished that goal. It was a short step to Thoroughbred and Quarter Horse racing, and Gray developed a design for a safety rein. He obtained two patents and with the backing of investors started Sure Lines Inc.

With a product that could save horses and save lives, it would appear that Gray had a sure winner, and indeed drivers and jockeys strongly support his safety reins and lines. But it has not been an easy road for Gray, who often becomes frustrated by the inaction of most regulators and the opposition of horsemen and some tack manufacturers. "It's such a simple solution and at a minimal cost," he said. "I knew it was going to be a bit of a struggle, but I didn't think it would be the struggle that it has turned out to be."

While broken reins are not widely discussed within the sport, the sudden danger to horse and rider was in the spotlight last October 29 in the Breeders' Cup Juvenile (G1), when Private Vow's rein broke on the backstretch. Fortunately, John Velasquez was able to use some mane and his remaining rein to guide the colt to the outside and eased him in the stretch.

Six months earlier, Merrill Gold's right rein broke at the start of Black Eyed Susan Stakes (G2). Under Edgar Prado, she set the pace under no control or restraint but tired to finish last of six.

When he was the national manager of the Jockeys' Guild, John Giovanni took Gray into the jockeys' room at Saratoga Race Course to discuss the concept of safety reins. "Every jockey in the room has a story to tell" about broken reins," Gray said.

Chris McCarron, a Racing Hall of Fame jockey who is starting a national jockeys school at the Kentucky Horse Park, said safety reins would offer significant protection to both jockeys and exercise riders. "Given a choice between a flak jacket and safety reins, I would take the safety reins," he said last month at the Association of Racing Commissioners International's annual meeting.

A simple concept

Gray's concept was as simple as could be. In essence, he wanted to put a rein inside a rein. He started out with a thin steel cable that was stitched into the reins or harness lines. When the cable proved too strong—harness horses sometimes need to have their tack cut away when they fall and become tangled—he switched to a half-inch-wide piece of nylon that is similar to the material used in nylon reins.

A half-inch of the nylon strip emerges from the leather reins, and it is attached to a clasp that in turn snaps onto the bit. Until it is needed, the clasp places no pressure on the bit. The nylon membrane runs through the grip of the reins, where weakness in the leather sometimes can go undetected.

In principle, the safety reins function much like safety glass, where glass is fused to a clear plastic membrane to keep it from shattering in case of an accident.

The day after he completed his drawings, Gray contacted his friend Robert Siegelman, a Meadowlands trainer who helped to develop the safety lines and put them into use under training and race conditions. The project attracted the attention of brothers Barry and Jeff Rubenstein, prominent harness owners who became the principal investors in the project. Gray was granted patents in 1999 and 2004.

The company did little paid marketing, and Gray took a leave of absence from state employment to promote the product, attending conferences and speaking to industry groups about his safety product. Although safety reins were enthusiastically endorsed by jockeys and drivers, they were greeted with silence, hostility, or abuse in other corners of the industry.

True, safety reins cost more than regular leather reins. While traditional reins might cost \$75 to \$80, tack manufacturers typically would charge \$100 for the safety reins, Gray said. The additional cost of manufacturing and markup are most of the difference. Gray said Sure Lines's royalty is \$3 to \$5 per rein.

Gray, who takes no salary from Sure Lines and supports himself and his family with industry consulting work, is frustrated by the slow acceptance of his product and stung by insinuations that he and his investors are trying to make a financial killing at the expense of hard-pressed horsemen.

Profits to charity

Noting that his investors have put up hundreds of thousands of dollars that they may never recoup, Gray said it was decided early that any profits from the safety reins would be donated to equine charities. "This is something we said from the start," he said.

With his regulatory background, Gray knew well how fractious and divided horse racing is, and he believed the obvious strategy was to have racing commissions make the safety reins mandatory. He had observed how safety helmets for harness drivers were not adopted universally until racing commissions—most notably the New Jersey Racing Commission—mandated their use. For the safety reins to be effective, “everybody has to be using them,” he said.

Gray said he has spoken twice before the ARCI’s model rules committee but has been unable to persuade the panel to adopt safety reins and lines. “They said they wanted an industry consensus,” he said.

With backing from the current Jockeys’ Guild administration, Gray and Sure Lines have made progress toward mandating safety reins and lines in California and Indiana. California’s legislature last year passed a requirement that the Horse Racing Board conduct an investigation and at least one hearing by July 1 into whether safety reins would provide greater protection to jockeys and exercise riders.

If the inquiry finds that the reins would improve safety, the Horse Racing Board is required to adopt a regulation making them mandatory by July 1, 2007. Although the requirement could be phased in, that period cannot exceed 18 months from the adoption of the regulation.

Earlier this year, the Indiana Horse Racing Commission approved a safety-rein requirement. Gray said he spoke at the hearing and heard no objections from horsemen attending the meeting. However, a torrent of opposition followed the hearing, including a statement by the Indiana Standardbred Association that the rule was unnecessary and placed an onerous additional expense on horsemen.

Gray agreed that the safety reins should be phased in over an extended period to give horsemen the opportunity to replace existing tack with safety equipment. “You can’t tell them to change immediately. You don’t want to create a financial hardship,” he said. “We’ve urged the commissions to set a date a year in the future.”

Get author description

Subhead

Arthur Gray took a leave of absence from state employment to promote the product, attending conferences and speaking to industry groups about his safety product. Although safety reins were enthusiastically endorsed by jockeys and drivers, they were greeted with silence, hostility, or abuse in other corners of the industry.

IN HARNESS

by STANLEY F. BERGSTEIN

Helping Stop the Most Feared Call of All

DEATH is not dining room conversation in this sport. Drivers do not sit and discuss it with their wives and kids over dessert.

But every driver's wife knows, when the front door closes and her husband backs out of the driveway to go toward the track, that he is headed toward danger.

They know their husbands will be guiding a thousand pounds of pure power in a speeding crowd of flying hooves, sitting on a catapult. They know that one bad step, or one broken line, can spell disaster. And every one of them fears, consciously or in the deepest recesses of her mind, the telephone call that starts with, "There's been an accident."

Ask Dottie Houghton. Ask Laura Dunkley. Ask Michelle Goudreau. Ask Jackie Smullin Roe. They all received those terrible calls, and they all are harness racing widows.

Ask Art Gray.

Gray is a college-educated former trainer, driver, and New York racing judge who has spent the last few years crisscrossing North America, attending meetings of state racing commissioners and track owners and anyone in authority who will listen. He is telling them that he can save lives and end broken bodies and racing carnage, with his invention, Sure Lines and Reins.

He has covered thousands of miles, and spoken 100,000 words, telling how this simple idea can work.

John Campbell says the thing every driver fears most is a broken line. He wrote to the New Jersey Racing Commission saying, "I feel very strongly that the safety lines are a significant step towards safer racing, and I hope that they will be mandatory in the very near future."

Others who wrote similar letters included Chris McErlan of The Meadowlands; Hugh Mitchell of Woodbine Entertainment; Jerry Knappenberger of the Ohio Harness Horsemen's Association; Steve O'Toole, general manager of Plainridge Racecourse; Dennis Brida of the New York Thoroughbred Horsemen's Association; L. Wayne Gertmenian, president and CEO of Thoroughbred racing's Jockeys Guild; and Dan Fick of the American Quarter Horse Racing Association. They all endorsed Gray's idea.

Fans sitting high in the stands may not sense it, but all one needs to do to realize the danger on the track is to stand by the rail, or in the first turn, and feel the rush of raw power surge past.

If a line snaps, the driver is sitting behind a half ton of life-threatening dynamite—a runaway locomotive.

When Shelley Goudreau, one of the best drivers this sport has seen in the past 50 years, hopped on his bike behind Regan's Lad 20 years ago this August at Hollywood Park, he knew the danger—as every driver in every race knows it. It is part of the built-in peril of their careers.

And in the instant after Regan's Lad's bit broke, and Goudreau toppled backwards toward his death, he likely understood what had happened to him.

It need not have been Goudreau's last drive.

Gray's invention, a snap hook attached to a second reserve line, which is anchored inside the original line, could have prevented it—and could prevent every other disaster, fatal or simply fearsome, that comes from a snapped line or, with new refinements, a broken bit.

Owner Barry Rubenstein, who knows disaster first-hand from the blazing night when his trainer, Robbie Siegelman, lost his stable in the barn fire at Gateway training center, recognized the merit of Gray's invention the minute he saw it. He has made it financially possible for Art to continue his nationwide safety pilgrimage.

Rubenstein is not seeking profit. He has pledged 100 percent of any gain as an investor to racing-related charities. Rubenstein understands fully what these lines can mean. He was an owner in the Billy Houghton, David Dunkley and Shelly Goudreau stables when those three died in racing accidents.

It was Siegelman, who trains for Rubenstein and his Cheyenne Gang, and Ed Shumate, owner of Kelly's Harness Shop at The Meadowlands, who helped Art Gray reach the point where leading figures in harness, Thoroughbred and Quarter Horse racing now want his product to become required universally.

Shumate helped Gray with hands-on expertise in developing the line, and Siegelman tested it on his horses for more than a year at The Meadowlands. Along the way that track's leading drivers, led by Campbell, became avid believers.

The American Standards Testing Bureau now has successfully tested Gray's lines, and has agreed to be the certifying agency for them.

Rubenstein said that when Gray first told him about Sure Lines, he thought it would be great if harness racing could have a proactive way of preventing accidents, rather than simply reacting to them. He knew the NASCAR people learned after losing Dale Earnhardt that an accident need not be fatal if drivers had head restraints, which now are mandatory in that sport.

Sure Lines provide that type of safety net, a security blanket, a life insurance policy, for the driver of the horse. Gray says his goal was—and is—to maximize safety for harness racing's human and equine athletes.

Our sport, and Thoroughbred and Quarter Horse racing, should support Sure Lines and Reins every step of the way, and should urge racing commissions everywhere to mandate the safety lines as required equipment.

Art Gray's lines and reins can hugely reduce those heart-stopping phone calls.

More importantly, they can save lives. ■



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Three Chimneys: Joyeux Danseur



February 16, 2001

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Prairie Meadows Sued Over Trainer's Injuries

by The Associated Press
Date Posted: 2/7/01 8:25:37 AM
Last Updated: 2/7/01 8:25:37 AM

A North Dakota horse trainer who struck his head in a fall in 1999 at Prairie Meadows claims in a lawsuit that racetrack personnel let him lie on the ground for half an hour while they debated his rescue — a delay that cost him his career.

Douglas Miller's lawsuit names Polk County and the Racing Association of Central Iowa, which manages the track in Altoona. Attorney Tom Flynn said the track will fight the allegations.

Miller fell after a rein snapped on the horse he was riding. His head slammed into a rail and he suffered permanent brain damage, ending his career.

Miller's brother, Robert, filed the lawsuit, saying Miller's condition prevents him from being sole plaintiff. The lawsuit seeks compensation for physical and mental pain, and loss of earning capacity.

Miller's lawsuit contends Prairie Meadows should have had an outrider - someone on horseback ready to assist a struggling rider - on duty.

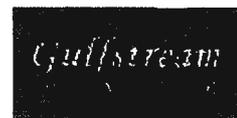
Prairie Meadows also failed to provide assistance when ambulance crews were unable to reach Miller - locked entrance gates delayed Miller's rescue, the lawsuit claims.

The lawsuit also blames the Altoona Fire Department for canceling a Mercy Air Life flight. "He could have been LifeFlighted back to the emergency room trauma center within minutes," attorney Gregory Landry said.

Altoona fire officials said they had not yet seen the lawsuit and could not comment on it.

The lawsuit comes six months after a Polk County jury awarded a former jockey more than \$3 million for her injuries in a Prairie Meadows accident in 1998.

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January 16, 2002

Lonny Powell
President & CEO
Association of Racing Commissioners International (ARCI)
Two Paragon Centre
2343 Alexandria Drive, Suite 200
Lexington, KY 40504

Dear Lonny:

I wanted to express my support of the Sure Line lines/reins. I have provided the product to members of the AQHA Professional Horsemen's Association - Racing Division, including Pat Swan who is married to Tomey Swan, President of The Jockey's Guild. I have spoken to these horsemen and women regarding its potential usefulness. The reaction I have received has been positive as a way to ensure continued safety on the racetrack and avoid potential situations from occurring.

Art Gray has worked hard to explain the many benefits of the Sure Lines lines/reins and as a former horsemen and racing official is able to effectively convey the usefulness of the product.

I would hope that RCI would see the value of the Sure Lines product as well.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Fick", written over a circular scribble.

Dan Fick

cc: Art Gray, Sure Lines
Frank Lamb, NAPRA

P. O. Box 200 • Amarillo, Texas • 79168
1600 Quarter Horse Drive • Amarillo, Texas • 79104
(806) 376-4811



NEW YORK THOROUGHBRED HORSEMEN'S ASSOCIATION, INC.

February 2, 2002

Mr. Lonny Powell
President and CEO
Association Of Racing
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2343 Alexandria Drive, Suite 200
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DANIEL SCHREIBT
JACK SHELLEY

TRAPPEL DIRECTORS
CARL J. DORRIS
DAVID DONS
PATRICK J. KELLY
RICHARD A. VIOLETTE, JR.

EXECUTIVE DIRECTOR
ROBERT F. FLYNN

Dear Mr. Powell,

The safety of horses, backstretch workers and jockeys is very important to the NYTHA and all horsemen in New York. Some of our members have tried the safety reins made by Sure Lines Inc., and have given us positive feedback.

While the NYTHA does not, as a rule, endorse products, it will back any product that will increase safety and performance in the thoroughbred industry. If you have any further questions on this matter, please contact me at the numbers listed below.

Sincerely,


Dennis J. Brida
Vice President
NYTHA

P.O. Box 170070 - JAMAICA, NEW YORK 11417

AQUEDUCT (718) 848-3043 • FAX (718) 848-9269 • BELMONT (516) 488-2337 • FAX (516) 488-1698 • SAGAMORE (518) 584-6200


WOODBINE
ENTERTAINMENT

October 23, 2001

Mr. Terry Stone
Deputy Director,
Ontario Racing Commission
9th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2

Dear Terry,

I write to endorse the concept of safety lines for Thoroughbred and Standardbred racing in the province of Ontario. I have seen one product in particular, *Sure Lines*, and its hook-up is excellent at helping to prevent either a line or rein from coming loose or breaking.

Safety of the race participants is of utmost concern to Woodbine Entertainment and we would hope the Commission would look seriously at the merits of the use of this equipment.

Sincerely,



Hugh M. Mitchell
Sr. Vice President - Racing

HMM/cm

WOODBINE ENTERTAINMENT GROUP
555 Rexdale Boulevard P.O. Box 156 Toronto Ontario Canada M9W 5L2
Tel: 416-675-3993 Fax: 416-213-2126 www.WoodbineEntertainment.com



*** TOTAL PAGE. 02 ***

**WOODBINE**
ENTERTAINMENT

January 21, 2002

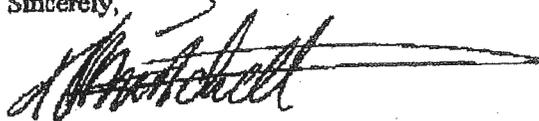
Mr. Lonny Powell
President & CEO
Association of Racing Commissioners International (ARCI)
Two Paragon Centre
2343 Alexandria Drive, Suite 200
Lexington, Kentucky
40504

Dear Mr. Powell

I write endorsing the use of the Sure Lines as a safety feature on equipment used for both Thoroughbred and Standardbred race horses. The product offers a new standard of safety for jockeys and drivers which should be welcomed by the racing industry.

I trust that the ARCI will see the merits of the Sure Lines and look favourably on their use.

Sincerely,



Hugh M. Mitchell
Sr. Vice President - Racing

HMM/cm

cc: A. Gray - Sure Lines

WOODBINE ENTERTAINMENT GROUP
595 Rexdale Boulevard P.O. Box 756 Toronto Ontario Canada M9W 5L2
Tel: 416-675-3999 Fax: 416-213-2126 www.WoodbineEntertainment.com



** TOTAL PAGE.02 **

Charles E. Coon & Sons, Inc.

Track Consultants

CHARLES E. COON (Ret.)
9433 E. Shady Grove Court
White Lake, MI 40386-2063
248-698-1420

DANIEL C. COON
205 Wind Haven Drive
Nicholasville, KY 40356-8006
858-224-8580

GREGORY COON
209 Cumberland Circle W.
Longwood, FL 32779-5808
407-869-7449/fax 407-889-8805

Lonny Powell
President & CEO
Association of Racing Commissioners International (ARCI)
Two Paragon Center
2343 Alexandria Drive, Suite 200
Lexington, Kentucky 40504

Mr. Powell:

On behalf of Charles E. Coon & Sons (Chuck, Greg and Dan) I would like to take this opportunity to make you aware of our support for a system of safety lines/reins being considered by industry leaders.

Our primary business is the design, construction and maintenance of racetracks for thoroughbred and standardbred horses. Our first concern is for the safety of the athletes, both human and equine.

The Coon family has over 60 years of experience starting harness races. In that time, we have experienced the danger inherent when a horse breaks a line behind the starting gate. Personally, I can think of nothing more dangerous than a horse with a human passenger who cannot steer his mount.

As lifelong proponents of safety, we at Charles E. Coon & Sons support the implementation of a safety line/rein system.

Sincerely,



Greg Coon
Charles E. Coon & Sons, Inc.



Safety Rein Test Analysis

Buffalo Testing Laboratories Inc.

May 1999

These tests were conducted when we initially started developing the safety rein. Both Thoroughbred and Standardbred reins were tested. The a) tests were to determine the break load of the safety hooks and black fishing line that we originally attempted to use.

The b) tests were to determine the weakest point of the rein. Results indicated that the loop at the bit was the weakest point in both the types of rein with a break load of approximately 425lbs.

ASTB/Analytical Services Inc.

April 2002

These tests were performed when we determined that the 600lb break load for the safety hooks was too strong. We changed to a safety hook with a 500lb. break load. These reins were manufactured with the steel cable to anchor the safety hooks.

The Set "A" results indicated a consistent break load of approximately 506 lbs. These were leather reins.

The Set "B" tests were on nylon reins. The results indicated that the nylon material started but did not completely fail 440lbs. The safety hooks started to open at approximately 490lbs.

Quality Inspection Services Inc.

May 2005

These tests were on the reins as they are made today. There was concern that using the steel cable to anchor the safety hook could be a problem. We replaced the steel cable with a half inch piece of nylon consistent with the bulk and strength used in manufacturing conventional nylon reins. Results indicate that break load for both the nylon and leather reins is reduced to an average break load of 460lbs., approximately 35 lbs. stronger than conventional reins.

Summary: The average break load of the safety rein is stronger than the conventional reins used today. But not too strong as to prevent the rein from breaking when required.

BUFFALO TESTING LABORATORIES INC.

CHEMISTS - METALLURGISTS

902 Kenmore Avenue

Phone (716) 873-2302



BIOLOGISTS - ENGINEERS

Buffalo, NY 14216-1495

FAX (716) 873-9914

Report No. 7241

Page 2

Results:**Sample No. 1: Manufactured Sulky Bridle - Clear Fishing Line.**

- a.) Hook failed at 620 lbs.
- b.) Leather loop failed at eyelet in buckle at ⁴²⁰~~240~~ lbs.

Sample No. 2: Hand made Sulky Bridle - Black Fishing Line

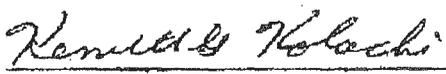
- a.) Black line failed at 360 lbs.
- b.) Leather loop failed at eyelet in buckle at 425 lbs.

Sample No. 3: Thoroughbred Bridle - Black Fishing Line. Gripped On Rubber Section.

- a.) Black line failed at 380 lbs.
- b.) Leather loop failed at eyelet in buckle at 415 lbs.

Sincerely,

BUFFALO TESTING LABORATORIES, INC.


ALLAN ENIS
METALLURGICAL ENGINEER
KENNETH G. KOLACKI
METALLURGIST

ASTB / ANALYTICAL SERVICES, INC.

4027 New Castle Avenue, New Castle, DE 19720 ◊ Phone: (302) 571-8882 ◊ Fax: (302) 571-0582

April 18, 2002

Sure Lines, Inc.
19 Naples Drive
West Seneca, NY 14224

Att: Mr. Arthur A. Gray
President

Gentlemen:

RE: Testing of Sure Line Products
ASTB/AS P. #1235-722; LR. #31071

Pursuant to your recent request, ASTB/AS received and tested two (2) SURELINE safety rein/line assemblies for ultimate strength determinations, described as follows:

SET "A" Light Tan Leather/Red Rubber Reins

SET "B" Black Nylon/Red Rubber Reins

These rein assemblies were tested in triplicate, with the following results:

	SET "A"	SET "B"
Peak/Breaking Load, lbs	506, 509, 507	485, 440, 496
Test Observations	Snap Hooks Deform	Nylon Loop/Snap Hooks Failed

The actual test sets are being returned under separate cover for your review.

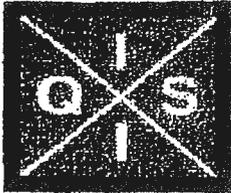
Respectfully submitted,

ASTB/ANALYTICAL SERVICES, INC.

F. Wanzenberg
F. Wanzenberg, P.E.
Analytical Division

V. Morfopoulos
V. Morfopoulos, Ph.D.
Technical Director

FW/VM/ad
Enc.



Quality Inspection Services, Inc.

Corporate Headquarters
 Cathedral Park Tower
 37 Franklin Street • Suite 400 • Buffalo, New York 14202
 (716) 853-2611 • Fax (716) 853-2619
 Visit Us At: www.qisi.com E-Mail: Buffalo@qisi.com

REPORT No. : 65-2042

May 9, 2005

Attn: Arthur Gray
 Sure Lines, Inc.
 19 Naples Dr.
 West Seneca, NY 14224

MECHANICAL TEST REPORT

Date Submitted: 5/3/05

Sample Submitted: Four (4) thoroughbred reins with sewn-in safety clips.

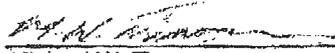
Objective: Tensile load test of safety clip assembly.

Test Methods: Assemblies were loaded in tension on our Tinius-Olsen Universal Test Machine S/N 88355 and ultimate load recorder.

Results:

Assembly No.	Ultimate Load (lbs.)	Failure Mode
Nylon #1	490	Bending of clip metal
Nylon #2	430	Bending of clip metal
Leather #1	460	Bending of clip metal
Leather #2	480	Bending of clip metal

Sincerely,
 QUALITY INSPECTION SERVICES, INC.


 Michael W. Timmons
 Metallurgical Services Manager

Page 1 of 1

Madison, Connecticut
 Tel. (203) 245-7743
 Fax (203) 245-8017

Warren, Pennsylvania
 Tel. (814) 726-1988
 Fax (814) 726-7850

Welder Training & Testing Services
 Tel. (716) 831-1404
 Fax (716) 831-1406

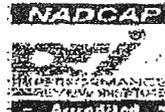


Sustaining Member



Buffalo, New York
 Tel. (716) 836-0131
 Fax (716) 836-9608

East Syracuse, New York
 Tel. (315) 431-4291
 Fax (315) 431-4292



Jacksonville, Florida
 Tel. (904) 359-0747
 Toll Free (800) 927-3575
 Fax (904) 359-0771

Garnerville, New York
 Tel. (845) 429-2000

Arhusel, New York
 Tel. (716) 568-0154
 Fax (716) 636-8921

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We Bring the World to New Jersey

Meadowlands Racetrack
Giants Stadium
Continental Airlines Arena
Horseshoe Park Racetrack
Boardwalk Hall
Atlantic City Convention Center
The Wildwoods Convention Center

January 14, 2002

Lonny Powell
President & CEO
Association of Racing Commissioners International (ARCI)
Two Paragon Centre
2343 Alexandria Drive, Suite 200
Lexington, KY 40504

Dear Lonny,

I wanted to express my support of the Sure Line lines/reins. I have seen the product in use at the Meadowlands Racetrack and have spoken to many horsemen regarding its potential usefulness. The reaction I have received has been positive as a way to ensure continued safety on the racetrack and avoid potential dangerous situations from occurring.

Art Gray has worked hard to explain the many benefits of the Sure Lines lines/reins and as a former horsemen and racing official is able to effectively convey the usefulness of the product.

I would hope that ARCI would see the value of the Sure Lines product as well.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris McErlean", is written over the word "Sincerely,".

Christopher McErlean

Copy to: A. Gray, Sure Lines
F. Zanzuccki, NJRC
B. Plasteris, NJRC
B. Garland

Sent via fax/e-mail and regular mail

LONDON FISCHER LLP

59 MAIDEN LANE
NEW YORK, NEW YORK 10038

E-MAIL:
LAW@LONDONFISCHER.COM

(212) 972-1000

FACSIMILE
(212) 972-1030

September 18, 2002

Mr. Norman Barron
Chairman, Safety Committee
Ohio State Racing Commission
77 S. High Street
Columbus, Ohio 43266

Dear Chairman Barron:

By way of introduction, I am a long term insurance defense attorney specializing in equine related liability cases, including those cases which involve personal injuries and accidents occurring in horse races and training. I am therefore, taking this opportunity to endorse the safety lines and reins designed by Sure Lines, Inc.

Insurance companies recognize that horse racing, in general, can be a very dangerous activity. Any measure we can implement to protect our grooms, trainers, drivers, jockeys, exercise riders and horses should, therefore, be vigorously pursued. It is my considered view that the Sure Lines' safety lines and reins will provide an increased measure of safety for the human and equine athletes in all facets of racing and training by eliminating one of the more dangerous situations on the racetrack.

As evidenced by the present workers' compensation crisis, insurers are certainly concerned about horseracing's level of focus on safety. A concerted effort and renewed focus on safety procedures, policies, regulations and equipment would send a clear message to the insurers that the sport is concerned about safety as well. Additional safety measures such as the mandated use of Sure Lines' safety lines and reins should also have a positive long-term effect on future premium rates as accidents under these circumstances will be eliminated, or at the very least, significantly reduced.

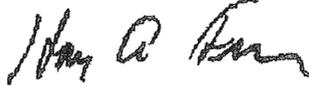
The Safety Committee of the Ohio State Racing Commission, under your leadership, should be commended for its progressive position on safety. I sincerely hope that for the benefit of all in racing you will consider mandating this product as part of your progressive position on safety.

Mr. Norman Barron
Chairman, Safety Committee
September 18, 2002
Page 2

I appreciate your time and consideration.

Very truly yours,

LONDON FISCHER LLP



Harvey A. Feintuch

K:\360\002\corresp\Norman Barron Letter 9-18-02.doc

INFORMATION SUBMITTED
BY
BRIAN AND LISA PECK
(BP SAFER REIN)

Matthew A. Dettman, P.E.

Geotechnical Engineering
Materials Testing
Construction QA/QC

December 16th, 2006

Lisa and Brian Peck

RE: Testing of Reinforced Reins

Lisa and Brian,

In accordance with your request, I have completed the initial testing of the reinforced reins. This letter will summarize the purpose, description of reins, process, and results of this testing.

PURPOSE

Several weeks ago, you contacted me to determine if a test method could be developed to determine the strength of a horse rein that had been reinforced with parachute cords. It is my understanding that the purpose of the parachute cords is to provide a backup for the jockey if the leather in the rein breaks or fails, then the parachute cord will remain intact so the jockey has something to hold on to so control of the horse can be maintained to guide both the horse and jockey to safety.

DESCRIPTION OF REINS

At the time of our initial meeting, you provided several samples of un-reinforced reins that are currently in use, as well as samples of your new reinforced rein. The un-reinforced reins are made of leather with rubber grips and are 1 inch wide. The new reinforced rein is also leather with rubber grips, is 1 inch wide, and reinforced with parachute cord. The parachute cord is embedded in the leather and starts at the loop end of the rein and runs down the entire length of the rubber grip and it stops at this point. The remaining part of the rein contains no reinforcing. On a subsequent visit, you brought another group of reinforced reins which were identical to the previous samples; however they were $\frac{3}{4}$ of an inch wide. The 3 reins are shown in Figure 1, with the un-reinforced rein on the top, the 1 inch reinforced rein in the middle, and the $\frac{3}{4}$ inch reinforced rein on the bottom.

Contact Information:

Matthew A. Dettman, P.E. PO Box 1577 Bowling Green, KY 42102
Office) 270-745-2462 Mobile) 270-991-4814 email) matthew.dettman@wku.edu

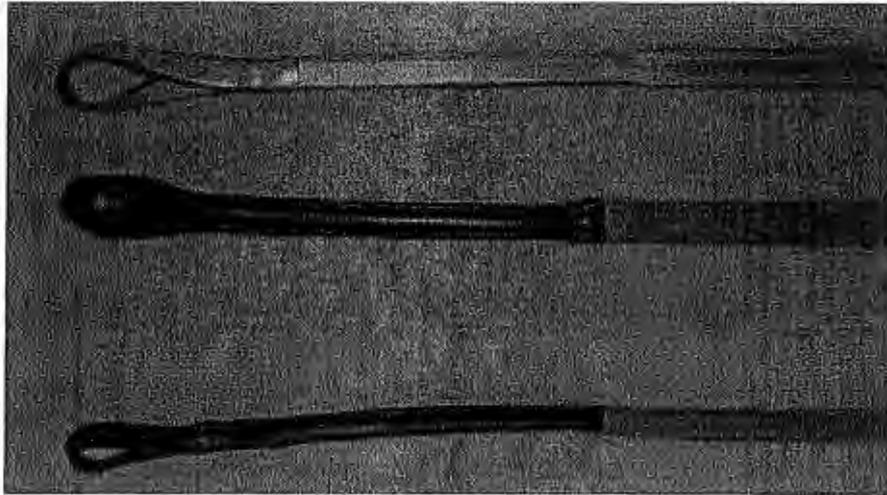


Figure 1 – Close-up of the 3 Reins Tested

TEST PROCESS

The project started with research into whether or not a current standard test method exists for the analysis of reins. Since no standard test method was found, it was necessary to develop a reliable and repeatable method to determine the ultimate tensile strength of the reins. Further research was performed into the process used to test safety straps and climbing harnesses and aspects of these different existing methods were combined in the development of the method used to test the reins. The difficulty in performing this test is how to “grab” the rein without tearing the material or creating stress concentrations that would have an adverse impact on the final results. The method developed to test the reins was to create 2 brackets that would hold a piston horizontally such that the ends of each rein could be wrapped around the piston and clamped so that enough friction would be developed to allow the reins to be pulled to failure. To pull the reins, one of the brackets was mounted to the floor, and the other was mounted to an MTS actuator capable of pulling a maximum force of 50,000 pounds. The actuator is computer controlled so that load and deflection readings can be taken during the test. Figure 2 below shows a close up of the brackets and a view of the entire test setup.

Contact Information:

Matthew A. Dettman, P.E. PO-Box 1577 Bowling Green, KY 42102
Office) 270-745-2462 Mobile) 270-991-4814 email) matthew.dettman@wku.edu

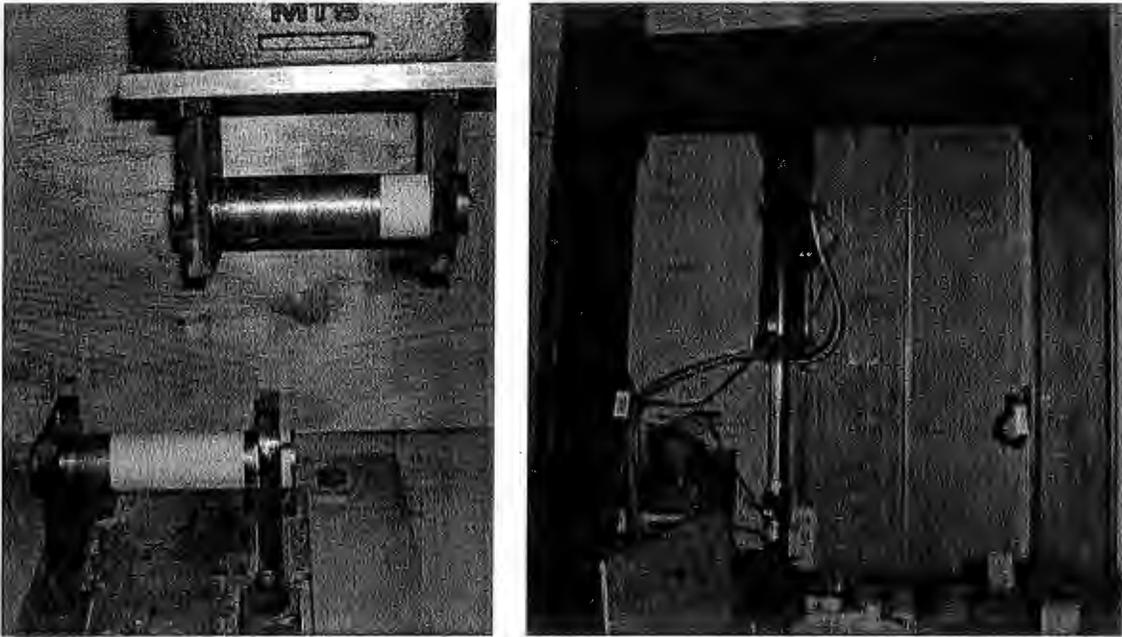


Figure 2 – Brackets and Test Frame Setup

As the purpose of the rein testing was to determine if the parachute cords would remain in-tact after the leather failed, the reins were tested entirely in the reinforced section to determine both the overall strength of the rein and to see if the cord would remain in-tact such that the jockey could hold the cord and guide the horse to safety. To perform this test, the loop-end of the rein was attached to piston of the upper test bracket, which is affixed to the MTS actuator, and the lower portion of the rein was wrapped around the piston of the lower test bracket, as shown in Figure 3 below. Once the rein was fully secured, the MTS actuator pulled the rein to failure recording both tensile load and deflection during the test. Figure 4 shows a close-up of a rein after the test was completed.

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Office) 270-745-2462 Mobile) 270-991-4814 email) matthew.dettman@wku.edu

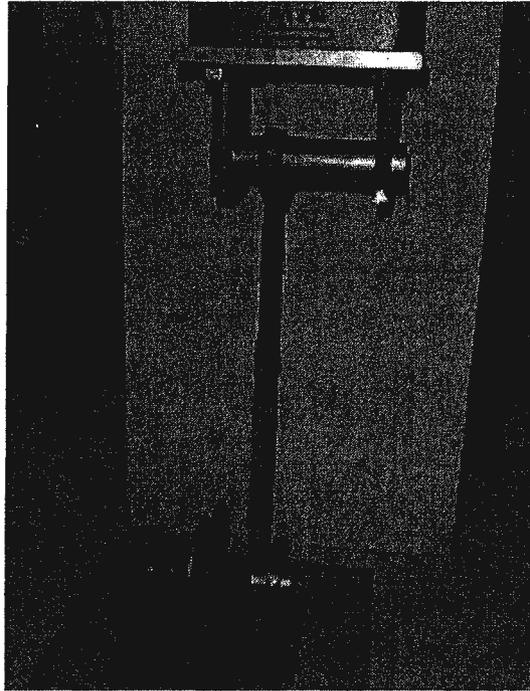


Figure 3 – Rein in the Test Setup

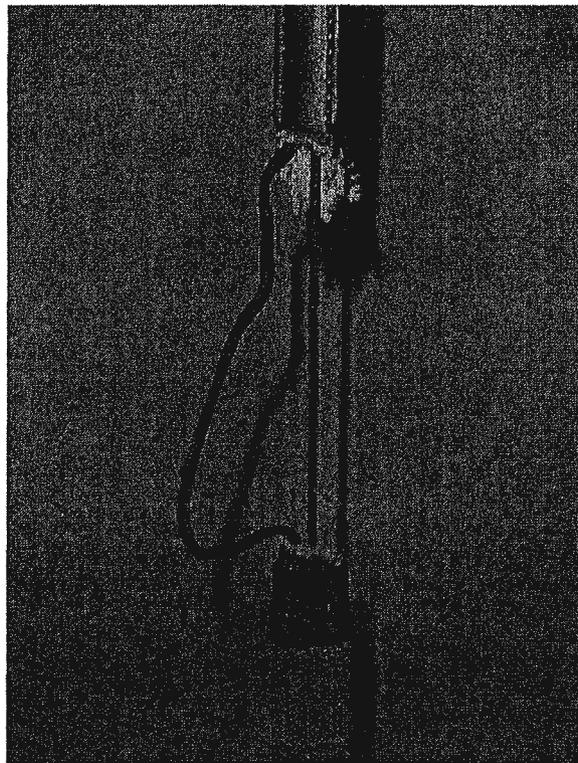


Figure 4 – Failed Rein

Contact Information:

Matthew A. Dettman, P.E. PO Box 1577 Bowling Green, KY 42102
Office) 270-745-2462 Mobile) 270-991-4814 email) matthew.dettman@wku.edu

TEST RESULTS

A series of tests was performed on each of the 3 types of reins. Several tests were run to test the brackets and MTS actuator in order to determine the best process that was repeatable and that provided consistent results. As stated above, each rein was tested to failure and the failure load was recorded for each test. For the reinforced reins, the tests revealed 2 separate and distinct failure loads recorded during the test. The first failure load recorded was the load at which the leather failed and the second failure load was the load at which the parachute cord failed. Based on these observations, it appears that once the leather fails, the parachute cord does in fact remain intact. When the parachute cord does fail, it typically does not break, but it pulls loose from its sewn connection at the base of the rubber grip. In none of the tests did the cord pull loose from the looped end of the rein.

The table below shows the average results from testing. For the reinforced reins, both the leather failure and the cord failure results are shown.

Un-Reinforced Rein 1 inch width	Reinforced Rein 1 inch width		Reinforced Rein ¾ inch width		
	<i>Leather Failure (lbs)</i>	<i>Leather Failure (lbs)</i>	<i>Cord Failure (lbs)</i>	<i>Leather Failure (lbs)</i>	<i>Cord Failure (lbs)</i>
500	1130	840	1000	770	

While this data represents a fairly small sampling of reins, the results were very consistent and did not show a very wide spread of data. In other words, most of the reinforced 1 inch reins broke within about two hundred pounds of the average value with only a couple “flyers”, or reins that broke either much higher or much lower than the average. The same can be said for the un-reinforced reins and the ¾ inch reinforced reins.

At this point I am very confident that the test method developed is sound and will work for all similar reins. I would recommend another round of testing now that all of the “kinks” have been worked out of the system and the focus can be solely on the results as the testing process is established.

Contact Information:

Matthew A. Dettman, P.E. PO Box 1577 Bowling Green, KY 42102
 Office) 270-745-2462 Mobile) 270-991-4814 email) matthew.dettman@wku.edu

December 16th, 2005

Please let me know if you have any questions regarding this report. I have several more pictures as well as video clips of the testing process. If you are interested in doing any more testing of reins, I would recommend a sample of 10 reins for each type to be tested. I am confident that the procedure is sound and any future testing would simply be to put the rein in the machine and test it. I don't see any more "kinks" in the system so the testing should go very quickly. I have really enjoyed working on this project and hope to do some more testing soon.

Sincerely,



Matthew A. Dettman, P.E.

Contact Information:

Matthew A. Dettman, P.E. PO Box 1577 Bowling Green, KY 42102
Office) 270-745-2462 Mobile) 270-991-4814 email) matthew.dettman@wku.edu

Matthew A. Dettman, P.E.

Geotechnical Engineering
Materials Testing
Construction QA/QC

June 15th, 2007

Lisa and Brian Peck

RE: Supplemental Report: Testing of Reinforced Reins

Lisa and Brian,

In accordance with your request, I have completed the second round of testing of your 1 inch reinforced reins. This letter will summarize the results of the testing. Please note that the reins and the process are identical to that described in my report dated December 6th, 2006.

PURPOSE

The purpose of this second round of testing was to verify the results of the initial testing to determine the consistency of the testing procedure as well as to serve as a quality control measure of your rein manufacturing process to see if the reins test the same over a period of time. In addition to the testing of the 1 inch reinforced reins, a sample of 1 inch reins were manufactured by you in the identical fashion as the reinforced reins except that the reinforcing was omitted. The purpose of this testing was to compare your reinforced reins to un-reinforced reins. In the first round of testing, un-reinforced reins were tested; however they were manufactured by a separate company. The goal here was simply to compare the results of the 2 reins with everything being identical except for the reinforcement.

TEST RESULTS

In this round of testing, 10 reinforced reins and 4 un-reinforced reins were tested in the identical fashion as the first series of testing. For all intents and purposes, the results of the testing for the reinforced reins were the same as the first series of tests in both failure mode and load at failure. In the failure mode, two distinct failure points were noted with the first failure being that of the leather portion of the rein and the second being that of the reinforcement. The failure mode of the un-reinforced reins resulted in one failure point, which was of course expected.

The table below shows the average results from testing. For the reinforced reins, both the leather failure

Contact Information:

Matthew A. Dettman, P.E. PO Box 1577 Bowling Green, KY 42102
Office) 270-745-2462 Mobile) 270-991-4814 email) matthew.dettman@wku.edu

and the cord failure results are shown. Results from the first round of testing are shown in parenthesis below the current results.

Un-Reinforced Rein 1 inch width	Reinforced Rein 1 inch width	
<i>Leather Failure (lbs)</i>	<i>Leather Failure (lbs)</i>	<i>Cord Failure (lbs)</i>
493 (500)	1145 (1130)	873 (840)

The results of the current testing show a high correlation with the initial testing which is a good indication that the testing method is sound and that the rein manufacturing process is consistent and reliable.

It should be noted that in the first round of testing there were a couple of “flyers”, or reins that failed more than 20% over or under the average. This round of testing had one reinforced rein out of ten that I considered a “flyer”. This rein failed approximately 30% below average in both leather and cord, but still well above the strength of the un-reinforced rein. It is my opinion that this type of result is to be expected of a product that is manufactured by hand using a natural material such as leather. In addition, I believe the results show that these reins are very consistent in strength and quality, and even the “worst case” failure is still capable of providing the intended safety of the jockey.

In conclusion, I believe that based on the two rounds of rein testing, that the test method I have developed is sound, reliable, and repeatable and that the reins developed by Lisa and Brian Peck will provide a reliable back-up system for the jockey such that in the event that the leather rein fails due to excessive use, weathering, sudden high tensile load, or any other event that could cause the leather to fail, the parachute cord will remain in-tact allowing the jockey an opportunity to regain control of the horse guide it to safety. If you have any questions or comments, please don't hesitate to contact me.

Sincerely,



Contact Information:

Matthew A. Dettman, P.E. PO Box 1577 Bowling Green, KY 42102
 Office) 270-745-2462 Mobile) 270-991-4814 email) matthew.dettman@wku.edu

Matthew A. Dettman, P.E.

Contact Information:

Matthew A. Dettman, P.E. PO Box 1577 Bowling Green, KY 42102
Office) 270-745-2462 Mobile) 270-991-4814 email) matthew.dettman@wku.edu

Opposition to Mandatory Safety Reins

I am Dwayne Rhule, 1st Vice President of the ISA. Currently I hold an owner, trainer, and qualifier license for harness horses.

FOR THE RECORD:

Thank you Madame Chair and Commissioners for the opportunity to speak on this important matter concerning the "Safety Reins" issue. I am aware of the 20 minute time limitation. I will be speaking on behalf of the Standardbred, Thoroughbred, and Quarter Horse associations. Nat Hill IV, DVM will also speak within this allotted time frame regarding the "Safety Reins." We had originally requested that four of our leading harness manufacturers and suppliers be allowed to speak as well. Unfortunately, our time restraint will not allow everyone who has now gained knowledge on the "safety reins proposal" the opportunity to share their opposing concerns of the mandatory ruling.

Madame Chair, your letter dated May 16, 2006 stands correct that the Thoroughbred and Quarter Horse associations were in opposition to mandatory safety reins at the previous meetings. The ISA did submit a letter dated November 18, 2005 that we were not opposing mandatory "safety reins." However, if you would refer back to that letter it also stated that "Although possibly erroring on the side of caution, rather than to expose the horsemen to harm, the ISA agrees to support the safety rein requirement." No one at that time within the ISA Board of Directors had any real experiences with the "Sure Lines" product. Around mid-November 2005, I placed in service two sets of "Sure Lines" purchased through Tim Konkle's magazine, Hoosier Horse Review. Mr. Konkle had written and published a personal endorsement of the product for "Sure Lines." Shortly after the November 18, 2005 letter the ISA became deeply involved with the "Integrity '06 Proposal."

At the January 24, 2006 IHRC meeting Sure-Lines and the Jockey's Guild presented the "Safety Reins" proposal to the commission. Myself and other guests present at the meeting found it difficult to hear all of the comments and inter personal conversations of the IHRC persons and presenters. To speak or make objections at the time would not have been beneficial to us due to the lack of knowledge of the proceedings for the promotion of the "Sure Lines" product. After the meeting the 3 horse breeds

requested a copy of the transcript from the January 24, 2006 meeting. Upon reviewing the transcript the ISA Board of Directors voted to **OPPOSE MANDATORY "SAFETY REINS."** A letter was then drafted dated February 18, 2006 and forwarded to the IHRC. We realized the commission had moved to some degree on this matter but had not yet adopted or drafted a rule mandating "safety reins." We requested an opportunity to highlight our concerns to the commission before a decision was made to adopt "Safety Reins" as a mandatory rule. Thank you again for this opportunity.

According to the transcript from January 24th, page 55 lines 17 through 25. Mr. Gorajec stated, “Well, my opinion is that if the Commission feels that the safety reins are a SUPERIOR PRODUCT, then the route to go is to mandate them. Quite frankly, they are kind of optional right now. My thought and I’m sure horsemen will have an opportunity to rebut me, but I think unless it’s mandatory, I don’t believe a lot of horsemen are going to opt for it because of the additional cost.” It is the ISA’s conclusion after in depth research that the “Sure Lines Product” is NOT A SUPERIOR PRODUCT! Additional cost is a factor, but is not the major concern for opposing the mandating of “Safety Reins.” Our concerns are quality, necessity, proposed endorsements, and cost of the “Sure Lines” product.

Now let’s look at “Sure Lines” after 6 months of use. (Line #1) The cable is frayed; (Line #2) nylon strapping is coming apart at the buckle area. I took these out of use after only 6 months. (Line # 3) Here a regular set of lines with 2 years of use that appear acceptable for a race. (Line #4) Here is 2 regular sets of lines with 5 or more years of use still in acceptable condition. “Sure Lines” contends that this product is under their close supervision and quality control. Why should the commission feel this product is superior to present market equipment?

Big Dee’s is the largest supplier of harness equipment in North America. They sold or gave away for promotion 24 sets in 5 years of the “safety reins,” while selling 13,163 sets of other lines on the market. Once again the concern of “safety reins” being a **SUPERIOR** product is questionable.

We have consulted with our membership including drivers and trainers. I have here a signed petition of 100 Standardbred drivers and trainers currently racing at Hoosier Park who OPPOSE MANDATORY “SAFETY REINS.” This list of names includes Indiana’s top trainers and drivers. Their names can be found on the back of the race program listed under “LEADING DRIVERS” and “LEADING TRAINERS.” They hold first hand knowledge of our safety concerns for racing in the state of Indiana. For horsemen this is their business, income, and life at stake when sending a horse out onto the racetrack. Therefore, safety is at their forefront. After discussing with them the Commission’s idea to mandate “safety reins” for the state of Indiana, many of them were more than eager to sign the petition to oppose a mandatory rule for “safety reins.” This is just a small representation of the horsemen for the

state of Indiana. Keep in mind that the petition was signed by horsemen within 2 hours on one given race evening ending the petition at 100 trainers and drivers. Many more signatures could be gathered if need be. In addition to their signature many of the trainers and drivers who signed noted actually using the "Safety Reins." However, they do not believe the "safety reins" are a proven **SUPERIOR** product that warrants a mandatory ruling.

This leads us into the necessity of "Safety Reins." I asked Joe Gorajec if I could speak to the judge about the "safety reins". He said it was okay. I have no intention of placing the Judges in an awkward position. I did not ask them their opinion on the reins. I simply asked the following questions "Tim Schmitz, do we have a crisis on our hands concerning broken lines?" Tim responded, "We do not have a problem with broken lines." I then asked, "Tim, what equipment malfunctions have you seen at Hoosier Park and Indiana Downs during your tenure?" His reply, "One broken line 2 feet from the buckle area. It was a dry rotted leather line. The trainer was fined \$300 and placed on probation." I proceeded to ask, "Tim, throughout your career as an Official Racing Steward, how many horses have you started that have had broken equipment relating to the reins?" Tim responded with "1 broken bit, 5 reins not buckled, and 1 rein broken in the middle of the line as mentioned previously." I then asked Tim "how many horses have you started in your 20 plus year career where you had made these observations?" His reply, "I have started an estimated 1,100,000 horses." I then asked him "Would reins constructed like the 'Sure Lines' product help this proposed safety issue?" His response was "No, why would a person hook a second hook when they did not buckle the line in the first place."

Please take a look at the February 2006 issue of the **Hoof Beats** magazine that has been provided to you. The top 21 Standardbred horses in North America are shown here without use of the safety reins. Is there a demonstrated need for safety reins? According to data that we have researched, this issue does not merit the need for safety reins. The same statement can be made for the **Thoroughbred Times** magazine (**Handout Copies**).

Furthermore; according to the transcript from January 24th, page 42 lines 8 through 22. Art Gray stated "Now, on the safety rein issue, we are here today because of the need to protect the riders and the

horse and the integrity of the betting public in horse racing. Throughout the industry, as you know, times have progressed, certain safety measures have increased. And for the health and safety of riders and horses also, we are proposing from the Guild the use of safety reins. We have had an – I will just quote a couple of incidences. In the Black-Eyed Susan this year, Edgar Prado's horse broke a rein. He could not ride his horse out. He was one of the choices. Of course, it was detrimental to the betting public. He couldn't finish on his horse to a placing that the horse could have gained.”

I have here a picture of the photo finish from the 2006 Kentucky Derby Winner Barbaro, with jockey Edgar Prado (who Art Gray referred to in the January Transcript). Please take notice that in this picture Edgar Prado was not using safety reins. This leads us to question his assurance of safety lines having the **SUPERIOR QUALITY** that would ensure his safety. By not using “safety reins” during North America's largest most publicized and wagered upon horse racing event it appears that there is not an emergency need for “Safety Reins?” Furthermore, this picture of the 2006 Preakness winner also does not show use of safety reins.

The USTA was approached for their endorsement of “Sure Lines,” and they did NOT provide it per Mr. Hastings, head of regulations. The U.S.T.A. is the regulatory body of our Standardbred business. You also have a letter in your packet from an outstanding director of the U.S.T.A., Jerry Landess, not wanting mandatory “safety reins.” He has over 60 plus years in the Horse Racing Industry, in which his opinion should hold value. You also have a letter from Doug Ackerman, with over 60 years as well in the industry and one of the top horsemen in North America who is from Indiana. These examples should all hold a high merit as excellent testimony opposing the necessity of “Safety Reins.”

To the best of our knowledge no Indiana horse owner, trainer, driver, except Tim Konkle has asked for this product to be mandatory. Here in Indiana we are competing within our own jurisdiction. As noted previously, there does not appear to be a need for mandatory “safety reins” within our jurisdiction. We need to keep the focus on our needs here currently in the Horse Racing Industry of Indiana.

As for the cost factor, all three breeds are looking at a cost totaling well over \$200,000 to owners, trainers, and drivers. This figure is calculated as a beginning figure for a mandatory ruling.

Safety Precautions to Consider:

Has this issue ever been brought to our trainers or Paddock Judges attention that they were not fulfilling their duties according to the IHRC Rule Book?

- Current IHRC Rule – **Paddock Judge Responsibilities**; inspection of horses for changes of equipment, broken or faulty equipment, and head numbers.
- Current IHRC Rule – **Trainer responsibilities**; ensuring that his or her horse are properly shod, bandaged, and equipped.

If we have a perceived problem why have we not seen some kind of communication from the IHRC before now? Mandatory safety reins is a drastic first communication with the horsemen,

I conducted a time and motion research study at Hoosier Park and Indiana Downs this past month of May. In short version Jockey's never looked at or touched the reins of their horses until they are asked to mount the horse. Jockey's have anywhere from 6 ½ to 8 minutes of idle time. Minor variations can occur. After observing numerous races in the paddock I could not understand how anyone could mount a horse and not check over his or her reins. Chief Steward said, "He had 2 broken reins in the last 2 years, but no conclusive data as to the cause of the broken reins."

As for the Standardbred drivers at Hoosier Park they have at least 3 to 8 minutes of time to look over a horse. Normally most drivers took about 2 minutes to look over reins and other equipment. The majority did a good job of reviewing their horses programmed to drive prior to leaving the paddock for the race.

A SOLUTION!

All accidents have a root cause. Root causes here are lack of inspection by users such as jockey's, drivers, and trainers. I can provide you with more detail later, but briefly this is what the ISA proposes. This simple solution would not cause additional financial burden to the owners, trainers, and drivers of Indiana. When horses are being prepared to race in the paddock, the paddock judge makes a call over the loud speaker to the trainers and grooms to check their reins. When the paddock judge calls for the horses to be hooked to the race bike, he once again makes a call for the reins to be checked. This would involve the trainer and groom checking to make sure the reins are fastened properly and are in a racable condition. Then as drivers and jockeys are called to mount their horses they are reminded over the loud speaker by the paddock judge to check their reins to ensure proper racable condition. This type of safety precaution can be conducted within 30 seconds. If more time permitted I could give you a detailed description of how the safety check could be performed. If there is reins or any type of questionable equipment malfunction the paddock judge already at both racetracks has stored extra equipment available for such emergency situations. This is a repetitive process that becomes second nature. It will be low cost but highly effective in the prevention phase.

In conclusion, the Standardbred, Thoroughbred, and Quarter Horse Associations hereby oppose a mandatory ruling for "Safety Reins." Please take into serious consideration this presentation before making a crucial judgment of mandatory "Safety Reins." Our research proves that "Safety Reins" do not possess SUPERIOR QUALITY, that Indiana has not previously demonstrated a need for this emergency safety precaution, nor does mandatory "Safety Reins" support the best interest of our Indiana Horse Racing Industry leaders or the general population of horsemen. (Give out the main points of this presentation.)

Thank you for your time, Dwayne Rhule, ISA 1st Vice President

STAFF ANALYSIS
DISCUSSION BY THE BOARD REGARDING THE REPORT
FROM INDUSTRY REPRESENTATIVES CONCERNING
THE OPEN ADVANCE DEPOSIT WAGERING "EXPERIMENT" INITIATED
NOVEMBER 7, 2007 CONTINUING THROUGH JULY 13, 2008

Regular Board Meeting
June 27, 2008

BACKGROUND

Business and Professions Code section 19604 provides that the Board may authorize any racing association, racing fair, betting system, or multijurisdictional wagering hub to conduct advance deposit wagering (ADW) in accordance with this section. Racing associations, racing fairs, and their respective horsemen's organizations may form a partnership, joint venture, or any other affiliation to further the purpose of this section. Business and Professions Code section 19604(b)(1) states no ADW provider shall accept wagers or wagering instructions on races conducted in California from a resident of California unless all of the following conditions are met: (A) The ADW provider is licensed by the Board. (B) A written agreement allowing those wagers exists with the racing association or fair conducting the races on which the wagers are made. (C) The agreement referenced in subparagraph (B) shall have been approved in writing by the horsemen's organization responsible for negotiating purse agreements for the breed on which the wagers are made in accordance with the Interstate Horseracing Act...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 the 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. Board rules 2071, License to Conduct Advance Deposit Wagering by a California Applicant, and 2072, Approval to Conduct Advance Deposit Wagering by an out-of-state Applicant, provide for the licensing and approval of California and out-of-state ADW providers.

On November 7, 2007, an eight-month experiment that opened wagering on all California thoroughbred racing to all licensed/approved ADW providers was initiated. The experiment was the result of negotiations that involved Thoroughbred Owners of California (TOC), Hollywood Park, Bay Meadows, Golden Gate Fields, Santa Anita Park, TVG, XpressBet, TwinSpires, and YouBet. The parties agreed to permit non-exclusive ADW wagering on the Hollywood Park and Golden Gate fall meetings. The experiment would run through the July 13, 2008, closing of the Hollywood Park spring-summer meeting. The experiment allows fans to use the ADW provider of their choosing; however, Hollywood Park and Bay Meadows would have exclusive television arrangements with TVG, and Santa Anita and Golden Gate would continue their exclusive television arrangements with HRTV. In addition, the Del Mar, Pomona and Oak Tree meetings would continue conducting ADW pursuant to an exclusive agreement with TVG that limited distribution within California to TVG. Del Mar Turf Club

(DMTC) and Fairplex Park Pomona have indicated they intend to seek an extension of the experiment through the 2008 DMTC, Fairplex Park, Hollywood Park, Fall and Oak Tree meetings.

At the September 27, 2007, Regular Meeting the Board discussed its ability to require all ADW providers to take and accept wagering on all California products. The Board recognized that ADW providers were entitled to, and should receive, remuneration for broadcasting. The Board's goal was to arrive at a point where every ADW provider could accept a wager no matter what platform they used. Exclusivity was not producing or maximizing revenues for the stakeholders, in commissions or purses, and it did not serve the interest of the fans. The Board determined it would form an ad hoc committee to meet with interested parties to craft a way to achieve its goal to provide non-exclusive ADW service to racing fans and the industry.

At the October 18, 2007, Regular Meeting the Board discussed the status of ADW and the feasibility of opening ADW to allow ADW providers to have access to all California signals. AB 765, which renewed the ADW provisions of the Business and Professions Code, was discussed extensively. The Board heard that under the legislation, exclusivity was a matter to be negotiated by the parties. The Board also heard that the industry had reached an agreement to conduct an eight-month ADW experiment that provided exclusivity with respect to broadcasting, and non-exclusivity with respect to wagering.

At the November 29, 2007, Regular Meeting the Board heard applications for approval to conduct ADW for TwinSpire, TVG, YouBet.com, and XpressBet. The ADW providers were approved for a one-year period due to the industry's eight-month ADW experiment. The Board determined it wished to examine the results of the ADW experiment before it moved forward to license ADW providers for longer terms. The Board stated that its desire to examine the data generated from the experiment would allow it to license the ADW providers in a manner that would be the most productive for California.

At the May 20, 2008, Regular Meeting the Board heard the DMTC application for license to conduct a horse racing meeting. DMTC representatives expressed interest in participating in the ADW experiment and the continuation of the experiment for the balance of 2008; however, DMTC's participation would be predicated upon the concurrence of TVG.

ANALYSIS

The ADW experiment, which allows all California ADW providers to accept wagers on the California product, is still in process, and has received positive response from the industry and the wagering public. Preliminary numbers indicate expanded ADW access to the California product has increased the handle. The DMTC has indicated it wishes to participate in the experiment, and it has requested that the ADW providers agree to continue the experiment through the end of 2008. This would allow Oak Tree and Fairplex Park Pomona to also participate. Staff requested that interested industry parties submit comments and responses

regarding the ADW experiment. In response, DMTC submitted a letter in support of the experiment and reports detailing the ADW impact on thoroughbred handle. Magna Entertainment representing Santa Anita and Golden Gate Fields expressed support for the ADW experiment and submitted charts that illustrate the impact on track commissions from handle previously generated on-track, at SCOTWINC and NOTWINC that may shift to ADW platforms. XpressBet wrote in support of the experiment and provided a comparative analysis of California racetracks handle by ADW provider. TVG submitted charts upon which its presentation to the Board at the June 2008 Regular Meeting will be based. In addition, Sherwood Chillingworth of Oak Tree Racing Association submitted a letter expressing support for the experiment. The materials provided by the parties are attached.

If the Board determines that the ADW experiment should be extended indefinitely it should be noted that in the fall of 2007 the Board was advised that horse racing law would support regulatory action regarding exclusivity. This advice was based on the pre-2008 ADW statute. The Board was also advised that any policy not supported by regulation to mandate that all ADW licensees accept wagers from all venues would be vulnerable if challenged. The Board has subsequently been advised that Assembly Bill (AB) 765 (Evans), Chapter 613, Statutes of 2007, which extended the ADW provisions of the Business and Professions Code, did not impact the prior advice that regulatory action was appropriate. References to exclusivity in AB 765 simply require that the ADW agreements contain language addressing any exclusivity.

Staff extracted reports from CHRIMS that represent two periods of time. One report is the Exclusive ADW time period. This report shows completed race meetings. The second report represents the Non-Exclusive ADW time period. The Non-Exclusive ADW report shows the Golden Gate Fields and Hollywood Park spring meetings as incomplete, as the race meetings were still running when the reports were extracted.

Associations	Exclusive Period		Non-Exclusive Period	
	Dates	Days	Dates	Days
HP Fall Race Dates	11/1/06-12/18/06	36	11/7/07-12/22/07	32
LATC - Santa Anita	12/26/06-4/22/07	85	12/26/07-4/20/08	77
Golden Gate Fields	12/26/06-2/11/07 4/25/07-6/10/07	66	11/7/07-12/22/07 12/26/07-2/3/08 5/14/08-6/6/08**	80
Hollywood Park - Spring	4/25/07-7/15/07	63	4/23/08-6/6/08 ##	33
Bay Meadows	10/18/06-12/18/06 2/14/07-4/22/07	94	2/4/08-5/11/08	70

**5/14/08-6/6/08 partial meet (meet actually ends 6/22/08)

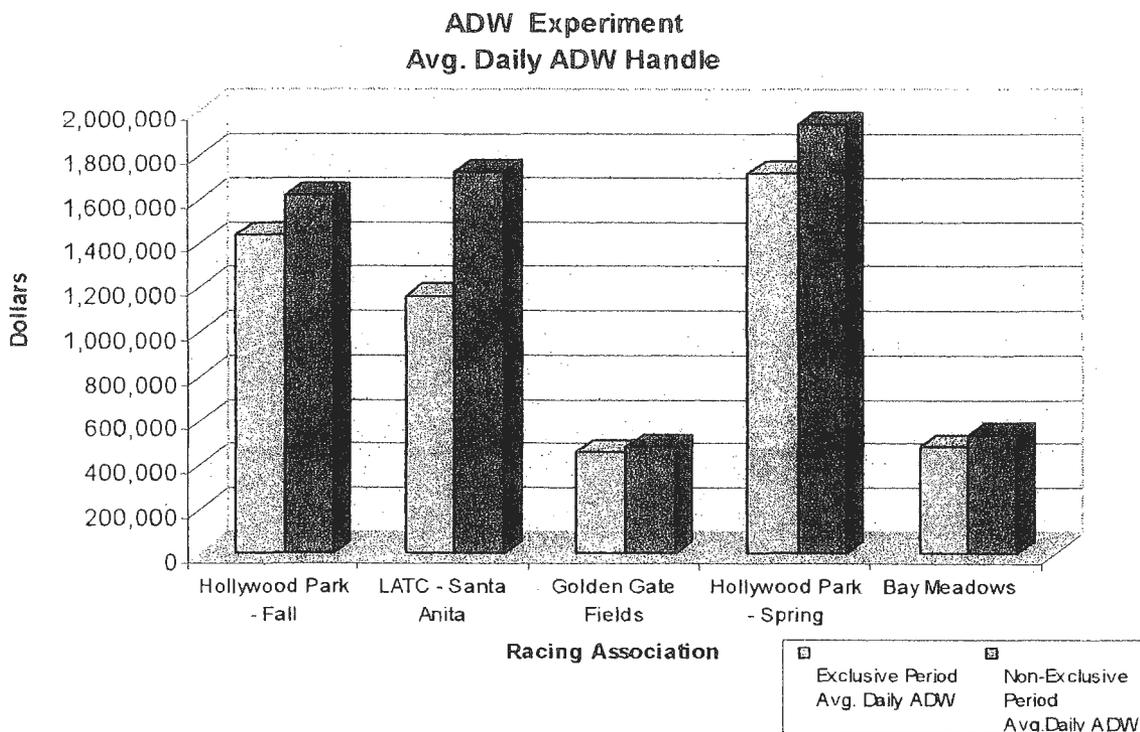
4/23/08 - 6/6/08 partial meet (meet actually ends 7/13/08)

The table below shows the percent change for all associations participating in the experiment.

	Exclusive Period Avg. Daily ADW	Non-Exclusive Period Avg. Daily ADW	Avg. Daily ADW Change Value	Percent Change
Hollywood Park - Fall	1,441,530	1,615,336	173,806	12.06%
LATC - Santa Anita	1,163,282	1,723,436	560,154	48.15%
Golden Gate Fields	461,033	486,372	25,339	5.50%
Hollywood Park - Spring	1,719,099	1,942,250	223,151	12.98%
Bay Meadows	483,798	535,245	51,447	10.63%

The revenue generated from the ADW experiment shows an increase for Average Daily ADW Handle during the Non-Exclusive period for all race meetings included. The percent change increased from 5.50% at Golden Gate Fields to over 48% at Los Angeles Turf Club.

The graph below shows a comparison of the exclusive and non-exclusive time periods for the meets included in the experiment.



RECOMMENDATION

This item is presented for discussion. The Board may wish to hear from industry representatives.

INDEX FOR ITEMS RELATED
TO
AGENDA ITEM #7

DISCUSSION BY THE BOARD REGARDING THE REPORT
FROM INDUSTRY REPRESENTATIVES CONCERNING
THE OPEN ADVANCE DEPOSIT WAGERING "EXPERIMENT" INITIATED
NOVEMBER 7, 2007 CONTINUING THROUGH JULY 13, 2008

1. Cover letter and informational charts from Del Mar Turf Club.
2. Cover memorandum and informational charts from Magna Entertainment on behalf of Santa Anita and Golden Gate Fields.
3. Cover letter and informational charts from Magna Entertainment on behalf of XpressBet.
4. Cover letter and charts for TVG presentation to the Board.
5. Letter from Sherwood Chillingworth regarding the ADW experiment.
6. Board Rule 2071, License to Conduct Advance Deposit Wagering by a California Applicant.
7. Board Rule 2072, Approval to Conduct Advance Deposit Wagering by an out-of-state Applicant.
8. Business and Professions Code section 19604.
9. Excerpt from September 27, 2007, Regular Board Meeting: Item 10. Discussion by the Board regarding the renewal of licenses for existing Advanced Deposit Wagering (ADW) providers.
10. Excerpt from October 18, 2007, Regular Board Meeting: Item 4. Discussion and action regarding the status of advance deposit wagering and the feasibility of opening up ADW wagering to allow ADW wagering providers to have access to all California Signals and any other matters related to ADW and exclusivity.
11. Excerpt from November 29, 2007, Regular Board Meeting: Items 14, 15, 16 and 17. Discussion and action by the Board on the Applications for Approval to Conduct Advanced Deposit Wagering of Twinspires.com, TVG, YouBet.com and XpressBet, Inc.
12. November 5, 2007, CHR B News Release regarding the ADW experiment.



June 12, 2008

Jacqueline Wagner
Manager, Policy and Regulations
California Horse Racing Board
Sent via e-mail: JackiwW@CHRB.ca.gov

Dear Ms. Wagner,

Per your e-mail dated June 5, 2008 regarding notice of the CHRB meeting on June 27, 2008, Del Mar Thoroughbred Club (DMTC) is requesting the attached document (detailing the "Advanced Deposit Wagering experiment from December 26th through July 2008") and this letter be included in information provided to CHRB Members.

As detailed in the attached, allowing all California licensed ADW providers to accept wagers on California product has been a tremendous success for California racing associations, purses, ADW providers and customers. DMTC has requested that the various ADW providers agree to a continuation of the "ADW experiment" for the '08 Del Mar season (July 16 - September 3) and the balance of 2008. Furthermore, under the terms of DMTC's agreement with ODS Technologies (TVG), we believe a contractual obligation exists on the part of TVG to do so.

Feel free to contact me with any questions.

Regards,

A handwritten signature in black ink that reads "Craig R. Fravel". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

Craig R. Fravel
Executive Vice President

HP Fall 07 vs HP Fall 06
 SA Winter 08 vs SA Winter 07
 HP Spring 08 vs HP Spring 07 (1st 45 days)

ADW All Zones Wager Distributions

Report By: ADW Company
 Distributing Host(s): Southern Thoroughbreds
 ADW Companies: All ADW Companies
 Tracks: All Tracks
 Zone: All Zones

ADW Company 07 / 08 "Experiment"	Total Handle	Hub Fee	Host Fees	Purses	Breeders	Track	License Fee
America Tab	1,818,190.15	8,040.07	138,800.86	58,969.48	3,903.96	59,185.10	9,329.58
TVG	119,846,186.95	5,327,174.18	1,734,984.72	5,430,312.71	505,395.12	5,560,130.15	105,788.78
Twin Spires	23,767,079.65	240,461.60	1,558,510.86	832,799.66	59,994.06	839,074.95	105,665.07
Xpressbet	39,040,243.30	1,266,063.45	1,135,956.91	1,743,551.18	153,853.37	1,778,305.85	74,471.42
Youbet.com	64,017,897.65	1,727,709.10	2,600,493.94	2,695,651.93	227,636.56	2,742,402.85	170,806.82
Total:	248,489,597.70	8,569,448.41	7,168,747.29	10,761,284.96	950,783.07	10,979,098.89	466,061.67

ADW Company 06 / 07 Comparative year	Total Handle	Hub Fee	Host Fee	Purses	Breeders	Track	License Fee
TVG	92,056,956.90	4,519,706.77	550,244.72	4,050,834.40	391,767.01	4,164,061.67	33,981.51
Xpressbet	40,042,245.45	1,433,081.96	865,720.30	1,885,873.97	171,846.33	1,934,099.55	53,718.49
Youbet.com	74,314,236.10	2,144,448.49	2,508,753.90	3,108,327.38	269,329.42	3,173,073.37	169,799.42
Total:	206,413,438.45	8,097,237.22	3,924,718.92	9,045,035.75	832,942.76	9,271,234.58	257,499.41

ADW Company Variance By Company	Total Handle	Percentage (+ or -)	Hub Fee	Percentage (+ or -)	Host Fee	Percentage (+ or -)	Purses	Percentage (+ or -)	Breeders	Percentage (+ or -)	Track	Percentage (+ or -)	License Fee	Percentage (+ or -)
America Tab	1,818,190.15	100.00%	8,040.07	100.00%	138,800.86	100.00%	58,969.48	100.00%	3,903.96	100.00%	59,185.10	100.00%	9,329.58	100.00%
TVG	27,789,230.05	30.19%	807,467.41	17.87%	1,184,740.00	215.31%	1,379,478.31	34.05%	113,628.11	29.00%	1,396,068.48	33.53%	71,807.27	211.31%
Twin Spires	23,767,079.65	100.00%	240,461.60	100.00%	1,558,510.86	100.00%	832,799.66	100.00%	59,994.06	100.00%	839,074.95	100.00%	105,665.07	100.00%
Xpressbet	-1,002,002.15	-2.50%	-167,018.51	-11.65%	270,236.61	31.22%	-142,322.79	-7.55%	-17,992.96	-10.47%	-155,793.70	-8.06%	20,752.93	38.63%
Youbet.com	-10,296,338.45	-13.86%	-416,739.39	-19.43%	91,740.04	3.66%	-412,675.45	-13.28%	-41,692.86	-15.48%	-430,670.52	-13.57%	1,007.40	0.59%
Totals	42,076,159.25	20.38%	472,211.19	5.83%	3,244,028.37	82.66%	1,716,249.21	18.97%	117,840.31	14.15%	1,707,864.31	18.42%	208,562.26	81.00%

HP Fall 07 vs HP Fall 06
 SA Winter 08 vs SA Winter 07
 HP Spring 08 vs HP Spring 07 (1st 45 days)

Hollywood Park Fall
 ADW All Zones Wager Distributions
 Report By: ADW Company
 Distributing Host(s): Southern Thoroughbreds
 ADW Companies: All ADW Companies
 Tracks: All Tracks
 Zone: All Zones

ADW Company 07 / 08 "Experiment"	Total Handle	Hub Fee	Host Fees	Purses	Breeders	Track	License Fee
America Tab	1,818,190.15	8,040.07	138,800.86	58,969.48	3,903.96	59,185.10	9,329.58
TVG	28,468,443.85	1,276,985.66	434,044.61	1,295,382.81	121,697.58	1,330,346.93	30,663.00
Twin Spires	2,076,683.45	10,815.51	155,609.06	68,541.01	4,612.86	68,854.91	10,479.01
Xpressbet	4,906,616.70	156,508.07	173,190.12	213,145.26	18,879.99	217,935.80	10,594.93
Youbet.com	14,420,805.55	428,432.64	533,504.07	613,671.59	53,015.59	626,335.24	37,013.00
Total:	51,690,739.70	1,880,781.95	1,435,148.72	2,249,710.15	202,109.98	2,302,657.98	98,079.52

ADW Company 06 / 07 Comparative year	Total Handle	Hub Fee	Host Fee	Purses	Breeders	Track	License Fee
TVG	33,275,612.75	1,611,842.28	218,756.33	1,426,883.87	139,424.32	1,467,837.67	14,803.81
Xpressbet	2,622,115.70	56,617.17	142,874.98	108,588.83	9,169.53	110,552.09	7,914.76
Youbet.com	15,997,354.70	498,648.02	437,518.51	600,052.29	53,981.47	613,551.74	28,136.30
Total:	51,895,083.15	2,167,107.47	799,149.82	2,135,524.99	202,575.32	2,191,941.50	50,854.87

ADW Company Variance By Company	Total Handle	Percentage (+ or -)	Hub Fee	Percentage (+ or -)	Host Fee	Percentage (+ or -)	Purses	Percentage (+ or -)	Breeders	Percentage (+ or -)	Track	Percentage (+ or -)	License Fee	Percentage (+ or -)
America Tab	1,818,190.15	100.00%	8,040.07	100.00%	138,800.86	100.00%	58,969.48	100.00%	3,903.96	100.00%	59,185.10	100.00%	9,329.58	100.00%
TVG	-4,807,168.90	-14.45%	-334,856.62	-20.77%	215,288.28	98.41%	-131,501.06	-9.22%	-17,726.74	-12.71%	-137,490.74	-9.37%	15,859.19	107.13%
Twin Spires	2,076,683.45	100.00%	10,815.51	100.00%	155,609.06	100.00%	68,541.01	100.00%	4,612.86	100.00%	68,854.91	100.00%	10,479.01	100.00%
Xpressbet	2,284,501.00	87.12%	99,890.90	176.43%	30,315.14	21.22%	104,556.43	96.29%	9,710.46	105.90%	107,383.71	97.13%	2,680.17	33.86%
Youbet.com	-1,576,549.15	-9.86%	-70,215.38	-14.08%	95,985.56	21.94%	13,619.30	2.27%	-965.88	-1.79%	12,783.50	2.08%	8,876.70	31.55%
Totals in Dollars	-204,343.45	-0.39%	-286,325.52	-13.21%	635,998.90	79.58%	114,185.16	5.35%	-465.34	-0.23%	110,716.48	5.05%	47,224.65	92.86%

HP Fall 07 vs HP Fall 06
 SA Winter 08 vs SA Winter 07
 HP Spring 08 vs HP Spring 07 (1st 45 days)

Santa Anita Winter
 ADW All Zones Wager Distributions
 Report By: ADW Company
 Distributing Host(s): Southern Thoroughbreds
 ADW Companies: All ADW Companies
 Tracks: All Tracks
 Zone: All Zones

ADW Company 07 / 08 "Experiment"	Total Handle	Hub Fee	Host Fees	Purses	Breeders	Track	License Fee
TVG	60,087,954.50	2,653,831.36	800,879.32	2,821,386.93	260,274.68	2,887,231.10	41,901.99
Twin Spires	14,254,620.05	135,756.24	947,326.84	500,241.54	35,753.01	503,934.20	63,665.26
Xpressbet	23,867,458.40	764,904.92	654,477.59	1,086,885.07	95,210.89	1,108,369.30	43,489.68
Youbet.com	34,494,571.70	892,365.63	1,406,684.45	1,473,529.56	123,124.14	1,498,082.40	91,187.10
Total:	132,704,604.65	4,446,858.15	3,809,368.20	5,882,043.10	514,362.72	5,997,617.00	240,244.03

ADW Company 06 / 07 Comparative year	Total Handle	Hub Fee	Host Fee	Purses	Breeders	Track	License Fee
TVG	27,610,904.05	1,429,162.32	80,773.61	1,312,403.07	125,908.06	1,353,441.85	0.00
Xpressbet	30,714,947.40	1,133,865.55	580,369.07	1,487,655.86	135,430.77	1,527,485.65	38,353.31
Youbet.com	40,553,131.70	1,147,991.56	1,571,894.63	1,864,125.50	158,036.52	1,903,330.40	109,433.85
Total:	98,878,983.15	3,711,019.43	2,233,037.31	4,664,184.43	419,375.35	4,784,257.90	147,787.16

ADW Company Variance By Company	Total Handle	Percentage (+ or -)	Hub Fee	Percentage (+ or -)	Host Fee	Percentage (+ or -)	Purses	Percentage (+ or -)	Breeders	Percentage (+ or -)	Track	Percentage (+ or -)	License Fee	Percentage (+ or -)
TVG	32,477,050.45	117.62%	1,224,669.04	85.69%	720,105.71	891.51%	1,508,983.86	114.98%	134,366.62	106.72%	1,533,789.25	113.33%	41,901.99	100.00%
Twin Spires	14,254,620.05	100.00%	135,756.24	100.00%	947,326.84	100.00%	500,241.54	100.00%	35,753.01	100.00%	503,934.20	100.00%	63,665.26	100.00%
Xpressbet	-6,847,489.00	-22.29%	-368,960.63	-32.54%	74,108.52	12.77%	-400,770.79	-26.94%	-40,219.88	-29.70%	-419,116.35	-27.44%	5,136.37	13.39%
Youbet.com	-6,058,560.00	-14.94%	-255,625.93	-22.27%	-165,210.18	-10.51%	-390,595.94	-20.95%	-34,912.38	-22.09%	-405,248.00	-21.29%	-18,246.75	-16.67%
Totals	33,825,621.50	34.21%	735,838.72	19.83%	1,576,330.89	70.59%	1,217,858.67	26.11%	94,987.37	22.65%	1,213,359.10	25.36%	92,456.87	62.56%

HP Fall 07 vs HP Fall 06
 SA Winter 08 vs SA Winter 07
 HP Spring 08 vs HP Spring 07 (1st 45 days)

Hollywood Park Spring (1st 45 days)

ADW All Zones Wager Distributions

Report By: ADW Company
 Distributing Host(s): Southern Thoroughbreds
 ADW Companies: All ADW Companies
 Tracks: All Tracks
 Zone: All Zones

ADW Company 07 / 08 "Experiment"	Total Handle	Hub Fee	Host Fees	Purses	Breeders	Track	License Fee
TVG	31,289,788.60	1,396,357.16	500,060.79	1,313,542.98	123,422.86	1,342,552.06	33,223.79
Twin Spires	7,435,776.15	93,889.85	455,574.96	264,017.11	19,628.18	266,285.15	31,520.80
Xpressbet	10,266,168.20	344,650.46	308,289.20	443,520.85	39,762.49	452,000.97	20,386.81
Youbet.com	15,102,520.40	406,910.83	640,305.42	608,450.78	51,496.83	617,985.04	42,606.72
Total:	64,094,253.35	2,241,808.30	1,904,230.37	2,629,531.72	234,310.36	2,678,823.22	127,738.12

ADW Company 06 / 07 Comparative year	Total Handle	Hub Fee	Host Fee	Purses	Breeders	Track	License Fee
TVG	31,170,440.10	1,428,702.18	250,714.77	1,311,547.47	126,434.64	1,342,782.16	19,177.70
Xpressbet	6,705,182.35	242,599.25	142,476.25	289,629.27	27,246.04	296,061.81	7,450.42
Youbet.com	17,763,749.70	497,808.90	499,340.77	644,149.60	57,311.43	656,191.18	32,229.27
Total:	55,639,372.15	2,169,110.33	892,531.79	2,245,326.34	210,992.11	2,295,035.15	58,857.39

ADW Company Variance By Company	Total Handle	Percentage (+ or -)	Hub Fee	Percentage (+ or -)	Host Fee	Percentage (+ or -)	Purses	Percentage (+ or -)	Breeders	Percentage (+ or -)	Track	Percentage (+ or -)	License Fee	Percentage (+ or -)
TVG	119,348.50	0.38%	-32,345.02	-2.26%	249,346.02	99.45%	1,995.51	0.15%	-3,011.78	-2.38%	-230.10	-0.02%	14,046.09	73.24%
Twin Spires	7,435,776.15	100.00%	93,889.85	100.00%	455,574.96	100.00%	264,017.11	100.00%	19,628.18	100.00%	266,285.15	100.00%	31,520.80	100.00%
Xpressbet	3,560,985.85	53.11%	102,051.21	42.07%	165,812.95	116.38%	153,891.58	53.13%	12,516.45	45.94%	155,939.16	52.67%	12,936.39	173.63%
Youbet.com	-2,661,229.30	-14.98%	-90,898.07	-18.26%	140,964.65	28.23%	-35,698.82	-5.54%	-5,814.60	-10.15%	-38,206.14	-5.82%	10,377.45	32.20%
Totals	8,454,881.20	15.20%	72,697.97	3.35%	1,011,698.58	113.35%	384,205.38	17.11%	23,318.25	11.05%	383,788.07	16.72%	68,880.73	117.03%

Magna Entertainment Corp.

285 W. Huntington Drive
Arcadia, California 91007
Tel (626) 574-6307
Fax (626) 821-1514

Memorandum

DATE: June 13, 2008
TO: California Horse Racing Board
FROM: Aaron Vercruysse
RE: CHRB Charts

On behalf of both Santa Anita Park and Golden Gate Fields we are pleased with the initial results of the incomplete experiment involving the content exchange between ADW companies. We have attached charts based solely from a "LIVE" track operator's standpoint to show how the handle shift from brick and mortar to ADW impacts us. The content exchange experiment has been just that so far, an experiment. We are reluctant to look at the current data and draw any conclusions with confidence. A full, year-long sample of information would be beneficial to all parties involved to further understand the exchange.

Revenue streams from wagering are almost identical in northern and southern California. The enclosed chart is from southern California and shows the impact on track commissions from handle previously generated on-track, at SCOTWINC and NCOTWINC that may shift to ADW platforms.

2008 SA Live Meet vs. 2007 SA Live Meet

Distribution \$

S. California Wagers On Out of State Tracks

on track

	<u>2008</u>	<u>2007</u>	<u>Diff \$</u>	<u>Diff %</u>
handle	\$25,650,745	\$30,380,452	(\$4,729,707)	-15.57%
purses	\$1,276,512	\$1,431,078	(\$154,566)	-10.80%
track	\$1,332,939	\$1,497,911	(\$164,972)	-11.01%

SCOTWINC

	<u>2008</u>	<u>2007</u>	<u>Diff \$</u>	<u>Diff %</u>
handle	\$68,017,219	\$73,445,094	(\$5,427,875)	-7.39%
purses	\$3,036,353	\$3,163,626	(\$127,273)	-4.02%
track	\$3,083,899	\$3,214,977	(\$131,078)	-4.08%

ADW

	<u>2008</u>	<u>2007</u>	<u>Diff \$</u>	<u>Diff %</u>
handle	\$37,385,950	\$39,592,376	(\$2,206,426)	-5.57%
purses	\$1,767,858	\$1,918,521	(\$150,663)	-7.85%
track	\$1,812,841	\$1,978,513	(\$165,672)	-8.37%

S. California Wagers On SA Live

on track

	<u>2008</u>	<u>2007</u>	<u>Diff \$</u>	<u>Diff %</u>
handle	\$101,787,683	\$126,436,574	(\$24,648,891)	-19.50%
purses	\$7,966,446	\$9,898,494	(\$1,932,048)	-19.52%
track	\$8,264,225	\$10,221,084	(\$1,956,859)	-19.15%

SCOTWINC

	<u>2008</u>	<u>2007</u>	<u>Diff \$</u>	<u>Diff %</u>
handle	\$106,177,962	\$129,465,023	(\$23,287,061)	-17.99%
purses	\$5,108,386	\$6,262,126	(\$1,153,740)	-18.42%
track	\$5,182,697	\$6,352,737	(\$1,170,040)	-18.42%

ADW

	<u>2008</u>	<u>2007</u>	<u>Diff \$</u>	<u>Diff %</u>
handle	\$39,960,008	\$25,666,698	\$14,293,310	55.69%
purses	\$2,149,560	\$1,456,050	\$693,510	47.63%
track	\$2,204,257	\$1,501,580	\$702,677	46.80%

S. California Wagers On N. Cal Thoroughbred

on track

	<u>2008</u>	<u>2007</u>	<u>Diff \$</u>	<u>Diff %</u>
handle	\$20,915,032	\$25,048,990	(\$4,133,958)	-16.50%
purses	\$1,244,120	\$1,456,922	(\$212,802)	-14.61%
track	\$1,290,133	\$1,512,029	(\$221,896)	-14.68%

SCOTWINC

	<u>2008</u>	<u>2007</u>	<u>Diff \$</u>	<u>Diff %</u>
handle	\$39,028,900	\$41,095,242	(\$2,066,342)	-5.03%
purses	\$1,877,041	\$2,003,344	(\$126,303)	-6.30%
track	\$1,914,349	\$2,032,099	(\$117,750)	-5.79%

ADW

	<u>2008</u>	<u>2007</u>	<u>Diff \$</u>	<u>Diff %</u>
handle	\$9,611,582	\$6,733,158	\$2,878,424	42.75%
purses	\$468,622	\$328,910	\$139,712	42.48%
track	\$480,546	\$339,195	\$141,351	41.67%

Distribution %

S. California Wagers On Out of State Tracks

on track

	<u>2008</u>	<u>2007</u>	<u>Diff \$</u>	<u>Diff %</u>
handle	100.00%	100.00%	100.00%	0.00%
purses	4.98%	4.71%	0.27%	5.65%
track	5.20%	4.93%	0.27%	5.39%

SCOTWINC

	<u>2008</u>	<u>2007</u>	<u>Diff \$</u>	<u>Diff %</u>
handle	100.00%	100.00%	0.00%	0.00%
purses	4.46%	4.31%	0.16%	3.64%
track	4.53%	4.38%	0.16%	3.58%

ADW

	<u>2008</u>	<u>2007</u>	<u>Diff \$</u>	<u>Diff %</u>
handle	100.00%	100.00%	0.00%	0.00%
purses	4.73%	4.85%	-0.12%	-2.41%
track	4.85%	5.00%	-0.15%	-2.97%

S. California Wagers On SA Live

on track

	<u>2008</u>	<u>2007</u>	<u>Diff \$</u>	<u>Diff %</u>
handle	100.00%	100.00%	0.00%	0.00%
purses	7.83%	7.83%	0.00%	-0.03%
track	8.12%	8.08%	0.04%	0.43%

SCOTWINC

	<u>2008</u>	<u>2007</u>	<u>Diff \$</u>	<u>Diff %</u>
handle	100.00%	100.00%	0.00%	0.00%
purses	4.81%	4.84%	-0.03%	-0.53%
track	4.88%	4.91%	-0.03%	-0.53%

ADW

	<u>2008</u>	<u>2007</u>	<u>Diff \$</u>	<u>Diff %</u>
handle	100.00%	100.00%	0.00%	0.00%
purses	5.38%	5.67%	-0.29%	-5.18%
track	5.52%	5.85%	-0.33%	-5.71%

S. California Wagers On N. Cal Thoroughbred

on track

	<u>2008</u>	<u>2007</u>	<u>Diff \$</u>	<u>Diff %</u>
handle	100.00%	100.00%	0.00%	0.00%
purses	5.95%	5.82%	0.13%	2.27%
track	6.17%	6.04%	0.13%	2.19%

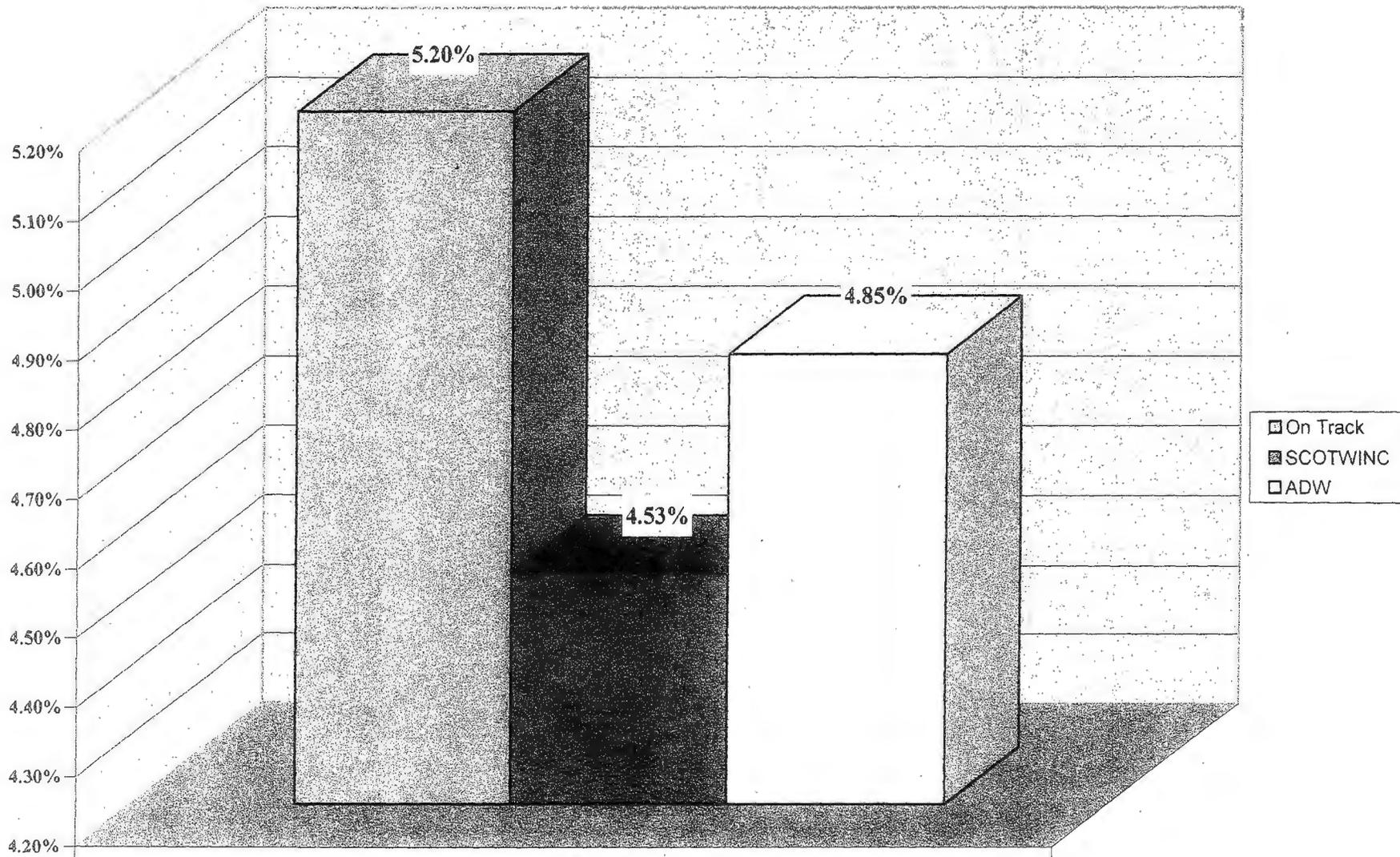
SCOTWINC

	<u>2008</u>	<u>2007</u>	<u>Diff \$</u>	<u>Diff %</u>
handle	100.00%	100.00%	0.00%	0.00%
purses	4.81%	4.87%	-0.07%	-1.34%
track	4.90%	4.94%	-0.04%	-0.81%

ADW

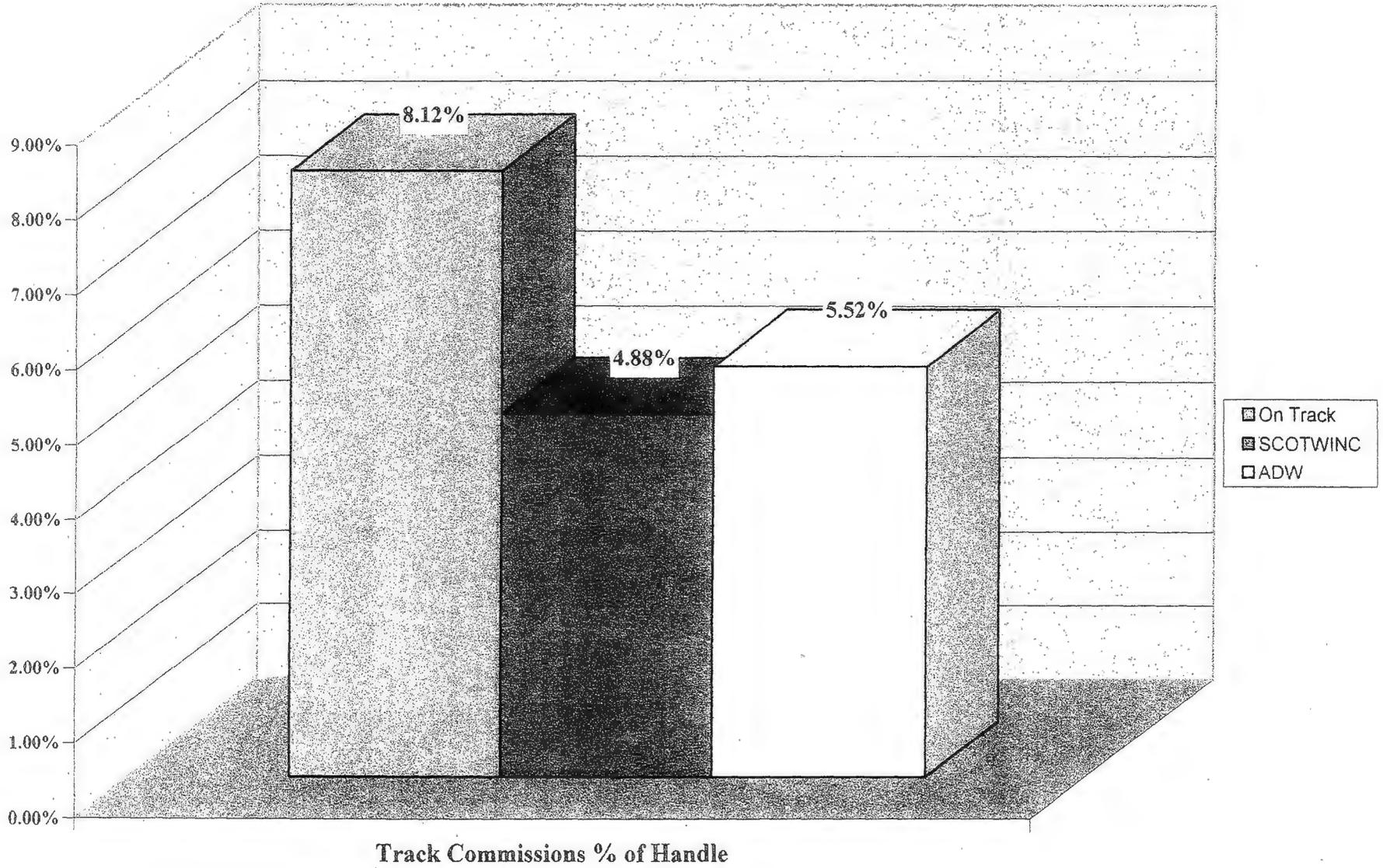
	<u>2008</u>	<u>2007</u>	<u>Diff \$</u>	<u>Diff %</u>
handle	100.00%	100.00%	0.00%	0.00%
purses	4.88%	4.88%	-0.01%	-0.19%
track	5.00%	5.04%	-0.04%	-0.75%

S. California Wager on Out of State Race (Net Track Hold)

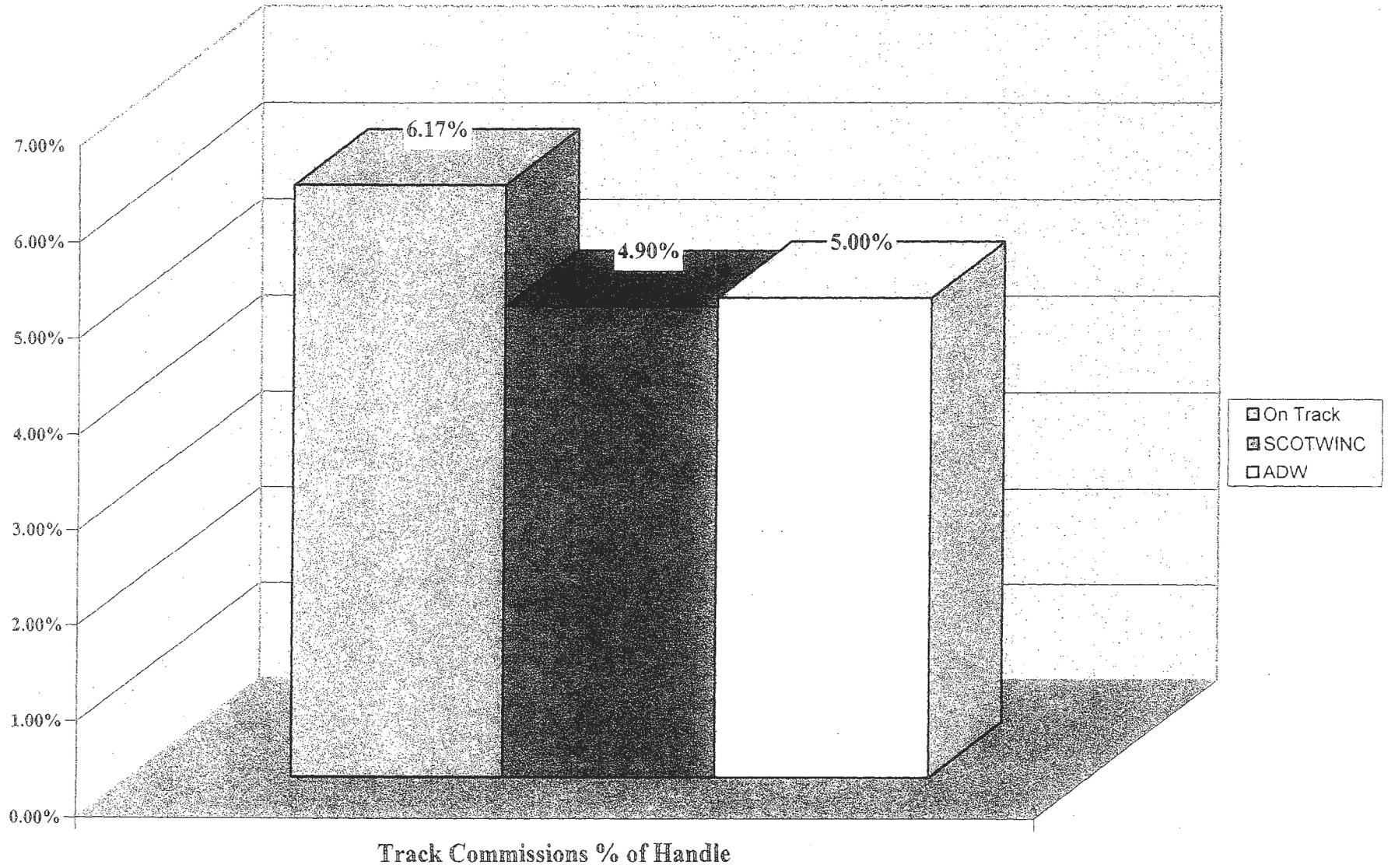


Track Commissions % of Handle

S. California Wager on S. California "LIVE" (Net Track Hold)



S. California Wager on N. California "LIVE" (Net Track Hold)





Magna Entertainment Corp.

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Aurora, Ontario
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Sender's Direct Dial: 804-752-2014
Sender's Address: 11388 Farrington Farm Lane
Ashland, VA 23005

June 12, 2008

Sent by Electronic Mail and Facsimile ((916) 263-6042)

Jacqueline Wagner
Manager, Policy and Regulations
California Horse Racing Board
1010 Hurley Way
Suite 300
Sacramento, CA 95825

Dear Ms. Wagner,

I am National Director of Regulatory Affairs for Magna Entertainment Corp. ("MEC"), the parent corporation of XpressBet, Inc. ("XpressBet"). I am writing on behalf of XpressBet to provide its perspective whether the open ADW experiment has been successful and should be extended through the end of the 2007-08 California racing year.

To summarize, based on the overall growth in ADW handle on California tracks and the positive customer response since the experiment began, XpressBet endorses continuing the ADW content exchange experiment through the rest of the year. XpressBet and its parent, MEC, believe that reciprocal exchange of wagering content among all ADW platforms benefits the industry, and we believe that the data from the initial period of the ADW content exchange experiment validates this view. All one need do is see the positive impact that this experiment has had in increasing the ADW handle on California tracks to conclude that the experiment is working and should be extended.

Based on information obtained from CHRIMS, overall ADW handle through XpressBet, Youbet and TVG on California racetracks for the period from November 1, 2007 through May 31, 2008¹ increased by over \$45 million, or 25%² (see the attached Schedule 1). When one adds in the handle for Twinspires.com, the benefit to the industry is even greater. As anticipated,

¹ Twinspires.com was not included in the comparison as only XpressBet, TVG and Youbet were the only ADW platforms that held a California ADW license during the same comparable period last year.

² XpressBet recognizes that while year-over-year comparisons are useful, they cannot account for differences in the number of days that a given track may operate from year to year. An excellent example can be found with Santa Anita. As the CHRIB knows, Santa Anita was forced to cancel several race days due to drainage issues related to its synthetic track surface. If those days had not been cancelled, we expect that the growth in Santa Anita's ADW handle would have been far greater.

2008 JUN 12 PM 3:40

June 12, 2008

Page 2

XpressBet's handle numbers trended downward during the time when Santa Anita was operating; but when it has been able to offer content that historically was not available to its customers, XpressBet has experienced positive handle growth.

Analyzing the handle data from the first seven months of the content exchange experiment reveals another key benefit to the California horse racing industry: as the attached Schedule 1 also shows, broad access to California content across multiple ADW platforms resulted in higher ADW handle from both California residents *and* non-California residents. XpressBet contends that the increase in non-California resident handle demonstrates that when ADW customers are given the choice of wagering on California content or non-California content, they often will choose California content.

Based on the reactions of its own customers, XpressBet firmly believes that broader access to California racing content has been positively received by all ADW customers. ADW customers have long demanded access to a broader menu of wagering content. MEC and XpressBet have argued that exclusive content arrangements are harmful to the industry. Unfortunately, this view has not been shared by other ADW operators and as a result, MEC, not by its own desire, has been forced to make MEC content unavailable to any ADW provider (and any sublicensees thereof) that refuses to make their exclusive content available to MEC on reasonably acceptable terms. As a result, customers have been forced either to do without certain content or to open wagering accounts with multiple ADW providers to access the wagering content they demand. The CIIRB's experiment has allowed fans of California racing to be able to wager on California content using the ADW provider of their choice. This is a key step in the right direction and the CIIRB should be commended for its role in making this happen.

In summary, XpressBet believes that the preliminary results of the CHRB's ADW content exchange experiment are promising. To determine whether to make the content exchange requirement permanent, XpressBet believes that the CIIRB should extend the content exchange experiment through the end of the 2007-08 racing season. Extending the experiment will provide California racing's stakeholders a comprehensive, seasonally-adjusted collection of data from which to determine whether the ADW content exchange requirement should be made permanent. Accordingly, XpressBet encourages the CHRB to extend the requirement that all California content be made available to each of the California-licensed ADW operators through the end of the 2007-08 racing season.

June 12, 2008
Page 3

Thank you for your attention to this matter, and please let me know if you have any questions regarding the comments above or the attached schedule.

Sincerely,

A handwritten signature in black ink, appearing to read "Gregg A. Scoggins". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Gregg A. Scoggins
National Director of Regulatory Affairs

Attachments

cc: Ron Luniewski
Ron Charles
Jeff Franklin
Gene Chabrier
Bill Ford, Esquire
Scott Daroty, Esquire

SCHEDULE 1

CA Tracks Only - Handle By ADW Provider
Comparative Analysis

(November 1 through May 31)

2008
Print: 11/15/2008 09:00:00 AM

CA Residents	XpressBet	TVG	YouBet	Total
Total	19,228,891	94,287,362	35,747,382	149,263,635
Percent of Total	14%	67%	25%	100%
Change	-14%	8%	-9%	29%

Non-CA Residents	XpressBet	TVG	YouBet	Total
Total	16,943,964	31,906,362	43,010,688	91,861,015
Percent of Total	18%	35%	47%	100%
Change	23%	52%	1%	12%

All Residents	XpressBet	TVG	YouBet	Total
Total	36,172,856	117,173,714	78,758,070	232,124,640
Percent of Total	16%	50%	34%	100%
Change	0%	79%	-4%	25%

2007
Print: 11/15/2008 09:00:00 AM

CA Residents	XpressBet	TVG	YouBet	Total
Total	22,254,514	47,058,972	39,174,890	108,487,976
Percent of Total	21%	43%	36%	100%

Non-CA Residents	XpressBet	TVG	YouBet	Total
Total	13,813,344	20,843,257	43,061,452	77,718,053
Percent of Total	18%	27%	55%	100%

All Residents	XpressBet	TVG	YouBet	Total
Total	36,067,858	67,902,229	82,236,342	186,199,029
Percent of Total	19%	36%	44%	100%



June 17, 2008

Ms. Jacqueline Wagner
California Horse Racing Board
1010 Hurley Way, Suite 300
Sacramento, CA 95825

Via E-Mail

Dear Ms. Wagner,

Pursuant to the Board's request, please find enclosed the data upon which TVG's presentation to the Board on June 27 will be based. We look forward to the opportunity to share our views and analysis with the Board. Thank you.

Cordially,

A handwritten signature in black ink, appearing to read "John Hindman", written over a horizontal line.

John Hindman
General Counsel

Enclosures

cc: Cathy Christian



Data for June 27, 2008 CHRB meeting regarding California Experiment

CHRIMS ADW HANDLE PERCENTAGE REPORT
ALL TRACKS DURING PRE-EXPERIMENT PERIOD

	12/26/06 - 11/6/07 316 Days		% GROWTH FROM PY	12/26/05 - 11/6/05 316 Days		% GROWTH FROM PY	12/26/04 - 11/6/05 316 Days		% GROWTH FROM PY	12/26/03 - 11/6/04 316 Days		
CA WAGERING												
TVG	\$ 248,241,169	59.4%	12.2%	\$ 221,295,795	58.7%	5.2%	\$ 210,350,493	58.4%	36.1%	\$ 154,576,140	55.5%	
TWIN SPIRES / ATAB	67,879	0.0%	-		0.0%	-						
XPRESSBET	56,270,903	13.5%	19.6%	47,067,820	12.5%	15.1%	40,910,142	11.4%	20.1%	34,051,689	12.2%	
YOUBET	113,136,475	27.1%	4.3%	108,501,822	28.8%	-0.1%	108,632,636	30.2%	20.8%	89,964,229	32.3%	
TOTAL	\$ 417,716,426		10.8%	\$ 376,865,437		4.7%	\$ 359,893,271		29.2%	\$ 278,592,058		
OUT OF STATE WAGERING ON CA TRACKS												
TVG	\$ 43,316,485	26.8%	34.1%	\$ 32,297,647	22.5%	12.4%	\$ 28,737,084	23.8%	51.4%	\$ 18,982,718	21.7%	
TWIN SPIRES / ATAB	29,197,460	18.1%	-23.7%	38,261,784	26.6%	28.0%	29,902,041	24.7%	100.2%	14,933,244	17.1%	
XPRESSBET	17,406,374	10.8%	-4.1%	16,726,063	11.6%	18.6%	14,106,679	11.7%	1.6%	13,878,109	15.9%	
YOUBET	71,778,264	44.4%	27.1%	56,475,379	39.3%	17.1%	48,216,070	39.9%	21.9%	39,555,080	45.3%	
TOTAL	\$ 161,698,583		12.5%	\$ 143,760,873		16.8%	\$ 120,861,874		58.5%	\$ 87,349,151		

CHRIMS ADW HANDLE PERCENTAGE REPORT
ALL TRACKS DURING EXPERIMENT PERIOD

11/7/07 - 6/11/08 217 DAYS			PRIOR YEAR 11/8/06 - 6/13/07 217 DAYS			VARIANCE	% VARIANCE	% VARIANCE	
CA WAGERING			AVG DAILY HANDLE	AVG DAILY HANDLE			AVG DAILY HANDLE		
TVG	\$ 168,049,422	60.0%	\$ 774,421	\$ 138,936,370	53.6%	\$ 640,260	\$ 29,113,052	21.0%	21.0%
TWIN SPIRES / ATAB	7,353,597	2.6%	33,888	-	0.0%	-	7,353,597	-	-
XPRESSBET	42,000,050	15.0%	193,549	46,148,446	17.8%	212,666	(4,148,396)	-9.0%	-9.0%
YOBET	62,678,061	22.4%	288,839	74,263,177	28.6%	342,227	(11,585,116)	-15.6%	-15.6%
TOTAL	\$ 280,081,130		\$ 1,290,696	\$ 259,347,993		\$ 1,195,152	\$ 20,733,137	8.0%	8.0%
OUT OF STATE WAGERING ON CA TRACKS			AVG DAILY HANDLE	AVG DAILY HANDLE			AVG DAILY HANDLE		
TVG	\$ 33,131,964	28.2%	\$ 152,682	\$ 21,996,879	20.5%	\$ 101,368	\$ 11,135,085	50.6%	50.6%
TWIN SPIRES / ATAB	22,060,550	18.7%	101,662	26,091,256	24.3%	120,236	(4,030,706)	-15.4%	-15.4%
XPRESSBET	17,826,506	15.2%	82,150	14,016,048	13.1%	64,590	3,810,458	27.2%	27.2%
YOBET	44,642,696	37.9%	205,727	45,297,844	42.2%	208,746	(655,148)	-1.4%	-1.4%
TOTAL	\$ 117,661,716		\$ 542,220	\$ 107,402,027		\$ 494,940	\$ 10,259,689	9.6%	9.6%

CHRIMS ADW HANDLE PERCENTAGE REPORT
CA TRACKS DURING EXPERIMENT PERIOD

	CURRENT MEET				PRIOR MEET		
	ADW HANDLE	# DAYS	AVG DAILY HANDLE	% CHG	ADW HANDLE	# DAYS	AVG DAILY HANDLE
SANTA ANITA 2008	\$ 91,845,443	77	\$ 1,192,798	37%	\$ 68,648,916	79	\$ 868,974
HP SPRING 2008	53,428,161	36	1,484,116	23%	45,781,357	38	1,204,773
DEL MAR 2007	56,844,967	43	1,321,976	19%	47,943,008	43	1,114,954
OAK TREE 2007	31,403,951	31	1,013,031	26%	20,919,421	26	804,593
HP FALL 2007	39,617,522	32	1,238,048	19%	37,609,369	36	1,044,705
TOTAL SOUTH	\$ 273,140,044	219	\$ 1,247,215	25%	\$ 220,902,071	222	\$ 995,054
BAY MEADOWS 2008	23,481,090	70	\$ 335,444	4%	15,499,468	48	\$ 322,906
GOLDEN GATE 2007/2008	16,336,865	61	267,817	85%	5,211,796	36	144,772
TOTAL NORTH	\$ 39,817,955	131	\$ 303,954	23%	\$ 20,711,264	84	\$ 246,563
TOTAL	\$ 312,957,999	350	\$ 894,166	13%	\$ 241,613,335	306	\$ 789,586

CHRIMS ADW HANDLE PERCENTAGE REPORT

HOLLYWOOD PARK FARB MEET

HP FALL MEET - 2007

11/7/07 - 12/24/07

32 LIVE DAYS

PRIOR YEAR

11/1/06 - 12/24/06

36 LIVE DAYS

VARIANCE %
VARIANCE %
VARIANCE

CA WAGERING			AVG DAILY HANDLE	AVG DAILY HANDLE			%		AVG DAILY HANDLE
TVG	\$ 14,139,313	64.0%	\$ 441,854	\$ 14,873,164	72.7%	\$ 413,143	\$ (733,851)	-4.9%	6.9%
TWIN SPIRES / ATAB	208,809	0.9%	6,525	-	0.0%	-	208,809	-	-
XPRESSBET	1,603,700	7.3%	50,116	-	0.0%	-	1,603,700	-	-
YOUBET	6,151,498	27.8%	192,234	5,588,536	27.9%	155,237	562,962	10.1%	23.8%
TOTAL	\$ 22,103,320		\$ 690,729	\$ 20,461,700		\$ 584,620	\$ 1,641,620	8.0%	13.2%
OUT OF STATE WAGERING			AVG DAILY HANDLE	AVG DAILY HANDLE			%		AVG DAILY HANDLE
TVG	\$ 5,475,536	31.3%	\$ 171,111	\$ 4,479,450	26.1%	\$ 124,429	\$ 996,086	22.2%	37.5%
TWIN SPIRES / ATAB	3,537,249	20.2%	110,539	4,262,194	24.9%	118,394	(724,945)	-17.0%	-6.6%
XPRESSBET	1,891,953	10.8%	59,124	1,413,351	8.2%	39,260	478,602	33.9%	50.6%
YOUBET	6,609,464	37.7%	206,546	6,992,674	40.8%	194,241	(383,210)	-5.5%	6.3%
TOTAL	\$ 17,514,202		\$ 547,319	\$ 17,147,669		\$ 476,324	\$ 366,534	2.1%	14.3%
HOLLYWOOD PARK TOTAL			AVG DAILY HANDLE	AVG DAILY HANDLE			%		AVG DAILY HANDLE
TVG	\$ 19,614,849	112.0%	\$ 612,964	\$ 19,352,614	112.9%	\$ 587,573	\$ 262,235	1.4%	14.0%
TWIN SPIRES / ATAB	3,746,058	21.4%	117,064	4,262,194	24.9%	118,394	(516,136)	-12.1%	-1.1%
XPRESSBET	3,495,653	20.0%	109,239	1,413,351	8.2%	39,260	2,082,302	147.3%	178.2%
YOUBET	12,760,962	72.9%	398,780	12,581,210	73.4%	349,478	179,752	1.4%	14.1%
TOTAL	\$ 39,617,522		\$ 1,238,048	\$ 37,609,369		\$ 1,044,705	\$ 2,008,154	5.3%	13.5%

CHRIMS ADW HANDLE PERCENTAGE REPORT

ALL TRACKS DURING HP FALL MEET

HP FALL MEET - 2007 11/7/07 - 12/24/07 48 DAYS			PRIOR YEAR 11/7/06 - 12/24/06 54 DAYS			VARIANCE	% VARIANCE	% VARIANCE	
CA WAGERING ON ALL TRACKS			AVG DAILY HANDLE	AVG DAILY HANDLE	AVG DAILY HANDLE				
TVG	\$ 36,977,293	64.7%	\$ 770,360	\$ 44,748,279	69.0%	\$ 828,672	\$ (7,770,986)	-17.4%	-7.0%
TWIN SPIRES / ATAB	523,202	0.9%	10,900	-	0.0%	-	523,202	-	-
XPRESSBET	5,614,673	9.8%	116,972	3,459,031	5.3%	64,056	2,155,642	62.3%	82.6%
YOUBET	14,037,908	24.6%	292,456	16,677,053	25.7%	308,834	(2,639,145)	-15.8%	-5.3%
TOTAL	\$ 57,153,076		\$ 1,190,689	\$ 64,884,363		\$ 1,201,562	\$ (7,731,287)	-11.9%	
OUT OF STATE WAGERING ON CA TRACKS			AVG DAILY HANDLE	AVG DAILY HANDLE	AVG DAILY HANDLE				
TVG	\$ 7,754,630	32.1%	\$ 161,555	\$ 7,390,504	28.8%	\$ 136,861	\$ 364,126	4.9%	18.0%
TWIN SPIRES / ATAB	4,404,477	18.2%	91,760	6,044,656	23.5%	111,938	(1,640,179)	-27.1%	-18.0%
XPRESSBET	2,665,853	11.0%	55,539	2,249,560	8.8%	41,659	416,293	18.5%	33.3%
YOUBET	9,336,879	38.6%	194,518	10,015,737	39.0%	185,477	(678,658)	-6.8%	4.9%
TOTAL	\$ 24,161,839		\$ 503,372	\$ 25,700,457		\$ 475,934	\$ (1,538,618)	-6.0%	

CHRIMS ADW HANDLE PERCENTAGE REPORT

SANTA ANITA

SANTA ANITA - 2007/2008

PRIOR YEAR

12/26/07 - 04/22/08

12/26/06 - 04/24/07

77 LIVE DAYS

79 LIVE DAYS

VARIANCE % VARIANCE % VARIANCE

CA WAGERING			AVG DAILY HANDLE	AVG DAILY HANDLE			AVG DAILY HANDLE		
TVG	\$ 25,270,467	51.6%	\$ 328,188	\$ -	0.0%	\$ -	\$ 25,270,467	-	-
TWIN SPIRES / ATAB	1,452,455	3.0%	18,863	-	0.0%	-	1,452,455	-	-
XPRESSBET	8,989,812	18.4%	116,751	16,165,431	50.1%	204,626	(7,175,619)	-44.4%	-42.9%
YOUBET	13,231,989	27.0%	171,844	16,123,743	49.9%	204,098	(2,891,754)	-17.9%	-15.8%
TOTAL	\$ 48,944,723		\$ 635,646	\$ 32,289,174		\$ 408,724	\$ 16,655,549	51.6%	55.5%
OUT OF STATE WAGERING			AVG DAILY HANDLE	AVG DAILY HANDLE			AVG DAILY HANDLE		
TVG	\$ 7,482,498	17.4%	\$ 97,175	\$ -	0.0%	\$ -	\$ 7,482,498	-	-
TWIN SPIRES / ATAB	11,368,797	26.5%	147,647	11,885,067	32.7%	150,444	(516,270)	-4.3%	-1.9%
XPRESSBET	7,766,014	18.1%	100,857	7,375,636	20.3%	93,362	390,378	5.3%	8.0%
YOUBET	16,283,411	38.0%	211,473	17,099,039	47.0%	216,444	(815,628)	-4.8%	-2.3%
TOTAL	\$ 42,900,720		\$ 557,152	\$ 36,359,742		\$ 460,250	\$ 6,540,978	18.0%	21.1%
SANTA ANITA TOTAL			AVG DAILY HANDLE	AVG DAILY HANDLE			AVG DAILY HANDLE		
TVG	\$ 32,752,965	76.3%	\$ 425,363	\$ -	0.0%	\$ -	\$ 32,752,965	-	-
TWIN SPIRES / ATAB	12,821,252	29.9%	166,510	11,885,067	32.7%	150,444	936,185	7.9%	10.7%
XPRESSBET	16,755,826	39.1%	217,608	23,541,067	64.7%	297,988	(6,785,241)	-28.8%	-27.0%
YOUBET	29,515,400	68.8%	383,317	33,222,782	91.4%	420,542	(3,707,382)	-11.2%	-8.9%
TOTAL	\$ 91,845,443		\$ 1,192,798	\$ 68,648,916		\$ 868,974	\$ 23,196,527	33.8%	37.3%

CHRIMS ADW HANDLE PERCENTAGE REPORT

ALL TRACKS DURING SANTA ANITA MEET

SANTA ANITA - 2007/2008

12/26/07 - 04/22/08

119 DAYS

PRIOR YEAR

12/26/06 - 04/24/07

120 DAYS

VARIANCE % VARIANCE % VARIANCE

CA WAGERING ON ALL TRACKS			AVG DAILY HANDLE				AVG DAILY HANDLE			
TVG	\$ 87,159,455	58.7%	\$ 732,432	\$ 57,572,922	43.4%	\$ 479,774	\$ 29,586,533	51.4%	52.7%	
TWIN SPIRES / ATAB	3,851,106	2.6%	32,362	-	0.0%	-	3,851,106	-	-	
XPRESSBET	24,424,194	16.4%	205,245	33,272,017	25.1%	277,267	(8,847,823)	-26.6%	-26.0%	
YOUBET	33,139,047	22.3%	278,479	41,783,482	31.5%	348,196	(8,644,435)	-20.7%	-20.0%	
TOTAL	\$ 148,573,802		\$ 1,248,519	\$ 132,628,421		\$ 1,105,237	\$ 15,945,381	12.0%	13.0%	

OUT OF STATE WAGERING ON CA TRACKS			AVG DAILY HANDLE				AVG DAILY HANDLE			
TVG	\$ 15,696,279	24.7%	\$ 131,902	\$ 7,373,079	12.9%	\$ 61,442	\$ 8,323,200	112.9%	114.7%	
TWIN SPIRES / ATAB	14,347,109	22.5%	120,564	16,524,192	28.8%	137,702	(2,177,083)	-13.2%	-12.4%	
XPRESSBET	9,969,397	15.7%	83,776	9,480,005	16.5%	79,000	489,392	5.2%	6.0%	
YOUBET	23,611,094	37.1%	198,413	23,966,535	41.8%	199,721	(355,441)	-1.5%	-0.7%	
TOTAL	\$ 63,623,879		\$ 534,654	\$ 57,343,811		\$ 477,865	\$ 6,280,068	11.0%	11.9%	

CHRIMS ADW HANDLE PERCENTAGE REPORT
HOLLYWOOD PARK - SPRING MEET

HP SPRING MEET - 2008			PRIOR YEAR				%	%	
4/23/08 - 06/11/08			4/25/07 - 6/13/07				VARIANCE	VARIANCE	
36 LIVE DAYS			38 LIVE DAYS						
CA WAGERING		AVG DAILY HANDLE		AVG DAILY HANDLE				AVG DAILY HANDLE	
TVG	\$ 16,908,253	59.3%	\$ 469,674	\$ 18,258,790	70.7%	\$ 480,494	\$ (1,350,537)	-7.4%	-2.3%
TWIN SPIRES / ATAB	1,174,478	4.1%	32,624	-	0.0%	-	1,174,478	-	-
XPRESSBET	4,133,923	14.5%	114,831	-	0.0%	-	4,133,923	-	-
YOUBET	6,278,716	22.0%	174,409	7,569,964	29.3%	199,210	(1,291,248)	-17.1%	-12.4%
TOTAL	\$ 28,495,370		\$ 791,538	\$ 25,828,754		\$ 679,704	\$ 2,666,616	10.3%	16.5%
OUT OF STATE WAGERING		AVG DAILY HANDLE		AVG DAILY HANDLE				AVG DAILY HANDLE	
TVG	\$ 6,463,939	25.9%	\$ 179,554	\$ 6,073,152	30.4%	\$ 159,820	\$ 390,787	6.4%	12.3%
TWIN SPIRES / ATAB	6,137,080	24.6%	170,474	2,861,655	14.3%	75,307	3,275,425	114.5%	126.4%
XPRESSBET	4,002,289	16.1%	111,175	1,533,071	7.7%	40,344	2,469,218	161.1%	175.6%
YOUBET	8,329,483	33.4%	231,375	9,484,725	47.5%	249,598	(1,155,242)	-12.2%	-7.3%
TOTAL	\$ 24,932,791		\$ 692,578	\$ 19,952,603		\$ 525,069	\$ 4,980,188	25.0%	31.9%
HOLLYWOOD PARK TOTAL		AVG DAILY HANDLE		AVG DAILY HANDLE				AVG DAILY HANDLE	
TVG	\$ 23,372,192	93.7%	\$ 649,228	\$ 24,331,942	121.9%	\$ 640,314	\$ (959,750)	-3.9%	1.4%
TWIN SPIRES / ATAB	7,311,558	29.3%	203,099	2,861,655	14.3%	75,307	4,449,903	155.5%	169.7%
XPRESSBET	8,136,212	32.6%	226,006	1,533,071	7.7%	40,344	6,603,141	430.7%	460.2%
YOUBET	14,608,199	58.6%	405,783	17,054,689	85.5%	448,808	(2,446,490)	-14.3%	-9.6%
TOTAL	\$ 53,428,161		\$ 1,484,116	\$ 45,781,357		\$ 1,204,773	\$ 7,646,804	16.7%	23.2%

CHRIMS ADW HANDLE PERCENTAGE REPORT
ALL TRACKS DURING HP SPRING MEET

HP-SPRING MEET - 2008 4/23/08 - 06/11/08 50 RACING DAYS			PRIOR YEAR 4/25/07 - 6/13/07 50 RACING DAYS			VARIANCE	% VARIANCE	% VARIANCE	
CA-WAGERING		AVG DAILY HANDLE		AVG DAILY HANDLE					
TVG	\$ 49,912,674	59.1%	\$ 878,253	\$ 44,967,576	61.0%	\$ 899,352	\$ (1,054,902)	-2.3%	-2.3%
TWIN SPIRES / ATAB	2,979,289	4.0%	59,586	-	0.0%	-	2,979,289	-	-
XPRESSBET	11,961,183	16.1%	239,224	9,975,200	13.5%	199,504	1,985,983	19.9%	19.9%
YOUBET	15,501,106	20.8%	310,022	18,776,748	25.5%	375,535	(3,275,642)	-17.4%	-17.4%
TOTAL	\$ 74,354,252		\$ 1,487,085	\$ 73,719,524		\$ 1,474,390	\$ 634,728	0.9%	0.9%
OUT OF STATE WAGERING ON CA TRACKS		AVG DAILY HANDLE		AVG DAILY HANDLE					
TVG	\$ 9,681,055	28.5%	\$ 193,621	\$ 8,197,682	29.9%	\$ 163,954	\$ 1,483,373	18.1%	18.1%
TWIN SPIRES / ATAB	7,444,763	21.9%	148,895	4,182,597	15.3%	83,652	3,262,166	78.0%	78.0%
XPRESSBET	5,191,256	15.3%	103,825	2,596,581	9.5%	51,932	2,594,675	99.9%	99.9%
YOUBET	11,694,723	34.4%	233,894	12,437,573	45.4%	248,751	(742,850)	-6.0%	-6.0%
TOTAL	\$ 34,011,797		\$ 680,236	\$ 27,414,433		\$ 548,289	\$ 6,597,364	24.1%	24.1%

CHRIMS ADW HANDLE PERCENTAGE REPORT
GOLDEN GATE FIELDS

GOLDEN GATE 11/7/07 - 2/3/08 61 LIVE DAYS			PRIOR YEAR 12/26/06 - 2/13/07 36 LIVE DAYS			VARIANCE	% VARIANCE	% VARIANCE
CA WAGERING		AVG DAILY HANDLE		AVG DAILY HANDLE				
TVG	\$ 4,831,319	49.8%	\$ 79,202	\$ -	0.0%	\$ 4,831,319	-	-
TWIN SPIRES / ATAB	171,483	1.8%	2,811	-	0.0%	171,483	-	-
XPRESSBET	1,888,790	19.5%	30,964	1,294,761	46.6%	594,029	45.9%	-13.9%
YOUBET	2,813,777	29.0%	46,127	1,480,942	53.4%	1,332,835	90.0%	12.1%
TOTAL	\$ 9,705,369		\$ 159,104	\$ 2,775,703		\$ 6,929,666	249.7%	106.1%
OUT OF STATE WAGERING								
		AVG DAILY HANDLE		AVG DAILY HANDLE				AVG DAILY HANDLE
TVG	\$ 1,279,881	19.3%	\$ 20,982	\$ -	0.0%	\$ 1,279,881	-	-
TWIN SPIRES / ATAB	1,518,876	22.9%	24,900	714,392	29.3%	19,844	804,484	112.6%
XPRESSBET	1,211,804	18.3%	19,866	597,039	24.5%	16,584	614,765	103.0%
YOUBET	2,620,935	39.5%	42,966	1,124,662	46.2%	31,241	1,496,273	133.0%
TOTAL	\$ 6,631,496		\$ 108,713	\$ 2,436,093		\$ 4,195,403	172.2%	60.7%
GOLDEN GATE FIELDS TOTAL								
		AVG DAILY HANDLE		AVG DAILY HANDLE				AVG DAILY HANDLE
TVG	\$ 6,111,200	92.2%	\$ 100,184	\$ -	0.0%	\$ 6,111,200	-	-
TWIN SPIRES / ATAB	1,690,359	25.5%	27,711	714,392	29.3%	19,844	975,967	136.6%
XPRESSBET	3,100,594	46.8%	50,829	1,891,800	77.7%	52,550	1,208,794	63.9%
YOUBET	5,434,712	82.0%	89,094	2,605,604	107.0%	72,378	2,829,108	108.6%
TOTAL	\$ 16,336,865		\$ 267,817	\$ 5,211,796		\$ 11,125,069	213.5%	85.9%

CHRIMS ADW HANDLE PERCENTAGE REPORT

BAY MEADOWS

BAY MEADOWS - 2008			PRIOR YEAR								
2/4/08 - 5/13/08			2/14/07 - 4/24/07								
70 LIVE DAYS			48 LIVE DAYS			VARIANCE		% VARIANCE			
			AVG DAILY HANDLE			AVG DAILY HANDLE			AVG DAILY HANDLE		
CA WAGERING											
TVG	\$ 7,835,718	60.2%	\$ 111,939	\$ 4,705,668	53.9%	\$ 98,035	\$ 3,130,050	66.5%	14.2%		
TWIN SPIRES / ATAB	335,954	2.6%	4,799	-	0.0%	-	335,954	-	-		
XPRESSBET	2,084,888	16.0%	29,784	1,970,981	22.6%	41,062	113,907	5.8%	-27.5%		
Y0UBET	2,760,035	21.2%	39,429	2,051,841	23.5%	42,747	708,194	34.5%	-7.8%		
TOTAL	\$ 13,016,595		\$ 185,951	\$ 8,728,490		\$ 181,844	\$ 4,288,105	49.1%	5.3%		
OUT OF STATE WAGERING											
TVG	\$ 3,840,130	36.7%	\$ 54,859	\$ 2,457,838	36.3%	\$ 51,205	\$ 1,382,292	56.2%	7.1%		
TWIN SPIRES / ATAB	1,964,534	18.8%	28,065	1,397,623	20.6%	29,117	566,911	40.6%	-3.6%		
XPRESSBET	1,467,459	14.0%	20,964	956,081	14.1%	19,918	511,378	53.5%	5.2%		
Y0UBET	3,192,372	30.5%	45,605	1,959,436	28.9%	40,822	1,232,936	62.9%	11.7%		
TOTAL	\$ 10,464,495		\$ 149,493	\$ 6,770,978		\$ 141,062	\$ 3,693,517	54.5%	6.0%		
BAY MEADOWS TOTAL											
TVG	\$ 11,675,848	111.6%	\$ 166,798	\$ 7,163,506	105.8%	\$ 149,240	\$ 4,512,342	63.0%	11.8%		
TWIN SPIRES / ATAB	2,300,488	22.0%	32,864	1,397,623	20.6%	29,117	902,865	64.6%	12.9%		
XPRESSBET	3,552,347	33.9%	50,748	2,927,062	43.2%	60,980	625,285	21.4%	-16.8%		
Y0UBET	5,952,407	56.9%	85,034	4,011,277	59.2%	83,568	1,941,130	48.4%	1.8%		
TOTAL	\$ 23,481,090		\$ 335,444	\$ 15,499,466		\$ 322,906	\$ 7,981,622	51.5%	3.9%		

Wagner, Jacqueline

From: Sherwood Chillingworth
Sent: Thursday, June 12, 2008 4:34 PM
To: Wagner, Jacqueline
Subject: ADW Experiment

Dear Ms. Wagner:

I have seen a copy of a letter to you from Craig Fravel at Del Mar advocating the continuance of the Advanced Deposit Wagering experiment through December 31, 2008. It has proven not only beneficial to the tracks, owners and trainers but, in addition, TVG had its best first quarter in company history with this experiment in place.

What logical purpose is there for not continuing this format when it has worked so well for all, including TVG.

Sincerely,

Sherwood C. Chillingworth
Executive Vice-President
Oak Tree Racing Association

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

Regular Board Meeting
June 27, 2008

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

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

(b) An Applicant for license shall complete an Application for License to Conduct Advance Deposit Wagering, CHRB-132 (New 9/01), hereby incorporated by reference, which is available at the Board's administrative office.

The Application must be filed not later than 90 days in advance of the scheduled start date of operation. A bond from a surety company admitted in the state of California or other form of financial security in the amount of \$500,000 must accompany the Application. The term of the license shall be two years from the date the license is issued.

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

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

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

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

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

(h) All advertisements shall contain a statement that persons under 18 are not allowed to open or have access to Accounts. All advertisements shall

contain contact information for a recognized problem-gambling support organization.

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

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

(1) Instructions as to what is required of the Applicant to complete the Application.

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

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

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

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

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 26. ADVANCE DEPOSIT WAGERING
RULE 2072. APPROVAL TO CONDUCT ADVANCE
DEPOSIT WAGERING BY A CALIFORNIA APPLICANT

Regular Board Meeting
June 27, 2008

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

- (a) Prior to an Account being established or wagering being conducted the Applicant located out-of-state must be Board-approved. All approvals granted shall be subject to the provisions of Business and Professions (B&P) Code Section 19460 et. seq.
- (b) An out-of-state Applicant shall complete an Application for Approval to Conduct Advance Deposit Wagering, CHR-133 (New 9/01), hereby incorporated by reference, which is available at the Board's administrative office. The Application must be filed not later than 90 days in advance of the scheduled start date of operation. A bond from a surety company admitted in the state of California or other form of financial security in the amount of \$500,000 must accompany the Application. The term of approval is two years from the date the approval is issued.
- (c) Out-of-state Applicants shall establish security access policies and safeguards pursuant to B&P Section 19604.
- (d) Out-of-state Applicants that accept wagers from California residents shall provide a full accounting and verification of the source of the wagers, and a detailed wagering information file that includes, but is not limited to, dollar amount wagered, pool on which the wager was placed, race number and racing venue, zone, breed, zip code of the Account Holder, time wagering stopped, and time of the wager in the form of a daily download of pari-mutuel data to the Board designated database, California Horse Racing Information Management System, that is compatible with a Comma Delimited Text File.
- (e) Out-of-state Applicants shall provide financial information that demonstrates the financial resources to operate Advance Deposit Wagering and provide a detailed budget that shows anticipated revenue, expenditures and cash flows by month projected for the term of the approval.
- (f) The Board may conduct investigations, inspections or request additional information from the out-of-state Applicant as it deems appropriate in determining whether to approve the Application.
- (g) The Board, or its designee, shall be given access for review and audit of all records. The out-of-state Applicant shall, at their location during hours of operation, make such information available. The Board may require the out-of-state Applicant to annually submit audited financial statements.
- (h) All advertisements shall contain a statement that persons under 18 are not allowed to open or have access to Accounts. All advertisements shall

contain contact information for a recognized problem-gambling support organization.

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

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

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

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

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

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

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

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

BUSINESS AND PROFESSIONS CODE SECTION 19604

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(C) The difference between the contractual compensation specified in subparagraph (B) and the contractual compensation determined to be payable at the conclusion of the hub agreement arbitration shall be

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

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

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

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

(12) "Multijurisdictional wagering hub" means a business conducted in more than one jurisdiction that facilitates parimutuel wagering

on races it simulcasts and other races it offers in its wagering menu.

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

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

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

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

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

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

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

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

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

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

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

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

(i) Abandon the hub agreement.

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

(iii) Proceed with a hub agreement arbitration.

(E) If only the party referenced in clause (ii) of subdivision (B) is a signatory to the hub agreement, then the signatories to the hub agreement shall, within five days of execution of the hub agreement, provide written notice of the host and hub fees applicable pursuant to the hub agreement for each race conducted outside of California on which California residents may place advance deposit wagers, which notice shall be provided to all racing associations and fairs conducting live racing of the same breed covered by the hub agreement. If any racing association or fair wants to request a hub agreement arbitration, it shall send written notice of its election to the signatories to the hub agreement within 10 days after receipt of the notice of host and hub fees. It shall also provide its alternate proposal to the hub and host fees specified in the hub agreement with the notice of its election. If more than one racing association or fair provides notice of their request for hub agreement arbitration, those racing associations or fairs, or both,

shall have a period of five days to jointly agree upon which of their alternate proposals shall be the official proposal for purposes of the hub agreement arbitration. If one or more racing associations or fairs that together conduct no fewer than five weeks of live racing on the breed on which wagering is conducted during the calendar year during which the wager is placed does not provide written notice of their election to arbitrate within the 10-day period, then no party shall have the right to request a hub agreement arbitration. If a valid hub agreement arbitration request is made, then the ADW provider shall have 10 days to elect in writing to do one of the following:

(i) Abandon the hub agreement.

(ii) Accept the alternate proposal submitted by the racing associations or fairs.

(iii) Proceed with a hub agreement arbitration.

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

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

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

transfer of this data shall be borne by the ADW provider.

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

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

(i) The labor organization has historically represented employees who accept or process any form of wagering at the nearest horse racing meeting located in California.

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

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

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

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

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

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

(E) Parimutuel clerks employed by racing associations or fairs or employees of ADW providers who accept or process any form of wagers who are laid off due to lack of work shall have preferential hiring

rights for new positions with their employer in occupations whose duties include accepting or processing any form of wagers, or the operation, repair, service, or maintenance of equipment that accepts or processes any form of wagering at a racetrack, satellite wagering facility, or ADW provider licensed by the board. The preferential hiring rights established by this subdivision shall be conditioned upon the employee meeting the minimum qualification requirements of the new job.

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

(A) The ADW provider shall use board-approved methods to perform location and age verification confirmation with respect to persons establishing an advance deposit wagering account.

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) With respect to wagers on each breed of racing that originate in California, an amount equal to two percent of the first two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to 1.5 percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to one percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, and an amount equal to 0.50 percent of handle from all advance deposit wagers originating from within California in excess of seven hundred fifty million dollars (\$750,000,000) annually, shall be distributed as satellite wagering commissions. Satellite facilities that were not operational in 2001, other than one each in the cities of Inglewood and San Mateo, and two additional facilities each operated by the Alameda County Fair and the Los Angeles County Fair and their partners and other than existing facilities which are relocated, are not eligible for satellite wagering commission distributions under this section. The satellite wagering facility commissions calculated in accordance with this subdivision shall be distributed to each satellite wagering facility and racing association or fair in the zone in which the wager originated in the same relative proportions that the satellite wagering facility or the racing association or fair generated satellite commissions during the previous calendar year. If there is a reduction in the satellite wagering commissions pursuant to this section, the benefits therefrom shall be distributed equitably as purses and commissions to all associations and racing fairs generating advance deposit wagers in proportion to the handle generated by those associations and racing fairs. For purposes of this section, the purse funds distributed pursuant to Section 19605.72 shall be considered to be satellite wagering facility commissions attributable to thoroughbred races at the locations described in that section.

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

(A) With respect to wagers on each breed of racing, the amount

remaining shall be distributed to the racing association or fair that is conducting live racing on that breed during the

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

(B) If the provisions of Section 19601.2 apply, then the amount distributed to the applicable racing associations or fairs shall first be divided between those racing associations or fairs in direct proportion to the total amount wagered in the applicable zone on the live races conducted by the respective association or fair. Notwithstanding this requirement, when the provisions of subdivision (b) of Section 19607.5 apply to the 2nd District Agricultural Association in Stockton or the California Exposition and State Fair in Sacramento, then the total amount distributed to the applicable racing associations or fairs shall first be divided equally, with 50 percent distributed to applicable fairs and 50 percent distributed to applicable associations.

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

received by each association shall be retained by that association as a commission, and the other half of the money received shall be distributed as purses to the horsemen participating in its current or next scheduled licensed racing meeting.

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

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

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

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

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

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

retirement, had ridden in a minimum of 1,250 parimutuel races conducted in California.

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

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

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

MEETING
STATE OF CALIFORNIA
HORSE RACING BOARD

In the Matter of:)
)
Regular Meeting)
_____)

ARCADIA CITY HALL
240 WEST HUNTINGTON DRIVE
ARCADIA, CALIFORNIA

THURSDAY, SEPTEMBER 27, 2007

Reported by:
Troy A. Ray

ORIGINAL

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1 important for us to try to do this.

2 COMMISSIONER AMERMAN: I think we all do.

3 COMMISSION CHAIRPERSON SHAPIRO: Fine. Then I'll
4 tell you what, we'll ask staff to please calendar a special
5 Board meeting to just hear this application.

6 In the interim, I would ask that the parties
7 please try to sit down. If you're willing to agree to the
8 number that they're asking for, for the remainder of 2007,
9 call them up, tell them you'll do it, and let's get this
10 done. Okay, thank you.

11 MR. BLACKWELL: Thank you.

12 COMMISSION CHAIRPERSON SHAPIRO: Which now, I'm
13 going to go immediately into Item Number 10, and I would ask
14 people to bear with me because this is actually an issue
15 which I think is the most important thing on our agenda.

16 Item Number 10 on the agenda is discussion by the
17 Board regarding the renewal of licenses for existing
18 advanced deposit wagering providers.

19 As all of us knows, there is legislation currently
20 on the Governor's desk that would extend ADW beyond 2007,
21 and I would believe that it's something that this Board
22 would all be desirous of seeing extended. And, therefore, I
23 would ask to be authorized to write a letter on behalf of
24 the full Board, to the Governor's Office, urging that we, as
25 a Board, believe it's important that bill be signed.

1 COMMISSIONER CHOPER: So moved.

2 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

3 Having said that, and those of us that have looked at the
4 law, I must tell you that in the past we have had so many
5 disputes about ADW wagering at different times in my three
6 years of being on this Board, that it has been very
7 disturbing and something that is confusing to all of us as
8 Board members, or at least certainly to me.

9 And when we've had disputes between the ADW
10 provider and the racetrack, or the ADW provider and TOC, or
11 anybody else, what it all came back to was you licensed, you
12 issued licenses and the licenses that you issued didn't
13 provide that you could do certain things.

14 So here we are in September, and we're going to
15 need to relicense every one of our ADW providers. I believe
16 it's time for this Board to step up and do something for our
17 fans and to do something for the industry.

18 I certainly want to see ADW to continue and I
19 would think that we should look for ways to enhance it.

20 One of the examples that we're disadvantaged is we
21 can't even -- we run the risk of one of our larger ADW
22 providers not being able to take wagers on the Breeder's Cup
23 this year? Why, there's a dispute.

24 So as we now look at how we're going to license
25 them, I believe that there's authority in the existing law

1 that gives the CHRB jurisdiction and supervision powers over
2 the race meetings conducted in California, over all persons
3 or things having to do with the operation of such meetings,
4 and that's Section 19420.

5 The powers of the Racing Board, in the Horse
6 Racing Law, Section 19440, include the authority of the CHRB
7 to adopt rules and regulations for the protection of the
8 public and control of horse racing and pari-mutuel wagering.
9 It also grants us the right to grant all licenses to be
10 issued to participants in the California horse racing
11 industry, including those licenses issued to racing
12 associations and fairs to conduct race meetings, and the
13 license that will be issued to ADW providers in 2008,
14 assuming that law is signed.

15 Specifically, Section 19480 of the Racing Law
16 provides the power to issue licenses to racing associations
17 and fairs, to conduct race meetings that have been given to
18 the CHRB, provided that the Board determines that the
19 issuance thereof will be in the public interest and subserve
20 the purposes of horse racing law.

21 So, accordingly, I believe that we are dealing
22 with something that is in the best interest of the public.
23 This implies that the CHRB is granted the right to enact
24 rules and conditions in the law. And Section 19460 says
25 that all licenses granted under the Horse Racing Law shall

1 contain such conditions as are deemed necessary or desirable
2 by the Board for the purposes of Horse Racing Law.

3 So if I read all that and if I've got it right,
4 and I'm sure our counsel will tell me, then reading the
5 legislation shows several purposes, including to act in the
6 public interest, and to encourage agriculture and the
7 breeding of horses in the State of California.

8 Well, if we're going to do that, then pursuant
9 with Section 19401, the intent of the racing law is to allow
10 pari-mutuel wagering on horse races, while providing for the
11 maximum exposure of horse racing opportunities in the public
12 interest.

13 So it would appear to me that this is the juncture
14 where this Board has the ability to establish what
15 conditions it's going to use for licensing ADW companies.
16 And it would be my recommendation that as we move forward
17 that we consider finding a way that we require all of our
18 racing associations to offer their product to all licensed
19 ADW providers for wagering purposes, only.

20 What I'm saying is that if we license a racing
21 association, and we license an ADW company, isn't it time
22 that we require them all to take and accept wagering on all
23 California product?

24 Now, that's not the same, I would suggest, for
25 broadcasting. Broadcasting is something that only some

1 companies do. I believe those companies are entitled to and
2 should receive remuneration for doing that. So I am only
3 talking about wagering.

4 If we're going to license these companies how do
5 we get to the point -- because that's what our fans want,
6 how do we get to the point where everybody can accept a
7 wager no matter what platform they use.

8 If one platform is better than the other, then let
9 that come out in the mix. But isn't it time that this
10 Board, as we consider relicensing these companies, finally
11 step forward and did something for the public interest,
12 which I believe would be to serve them and offer every
13 opportunity to wager on our product.

14 And I would throw that out to the other
15 Commissioners so that they can add to what they think we
16 should be doing when we consider relicensing these
17 companies.

18 COMMISSIONER AMERMAN: Well, there's no question
19 that we've had a lot of confusion in the betting public not
20 being able to wager on particular races and I think that it
21 is in the interest of the industry that we open it up to all
22 ADW companies, so that they -- and I would think that each
23 race meet would have an open attitude towards it, that the
24 marketplace should dictate how the results come out.

25 COMMISSION CHAIRPERSON SHAPIRO: All right.

1 COMMISSIONER MOSS: Yeah, I agree with the
2 Chairman on this. I think it's a mystery to so many people
3 how they can make a bet. And it's crazy, we're killing our
4 sport by having all these exclusive agreements that don't
5 mean anything to anybody but the stakeholders. So I think
6 whatever we need to do, we should do it, to make it easier
7 for people to enjoy the product that we're putting out
8 there. We think California racing is the best in the
9 country, let's go out and prove it.

10 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, it's a
11 difficult issue. I would like to see all carriers carry all
12 races, but I don't know how much latitude we have. I guess
13 we do.

14 COMMISSIONER AMERMAN: Well, I think that was what
15 was said, is that --

16 COMMISSION VICE CHAIRPERSON HARRIS: Well, it's
17 said, if that's --

18 COMMISSIONER AMERMAN: I'm reading the law as
19 we're going along and it seems to be there.

20 COMMISSION VICE CHAIRPERSON HARRIS: But can we
21 compel someone to do business with somebody else is the
22 problem. I mean, can we tell the track that you've got to?

23 COMMISSION CHAIRPERSON SHAPIRO: Well, what we're
24 doing is we're requiring this as part of our licensing and
25 it says right here that "all licenses granted under the

1 chapter are subject to the rules, regulations and conditions
2 from time to time prescribed by the Board."

3 Therefore, we're not making it -- we're not making
4 it different for any other player. This provides us the
5 ability to establish what's in the best interest, and it's
6 time that we did it in the best interest of our fans. It's
7 time to grow our business and to use every possible vehicle
8 and means to do that.

9 And I think that -- I would just hope this Board
10 would step up. And I welcome to hear, now, from the
11 stakeholders in the industry, you know, what they feel about
12 that.

13 Mr. Daruty, you stepped up first.

14 MR. DARUTY: Yes, Scott Daruty, with TrackNet
15 Media, again speaking on behalf of XpressBet and Twinpires,
16 and also our affiliated racetracks in California, Golden
17 Gate Fields and Santa Anita. You guys are absolutely
18 correctly. All content needs to be available to all
19 reputable, licensed account wagering companies, it's that
20 simple.

21 I mean, we've been fighting over this issue year,
22 after year, after year. We've heard the fans, they are
23 absolutely clear in their direction to us. They want to be
24 able to pick their account wagering platform of choice and
25 wager on all content through that platform, it's that

1 simple.

2 And what I think you guys are discussing is
3 certainly a step in the right direction, I think it's
4 something that needs to be done. I also would hope that it
5 could be done without any sort of regulatory intervention.
6 I would hope that the parties could work among themselves
7 and get it resolved. And to that end, you know, I stand
8 here today and make an open offer that we are ready and
9 willing to exchange content.

10 Golden Gate Fields and Santa Anita, we are ready
11 and willing to exchange it with TVG for their exclusive
12 content. That's what the fans want, that's what the
13 horsemen want, it's the best thing for the racetracks and
14 the industry, and we're prepared to do whatever it takes to
15 make that deal happen.

16 COMMISSION CHAIRPERSON SHAPIRO: And I want to
17 add, again, I want to make sure there's a differentiation
18 here. Broadcasting is very different. I mean, I don't know
19 if TVG's in the room. They do a wonderful job and they are
20 highly valued by me and the same with HRTV. And you guys
21 that put on those shows deserve to get compensated. I'm not
22 trying to say how you're going to get compensated, but
23 that's separate and apart than wagering. But it's just
24 time, for God's sakes, that we just do this and find a way
25 to get this industry moving forward.

1 MR. DARUTY: Chairman Shapiro, you're right,
2 television and broadcast should be looked at differently
3 from wagering rights. And, in fact --

4 COMMISSION CHAIRPERSON SHAPIRO: How is this any
5 different from simulcasting, frankly?

6 MR. DARUTY: It's not.

7 COMMISSION CHAIRPERSON SHAPIRO: I mean, our
8 simulcast law, I mean, everybody has to take everything, why
9 is it different?

10 MR. DARUTY: It's not, it's the same thing. It
11 would be absurd to think that a racetrack was going to send
12 its signal for simulcasting exclusively to one outlet, and
13 not send it to all the other outlets. I mean, that's
14 ridiculous.

15 COMMISSION CHAIRPERSON SHAPIRO: And the law, as I
16 read it, is that simulcasting is everybody has to take
17 everything, it's made available to everybody. And I don't
18 see why ADW is different.

19 MR. DARUTY: Well, it shouldn't be. And, again,
20 with respect to wagering rights, if wagering -- or sorry,
21 television rights and broadcast rights, if that's going to
22 be exclusive, you know, some to TVG and some to HRTV, that's
23 fine. And we even are willing to pay TVG, you know,
24 television fees to the extent they're televising content.
25 They do deserve to be compensated for that. All we ask is

1 that the same thing happens for HRTV, for content it
2 televises.

3 And let's figure out what the right number is and
4 each pay each other for what we televise and let's all move
5 on to other things.

6 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you.
7 Is there anybody else that wishes to comment on this?

8 MR. JAMGOTCHIAN: Yes. Mr. Chairman, for the
9 first time I kind of like the talk, but I'm a little --

10 COMMISSION CHAIRPERSON SHAPIRO: Can you repeat
11 it, since it -- I just want to make sure it gets on the
12 record?

13 (Laughter.)

14 MR. JAMGOTCHIAN: Yeah, yeah, for the first time I
15 like the talk, I'm just concerned sometimes about the walk.
16 But in this particular case, the Board's had this ability to
17 control things for a long time and they've elected not to do
18 it. Whether they didn't read the code until a few minutes
19 ago, or they got bad legal direction, or whatever the excuse
20 was, or the TOC was playing hide the ball, I don't know,
21 because this is an area that I really don't have that much
22 experience about. Except as an owner, fan, and a bettor.
23 Obviously, it's crazy, you've stated that. I tend to agree
24 that if you can't bet on a race, the Kentucky Derby or the
25 Breeder's Cup, this industry is just in severe trouble.

1 The ADW issue in California is important,
2 obviously, because it not only affects the bettor, it
3 affects the racing associations as well as the owners, and
4 the trainers, and everybody else. Because if we're not
5 getting our fair share, obviously, we can't have purses, if
6 we can't be economical successful horses leave the race,
7 horses leave the State, horses can't even be sold in the
8 State, as reflected by the sale yesterday, where one out of
9 six horses didn't even get a bid at the CTBA sale. That's
10 just another issue.

11 And it's because this ADW has mishandled. Whether
12 it's been by the TOC, whether it's been by the Board,
13 whether it's been mishandled by the Executive Director,
14 somebody really --

15 COMMISSION CHAIRPERSON SHAPIRO: Jerry?

16 MR. JAMGOTCHIAN: Yeah.

17 COMMISSION CHAIRPERSON SHAPIRO: Do me a
18 favor --

19 MR. JAMGOTCHIAN: You're right, she doesn't do
20 anything, I understand.

21 COMMISSION CHAIRPERSON SHAPIRO: Okay. No, Jerry,
22 do me a favor, okay? Stick to the point here, all right.

23 MR. JAMGOTCHIAN: Fine.

24 COMMISSION CHAIRPERSON SHAPIRO: I think this is
25 really an important issue and if what your point is that you

1 agree with this and you think it's a good idea, how about
2 sticking there, okay. And you're welcome to help us find
3 this path here and help us get this done. This is one of
4 the more, I think, important things we, as a Board, can do
5 as we move forward.

6 And just so you know, it is only when we license
7 these entities that we actually get the window of time to
8 set the conditions. So we're establishing the conditions
9 right now.

10 MR. JAMGOTCHIAN: But you licensed them
11 previously. You established conditions that didn't work.

12 COMMISSION CHAIRPERSON SHAPIRO: You know what, we
13 did that three years ago. And that's three years ago.
14 Should we have done it then? Maybe. But we're here today
15 and we're trying to do it.

16 MR. JAMGOTCHIAN: Okay, let me ask you a question.
17 Are we talking, on the upcoming licenses, is it a yearly
18 license or is this a three-year license for the next batch
19 of licenses?

20 COMMISSION CHAIRPERSON SHAPIRO: I believe that
21 what we will do as a Board is that's one of the issues we
22 should consider, how long should the term of the license be.
23 It is something for us, now, as we get closer, and we need
24 to do this before time runs out, we have to be able to tell
25 whatever ADW providers that want to come to California,

1 here's the rules, here's the conditions. It's a one-year
2 license, it's a five-year license, it's this, it's that.

3 MR. JAMGOTCHIAN: Well, and obviously you should
4 do that because the regulations give you the opportunity to
5 do it.

6 COMMISSION CHAIRPERSON SHAPIRO: That's what we're
7 trying to do.

8 MR. JAMGOTCHIAN: You know, the other thing that
9 this Board continues to not really see, that I see, is that
10 you've put some pretty big hammers down on racing
11 associations. Like if I was a racing association, I
12 wouldn't have so gently accepted the polytrack requirement,
13 because it's a substantial investment. Yet, the racing
14 associations, for the most part, bought off on the polytrack
15 requirement and the directive by the Board.

16 COMMISSION CHAIRPERSON SHAPIRO: What's your
17 point?

18 MR. JAMGOTCHIAN: My point is if you can direct
19 the associations to put in polytracks, or synthetic tracks,
20 I should say, why can't you direct them?

21 COMMISSION CHAIRPERSON SHAPIRO: Maybe you didn't
22 hear me earlier --

23 MR. JAMGOTCHIAN: No, no, I heard you, I heard
24 what you said, but I'm saying --

25 COMMISSION CHAIRPERSON SHAPIRO: -- I said that.

1 COMMISSIONER AMERMAN: You're preaching to the
2 choir.

3 MR. JAMGOTCHIAN: Right, I understand. But I just
4 want to reinforce it because I said when I came up here, I
5 heard the talk, but I want to see the walk.

6 COMMISSION CHAIRPERSON SHAPIRO: Jerry, fine.
7 Then we're trying to do some walking here, so why don't you
8 walk back to your seat and then we'll talk.

9 MR. JAMGOTCHIAN: No, no, I got one final thing.
10 I also want the Board not to worry about what the ADWs make
11 and how they make it, because these businesses have the
12 opportunity to be successful or to fail. And I don't
13 believe it's a regulatory scheme or the action of this Board
14 that should make sure that they're compensated and
15 successful. Because that's going to take nothing but money
16 out of the jockey's -- the owners' and trainers'
17 opportunity, and basically our pockets.

18 COMMISSION CHAIRPERSON SHAPIRO: I think our goal
19 was to bring as much revenue into the racetracks, and to the
20 purses, and to also make sure we have healthy ADW companies
21 that will carry our product, will broadcast our product, so
22 that we can enhance horse racing in California.

23 MR. JAMGOTCHIAN: And if all of them aren't
24 successful, that's okay.

25 COMMISSION CHAIRPERSON SHAPIRO: Okay, thank you.

1 Mr. Couto?

2 MR. COUTO: I'm sorry if we were perceived as
3 hiding the ball in the past but --

4 COMMISSION CHAIRPERSON SHAPIRO: Well, welcome to
5 my world.

6 MR. COUTO: Yeah, thank you. These are all the
7 points that I think TOC's tried to make for the past three
8 years, and we commend the Board for considering this action
9 and, again, discussing it openly.

10 Exclusivity with regard to broadcast is an
11 important concept, I do believe, and I've been persuaded by
12 our friends at TVG and HRTV as to the need for exclusivity
13 at broadcast level for distribution purposes. And as well
14 as the need to be compensated for that.

15 But as you know, TOC has long advocated that there
16 should be no exclusivity at the wagering level under the
17 current economic models. It is not producing or maximizing
18 revenue for the stakeholders, in commissions and purses, and
19 it is not serving the interest and needs of our fans.

20 They're clear about that, they want to be able to go and
21 choose whichever ADW provider they are most comfortable
22 with, and make wagers on all product through that provider.

23 And let the market determine, through competition,
24 which is the best source. And it's the best thing for our
25 industry, it's the best thing for the fans, and it's long

1 overdue.

2 We've been held hostage by contracts signed ten
3 years ago, and we need to do something about that, now,
4 through the license process.

5 As I said, under the current economic conditions,
6 we do not favor exclusivity at the wagering level. Perhaps
7 the broadcast.

8 And we would support the Board in engaging in
9 whatever discussion is necessary to, hopefully, get everyone
10 there.

11 Lastly, TOC's confident that there is a economic
12 model, that can be implemented, that does protect everyone's
13 economic interest, we just need to get people to have an
14 open, frank dialogue about that.

15 COMMISSION CHAIRPERSON SHAPIRO: Well, I
16 appreciate that, and I think that we're going to need the
17 input of the horsemen, and we're going to need the input of
18 tracks, and we certainly need the input of the ADW
19 providers.

20 We are not trying to drive anybody out of business
21 in California, we are trying to drive more people to
22 California. And so I think that that's something that would
23 be very important to us.

24 MS. CHRISTIAN: Mr. Chairman, Cathy Christian,
25 representing TVG. No one from TVG is here today. However,

1 I just had a question for the Board. Since there was
2 nothing on the agenda, other than a generalized description
3 of a discussion, does the Board intend to take an action
4 today?

5 COMMISSION CHAIRPERSON SHAPIRO: No, this is just
6 a discussion, it's only intended to be a discussion. It was
7 intended to say, hey, we've all got this coming and it's
8 coming pretty quickly, and now's the chance for us to
9 collaborate and find a way to make this the best we can,
10 that's all it was.

11 MS. CHRISTIAN: So would you propose to put
12 something up for a regulation, to take public comment and
13 evidence on whether or not this is in fact in the best
14 interest?

15 COMMISSION CHAIRPERSON SHAPIRO: No, what we
16 really would propose to do is probably see if we can't get a
17 subcommittee of the Board to meet with the various
18 stakeholders, to help it craft what would be the best way,
19 and the most fair way, understanding that what you're seeing
20 may be it is a consensus of where the Board thinks we should
21 go, and no how can we implement that so that we don't unduly
22 harm anybody, but we all can find the way to provide a
23 service to our fans and to the industry.

24 Again, this is not trying to be exclusive --
25 exclude anybody from the process.

1 MS. CHRISTIAN: Well, if I could just pursue this
2 a minute, Mr. Chair, since the applications, the ADW
3 provider applications are up at the next Board meeting in
4 October, would your intent be to do something, to take
5 public comment and discuss whether or not this is a good
6 idea, or authorized by the law, prior to the date that the
7 Board intends to act on the ADW renewal applications, or
8 just could you give us a sense of the process?

9 COMMISSION CHAIRPERSON SHAPIRO: Well, first of
10 all, I don't know that on our next Board agenda that it's on
11 our agenda, that's the first I've heard of it, that it's on
12 our next agenda.

13 MS. CHRISTIAN: Well, it was my understanding that
14 it was, maybe I was mistaken.

15 COMMISSION CHAIRPERSON SHAPIRO: So I've never
16 heard that. So unless you know something I don't know,
17 that's not the case.

18 MS. CHRISTIAN: I doubt it.

19 COMMISSION CHAIRPERSON SHAPIRO: Okay. So, again,
20 I think what we need to do is we need to get everybody in
21 the room and try to figure out, okay, how can we achieve
22 what our goal is? And from that we will then craft what the
23 proposed rules and conditions of licensure should be. We're
24 going to need to have advice from our counsel, what the best
25 way to do it is. And then we will put that out to the ADW

1 companies, I assume, and say when you submit your
2 application, please keep these conditions in mind is what
3 the Board's looking for.

4 COMMISSION VICE CHAIRPERSON HARRIS: I'm not clear
5 if our decision point would be on the ADW's application or
6 each individual track's application.

7 COMMISSION CHAIRPERSON SHAPIRO: I'm not sure,
8 either, it may need to be on both. We may need to go to the
9 tracks and say that in order for you to have ADW, you must
10 offer your product to all ADW companies.

11 I mean, again, I don't have the exact answer here.
12 I know what the goal is, I know what I'm trying to achieve,
13 and we're trying to achieve. The question is how we're
14 going to get there.

15 And I'm asking and soliciting the help of the
16 industry to get us there.

17 Now, you may have some ideas of how to get us
18 there, we want to hear them.

19 MS. CHRISTIAN: Actually, I don't. I'm just
20 concerned about the interplay of what Commissioner Harris
21 mentioned, between the ADW applications for renewal, that
22 are coming up soon, since they all expire at the end of this
23 year, and this position of the Board. Obviously, TVG will
24 have something to say about whether or not it's a good idea,
25 what the law says and all of that.

1 But I'm not talking about that now, I'm just
2 interested in the process, to make sure that there's a way
3 of going forward with the applications in a way that doesn't
4 prejudice the ADW providers, once the Board decides what to
5 do.

6 You now have a regulation in effect about ADW
7 applications. It's a published regulation and it requires
8 certain things pursuant to the law for licensure. And if
9 you're proposing to change that, obviously, we'd want the
10 greatest amount of notice possible.

11 COMMISSION CHAIRPERSON SHAPIRO: And you should
12 have the greatest amount of notice possible. And if the
13 truth is that if our counsel advises us that we have to pass
14 a regulation, and let's say that regulation was going to
15 take six months, this Board may decide, okay, what we will
16 do is we will renew licenses for six months, until we can
17 get through the rule-making process.

18 I mean, again, we're not looking to put anybody
19 out of business or stop ADW. But if the governmental
20 process is going to take six months, let's say, and we don't
21 have six months, then I would recommend to the Board that we
22 renew all existing licenses for six months, and then know
23 that we're going to go through the rule-making process to
24 adopt new regulations, so that everybody would have to come
25 back and get relicensed again.

1 COMMISSION VICE CHAIRPERSON HARRIS: But do we
2 need a rule? I mean, it would be good if we can get a legal
3 opinion on if, in fact, if the Board wanted to, they can
4 insist that any licensee had to offer their signal -- not
5 the video signal, but offer the right to commingle,
6 basically, to any licensed ADW provider.

7 COMMISSION CHAIRPERSON SHAPIRO: Right. I think
8 we're going to need legal advice.

9 COMMISSION VICE CHAIRPERSON HARRIS: I mean, is
10 that something we can just do or is that going to require a
11 special rule?

12 COMMISSION CHAIRPERSON SHAPIRO: And there, we're
13 going to have to seek counsel from our attorney to advise us
14 on the proper manner to go.

15 MS. CHRISTIAN: All right, thank you.

16 COMMISSION CHAIRPERSON SHAPIRO: Thank you. Okay,
17 I think we got all our ADW providers here, good.

18 MR. CHAMPION: Chuck Champion, Chairman and CEO of
19 YouBet.com. First of all, I'd like to comment on a couple
20 of things regarding this matter.

21 First of all, I applaud the Board, particularly
22 over the last three or four months, and even longer, for
23 beginning to educate yourselves to one of the most important
24 issues that faces this industry.

25 The issue is allowing the fans to get access to

1 our content, to promote that content, and to service their
2 needs. No industry that I'm aware of, in the history of
3 business, has been successful when customers, over a
4 prolonged period of time, are deprived from their needs.

5 And I am delighted that you, as a group, now, are
6 beginning to understand ADW, its opportunity and, frankly,
7 it's complexity.

8 Four and a half years ago, when I stood before you
9 to be licensed for the first time, I brought to the
10 attention of the Board, and the record will reflect, the
11 business models in this industry are troubling and will have
12 a deleterious effect on the growth of this industry.

13 Four and a half years later, I'm glad there are
14 others, now, that are embracing that understanding and
15 beginning to appreciate it. They need to change.

16 There are many ways they can change. I'm not here
17 to tell you that I think our way is the only way, I think
18 there are many ways. But they need to change.

19 I'm also here to support your position that you
20 have that right and, more importantly, you have the
21 obligation and the responsibility to exercise that right.
22 Who else is going to protect the fans in California? Who
23 else will protect the horsemen, whose purses need to
24 increase, or trainers, but you?

25 So if the power does not lay here, where does the

1 power lie? I'm not a lawyer, don't profess to be one, but
2 it seems that what you've articulated, Mr. Chairman, is spot
3 on, it is what's in the best interest of horse racing.
4 And California horse racing needs help.

5 I stand here today suggesting that we get through
6 the kind of commotion and dissention we've had, and try to
7 get past it quickly. I'd also tell you that I'm here in
8 support of Twinpires' application to be licensed in the
9 State of California. As surprising as some may find that, I
10 think competition is healthy. We're not frightened of it as
11 an ADW company, and I don't think our other competitors are
12 frightened of that, either.

13 We think innovation will come quicker, we think
14 services will be made more readily available to customers,
15 the universe can, in fact, grow, and we will get our
16 appropriate share of that by being smart, and by being
17 aggressive.

18 And as a gentleman before me suggested, it's
19 really not the Board's responsibility to make sure that
20 we're financially made whole, it's the business operator's
21 responsibility to make sure they're made whole.

22 But also in this conversation, the other point I'd
23 like to bring to you, that's probably not lost on you, but I
24 really want to emphasize it, is there's two types of
25 exclusivity. There's exclusivity that comes through

1 contract and there's exclusivity that comes through
2 ownership. And thus far in this industry, the exclusivity
3 that has come through contract has allowed others to
4 participate, most assuredly us. We've been able to buy it,
5 we paid dearly for it. I gave up, as I've often told you,
6 20 percent of the company, in order to achieve that
7 objective, in order to serve the customer, to provide
8 content to everyone.

9 That's not being made available to us today on any
10 economic terms. And those are the kinds of things that I
11 would strongly suggest the Board look into, figure out, and
12 get the models ready.

13 We stand ready to work with any ADW company, any
14 racing association and, most assuredly, any racing authority
15 in the United States to resolve these economic issues that
16 are injuring all of us. Thank you very much for the time.

17 COMMISSION CHAIRPERSON SHAPIRO: Thank you.

18 COMMISSION VICE CHAIRPERSON HARRIS: Just as an
19 example, Chuck, I'm not clear if you said you supported
20 Twinpires, but in the Golden Gate Fields model, the meet's
21 coming up in November, as I understand it, you are not going
22 to be able to participate in that, even though -- which I'm
23 not sure if Twinpires will be licensed by then or not, but
24 wouldn't that be of concern to you?

25 MR. CHAMPION: Most assuredly it's concern to us.

1 But bifurcating the issues, their licensure, them providing
2 services to customers in California, to me is separate.
3 Even though there's obviously linkage through ownership, is
4 that is -- is that good for California? Yeah. Is that
5 tougher for me? Yeah. But, you know, quite frankly,
6 tougher for me shouldn't be the standard.

7 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, but
8 it's just that to support more companies coming in and,
9 also, no controls on --

10 MR. CHAMPION: Yeah, providing them that content,
11 giving them the opportunity will in fact injure us in the
12 State, very clear, if we do not have access to Golden Gate
13 Fields, and we do not have access to Santa Anita, YouBet
14 will be injured. There's no doubt about that.

15 And that may not be in the overall best interest
16 to California racing to see one of your largest ADW
17 companies weakened for an artificial reason.

18 But, again, their licensure, we support. We hope
19 they resolve their issues. We look forward, we're competing
20 with them in other places in the United States. We'll
21 compete with them here, in California, we think that's fine.

22 COMMISSION CHAIRPERSON SHAPIRO: Thank you. All
23 right, if there's no other comment, then, what I would
24 suggest is, to the Commissioners, if you would like to serve
25 on this ad hoc committee, or a committee to help study this,

1 would you please let our staff know and we'll organize that.

2 We've been at it a long time, now, and I'd like to
3 just do a little bit of housekeeping on the agenda, knowing
4 that we probably -- everyone's getting tired and we've been
5 through a lot.

6 It would be my recommendation that we would defer
7 Item Number 5. Commissioner Harris has told me that mules
8 are done racing for the year.

9 COMMISSION VICE CHAIRPERSON HARRIS: Well, if
10 there's no comments, why don't we just pass it.

11 COMMISSION CHAIRPERSON SHAPIRO: Well, probably
12 can do that, okay.

13 And then looking at Items Number 9, 12, and 13,
14 are there any -- I'm willing to defer any of those.

15 COMMISSION VICE CHAIRPERSON HARRIS: Yeah, I think
16 on those, I think we'd like to talk about them sometime.
17 But to really, adequately talk about that, we need more
18 jockey agents, and trainers, and owners here than we have
19 today.

20 COMMISSION CHAIRPERSON SHAPIRO: Right. And so I
21 would recommend that we actually defer those items, if it's
22 okay with the remainder of the Board.

23 STAFF SERVICES MANAGER WAGNER: All three?

24 COMMISSION CHAIRPERSON SHAPIRO: All three.
25 Unless there's somebody in the audience that feels that it's

MEETING
STATE OF CALIFORNIA
HORSE RACING BOARD

In the Matter of:)
)
Regular Meeting)
_____)

ARCADIA CITY HALL
240 WEST HUNTINGTON DRIVE
ARCADIA, CALIFORNIA

THURSDAY, OCTOBER 18, 2007

Reported by:
Troy A. Ray

ORIGINAL

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1 So now we are on Agenda Item Number 4, which is
2 discussion and action -- first of all, I would like to
3 remove the word "action" from this item. There is not going
4 to be any action, there was never intended to be any action.
5 I apologize to anybody if they thought there was action on
6 Item Number 4. But notwithstanding, it reads, discussion
7 and action regarding the status of advance deposit wagering
8 and the feasibility of opening up ADW wagering to allow ADW
9 wagering providers to have access to all California signals
10 and any other matters related to ADW and exclusivity.

11 This issue is intended to be a discussion, and
12 it's somewhat of a follow up to what we discussed last time,
13 and that is how can we more effectively and better utilize
14 ADW for the benefit of the industry? How can we bring more
15 revenue to our purses and our tracks, and also make sure
16 that we are providing a fair and reasonable profit to our
17 ADW providers?

18 COMMISSIONER HARRIS: I think we also need to know
19 that we're providing a good service to our customers.

20 COMMISSION CHAIRMAN SHAPIRO: Absolutely.
21 Absolutely. And we also need to consider if we need to go
22 through a rule-making process to adopt rules, so that the
23 Board and the industry can determine what it is we want to
24 achieve out of ADW.

25 Now, towards that end, your comments, Commissioner

1 Harris, are that I think it's important that we all
2 understand ADW which, in my mind, is the most complex aspect
3 that we deal with in horse racing.

4 I must tell you that I wish I had a clearer grasp
5 on all the nuances. I don't, and I don't know who does.
6 But I think that what we want to do is to use this agenda
7 item to figure out how we can have an open dialogue, and we
8 can throw around what ideas we should be looking for.

9 Should we be looking for non-exclusive wagering
10 and exclusive broadcasting? Is that in the best interest,
11 does it create the most revenues?

12 I may personally feel one way, but I could be
13 wrong, and so there may be a better way to build this
14 mousetrap.

15 And so this item is for us to embark on how to do
16 that. And I really invite everybody to help us craft how we
17 can go about doing that. And maybe we should have a special
18 meeting on just this issue, so that we can understand ADW,
19 and we can then adopt or move forward procedures and rules
20 so that we can use it to the maximum benefit for our
21 California racing opportunities.

22 Anybody have any comments on that?

23 COMMISSIONER HARRIS: No, I think we continually,
24 we need to get a lot of material out there. We get so much
25 things piecemeal, at this rate and that rate, and if we

1 could get somebody that could put together a nice book of
2 all the different aspects on who gets what, and what all
3 these terms are, and where at least we can go into this
4 other meeting that we know we've done some homework going
5 into that.

6 COMMISSION CHAIRMAN SHAPIRO: Well, I agree with
7 that. What we do know is that, thankfully, the Legislature
8 and the Governor have enacted AB 765, and that law will have
9 some changes to it, in how we approach ADW.

10 And so I think we have to look at the context of
11 that law and then we need to understand what all of these
12 terms mean.

13 Unfortunately, when we hear HUB rates, source
14 market fees, host fees, imports, exports, it gets very
15 confusing. And we, as a Board, aren't involved in the rates
16 and the economics, so we don't necessarily see the whole
17 picture.

18 There may be more handle, but is more handle in
19 fact flowing to purses and to tracks? It's something that I
20 think we, as a Board, need to understand and we need the
21 guidance of the industry stakeholders to help us.

22 So I would ask that if any of the ADW companies
23 have an idea, or the tracks, or the horsemen, of how best to
24 embark on doing this. Because as we're now moving forward,
25 we're going to have to re-license these ADW companies.

1 And I think what we may have to look at is a
2 short-term license renewal, so that if we are going to want
3 to adopt new rules and regulations, under the law, we can
4 get those rules and regulations in place so that we can make
5 them part of what we license.

6 Is that not correct, Derry?

7 DEPUTY ATTORNEY GENERAL KNIGHT: Yes.

8 COMMISSION CHAIRMAN SHAPIRO: Okay. And it's my
9 understanding that if we wanted to do something that is -- I
10 don't know what the example would be. But we may need to
11 adopt a rule or a regulation and, therefore, the Board may
12 have to look at a short-term renewal of its existing
13 licenses, and then come back and license them with the new
14 rules that the industry, and ourselves, may adopt.

15 DEPUTY ATTORNEY GENERAL KNIGHT: That's my
16 understanding. Well, let me just be very candid. I think
17 that the exclusivity issue is one that calls out for a
18 regulation. And so depending on how that comes out, that
19 presents that issue very squarely, that you're going to have
20 a timing issue that if the -- although you may have a
21 voluntary agreement that may correspond with where you end
22 up, anyway, I don't know, it just depends on how it all
23 plays out.

24 COMMISSIONER HARRIS: I'm not clear on the
25 exclusivity issue, if that's going to be a vehicle of the

1 ADW or of the track, when we license a track, if at that
2 point we could have a covenant in that license saying you
3 cannot have exclusive agreements with certain ADW --

4 DEPUTY ATTORNEY GENERAL KNIGHT: That's a very
5 good point. Actually, I think the issue comes up in both
6 the context of the track and the ADW providers. Because,
7 you're right, because the tracks have to agree with it as
8 well.

9 I mean, they have to be -- if it's a mandate,
10 they're going to have to be mandated that they will make
11 their signal available to all ADW providers, for example.

12 COMMISSIONER HARRIS: Yeah, because we're going to
13 license ADW providers, but their real strength comes from
14 their agreement with a given track, when we license them.

15 COMMISSION CHAIRMAN SHAPIRO: So we have to look
16 at that if that's what we wanted to do, what do we -- what
17 rules, and what do we have to amend to be able to do that?

18 DEPUTY ATTORNEY GENERAL KNIGHT: Well, I think
19 that your idea of having the policy discussion is a very
20 good one, and then depending on where that goes we'll have
21 to evaluate the -- I was just throwing the -- I'm sorry, I
22 jumped into probably the hottest issue, but we've obviously
23 been aware that that was a potential, and that will take
24 some sort of regulatory action.

25 COMMISSION CHAIRMAN SHAPIRO: Okay.

1 DEPUTY ATTORNEY GENERAL KNIGHT: We haven't
2 focused on exactly where that has to occur.

3 COMMISSION CHAIRMAN SHAPIRO: So is there anybody
4 in the audience, any of the ADW companies, or any of the
5 stakeholders? I see Mr. Nathanson. Would you like to
6 comment on this, Mr. Nathanson?

7 MR. JAMGOTCHIAN: You know, just --

8 COMMISSION CHAIRMAN SHAPIRO: I'm asking for the
9 stakeholders at this time.

10 MR. JAMGOTCHIAN: Yeah, okay, that's fine.

11 COMMISSION CHAIRMAN SHAPIRO: Thank you, Mr.
12 Jamgotchian.

13 MR. NATHANSON: David Nathanson, TVG, thanks for
14 having me here, today.

15 First of all, I agree with the Commission that not
16 all the issues need to be regulated, some obviously may.

17 I think it's important, and this is, obviously,
18 all subject to the TOC's approval, that for the first time
19 in really a long time all the major parties have come
20 together and, hopefully, we will work with the TOC to find
21 an agreement, to really test what non-exclusivity of
22 wagering means for the market.

23 And I think it's a little presumptuous for
24 anybody, including myself, to assert that any one direction
25 is in the best interest of racing, until we actually see the

1 numbers, until we actually see the results that the rising
2 tide lifts all boats here.

3 So we're more than happy to participate in any
4 process, certainly in this process, and in any subcommittee
5 to explore those numbers. And I give you, certainly, TVG's
6 participation to share all of our learnings in the
7 marketplace, in the past, so that we can compare what we've
8 seen in terms of results and statistics in the past and
9 what, if this new model does get approved, in conjunction
10 with the TOC, what exactly that would mean for horse racing,
11 for better or for worse.

12 But I would encourage the Board to look at the
13 facts, first, and explore -- use this opportunity as a test
14 to really explore what is, in fact, in the best interest of
15 this State and the racing community.

16 COMMISSION CHAIRMAN SHAPIRO: So how do we get
17 access to the facts? I mean, I hear what you're saying, I
18 don't disagree with it. But when you say the facts, look at
19 the facts, what facts are you suggesting that we look at?

20 MR. NATHANSON: Well, I think that, again, subject
21 to the TOC's approval of the agreement, that in principle
22 TrackNet, TVG, Hollywood Park have agreed to, we'll really
23 be able to test two very different environments.

24 For the past two years we've operated in a very
25 different environment than the one we're proposing for the

1 next eight months. And, certainly, just by looking at
2 CHRIMS, alone, just as one example, I think we'll be able to
3 see some real statistics, if you look at the base of the
4 growth of wagering or lack thereof, for that matter, for any
5 of the tracks and the effects that television has or may not
6 have at all. I think these are all things we need to look
7 at and look at completely objectively to see what is in the
8 best interest of racing.

9 COMMISSION CHAIRMAN SHAPIRO: I tend to agree with
10 you, okay. But, all right, that is assuming that --
11 assuming the parties have this global agreement, all right,
12 at Hollywood Park, and the global agreement then continues
13 for the next, whatever it is, eight months, are you
14 suggesting that the Board should basically stand -- sit
15 still and allow a period of time, and then come back and
16 look at it, and decide whether we should adopt any rules or
17 regulations, once we've looked at the whole eight months, or
18 are you saying just Hollywood Park; what is your view?

19 MR. NATHANSON: Well, I wouldn't be so
20 presumptuous as to instruct the Board what to do.

21 COMMISSION CHAIRMAN SHAPIRO: I'm not asking you
22 to instruct us. Help us.

23 MR. NATHANSON: But I do hearken on Mr. Harris's
24 suggestion that there should be a sub-committee formed to
25 explore what are the facts that the Board and the industry

1 should be looking at, objectively, to see the value of
2 wagering exclusivity versus non-exclusivity, and the results
3 it has both on purses, in terms of participation, in terms
4 of handle. There's a number of statistics that I think will
5 be relevant to the discussion.

6 And, again, we're happy to participate in any way
7 the Board sees fit.

8 COMMISSION CHAIRMAN SHAPIRO: Okay.

9 MR. NATHANSON: Thank you.

10 COMMISSION CHAIRMAN SHAPIRO: Thank you. I'm
11 going to ask, then, a few people if they still wish to come
12 forward on this issue. Cathy Christian, you have a card, do
13 you still wish to speak? That was a no, I think.

14 Okay, David Widda something?

15 COMMISSIONER HARRIS: That's Nathanson, I think.

16 COMMISSION CHAIRMAN SHAPIRO: Is that yours? You
17 need to fix your printing, David.

18 STAFF SERVICES MANAGER WAGNER: David Heiman.

19 COMMISSION CHAIRMAN SHAPIRO: John Heiman. John
20 Heiman, are you going to speak?

21 STAFF SERVICES MANAGER WAGNER: Oh, John Heiman.
22 David Nathanson, excuse me.

23 COMMISSION CHAIRMAN SHAPIRO: Okay, Ron --

24 MR. BLONIEN: No.

25 COMMISSION CHAIRMAN SHAPIRO: Thank you.

1 COMMISSIONER HARRIS: Who's watching the store at
2 TVG?

3 COMMISSION CHAIRMAN SHAPIRO: Okay. Barry Broad?

4 MR. BROAD: Yes.

5 COMMISSION CHAIRMAN SHAPIRO: Darn.

6 MR. BROAD: Well, as long as we're doing the naval
7 metaphors of ships, people, or whatever rising with the
8 tide, SEIU represents the ordinary seamen here, in this
9 situation. And the last time, historically, that ADW was
10 done, there was a kind of implicit promise that they would
11 get jobs out of it. And that didn't happen because the HUBS
12 moved to Oregon.

13 Well, in this round, with this new piece of
14 legislation, a very, very strong, prescriptive limiting-on-
15 your-authority type language went into the bill that says,
16 and I quote, "the Board shall not approve an application for
17 an original or renewal license as an ADW provider unless the
18 entity, if requested in writing by a bona fide labor
19 organization no later than 90 days prior to licensing, has
20 entered into a contractual agreement with that labor
21 organization that provides all of the following."

22 And specifies a neutrality card check agreement in
23 the language of labor law, which is an agreement that
24 requires the employer to be neutral in any labor organizing
25 effort and to -- and provides a method by which majority

1 status can be determined, and bargaining can commence
2 through the use of authorization cards that are -- show that
3 a majority of the people in the proposed bargaining unit
4 wish to be represented by the union.

5 That goes into effect January 1, it's self-
6 executing, doesn't require you to do regulations. And
7 whether you do regulations or not regarding it, which you
8 certainly can do, because of the history that happened here,
9 SEIU will be enforcing this very, very vigorously.

10 And I was in these negotiations, for many, many
11 hours with the parties, to get to this bill, which was not
12 easy. And while neither SEIU, or the Teamsters, or the
13 Jockey's Guild have a position on this exclusivity issue, I
14 was chagrined by the extent to which some of the parties
15 that were in those negotiations, and knew better, were
16 prepared to pretend that exclusivity wasn't discussed.
17 Because it was. In fact, it was the gravamen of the whole
18 negotiation.

19 And there's language in the bill that references
20 exclusivity, and I think you better be very careful, whether
21 you like it or not, about how you deal with exclusivity,
22 because the Legislature contemplated in this that
23 exclusivity would be permitted. Although, clearly, the deal
24 that was struck allows the horsemen to veto that, if they
25 don't wish to agree to it.

1 So the parties were supposed to retain freedom of
2 contract in this area.

3 Now, you are a Board with plenary authority, and I
4 used to be on a Board with even more plenary authority,
5 because it was constitutional in its basis, but when the
6 Legislature acts, it acts to restrict that authority. So
7 it's plenary, unless the Legislature takes it away.

8 And what concerned me about the exclusivity thing,
9 after doing this legislative stuff for 25 years, is people
10 were starting to go back on the deal before the deal even
11 got signed, and that concerns me.

12 And I want to make sure because of the once
13 burned, twice shy view of my client here, SEIU, that
14 everybody understands, the Board, the parties, everybody,
15 that we're not planning to play any games here, and we don't
16 want anybody else playing any games.

17 And if they do play games over this labor stuff
18 here, we will be in court, we will be seeking injunctions,
19 we will shut down anybody that tries to move forward with
20 ADW without a card check agreement.

21 So, I mean, I don't want to seem like a mean guy,
22 and I'm not, but -- and I certainly, I'm sure if you talk to
23 anyone, deserve a fair amount of credit for helping move
24 this negotiation to the point where they got a deal on ADW
25 in the Legislature, and I did everything I could to push

1 that deal, including making lots of people unhappy who were
2 my friends, and allies, and my not friends, and not allies,
3 and whatever, because I knew a deal had to be done.

4 But I, singularly, in the horse racing industry,
5 it seems as though the long knives are out five seconds
6 after the handshake is given. And I don't know why that's
7 the case, somehow we don't have that in agriculture, believe
8 it or not, with labor and the farmers, or in the trucking
9 industry, or any other places. But somehow, in horse
10 racing, it gets very dysfunctional.

11 And all labor is asking for is the deal that it
12 got. And we're asking the Board to enforce that deal
13 through the power that you have.

14 So my only point on exclusivity is it scared me
15 that so many people, from what I understand of your last
16 month's meeting, could fail to point out to you -- you were
17 not parties to that negotiation, you're not expected to know
18 what went on in that negotiation. But I think people had a
19 moral obligation to say, hey, here's what went on, so that
20 you guys didn't step off into the precipice of controversy
21 over something that where you were not informed of what was
22 going on.

23 Now, whether that binds you or not, legally, you
24 can have an argument, you know, whatever. I have my
25 opinion. You know, other people will have theirs. But

1 there is another dimension, and that's the dimension of what
2 goes on in the Legislature that involves the crafting of
3 these deals.

4 And there's enough wars in horse racing that we
5 don't need to start another one right after we've made a
6 deal to fix the problem.

7 COMMISSION CHAIRMAN SHAPIRO: Can I ask you a
8 question, because I want to make sure that everybody
9 understands what you're saying, okay.

10 MR. BROAD: Okay.

11 COMMISSION CHAIRMAN SHAPIRO: At the last Board
12 meeting, and I was not part to the deal that you were just
13 referencing, I threw out my views, that I felt that as we
14 were looking at re-licensing the ADW companies that was upon
15 us. And for three years I had been one espousing that, gee,
16 I think we should be non-exclusive wagering.

17 And every time our AG said to me, you issued a
18 license, you can't change the rules in the middle of the
19 game.

20 So with, now, the re-licensing going to be upon
21 us, I was throwing out the idea of, hey, maybe now's the
22 time that we should look at making non-exclusive wagering.
23 Okay, so that's, essentially, what I threw out.

24 Unknowingly, that set off a tremendous
25 controversy, that I was being accused of trampling on a deal

1 that had been made somewhere in Bakersfield, or somewhere
2 else, that I wasn't even part of. And even though I had
3 talked to a few people and they said, no, there's no problem
4 with your doing that, it then hit me like, you know, cold
5 water in the face, that wait a minute, he's going off to
6 upset the apple card on the deal.

7 Now, since then there have been lots of
8 discussions and you are sitting here in front of us saying,
9 and I want to be sure all the Commissioners understand it,
10 that you believe that when this new law was enacted, that
11 there was an implied deal that we, the Board, would not go
12 forward and insist on any non-exclusive wagering for ADW.
13 Is that correct?

14 MR. BROAD: That is my sense of it.

15 COMMISSION CHAIRMAN SHAPIRO: That's your --

16 MR. BROAD: It was not -- it was not -- listen,
17 I've been in plenty of meetings, in fact on other bills.
18 Let's take that thing, the safety reins --

19 COMMISSION CHAIRMAN SHAPIRO: Well, let's just
20 stay with this, Barry.

21 MR. BROAD: Well, I just want to say something,
22 there's two things that happen in the Legislature when these
23 deals get cut, okay. Sometimes you can't reach an agreement
24 and you say let's punt it to the administrative agency,
25 let's let them decide. That's what we did with the safety

1 reins, right. It says, you know, you guys have to approve
2 the safety reins, unless you find that they're not as safe
3 as conventional reins. That's punting it to the CHRB.

4 That's not what went on in these negotiations.
5 The negotiations, the thing that was the stopping -- a
6 problem in the negotiations, is that TOC wished to be a
7 party to the original negotiations. If Drew wants to
8 disagree with me, he can. But wished to be a party to the
9 original negotiation, exercise more than its veto power
10 under the Interstate Horse Racing Act, but be in the
11 discussion at the front end.

12 TVG, on the other hand, wished to have the right,
13 not a mandate, but the right to maintain exclusivity in its
14 agreements. And there was discussion, truly ad nauseam,
15 over this point, in which folks were going back and forth
16 for hours over this question of exclusivity.

17 Now, are you sure we can still negotiate for
18 exclusivity?

19 At the end of the day, the agreement was that TVG
20 would have the right, if the other parties agreed, and the
21 Horse Racing Board was not really -- it was a business deal.
22 If, as a business deal, the parties agreed that exclusivity
23 made economic sense to them, that they could agree to it.

24 And TOC got what it wanted in terms of having an
25 enhanced voice in the original discussion, it wasn't just

1 going to be between a track and an ADW provider, they were
2 going to be a part of that discussion. That was the essence
3 of the deal.

4 Nobody was saying we're maintaining silence in
5 this bill, and the CHRB can go deal with this exclusivity
6 thing any way it wanted. I do not believe, I firmly do not
7 believe that that's what was going on.

8 Now, as I look at the bill, the bill has language
9 in it that references terms of exclusivity. Certainly, that
10 means that you can -- you can infer, in the traditional way
11 that I think that we look at legislative intent, to say that
12 the Legislature contemplated that the parties would be able
13 to negotiate exclusivity.

14 And so I believe that --

15 COMMISSION CHAIRMAN SHAPIRO: Would or could?

16 MR. BROAD: Could. And that you could not, as a
17 result of that, logically, that you cannot prohibit, as a
18 condition of licensing, the parties from at least trying to
19 negotiate that. Whether they can or can't reach that
20 agreement is another question.

21 If you put it as a conditioning of licensing and
22 you say they can't do it, they never get to a negotiation,
23 they're not allowed to discuss that matter.

24 And that, I think, to me, violates the essence of
25 what that agreement was.

1 Now, let me just say this, if I was your attorney,
2 Mr. Knight, I might say, well, I'm looking at this and I
3 don't know if I agree with this, and da, da, da, da, da, da,
4 da. Because that's what his job is, to defend the limit of
5 your power.

6 I'm suggesting that your power was limited by this
7 bill.

8 But leaving that aside, there's the other
9 question, which is do you need this kind of a headache. In
10 other words, do you want to create, to speak in the
11 vernacular, what happened, a bunch of cirrus over -- over
12 this thing.

13 COMMISSION CHAIRMAN SHAPIRO: They're not going to
14 understand that.

15 MR. BROAD: What?

16 COMMISSION CHAIRMAN SHAPIRO: They're not going to
17 all understand that.

18 MR. BROAD: Well, you'll translate for them.
19 Anyway, and I think that's the real issue. And maybe you
20 can find an argument that you're not technically bound by
21 it, but it will, I assure you, create a firestorm of
22 controversy because it's inconsistent with this deal that
23 was struck in the Legislature.

24 COMMISSIONER CHOPER: Are you saying -- excuse me?

25 MR. BROAD: Yes, sorry. I'm sorry.

1 COMMISSIONER CHOPER: You've provided a lot of
2 information, but you originally started talking about the
3 necessity to have a collective bargaining agreement and an
4 election, and so forth.

5 MR. BROAD: Right.

6 COMMISSIONER CHOPER: Now, you've switched, now.

7 MR. BROAD: Right.

8 COMMISSIONER CHOPER: To the exclusivity issue.
9 Am I right about that?

10 MR. BROAD: Well, I didn't switch, what I was
11 trying to say, and I responded to the Chairman's question,
12 but --

13 COMMISSIONER CHOPER: No, no, I'm not criticizing.

14 MR. BROAD: -- is that I was concerned with the
15 way the discussion gravitated so quickly about exclusivity
16 that a similar gravitation would occur with regard to the
17 labor issues. And I just want to make sure that, from our
18 perspective, the labor issue is crystal clear.

19 COMMISSIONER CHOPER: But do you have any -- any
20 word, any position on the exclusivity issue?

21 MR. BROAD: The labor organizations are agnostic
22 about that.

23 COMMISSIONER CHOPER: Yes.

24 MR. BROAD: We just want to enforce the deal.

25 COMMISSIONER CHOPER: I understand.

1 COMMISSIONER HARRIS: Well, the only thing is I
2 don't understand. Obviously, the Board would be limited by
3 whatever the bill says, but it's bothersome if you're
4 saying, additionally, you're limited because we had a
5 backroom deal, and even though it isn't reflected in the
6 deal, that's the deal. I mean, I don't think the Board can
7 be really restricted to backroom deals, the law's whatever
8 it is.

9 COMMISSIONER MORETTI: I didn't hear you say that.

10 COMMISSIONER CHOPER: No, that's absolutely
11 correct, but I think he's trying to explain what the
12 language means and so forth.

13 MR. BROAD: Well, I'm trying to explain what the
14 language means and I'm suggesting that -- that you're not
15 bound by backroom deals, but this is a deal that passed the
16 Legislature, and it does have the language that it has, and
17 it doesn't -- and I believe it has some impact and some
18 limiting affect on your power. That's my personal opinion.

19 Whether exclusivity is good or bad, or good or bad
20 for -- I mean, Mr. Shapiro has said to me, I think
21 exclusivity is back for the jockeys, for the pari-mutuel
22 clerks, and I am willing to grant him that that may be true.

23 But whether it's true or not, I believe, you know,
24 at least from my perspective, we live and die by our word,
25 and that's what we have to keep, whether it's a good deal or

1 a bad deal.

2 COMMISSIONER MOSS: Can I ask one small question?

3 MR. BROAD: Yes.

4 COMMISSIONER MOSS: Would you explain card
5 checking to me?

6 MR. BROAD: Okay. What card check is, is that
7 typically in a labor relations context, under the National
8 Labor Relations Act, where you have a secret ballot election
9 system, there's sort of two things that have evolved. You
10 can do it by secret ballot election or you can do it by card
11 check agreements.

12 In a secret ballot election system, you get ten
13 percent of the workers to sign cards, and then that triggers
14 a secret ballot election.

15 In a card check system, you get 50 percent plus
16 one of the workers to sign an authorization card, and if the
17 cards are legitimate, you know, they're bona fide, then the
18 union is deemed to be the majority collective bargaining
19 representative of the workers, and the parties commence to
20 negotiate. But you don't need a secret ballot election
21 because you've gotten the card check. That's the system.

22 The neutrality element is that the employer
23 basically does not campaign, if you will. The employer just
24 says, you do what you want, I have no opinion in this
25 matter, whatsoever.

1 COMMISSIONER HARRIS: Does the NLRA have oversight
2 over ADW? I know that there's been some rulings that
3 racetracks were exempt, for some reason, which I didn't
4 agree with, I don't think, from the NLRA, but it seems to me
5 like ADW companies, since they operate nationally, and all
6 this, should really be under the NLRA. And I would much
7 prefer their agency be in charge of any labor disputes
8 versus CHRB, because we really don't have the expertise in
9 labor law that other agencies may have.

10 MR. BROAD: I understand that. It's our position,
11 because they're accepting pari-mutuel wagering, that they're
12 part of the wagering aspect of horse racing, and so they are
13 within the area where the National Labor Relations Board has
14 not taken jurisdiction.

15 COMMISSIONER CHOPER: Does this bill, and I am
16 just looking, I finally found what you're referring to, but
17 does it provide, in your judgment, that even if the
18 employees, it seems from what I read quickly, are outside
19 the State of California --

20 MR. BROAD: Yes.

21 COMMISSIONER CHOPER: -- that the Legislature can
22 control the kind of election that can be held in Nebraska?

23 MR. BROAD: Yes. Because it controls the
24 license -- it's not saying -- it's perfectly within their
25 power to say I don't want to do this, but then they just

1 don't get a license here. And since the -- it's like no big
2 deal, if they don't want to do it, they don't get a license.

3 The original legislation made them move the HUBs
4 to California. And if that is within the jurisdiction of
5 the Board, this certainly is.

6 COMMISSIONER CHOPER: No, I wasn't talking about
7 the jurisdiction of the Board, but the ability of the State
8 to cast an extraterritorial effect on the labor negotiations
9 in other states, which may very well have contrary rules.

10 MR. BROAD: Well, I don't think that those ADW
11 providers -- well, first of all, it says that if they have a
12 collective bargaining relationship already, it doesn't cover
13 them.

14 COMMISSIONER CHOPER: You mean with people in
15 another state?

16 MR. BROAD: That's right. So our contention would
17 be that if the State of California could demand that the
18 HUBs be located here, and that the Legislature could
19 actually say, as a condition of licensing, move your HUB
20 within our territorial area, that it can, as an option,
21 certainly place this requirement on them.

22 COMMISSIONER CHOPER: No, I think you're right. I
23 think the premise, though, is itself subject to some real
24 dispute, and that is that the State can require an
25 interstate business, in order to do business in this

1 State -- now, it may be because of the nature of the
2 industry, and so forth, that the interest is strong enough
3 to permit, you know, what they call generally a
4 discrimination against interstate commerce.

5 MR. BROAD: You know, probably we should just do a
6 law school thing on this. But I think the counter argument
7 is that the reason the National Labor Relations Board never
8 took jurisdiction over this, and arguably baseball, but the
9 reason they never did horse racing was because it's so
10 comprehensively regulated by the states.

11 And the similar thing would be alcohol. Alcohol
12 and cigarettes can be comprehensively regulated by the
13 states, including interstate commerce, for the reason that
14 it's treated as a special state concern.

15 So it would be in those line of cases that say,
16 you know, all that.

17 COMMISSIONER CHOPER: I understand. May I suggest
18 something --

19 MR. BROAD: Sure.

20 COMMISSIONER CHOPER: Or I really don't mean to
21 suggest it, but throw this out as a possibility. This is
22 complicated stuff. If there were some way in which before
23 our next meeting, I mean the Chairman talks about educating
24 us in some way, that you, in English, were able to present
25 your points in respect to what this bill provides for labor.

1 Right, I mean, that's what you're talking about?

2 MR. BROAD: Right.

3 COMMISSIONER CHOPER: And if you would circulate
4 copies, at the same time, to the people who obviously may
5 have a different point of view, so that we could get the
6 benefit of their arguments in respect to it, that might help
7 us a great deal in trying to understand what was going on,
8 particularly if they're not -- as I say, if they're not with
9 too much legalese. That's the one thing I think might be
10 helpful.

11 MR. BROAD: Okay.

12 COMMISSIONER HARRIS: I'm not sure, either, how
13 many people we're talking about here and what states they're
14 in. Because as I understood it, there aren't really that
15 many people employed in these jobs.

16 MR. BROAD: There's not a lot of people and
17 they're in Oregon.

18 COMMISSIONER HARRIS: Well, how about like YouBet,
19 aren't they here?

20 MR. BROAD: Well, we're going to find out when we
21 send the letters out, asking to negotiate the card check
22 agreement.

23 COMMISSIONER CHOPER: But I think that would be
24 helpful.

25 And the other thing that troubles me is when the

1 Chairman, at the last meeting, talked about exclusivity and
2 non-exclusivity, and he just talked about it again, today,
3 no one seems to -- hey, let me put it this way, yours is the
4 first criticism that I've heard of that notion. And I don't
5 know whether you want to get into that.

6 MR. BROAD: Well, they're all chicken, they get
7 intimidated because you guys regulate them.

8 COMMISSION CHAIRMAN SHAPIRO: Well, okay.

9 MR. BROAD: So, you know, I'm not really in that
10 place.

11 COMMISSION CHAIRMAN SHAPIRO: Barry, hold on.
12 Again, I want to make it really clear, I certainly didn't
13 intend -- because, yes, I'm getting the firestorm, okay. I
14 had no intentions of trampling on any legislative intent.

15 My reading of the legislation does not -- and,
16 again, we were not there, we were handed this bill, it
17 doesn't say that this Board could not adopt rules that would
18 require that all of our racetracks offer ADW on a non-
19 exclusive wagering basis. And I think you and I agree on
20 that, it does not say we can't, okay.

21 MR. BROAD: It doesn't prohibit it, no.

22 COMMISSION CHAIRMAN SHAPIRO: Okay, it doesn't
23 prohibit it.

24 Now, as what the other Board members need to hear
25 is that you have gotten up there very articulately, and very

1 genuinely, and you've said, hey, it was a deal.

2 Now, there are people who were in the same room as
3 you, who feel differently, and that's where the confusion
4 comes in. In fact, if you just turn around, you will see
5 one.

6 All right. So what I think is important for
7 everybody up here to hear is, Barry, thank you for your
8 comments, now let's hear from --

9 MR. BROAD: Can I just say one last thing?

10 COMMISSION CHAIRMAN SHAPIRO: One second. Let us
11 hear, now, from somebody else who was in the room, that may
12 have a different perspective. That's all I'm trying to do.

13 MR. BROAD: Okay.

14 COMMISSION CHAIRMAN SHAPIRO: And let me just tell
15 you, one of the things I would like you to think about is
16 maybe what we should have is a joint informational hearing
17 that would be education for our Board, and maybe we should
18 do it with the Senate GO Committee, and do a joint
19 informational hearing so that Legislators and ourselves can
20 understand the complexities of this issue. Maybe that's
21 what we should do is try to do it that way.

22 So I throw that out, okay.

23 Mr. Daruty, you were in the room, do you have any
24 views on this?

25 MR. DARUTY: Yes, Scott Daruty, with TrackNet

1 Media. I was involved for months, and months, and months in
2 the negotiations and meetings over the new account wagering
3 bill, and that participation included spending all night,
4 the last night prior to the agreement, drafting up the
5 language of the bill that was agreed upon by the parties.

6 I'll also say that I don't believe there was a
7 single person involved in those discussions who was as
8 focused, or more focused, I should say, on the issue of
9 exclusivity. I think there were people who were as focused,
10 but believe me, it was a very, very big issue in my mind.

11 And there was no agreement, there was no backroom
12 deal, as described by Mr. Broad. I feel that absolutely and
13 I know other parties, who participated in those meetings,
14 feel the same way.

15 COMMISSION CHAIRMAN SHAPIRO: So are you saying
16 that there was no agreement that there would be -- that the
17 Board could not move forward with non-exclusive wagering?

18 MR. DARUTY: Well, there were certainly many
19 discussions about exclusivity, and the parties, over the
20 months of these negotiations, discussed everything from the
21 extreme of certain parties advocating a bill that expressly
22 outlawed exclusivity, other people advocating a bill that
23 expressly said exclusivity was okay.

24 What the negotiation ultimately led to was a
25 compromise, in which exclusivity was neither prohibited or

1 permitted, but just sort of we, you know, punted on the
2 issue.

3 COMMISSIONER CHOPER: You mean mandated, you don't
4 mean permitted?

5 MR. DARUTY: It was not mandated and it was not
6 prohibited.

7 COMMISSIONER CHOPER: Yeah, that's a very
8 different thing.

9 MR. DARUTY: And I think that, first of all,
10 knowing what I know about this Board and about California
11 law, I don't see how we could have ever thought that we
12 could take the authority away from this Board, certainly
13 without expressly saying in the statute that that's what we
14 were doing. Otherwise, this Board has that authority.

15 So, no, there was, in my opinion, no agreement. I
16 know others in the meeting feel the same way as I do. So it
17 was just a disagreement or a misunderstanding, I suppose.

18 COMMISSION CHAIRMAN SHAPIRO: All right.

19 MR. DARUTY: If it was that important of an issue,
20 certainly it would have been expressly addressed in the
21 statute.

22 COMMISSION CHAIRMAN SHAPIRO: Okay, were there
23 others in that, that wish to -- Mr. Liebau, are you going to
24 opine?

25 COMMISSIONER AMERMAN: Could somebody explain, for

1 my benefit, what meeting we're talking about, in the first
2 place?

3 COMMISSION CHAIRMAN SHAPIRO: Perhaps, there was a
4 meeting that was held, I guess it was in Bakersfield?

5 COMMISSIONER HARRIS: Yeah, beautiful downtown
6 Bakersfield.

7 COMMISSIONER AMERMAN: Well, that's a nice
8 location but what --

9 COMMISSIONER HARRIS: Yeah, it was a wonderful
10 location, but I think it was called by Senator Flores. No
11 one on the Board was there, but a lot of the different
12 players were there.

13 MS. CHRISTIAN: Mr. Chairman, maybe I can try and
14 clear that up. I was also present at the meeting, Cathy
15 Christian, representing TVG.

16 COMMISSION CHAIRMAN SHAPIRO: Okay.

17 MS. CHRISTIAN: John Hindman, TVG's general
18 counsel, who was also there, and there have been several
19 discussions about this since.

20 Let me just clear up one thing. First of all, no
21 one, especially from TVG, is saying that the Horse Racing
22 Board is bound by a backroom deal that people made extra-
23 legally, or outside of the Legislature, or any other
24 process, that's simply not the case.

25 It is shorthand when people say "a deal is a

1 deal," is because the legislative process, as you all know,
2 involves compromise, and deal making, and trying to satisfy
3 the interests of the parties so that a bill can go forward.

4 And the bill, whether Mr. Daruty characterizes it
5 a compromise, a deal, the bill represents what the parties
6 agreed would be acceptable. Had that bill not been crafted
7 the way it was, there would have been opposition to the bill
8 in the Legislature and it would never have gotten out of the
9 Legislature.

10 So instead of that impasse, when we talk about "a
11 deal," and those of you who have been in the legislative
12 process know what we're talking about is something that the
13 parties were agreeable to, that the author of the bill, and
14 those Legislators who were interested in crafting a solution
15 were all happy with, and that's what we're talking about.
16 And that final night of negotiations, over what was
17 acceptable to the parties in the bill, occurred in
18 Sacramento, not in Bakersfield.

19 And most of the people in this room, who have
20 commented, were sitting in that room.

21 In subsequent conversations, it's become very
22 clear that some people are rejecting reality in saying that
23 there were no understanding that the words of this bill, and
24 specifically I'm referring to Section 19604 --

25 COMMISSIONER CHOPER: What page is that on, of

1 that bill?

2 MS. CHRISTIAN: Well, I have the PDF version, it's
3 on page 8.

4 COMMISSIONER CHOPER: Maybe it's the same one.

5 MS. CHRISTIAN: B --

6 COMMISSIONER CHOPER: Well, hold on.

7 MS. CHRISTIAN: -- 1.C.

8 COMMISSIONER CHOPER: No, that's not on our thing,
9 B.1.

10 MS. CHRISTIAN: If you go past, Commissioner, the
11 definitions, there's a whole definitions section that ends
12 with number 14, right after that, subdivision B .

13 COMMISSION CHAIRMAN SHAPIRO: Where is it, top of
14 page 9?

15 COMMISSIONER CHOPER: The top of page 9. "Wagers
16 shall be accepted according to the procedures."

17 MS. CHRISTIAN: Yes, yes.

18 COMMISSIONER CHOPER: Okay.

19 MS. CHRISTIAN: Subdivision B.1.C. I'm looking at
20 the enrolled version, right.

21 And what that section says is that --

22 COMMISSION CHAIRMAN SHAPIRO: Are you looking at
23 C, as in cat?

24 MS. CHRISTIAN: Capital C.

25 COMMISSION CHAIRMAN SHAPIRO: Okay.

1 COMMISSIONER CHOPER: Can you read us the
2 language, first, and then tell us what you think of it?

3 MS. CHRISTIAN: Thank you, I was going to ask
4 permission to do that very thing. The agreement referenced
5 in subparagraph B, which is a written agreement with the
6 racing association conducting the races on which the wagers
7 are made, we're now talking about in-state wagers, "the
8 agreement references in subparagraph B shall have been
9 approved in writing by the horsemen's organization
10 responsible for negotiating purse agreements for the breed
11 on which the wagers are made in accordance with Interstate
12 Horse Racing Act," and the citation is there, "regardless of
13 the location of the ADW provider, whether in California or
14 otherwise, including, without limitation, any and all
15 requirements contained therein with respect to written
16 consents and required written agreements of horsemen's
17 organizations to the terms and conditions of the acceptance
18 of those wagers, and any arrangements as to the exclusivity
19 between the horse racing association or fair and the ADW
20 provider."

21 It then goes on to say that the Interstate Horse
22 Racing Act is to be viewed exactly as it is written.

23 The purpose of that statute was to include in the
24 terms to be negotiated, and subsequently approved by the
25 horsemen, terms relating to exclusivity. That was the

1 understanding of everybody in that room.

2 And I disagree, respectfully, with Mr. Daruty,
3 when he says there was no agreement. That was the agreement
4 as to how that statutory provision was to be read.

5 Certainly, it is my understanding that that is what the
6 author believed, that is what Senator Flores believed, and
7 that is what the parties agreed that this provision means.

8 That has also been expressed to the Governor's
9 Office that that is what this provision means.

10 It did exactly what Mr. Broad said, it allowed the
11 horsemen to participate, as they have been asking to
12 participate, in a direct way, in those terms, and it left
13 open for negotiation that term, specifically, exclusivity.

14 And with all due respect to the Board, and
15 Commissioner Choper, I haven't known you for more than a few
16 minutes, but I used to be counsel to this Board in a
17 previous life, the comment that the Board plenary authority
18 must be conditioned on what the Legislature construes the
19 statute.

20 And in this case, in order to achieve something
21 that was acceptable to all parties, the Legislature agreed
22 that exclusivity would be a negotiated term.

23 The reason, Mr. Chair, just to make clear, that we
24 did not get up and argue this point at the last meeting, was
25 because until you said what you said about where you wanted

1 to go, we weren't sure where the Board was going to go. And
2 I actually got up, if you recall, and ask if you were going
3 to engage in a rule-making process, or some other kind of
4 process.

5 And it would be our position that the statute does
6 not even give you the authority to create a rule that is
7 contrary to what the statute says.

8 But in any event, if you're going to proceed at
9 all to discuss this by way of Board action, it would have to
10 be in the regulatory context.

11 COMMISSION CHAIRMAN SHAPIRO: Can you tell me
12 where this says that if the Board -- and I'm not advocating
13 that this is what the Board should do -- but where does this
14 language say that the Board, given the context of all of the
15 other issues that are in the Horse Racing law, where the
16 Board couldn't determine it's in the best interest of
17 racing?

18 I see that this language, and I'm not a lawyer,
19 okay, and I wasn't there, so I need to look to Derry, and
20 any other of the great legal minds here --

21 COMMISSIONER CHOPER: Well, the fact you weren't
22 there is irrelevant. I really mean, I think the notion
23 we're bound by what they said.

24 COMMISSION CHAIRMAN SHAPIRO: By the law.

25 COMMISSIONER CHOPER: In the law.

1 COMMISSION CHAIRMAN SHAPIRO: I agree.

2 COMMISSIONER CHOPER: Not by deals or --

3 COMMISSION CHAIRMAN SHAPIRO: I agree, what the
4 law says.

5 COMMISSIONER CHOPER: We don't have a legislative
6 history in California, do we?

7 DEPUTY ATTORNEY GENERAL KNIGHT: Well, you do, of
8 sorts, yeah.

9 COMMISSIONER CHOPER: Well, then that, too, we can
10 look at, the printed material they put out after they're
11 done proposing the law and passing it.

12 COMMISSION CHAIRMAN SHAPIRO: Okay, but --

13 COMMISSIONER CHOPER: But so I just want to be
14 clear, I don't think we should pay any attention to that.

15 COMMISSIONER HARRIS: Well, isn't it clear the law
16 does say that the horsemen's organization does have the
17 right to agree or not agree with exclusivity? See, that's
18 sort of the thinking of the Board, I guess the Board
19 wouldn't really be -- wouldn't really come in and overrule
20 what was an agreement between the horsemen and the ADW
21 providers, anyway.

22 MS. CHRISTIAN: And I agree with that,
23 Commissioner Harris. It is important for the Board to
24 separate, I think, what the Legislature intended in terms of
25 your responsibility for licensing ADW providers and ensuring

1 that they meet the qualifications that the Legislature
2 expects.

3 Beyond that, there is a negotiation that goes on.
4 This statute specifically contemplates a negotiation will go
5 on with licensed entities, that is horse racing associations
6 that are licensed by this Board to conduct race meets, ADW
7 providers that are licensed by this Board to enter into
8 those negotiations.

9 Obviously, a negotiation can't produce a contract
10 that is contrary to law. But it is our position that this
11 law, as it is written and is effective January 1st,
12 specifically provides for a market term negotiation on the
13 issue of exclusivity, as well as any number of other items.
14 And as long as that -- that that is between the parties,
15 what works best with respect to that market negotiation.

16 And so when you decide to license an ADW provider,
17 if they meet the minimum qualifications, I suggest to you
18 that you have no basis for denying a license because they
19 may subsequently enter into a contract that you would prefer
20 they didn't. As long as the law allows them to do that,
21 that this statute means, not just implicitly, it means that
22 the Legislature has said what the rules of the game are
23 going to be with respect to that negotiation, and it would
24 not be for the Board to substitute its judgment for the
25 Legislature with respect to that.

1 And so in that sense, you know, we expected,
2 actually, to have more of this conversation in a
3 subcommittee environment, as was suggested at the last
4 meeting, and have taken some time to go back and read the
5 statute have discussions with others, so we didn't throw all
6 this out at the last meeting.

7 I'm happy to answer any questions, as are other
8 representatives of TVG. But we couldn't disagree more with
9 what Mr. Daruty said.

10 COMMISSIONER CHOPER: Understand.

11 MS. CHRISTIAN: Okay.

12 COMMISSIONER CHOPER: And I certainly appreciate
13 what you said. I'd like to say to you the same thing I said
14 to Mr. Broad, I think you ought to submit something in
15 writing, and I think the gentleman who took the opposite
16 view, so we know at least there are two views on this, maybe
17 more, ought to do so as well.

18 And we have the Attorney General's Office, we have
19 our own legal representation here, we'll read it and we'll
20 try to understand what was said.

21 Sometimes what appears on first blush, as we know
22 is not the ultimate answer.

23 And, Mr. Broad, I wish you'd do the same thing
24 with the labor provision. And if you don't have a dog in
25 this other fight, I mean, maybe you want to stay out of that

1 one. But that's up to you, obviously, I can't tell you what
2 to do.

3 COMMISSION CHAIRMAN SHAPIRO: He has a dog, don't
4 worry. Okay, thank you. Thank you.

5 MS. CHRISTIAN: Thank you.

6 COMMISSION CHAIRMAN SHAPIRO: Is there anybody
7 else who was party to those discussions, that might want to
8 weigh in on that, before we get off to something else?

9 MR. COUTO: Drew Couto, Thoroughbred Owners of
10 California. I'll come back from my alternate reality.

11 I don't question anybody's sincerity in what they
12 came away with in that meeting, and what appears to be is
13 people came away hearing what they wanted to hear, because
14 these issues were so emotional to their position.

15 I can only share with you what was our perception,
16 and it's equal in the sense to the rest of them.

17 What I perceived or thought we were negotiating
18 was that the issue of exclusivity would be one to be
19 negotiated by the parties, that particular issue.

20 As you know, as Scott pointed out, initially, I
21 think, TOC's position was we were trying to prohibit
22 exclusivity. On the other side was an entity trying to
23 mandate exclusivity. And we ended up in the middle, saying,
24 let's leave this to be negotiated by the parties.

25 Where I think we have gotten into an unfortunate

1 disagreement is some are now, in my opinion, extending this
2 agreement that we would negotiate the issue of exclusivity,
3 into some prohibition against the Horse Racing Board
4 exercising its authority, as set forth in the statute.

5 And what we have said and, hopefully, not in an
6 inflammatory way to the rest of those who are engaged, is we
7 kept the language from the prior statute with regard to the
8 Horse Racing Board's role in this, we kept the same language
9 from the old statute, to the new statute, to reflect that
10 the Horse Racing Board continued to have a role of
11 oversight.

12 What exactly that was, I do not believe we had any
13 agreement as to what that was, nor do I think I can
14 tell -- I can tell anyone, honestly, that at the time we did
15 this, we were not anticipating that the Horse Racing -- by
16 agreeing to something, the Horse Racing Board would come
17 back in and rewrite the law, I don't think that's what we
18 were saying.

19 But we were, at least myself, Craig Fravel, Scott
20 Daruty, and others thought that we were leaving the Horse
21 Racing Board's role to be what it was and continue to be
22 what it was.

23 COMMISSIONER CHOPER: Do you think that included
24 the ability to require non-exclusivity?

25 MR. COUTO: I don't really know, because I didn't

1 think much about it at the time and, honestly, I haven't
2 thought much about it now.

3 And we also made the point, when we recently met,
4 that under the Interstate Horse Racing Act, which is also
5 referenced and also controls these, that by virtue of
6 Federal law, the Horse Racing Board plays a role in all of
7 this, as well. And in particular, the language referring to
8 exclusivity in the statute in front of you is lifted
9 verbatim from the Interstate Horse Racing Act.

10 So, you know, I don't -- it's unfortunate that
11 here we are arguing about what we did or didn't agree to. I
12 will say that I will agree with those who assert that we
13 agreed between the parties we would negotiate the term of
14 exclusivity. But to the extent anyone is asserting that it
15 stood beyond that to preclude the Horse Racing Board from
16 doing what it is empowered to do, both under Federal and
17 State law, that's where we would have to draw the line.

18 And I don't think that we ever anticipated that
19 you would be precluded from looking at these, and reviewing,
20 and making decisions that the Board thought was in the best
21 interest.

22 And, again, I say that it was not -- despite what
23 some may assert, it was not part of a devious plan to go
24 around the agreement, I just don't think it was contemplated
25 at the time, other than you would continue to have a role.

1 And I'll brief that, if you'd like, and submit
2 that as well.

3 COMMISSIONER CHOPER: Well, I don't want to set
4 the rules, I mean, maybe it's not done this way. But I
5 think it would be helpful to have. I mean, you have an
6 opposite point of view from the one that we just heard a
7 moment ago. And, you know, this is complicated stuff,
8 whether you're a lawyer or not, in trying to make -- I mean,
9 this is not great prose what Legislatures enact, so that
10 it's perfectly clear. And, you know, that gives lawyers a
11 chance to make a living, too, so I can't argue against that.

12 But in any event, I think that would be very
13 helpful. And I think our counsel will weigh in, also, as to
14 what this looks like.

15 Because it's very difficult, without any
16 preparation, to comprehend everything that's being said and,
17 anyway, you get the point.

18 MR. COUTO: Thank you.

19 COMMISSION CHAIRMAN SHAPIRO: Thank you very much.

20 Mr. Liebau?

21 MR. LIEBAU: Jack Liebau, from Hollywood Park.

22 Under the existing circumstances, I'd just like to say I
23 wasn't at the meetings and I don't care what they said.

24 And I really question whether it's worthwhile to
25 go to this issue, if you don't have to go to this issue.

1 Why have a divisive thing, where we got people up
2 here saying he said that, no, she said that, and then if by
3 chance this model, that came to fruition last night is
4 approved by the Thoroughbred Owners of California, why do we
5 even get to the issue of exclusivity.

6 COMMISSION CHAIRMAN SHAPIRO: I couldn't agree
7 with you more. I couldn't agree with you more. If this
8 model is approved, frankly, I don't think we do have to go
9 through this.

10 MR. LIEBAU: We don't have to have fights that we
11 don't have to have. And in the end, I don't know whether
12 there's language, and I had to chuckle about Commissioner
13 Choper's remark about the language being somewhat fuzzy,
14 because my colleague, Mr. Fravel, is not here, and at one
15 point in time he was bragging to me about how well that was
16 drafted.

17 (Laughter.)

18 COMMISSIONER CHOPER: Well, everything is
19 relative, you know.

20 MR. LIEBAU: But maybe it was well drafted, and
21 then nobody -- it can be interpreted differently, and that's
22 what lawyers are good at.

23 But in any event, I really wonder if this
24 conversation or discussion is really worthwhile, in light of
25 the fact that maybe the parties, as Mr. Couto has said, have

1 negotiated a model that provides for exclusivity with
2 respect to broadcast, and non-exclusivity with respect to
3 wagering. And you know, frankly, as far as Hollywood Park
4 and Bay Meadows are concerned, we think that that is in the
5 best interest of racing and it shouldn't be changed.

6 COMMISSION CHAIRMAN SHAPIRO: Well, I think you're
7 absolutely right, and I think we ought to end this
8 discussion on that note, and hope that what we will find is
9 that the parties can come to an agreement amongst
10 themselves, and that we would be able to avoid having to get
11 into any further conflict on this issue.

12 COMMISSION CHAIRMAN SHAPIRO: Mr. Jamgotchian,
13 you'll have the final word on this.

14 MR. JAMGOTCHIAN: Well, I'm shocked to be sitting
15 in a room with a Jack Liebau as a peacemaker. I'm having a
16 hard time understanding that.

17 But, you know, Mr. Chairman, members of the Board,
18 the ADW system does not work in California, obviously,
19 that's why you're trying to correct it.

20 But I'd like to bounce something off the Board,
21 because it seems to me that -- and I think that Mr. Choper
22 maybe has the direction, is that the CHRB needs to take the
23 lead here, and needs to give guidance and direction.
24 Because, really, it's ADW that you guys realistically
25 control. And you need to retain the power, because I don't

1 think that you want backroom deals being made that, A, you
2 aren't aware of and, B, that negatively affects the
3 industry.

4 So here's my question or here's my plan, and I'd
5 like you to at least offer your thoughts. Since the CHRB
6 licenses an association, why don't they retain the rights to
7 the broadcast. And then, since they have the rights to the
8 broadcast, they hire a production company to produce the
9 broadcast, i.e., the races, and then sells the broadcast to
10 any ADW player that wants to buy it, at which point any
11 wagerer in the State of California, or the United States,
12 can then go to that ADW provider, who's acquired a license
13 from the CHRB, who does the broadcast, then we don't have
14 any problems. Do we?

15 COMMISSIONER CHOPER: That's certainly one
16 scenario.

17 MR. JAMGOTCHIAN: I mean --

18 COMMISSIONER CHOPER: But the question, I get -- I
19 mean, I'm hearing different things at different times. But
20 I don't know anything about this, to begin with.

21 MR. JAMGOTCHIAN: Well, that's an hones answer.

22 COMMISSIONER CHOPER: But I want to do the -- but
23 our job is to do the right thing for the industry.

24 And the question I would ask is if it is true that
25 the racing associations and the horse owners agree on a

1 particular system, the question is should the Board seek to
2 supersede that agreement and say, no, this is not an
3 acceptable agreement. You could certainly hypothesize some,
4 in which it just seemed to be undesirable, even though it
5 was agreed to, it would be contrary to the policy of the
6 furtherance of the industry.

7 And that's the question that we have to decide,
8 what --

9 MR. JAMGOTCHIAN: And that's totally within your
10 purview.

11 COMMISSIONER CHOPER: It is, but you got to be
12 pretty much informed before you overturn the agreement of
13 what would appear to be, at first blush, the parties who
14 represent the competing interests. I mean, the TOC, and the
15 ADWs, I mean, they're two powerful groups.

16 And you're represented by the TOC.

17 MR. JAMGOTCHIAN: Well, I'm not, personally,
18 but --

19 COMMISSIONER HARRIS: You are.

20 COMMISSIONER CHOPER: But anyway, but then the
21 question is what are the reasons for us coming in and
22 saying, no, that agreement in some way is shortchanging the
23 best interests of the industry?

24 COMMISSIONER HARRIS: I don't think we have the
25 ability to really do -- to really need to do that. Because

1 we got two groups who are negotiating in good faith, and
2 they've come up with a model. It may well be that over time
3 changes, what's a good model this year is a different model
4 next year, or we look at the numbers and it doesn't work.

5 But I think it's safer to really have the horsemen
6 and the ADW providers come up with a deal they agree on,
7 rather than us superimposing, okay, this is the way it's got
8 to be.

9 COMMISSIONER CHOPER: What's wrong with that? I
10 mean, that --

11 MR. JAMGOTCHIAN: My concern with that is, is that
12 you need a judge to make the decision. Who's the judge? Is
13 the judge going to be the CHRB, or is the judge going to be
14 the associations, or the ADW companies, or the TOC? Who's
15 the judge?

16 COMMISSIONER CHOPER: Well, ordinarily, you know,
17 in our system, what you're doing when you have two groups
18 together like that come to a -- it's the same groups that
19 produced this legislation, but with all -- with all
20 apologies to Mr. Fravel, I would hope that your contracts
21 are less ambiguous, less subject to different interpretation
22 than this.

23 And what you mean in a contract, of course, is
24 very different than what those who were in that room there
25 meant what the legislation produced. This is the

1 Legislature's product. The other is your product. And if
2 they come to it, it seems to me there's a strong presumption
3 in favor of not overturning them.

4 COMMISSION CHAIRMAN SHAPIRO: Well, Mr. Choper,
5 again, I would really like to leave it at what Mr. Liebau
6 said. It's a complex issue. If we have to have an
7 informational hearing where we can learn more about it, we
8 can understand it better, we will then understand what role
9 the CHRB should play, and exactly what laws we are to follow
10 based on the legislation and the laws that have been
11 enacted.

12 And, therefore, I think that we should move on to
13 the next agenda item.

14 MR. JAMGOTCHIAN: Oh, yeah, wait a second, I'm not
15 finished, and you're taking my time, I didn't speak for the
16 allotted time.

17 But my only concern is that this Board -- that
18 this Board needs to retain control of ADW. Because if the
19 parties aren't going to reach agreement --

20 COMMISSION CHAIRMAN SHAPIRO: You've got two
21 minutes left.

22 MR. JAMGOTCHIAN: That's fine, I don't need two
23 minutes. If the parties aren't going to reach agreement, we
24 need a judge to determine who and what is going to be done
25 for ADW, because there's a lot of money at stake, a lot of

1 money for the horsemen at stake that's being totally
2 ignored.

3 You guys, the Board, maintain the final decision
4 and you've got to retain that right. If they can't make a
5 deal, I think you ought to consider my model, where you,
6 essentially, buy a production company, or lease a production
7 company, or employ TVG or any production company, take those
8 rights and then release them as a franchise to anybody who
9 wants to take bets lawfully.

10 And if you're not in that mode, you should be,
11 because I'm willing to bet that there won't be an agreement.

12 COMMISSIONER CHOPER: No, no, let me say this, if
13 there's no agreement, then we're on a different territory
14 altogether, right.

15 MR. JAMGOTCHIAN: So I'm just saying consider
16 that.

17 COMMISSIONER CHOPER: Now, yours is an interesting
18 thing, I think we should consider it.

19 COMMISSION CHAIRMAN SHAPIRO: Okay, thank you.
20 All right, we're going to go to --

21 COMMISSIONER MORETTI: Could I ask to that point?

22 COMMISSION CHAIRMAN SHAPIRO: Yes.

23 COMMISSIONER MORETTI: I think it was a good idea
24 that Professor Choper asked some of the various parties to
25 give us a brief -- a brief bulleted, in English, outline of

1 where -- as I read 755, I said, oh, there's labor got theirs
2 this time, TOC's got theirs, yes, Richard. And, you know,
3 then the takeout in all of the issues, and then there are
4 certain things in which the CHRB is mentioned.

5 But I think it would also be important, Derry, if
6 you could give us an overview of what is anticipated, now,
7 now that we have this new law, or we will in January, what
8 are the CHRB's responsibilities toward it. Because,
9 obviously, this is a law, it will be subject to
10 interpretation, but we have a law that we have to follow,
11 now, so maybe we can do that.

12 COMMISSION CHAIRMAN SHAPIRO: And so, Derry,
13 you'll do that, and perhaps the parties will at least give
14 us their interpretations that the law provides.

15 All right, I'd like to move to public comment. I
16 have two cards, Rod Blonien.

17 MR. BLONIEN: Thank you, Mr. Chairman, members.
18 Last week our Governor signed AB 241, by Assemblyman Price,
19 which is a bill that I've been working on for a substantial
20 period of time with Ron Charles, and John Amerman has been
21 cheerleading from time to time.

22 This year, we were able to put together a
23 coalition that included TOC, included CARF, included all the
24 tracks, and the bill became law.

25 And what the bill does, Mr. Chairman, is it

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1 authorizes 45 mini-satellite wagering facilities, 15 in each
2 zone, that would be placed in existing businesses. Most of
3 the wagering would probably be done by self-service
4 machines. And it places a burden on this Board, in that
5 according to the legislation, by April 1st you are to have
6 emergency regulations to implement this law, and the idea is
7 to hopefully have some of these facilities up and running
8 for Kentucky Derby weekend in '08.

9 And I wanted to, number one, bring this to the
10 attention of the Board and, number two, Mr. Chairman, I
11 would encourage you to form an industry ad hoc committee to
12 work with your staff to draft the regulations to implement
13 the law, so that when April 1st comes along, the
14 regulations, hopefully, will have been approved by AOL, and
15 at your April meeting we may have actual licenses to be
16 issued to these mini-satellite facilities.

17 And that's basically what I wanted to inform you
18 of.

19 COMMISSION CHAIRMAN SHAPIRO: Well, thank you, Mr.
20 Blonien. I am aware that the law was passed and your good
21 work was -- should be very much appreciated by the industry.

22 We will ask staff to get on that immediately, so
23 that we can enact whatever rules and regulations are
24 required of us, so that we can avail ourselves of the
25 additional 45 mini-satellite facilities.

1 Doug Kempt? Is Doug here?

2 MR. KEMPT: Yes, Doug is here.

3 COMMISSION CHAIRMAN SHAPIRO: All right.

4 MR. KEMPT: Doug is almost always here, but
5 usually silent.

6 COMMISSION CHAIRMAN SHAPIRO: All right, go ahead,
7 Doug.

8 MR. KEMPT: Doug Kempt, with Local 280. My
9 comment is just going to come in the form of a question. I
10 was making notes here. And that is, has anybody on the CHRB
11 or the staff been notified by anyone, or anybody in this
12 industry about closing a Southern California satellite for
13 one day, specifically next Wednesday, October 24th, for a
14 bus trip?

15 COMMISSION CHAIRMAN SHAPIRO: I'm not aware of it,
16 but wouldn't that come to staff?

17 MR. KEMPT: Yeah, that was my question, if anybody
18 had heard that?

19 COMMISSION CHAIRMAN SHAPIRO: No. But why don't
20 you take that up with staff, I don't think that's a Board
21 matter.

22 MR. KEMPT: Okay. Does the Board have to approve
23 something like that, closing a satellite for one day?

24 COMMISSION CHAIRMAN SHAPIRO: You know what, I
25 don't think we know that.

1 MR. KEMPT: Okay.

2 COMMISSION CHAIRMAN SHAPIRO: And, again, I would
3 recommend that you run that through staff and see what the
4 issue is, because we're just not aware of it.

5 MR. KEMPT: Okay, I appreciate it.

6 COMMISSION CHAIRMAN SHAPIRO: Thank you.

7 MR. KORBY: Chris Korby, California Association of
8 Racing Fairs.

9 I think I can shed some light on this. We're
10 working on a promotion with the Victorville satellite
11 facility, at which -- at one time envisioned that perhaps
12 the satellite facility would close for one day and all the
13 patrons would be bussed to Santa Anita for a day at the
14 races. We're going to continue with that promotion, which I
15 think is a terrific idea, but we're not going to close the
16 satellite.

17 So that was some earlier planning versions that
18 Doug was apparently referring to.

19 COMMISSION CHAIRMAN SHAPIRO: Okay. But, again, I
20 think that's a matter that shouldn't come before the Board,
21 it should come to staff.

22 MR. KORBY: That's right.

23 COMMISSION CHAIRMAN SHAPIRO: Okay, thank you.

24 MR. COUTO: Mr. Chairman?

25 COMMISSION CHAIRMAN SHAPIRO: Yes.

1 MR. COUTO: Drew Couto. On public comment I did
2 have a card in, as well, and I just wanted to ask --

3 COMMISSION CHAIRMAN SHAPIRO: I'm sorry.

4 MR. COUTO: That's all right.

5 COMMISSION CHAIRMAN SHAPIRO: Yes, you did.

6 MR. COUTO: TOC and I believe the Jock's Guild
7 would like to make a request to the Board that at its
8 November meeting, that you place on the agenda an item for
9 discussion, and we'll let the Board know before the deadline
10 whether or not we'll request any action, as well. But it
11 relates to the health insurance for California riders.

12 And the Guild, and TOC, and others are working to
13 come up with a plan to hopefully improve the health
14 insurance, and a way to manage it. And so we'd like to
15 discuss that with the Board in November.

16 COMMISSION CHAIRMAN SHAPIRO: I think it's --
17 obviously, I've been part of those discussions, I understand
18 it, and I think it's absolutely necessary and we will make
19 sure that that's on our November agenda.

20 MR. COUTO: Great, thanks.

21 COMMISSION CHAIRMAN SHAPIRO: Thank you.

22 Okay, Mr. Jamgotchian, do you have something else
23 to talk about?

24 MR. JAMGOTCHIAN: Yes, Mr. Shapiro, with regards
25 to an agenda item on the next agenda, I think that the Board

1 ought to also put on the heel nerve issue that the
2 Medication Committee sought approval of. It just seemed to
3 disappear. And I'm just wondering, since you're a proponent
4 of protection of horses, then why the CHRB won't ban heel
5 nerving. Is there some reason why?

6 COMMISSION CHAIRMAN SHAPIRO: This is a comment
7 period, I'm going to let you comment.

8 MR. JAMGOTCHIAN: Well, he just put something on
9 the agenda -- he asked you to put something on the agenda.
10 So, Mr. Shapiro, I'm asking you, in the protection of horses
11 in this State, if you would put the heel nerving on the
12 agenda, the banning of heel nerving. So if you want to
13 protect the horses, maybe you'll do that.

14 Additionally, I'd like to thank the CHRB for the
15 \$17,900 check that they paid me. Obviously, it was another
16 lawsuit that was brought on by Ms. Fermin's inability to
17 follow the California Public Records Act. She's learned
18 now, twice. But, unfortunately, she's going to learn a
19 third time.

20 And that brings up the issue that I meant earlier
21 with Mr. -- that I discussed earlier, that the Government
22 Code 54957.1 requires a legislative body to publicly report
23 any action taken in closed session, and the vote or
24 abstention of any member present thereon, and I don't hear
25 anything. There was a closed session and the items of the

1 closed session were identified, but there's been no response
2 by this Board pursuant to State law.

3 And I'd like to ask Mr. Knight to tell me why?

4 DEPUTY ATTORNEY GENERAL KNIGHT: The Board has
5 complied with the Open Meeting law in this matter.

6 MR. JAMGOTCHIAN: Okay. And how has it complied,
7 it didn't make an announcement, did it? Publicly report any
8 action. Was any action taken?

9 DEPUTY ATTORNEY GENERAL KNIGHT: The Board has
10 complied with the Open Meeting law, and that section you're
11 citing doesn't apply to this Board. But the comparable
12 State section, they complied with.

13 MR. JAMGOTCHIAN: Okay. Well, we'll assess that.

14 Additionally, with regards to today, I was
15 wondering if there's been any decision made as to the
16 replacement of the Executive Director? Any decision, I
17 mean --

18 COMMISSION CHAIRMAN SHAPIRO: This is a comment
19 period.

20 MR. JAMGOTCHIAN: Oh, okay.

21 COMMISSION CHAIRMAN SHAPIRO: If you would like to
22 make a comment, please make your comment?

23 MR. JAMGOTCHIAN: Okay, I'm making comments
24 because I hear that Ms. Fermin is going to be either, A,
25 retiring or, B, being replaced. So I think it would be

1 important for the people to know if that's the case.

2 Okay. Well, anyway, with regards to that, there's
3 a horse running today, which I think's got a lot of karma,
4 and it's in the six race, Ingrid The Gambler.

5 COMMISSION CHAIRMAN SHAPIRO: Okay, Mr.
6 Jamgotchian, if you have -- you're done. We're done. No,
7 Mr. Jamgotchian, we're done.

8 MR. JAMGOTCHIAN: I have --

9 COMMISSION CHAIRMAN SHAPIRO: I'm going to -- on
10 that note, you obviously have nothing pertinent, which is
11 relevant to Board business.

12 MR. JAMGOTCHIAN: Oh, no, I do. Oh, no, I do.

13 COMMISSION CHAIRMAN SHAPIRO: It does not have any
14 thing to do with general business of this Board.

15 MR. JAMGOTCHIAN: You are not -- excuse me.

16 COMMISSION CHAIRMAN SHAPIRO: Therefore, I'm going
17 to adjourn the meeting and thank everybody. Thank you very
18 much.

19 MR. JAMGOTCHIAN: Okay, Mr. Shapiro.

20 (Thereupon the California Horse Racing
21 Board Regular Meeting was adjourned at
22 12:45 p.m.)

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1 COMMISSIONER ANDREINI: And it is speculation on
2 my part too but I know a little something about that. I
3 think the attendance is somewhere between 700 and 900 on the
4 lower days and upwards of 1500 to 1800 on the weekends.

5 COMMISSIONER AMERMAN: Does Los Al have a
6 marketing operation? Do they have somebody that is
7 responsible for marketing?

8 MR. BLONIEN: Yes, yes.

9 CHAIRPERSON SHAPIRO: Okay. If there aren't any
10 other questions, I don't have a comment card, I will
11 entertain a motion.

12 VICE CHAIRMAN HARRIS: I'll move we approve the
13 Los Al application.

14 CHAIRPERSON SHAPIRO: Second?

15 COMMISSIONER MORETTI: I'll second it.

16 CHAIRPERSON SHAPIRO: Seconded. All in favor?

17 (Ayes)

18 CHAIRPERSON SHAPIRO: Thank you.

19 MR. BLONIEN: Thank you, Mr. Chairman.

20 CHAIRPERSON SHAPIRO: And wish Dr. Allred good
21 luck.

22 MR. BLONIEN: Thank you.

23 CHAIRPERSON SHAPIRO: Okay, moving right along.
24 What I would like to do now is I would like to go to Item
25 number 14, 15, 16 and 17.

1 ASSISTANT EXECUTIVE DIRECTOR SMITH: Mr. Chairman
2 and Commissioners, Bon Smith, CHRB staff.

3 Before you is the application for approval to
4 conduct advance deposit wagering, ADW, of Churchill Downs
5 Technology Initiatives Company doing business as
6 twinspires.com, brisbet.com, tsnbet.com and winticket.com
7 for a two year period commencing January 1, 2008. That is
8 an out-of-state, multi-jurisdictional wagering hub. I
9 believe we have representatives.

10 CHAIRPERSON SHAPIRO: Yes, we do.

11 VICE CHAIRMAN HARRIS: Also, I was under the
12 impression there was some consolidation into one name too.

13 CHAIRPERSON SHAPIRO: If the representatives from
14 Churchill Downs Technology will come forward.

15 ASSISTANT EXECUTIVE DIRECTOR SMITH: And clarify
16 those issues for us.

17 CHAIRPERSON SHAPIRO: And we can clarify that. I
18 know he's here because I said hi to him. Could somebody
19 yell out there that we just denied their license
20 application. (Laughter)

21 VICE CHAIRMAN HARRIS: Go back to Kentucky.

22 ASSISTANT EXECUTIVE DIRECTOR SMITH: At the time
23 the package was presented we had unresolved issues
24 concerning a contractual agreement with labor organizations
25 as well as the hub agreement.

1 CHAIRPERSON SHAPIRO: Thank you. Well okay, since
2 Churchill Downs won't be licensed here because they didn't
3 send a representative -- oh look. Mr. Blackwell, welcome.
4 It's nice to see you again.

5 MR. BLACKWELL: It's good to see you.

6 CHAIRPERSON SHAPIRO: Okay. We're taking things
7 out of order.

8 MR. BLACKWELL: Okay.

9 CHAIRPERSON SHAPIRO: So there are going to be a
10 couple of issues here. First of all it is my understanding
11 that twinspires has now changed, it is now under the banner
12 of twinspires. It has all been consolidated under the name
13 twinspires so that winticket, brisbet, tsnbet, americatab,
14 they all -- if you log on those it basically sends you over
15 to twinspires?

16 MR. BLACKWELL: That is correct.

17 CHAIRPERSON SHAPIRO: Okay. So it's the same
18 entities but that's who --

19 MR. BLACKWELL: When we were preparing the
20 application this was in the process but in an abundance of
21 caution just in case things didn't work out in the time that
22 we expected we went ahead and put all the entities on the
23 application. And for awhile those entities will be out
24 there. Just in the abundance of caution we didn't want to
25 create a technical issue about whether we were licensed or

1 not.

2 CHAIRPERSON SHAPIRO: Okay. As you know we
3 licensed you through the end of the year.

4 MR. BLACKWELL: That is correct.

5 CHAIRPERSON SHAPIRO: This is now to move forward.

6 MR. BLACKWELL: I understand.

7 CHAIRPERSON SHAPIRO: And in moving forward there
8 is new law in California which requires a number of things.
9 And one of those is a hub agreement.

10 MR. BLACKWELL: Right, and we do have a hub
11 agreement.

12 CHAIRPERSON SHAPIRO: You do have a hub agreement
13 executed?

14 MR. BLACKWELL: Yes. It has not been signed, we
15 have agreed to all the terms.

16 CHAIRPERSON SHAPIRO: And who --

17 MR. BLACKWELL: Mr. Couto can probably come down
18 and explain but we --

19 CHAIRPERSON SHAPIRO: Drew, you're probably going
20 to have to camp out down here.

21 MR. COUTO: Yes, Drew Couto, Thoroughbred Owners
22 of California. I think that some of the Board is aware that
23 we prepared a master hub agreement for all the ADW companies
24 and it was circulating until about last week when one of the
25 ADW companies said it will sign separately with the

1 racetracks. We heard about that earlier in the week.

2 So we then took the master hub agreement that was
3 a ten party agreement, rewrote it to be individual ADW hub
4 agreements, and just did that two days ago based on
5 conversations with the other ADW companies. It has been
6 forwarded to them, they revised it. Their final revisions
7 came back last night. So we have agreement on all of the
8 language and we just need to print it. We don't have
9 printers at the hotel.

10 CHAIRPERSON SHAPIRO: So you are in agreement with
11 the version that Mr. Couto has just described and that is
12 acceptable and will be executed?

13 MR. BLACKWELL: Right. We actually just reviewed
14 it before the meeting to go over the terms and we agreed to
15 the terms.

16 CHAIRPERSON SHAPIRO: Okay. So that will be in
17 place. As a condition of licensure we will expect that that
18 agreement is executed.

19 MR. BLACKWELL: Yes.

20 CHAIRPERSON SHAPIRO: Now the other thing that we
21 need to have in place as I understand it, and I see that
22 Mr. Broad is here to help us through this, is with the new
23 ADW law we also have to have a bona fide labor organization,
24 there must be an agreement, in writing, with a bona fide
25 labor agreement. That no later than 90 days prior to

1 licensing you've entered into a contractual agreement with
2 the labor organization. Is that in place?

3 MR. BROAD: That is not in place yet although the
4 discussions are moving along apace. We would ask if there
5 are no other impediments that you conditionally approve
6 these agreements, for this one and all the rest of them, on
7 the condition that the card check agreement be in place by
8 December 31.

9 CHAIRPERSON SHAPIRO: Can you describe for the
10 Board what your understanding of a card check agreement is.
11 Some of us are just not familiar with it.

12 MR. BROAD: Right. And let me just say that the
13 companies, we don't have a disagreement about what a card
14 check agreement is. It's just the process of figuring out
15 who the exact employees are that would be covered by the
16 bargaining unit.

17 A card check agreement basically says that you
18 will determine whether employees are to be represented by a
19 union if a majority of the employees in the bargaining unit
20 sign a card authorizing the union to be their exclusive
21 representative. Then when that agreement -- That agreement
22 is then validated, usually through a neutral like an
23 arbitrator, which is also part of the agreement. The
24 employer also in this circumstance agrees to be neutral in
25 the period of time in which the cards are collected.

1 So it is a way of determining majority status and
2 recognition of a labor organization. It does not determine
3 the wages, hours or terms and conditions of employment. The
4 parties obligate themselves to bargain in good faith with
5 one another and not with some other union or refuse to
6 bargain. But at that point they then have to determine all
7 that. That does not have to be in place under this statute.
8 Just the neutrality, card check agreement.

9 CHAIRPERSON SHAPIRO: So let's use it in terms of
10 what employees would be -- They have an office in Mountain
11 View, I know that's where this is located, which is in
12 California. So we have to -- Who is going to tell us. Is
13 it those employees decide whether or not they want to be
14 represented by a union?

15 MR. BROAD: The statute specifies that the
16 employees that we're talking about are employees that accept
17 or process pari-mutuel wagers. When they have an office in
18 Mountain View which performs some --

19 CHAIRPERSON SHAPIRO: Programming.

20 MR. BROAD: They perform some other thing or
21 they're clerical employees or they write advertising copy or
22 whatever they do, they are not covered by this.

23 CHAIRPERSON SHAPIRO: Okay. So who are -- The
24 employees are only those people that are processing wagers,
25 accepting money?

1 MR. BROAD: Accepting and processing wagers.

2 VICE CHAIRMAN HARRIS: At a phone? The whole
3 process is computerized.

4 MR. BROAD: You're talking about people accepting
5 phone wagering or who would be -- say like customer service
6 people involved. If it's done by computer, if somebody is
7 in there saying, hey, I did this bet and you're supposed to
8 send me a million dollars and I didn't get the million
9 dollars. Where's my million dollars?

10 CHAIRPERSON SHAPIRO: There is defined language
11 that states which jobs are applicable to this agreement.

12 MR. BROAD: Right. It doesn't actually list job
13 classifications as such because each employer might call
14 them something different. That's part of the discussion
15 that occurs here. Let's say I'm sitting down with this
16 gentleman and I say okay, we're going to do this card check
17 agreement. Who do you got? Who are we talking about? Who
18 are the workers?

19 And he'll say, well I've got this hub in Oregon,
20 let's say, to be more realistic about this. And I have 15
21 phone clerk jobs who accept wagering and I have two of these
22 other people and five of these people. And then there is a
23 little discussion about is this person included or not
24 included or whatever. Maybe it's immediately obvious.

25 And they sit down and they do the agreement, which

1 is more or less a kind of standard approach in the labor
2 world. And then they reach agreement about who the group is
3 and then they sign it and it's done.

4 So a union then can organize the other people, I'm
5 sorry, can organize the other people. But they are not part
6 of this and you don't have an obligation to not license them
7 if the union or any other union wants to unionize people
8 that don't accept or process pari-mutuel wagers from
9 California.

10 CHAIRPERSON SHAPIRO: Okay.

11 VICE CHAIRMAN HARRIS: Is there one union? Which
12 union basically do you represent?

13 CHAIRPERSON SHAPIRO: The 280?

14 MR. BROAD: Yes. Because it's the union -- Like
15 the satellite wagering it's the union that accepts wagering,
16 that does this type of work at the closest, live racing
17 track in California.

18 CHAIRPERSON SHAPIRO: So what do we do? Let's say
19 that they have ten of what I would call jobs that might
20 qualify for this but they're in Oregon. How do we -- We
21 have no standing to dictate anything that is out of state.

22 MR. BROAD: First of all, that's what the statute
23 says, whether they are in the state or not. What you don't
24 have authority to do is under the Constitution of
25 California, is to refuse to enforce a statute on the basis

1 that you might think is unconstitutional.

2 COMMISSIONER CHOPER: Have all of the ADW
3 providers agreed to --

4 MR. BROAD: Yes.

5 CHAIRPERSON SHAPIRO: -- to enter into these
6 agreements?

7 MR. BROAD: Yes.

8 COMMISSIONER CHOPER: And the only issue is
9 whether you have done it or not, is that right?

10 MR. BROAD: Yes, it's very close to being done.
11 This is not turning out to be --

12 COMMISSIONER CHOPER: And no one is challenging
13 it?

14 MR. BROAD: No one is challenging it, no one is
15 arguing about it.

16 COMMISSIONER CHOPER: So that is not our business
17 then. Your position would --

18 VICE CHAIRMAN HARRIS: I don't know, I think we
19 need to hear from the ADW providers on that.

20 CHAIRPERSON SHAPIRO: Well we are going to hear
21 from each one.

22 MR. BROAD: You're going to hear -- My prediction
23 is they're going to tell you that --

24 COMMISSIONER CHOPER: Well we have one right here.

25 MR. BROAD: -- this is moving along.

1 COMMISSIONER CHOPER: But my understanding is, you
2 have a terminal in Oregon and you have agreed to abide by
3 this card check agreement with the relevant union and you're
4 going to sign it one of these days.

5 MR. BLACKWELL: Right, Brad Blackwell, Churchill
6 Downs Technology Initiatives Company.

7 Yes, we actually contracted a third party in
8 Portland, Oregon that takes all the wagers. So that's with
9 a third party. We don't have employees who are actually
10 doing that.

11 COMMISSIONER CHOPER: I understand.

12 MR. BLACKWELL: They are all located in Portland,
13 Oregon and that's what we communicated to the union. We
14 sent a letter to the union which we felt addressed the
15 regulation. We received comments back on that letter. We
16 accepted all comments that the union made and sent back a
17 sign copy. That has not been signed yet. I corresponded
18 with Mr. Castro last night via e-mail for awhile and, you
19 know, we're ready to sign what we feel addresses that. I
20 understand we'll participate in any further meetings on the
21 subject.

22 VICE CHAIRMAN HARRIS: Are you taking the attitude
23 that those contracted employees in Oregon are covered by the
24 card check mechanism?

25 MR. BLACKWELL: Well, I don't know that we can

1 take that -- they're not our employees.

2 VICE CHAIRMAN HARRIS: You haven't, I think. I
3 want to clarify if you have or you haven't.

4 MR. BLACKWELL: Well I guess what the agreement
5 stated was we pretty much mirrored what is required. That
6 we'll agree to do this. And we stipulated the fact that
7 right now the current situation is that we contracted a
8 third party that handles all of these wagers for us. So we
9 basically have done our best to address what the
10 requirements are by also trying to tailor that to our exact
11 situation.

12 VICE CHAIRMAN HARRIS: I am not sure that is the
13 legislative intent.

14 MR. BLACKWELL: I guess maybe that's why we have
15 not agreed to something yet, because each of us are in a
16 little different situation. And to be honest, you know, I
17 think everyone is trying to move this along but there has
18 not been a meeting of the minds obviously yet.

19 MR. BROAD: I am not sure. I'm sure that there
20 will be more discussion of this. I don't know that the
21 union will agree that you can contract out your
22 responsibility for this. In other words, it flows to the
23 company that is doing the work. So we'll take that up and
24 we'll either resolve it or we won't. But I suspect it will
25 get resolved shortly.

1 CHAIRPERSON SHAPIRO: Well.

2 MR. BROAD: These have not been difficult
3 discussions. There is no --

4 CHAIRPERSON SHAPIRO: Well what we want is I think
5 really simple. A, we want to comply with the law, B, what w
6 want is we want to see that twinspires and all of our ADW
7 companies are licensed and able to accept wagers and
8 promoting our California racing without any threat of there
9 being a problem.

10 MR. BROAD: Right. And that is why certainly as a
11 show of good faith that's why we're saying, approve them
12 conditionally on having this done by the end of the year.
13 If we were trying to be difficult --

14 CHAIRPERSON SHAPIRO: Do you have a problem --

15 MR. BROAD: -- we'd say, say no.

16 CHAIRPERSON SHAPIRO: Do you have a problem? Do
17 you believe that you will be able to comply by the end of
18 the year?

19 MR. BLACKWELL: I hope so. We're ready to comply.

20 CHAIRPERSON SHAPIRO: You're ready now.

21 MR. BLACKWELL: We will definitely comply with
22 this requirement.

23 CHAIRPERSON SHAPIRO: Okay.

24 COMMISSIONER CHOPER: And your Portland, the
25 company with whom you contracted in Portland has been in

1 touch with the union?

2 MR. BLACKWELL: No, they have not been in touch
3 with the union and those employees are not unionized in
4 Oregon.

5 COMMISSIONER CHOPER: But they're not unionized.
6 But the card check agreement says that if they get cards and
7 a majority say that they want to join the union then your
8 understanding is that the company you contracted with up
9 there is ready to recognize.

10 MR. BLACKWELL: Once we have been presented with a
11 proposal that is acceptable then, you know -- It has not
12 been finalized yet.

13 COMMISSIONER CHOPER: And this is the process
14 we're going to have to go -- Excuse me, go ahead.

15 MR. BLACKWELL: Yes.

16 COMMISSIONER CHOPER: And this is the process
17 we're going to have to go through with every ADW provider.

18 MR. BLACKWELL: Correct.

19 COMMISSIONER CHOPER: And so long as they don't
20 challenge the validity of the California statute, and no one
21 is saying that it doesn't apply to these situations and
22 everyone is willing to go along with it, that ends our
23 obligations in respect to the matter. That is your
24 position, Mr. Broad?

25 MR. BROAD: That is correct.

1 COMMISSIONER MORETTI: So how many employees do
2 you have in California?

3 MR. BLACKWELL: In California we have I think
4 around 12 employees. Those are all pretty much management
5 and executive level positions in Mountain View.

6 COMMISSIONER CHOPER: They are not subject to this
7 at all.

8 MR. BLACKWELL: Exactly.

9 COMMISSIONER CHOPER: Just the Oregon. Your
10 exclusive betting parlor is in Oregon.

11 MR. BLACKWELL: That's correct. That's where all
12 the wagers go.

13 VICE CHAIRMAN HARRIS: Do you have a telephone
14 service betting or is it all via Internet?

15 MR. BLACKWELL: It is Internet and phone-based.
16 And all of those wagers, whether it be through the Internet
17 or through the phone, are all processed in Oregon.

18 VICE CHAIRMAN HARRIS: But there are actual live
19 operators in Oregon?

20 MR. BLACKWELL: Correct.

21 CHAIRPERSON SHAPIRO: Okay.

22 MR. BROAD: I would like, just to save time, just
23 assume that my comments --

24 CHAIRPERSON SHAPIRO: Apply to all.

25 MR. BROAD: -- apply to all four of them.

1 CHAIRPERSON SHAPIRO: Right, and I appreciate
2 that.

3 MR. BROAD: Thank you.

4 CHAIRPERSON SHAPIRO: Mr. Blackwell.

5 MR. BLACKWELL: Yes.

6 CHAIRPERSON SHAPIRO: As you have learned over the
7 last few weeks we have a CRIMS reporting requirement.

8 MR. BLACKWELL: That's right.

9 CHAIRPERSON SHAPIRO: I'm assuming that you are
10 going to meet any and all requirements that are required.

11 MR. BLACKWELL: Yes.

12 CHAIRPERSON SHAPIRO: And you are now doing that.

13 MR. BLACKWELL: Yes. It is my understanding.

14 CHAIRPERSON SHAPIRO: There were a few bumps in
15 the road but we understand that that is now being done.

16 VICE CHAIRMAN HARRIS: I also understood from some
17 of the press things I read that Churchill Downs did not want
18 to release handle figures on a daily basis. But I think for
19 this purpose at least they need to do that. Is that going
20 to create a problem with Churchill Downs, releasing these
21 ADW figures every day?

22 MR. BLACKWELL: We'll comply with the requirements
23 here and that's, we understand, a part of the licensure
24 process.

25 VICE CHAIRMAN HARRIS: So you understand that's

1 part of the deal?

2 MR. BLACKWELL: Yes.

3 CHAIRPERSON SHAPIRO: Okay. Lastly, I would like
4 to recommend that on all of these ADW contracts that what we
5 do is we approve them for one year, not two years. We have
6 an experiment that has just been undertaken. I think it
7 makes sense for us to see what comes out of that experiment.
8 And that way we don't have to go into any conditions of
9 licensing that we may want to structure who we license, how
10 we license and get into that whole discussion. And for that
11 reason would you be fine with a one year license?

12 MR. BLACKWELL: Yes, as long it applies --

13 CHAIRPERSON SHAPIRO: It will be applied to
14 everybody.

15 MR. BLACKWELL: Yes.

16 COMMISSIONER MORETTI: But that's an eight month
17 agreement that they have, right?

18 CHAIRPERSON SHAPIRO: Pardon me?

19 COMMISSIONER MORETTI: The agreement --

20 CHAIRPERSON SHAPIRO: I mean through 2008.

21 VICE CHAIRMAN HARRIS: Yes, the eight month
22 agreement is a separate issue.

23 CHAIRPERSON SHAPIRO: Right. We have the eight
24 month agreement. I'm assuming after the eight months we'll
25 all be getting together, we'll all be pulling the data

1 together. We'll be looking at what we've learned. And that
2 way as we move forward to license ADW for a longer term we
3 can use that as part of the platform for which we license
4 these companies for a longer term.

5 And I do recognize that some people come up here
6 and say, they are better off from a business perspective and
7 investment perspective having a longer term. This is not
8 intended in any way to say we are not going to license
9 anybody. But it is rather for us to simply license them in
10 a format that will be most productive for California. Okay?

11 So with that I don't have any other questions and
12 I would recommend that we approve Churchill Downs
13 operating --

14 MR. BLACKWELL: Technology Initiatives Company.

15 CHAIRPERSON SHAPIRO: Thank you, otherwise known
16 as twinspace and their other affiliates.

17 VICE CHAIRMAN HARRIS: Conditionally.

18 CHAIRPERSON SHAPIRO: Conditionally as we
19 discussed on the card check agreement. Is there --

20 VICE CHAIRMAN HARRIS: Just to clarify in my mind.
21 Now Churchill Downs is using HRTV as their media for most of
22 the tracks that they are taking wagers on?

23 MR. BLACKWELL: Well we own half of HRTV so yes,
24 we have obviously investment in the relationship.

25 VICE CHAIRMAN HARRIS: Is there any connection

1 between xpressbet and twinspace?

2 MR. BLACKWELL: No, here is no connection.

3 CHAIRPERSON SHAPIRO: All right, it's moved. A
4 second?

5 COMMISSIONER AMERMAN: Second.

6 COMMISSIONER MOSS: Is the conditional part of
7 this or not?

8 CHAIRPERSON SHAPIRO: Pardon me?

9 COMMISSIONER MOSS: Is the conditional aspect part
10 of this?

11 CHAIRPERSON SHAPIRO: Yes it is.

12 COMMISSIONER MOSS: Does that give strength to
13 either party in negotiating this thing?

14 CHAIRPERSON SHAPIRO: It is certainly not intended
15 to. I don't think it's, I think it's just because the
16 parties have been -- this is new, they were having to work
17 it out. They have until the end of the year to do it. I
18 think we're hearing good faith from both parties. We're not
19 trying to give anybody negotiating leverage here. Right?

20 MR. CASTRO: You're speaking to me, Richard
21 Castro?

22 CHAIRPERSON SHAPIRO: Yes.

23 MR. CASTRO: You're not going to give me
24 bargaining leverage?

25 CHAIRPERSON SHAPIRO: No. (Laughter)

1 MR. CASTRO: All right, I'll accept that

2 CHAIRPERSON SHAPIRO: Thank you. All right, all
3 those in favor?

4 (Ayes)

5 CHAIRPERSON SHAPIRO: Thank you, Mr. Blackwell,
6 thank you twinspires.

7 MR. BLACKWELL: Thank you.

8 CHAIRPERSON SHAPIRO: Next up will be number 15,
9 which will be our good friends from TVG. Since they have
10 had the benefit of listening to the prior discussion I would
11 like to incorporate all of the discussions that we had with
12 Barry Broad with respect to the card check into that
13 discussion.

14 ASSISTANT EXECUTIVE DIRECTOR SMITH: Mr. Chairman,
15 Commissioners, Bon Smith, CHRB staff.

16 Presumptively I don't need to introduce each of
17 these that you've got before you, the applications from the
18 various ADW providers.

19 CHAIRPERSON SHAPIRO: Jackie does a much better
20 job.

21 ASSISTANT EXECUTIVE DIRECTOR SMITH: I know. I
22 also will assume that this is a one year instead of two as
23 presented.

24 CHAIRPERSON SHAPIRO: Yes, correct. Thank you.

25 Good morning Mr. Nathanson, Ms. Christian, how are

1 you? You have just heard the discussion so the first thing
2 I am going to ask you is about your hub agreement. Do you
3 have a hub agreement in place?

4 MR. NATHANSON: Yes, we have a hub agreement in
5 place with Hollywood Park.

6 CHAIRPERSON SHAPIRO: You have a hub agreement in
7 place with Hollywood Park. So that would satisfy that
8 condition.

9 MR. NATHANSON: Yes.

10 CHAIRPERSON SHAPIRO: Okay. And the horsemen have
11 no objection to that whatsoever?

12 MR. COUTO: That's correct, the horsemen have no
13 objection to the terms.

14 VICE CHAIRMAN HARRIS: The horsemen basically have
15 to sign off on it.

16 CHAIRPERSON SHAPIRO: Right, I know, but I want to
17 hear from them.

18 VICE CHAIRMAN HARRIS: It's not just an objection,
19 you basically have signed it.

20 MR. COUTO: We have not signed the agreement, they
21 have, but that's just got to be worked out. We just found
22 out about it the other day, that they did a separate one
23 with Hollywood --

24 CHAIRPERSON SHAPIRO: Your microphone is not on,
25 number one. Okay. Again, we don't want to find any

1 surprises that they say they have an agreement with
2 Hollywood Park and then you say, yeah we're okay, and then
3 it's not okay.

4 VICE CHAIRMAN HARRIS: It's bothersome that we
5 hear so often that someone has an agreement, then when we
6 get into it it's an unsigned agreement and there's a few
7 things to be worked out so there's not an agreement. I
8 think what I construe an agreement to mean, that it's all
9 signed and everyone is happy.

10 MR. COUTO: Under the new statute going forward
11 you do not have to have every party sign the hub agreement.
12 They have to consent to the terms, the different terms of
13 the hub agreement. We have consented to the rates and the
14 terms per the new statute going forward. They have opted to
15 execute a hub agreement solely with Hollywood Park, which
16 they are entitled to do under the new statute.

17 The other ADW companies are executing with the
18 Racing Association and with us, that's the only difference.
19 But we do concur to the terms of the Hollywood Park
20 agreement.

21 CHAIRPERSON SHAPIRO: Could I just ask why you're
22 doing it differently.

23 MR. LIEBAU: Mr. Chairman?

24 CHAIRPERSON SHAPIRO: Yes, Mr. Liebau.

25 MR. LIEBAU: Jack Liebau from Hollywood Park.

1 As you all recall our meet opened almost
2 concurrently with this ADW agreement. At that point in time
3 in order for Hollywood Park to be in compliance with the law
4 we had to have these agreements with TVG. We, in fact, put
5 out the agreements ourselves. We were unaware that there
6 was going to be proposed a master ten party agreement. So
7 in fact we then I think had given our agreement to TOC and
8 it incorporates all of the necessary terms.

9 And I think that TVG, I'm not positive of this, it
10 can be confirmed by Mr. Nathanson, has also sent a letter to
11 TOC setting forth all of the terms. So there is an
12 agreement in place. The reason why it's there is because we
13 had to have it in place when our meet opened. We were
14 unaware that there was going to be the ten party agreement.

15 CHAIRPERSON SHAPIRO: All right. But we're
16 talking about --

17 MR. LIEBAU: We're in compliance with the law.

18 CHAIRPERSON SHAPIRO: I have no problem with that
19 because what we're talking about is licensing you beginning
20 in January. So that's what we're talking about.

21 MR. NATHANSON: And Drew will confer with this.
22 The new law only requires for licensure by the Board, only
23 requires us to have an agreement with the thoroughbred track
24 that runs five weeks or more, it does not require an
25 agreement with the TOC. However, we are required to have an

1 agreement with the TOC in order to accept wagers.

2 CHAIRPERSON SHAPIRO: Correct.

3 MR. NATHANSON: Different from licensure. So in
4 terms of our discussions today, we are in full compliance
5 with the new law.

6 CHAIRPERSON SHAPIRO: Okay. And in terms of the
7 card check agreement, you heard the dialogue and the
8 discussion. Do you have any objections to any of that?

9 MR. NATHANSON: No. We have a proposed letter in
10 place with the labor group and we are working with them in
11 good faith to execute that.

12 COMMISSIONER CHOPER: Where is your wagering --

13 CHAIRPERSON SHAPIRO: All the hubs are in Oregon.

14 MR. NATHANSON: Our hubs are in Oregon as well.
15 We do not offer any live operator wagering, our wagering is
16 all automated either via the phone, Internet or other
17 interactive applications.

18 COMMISSIONER CHOPER: You also contract with
19 someone there?

20 MR. NATHANSON: No, we don't have any live
21 operators.

22 COMMISSIONER CHOPER: Zero?

23 MR. NATHANSON: It's our own people.

24 COMMISSIONER CHOPER: It's your own people.

25 CHAIRPERSON SHAPIRO: Okay. So given that -- As

1 you also heard I've suggested that we license, renew these
2 licenses for one year. I know you would prefer to have a
3 longer term. You understand why. Is that acceptable?

4 MR. NATHANSON: It is acceptable.

5 CHAIRPERSON SHAPIRO: Thank you.

6 VICE CHAIRMAN HARRIS: Which tracks will you have
7 your -- I know you have sort of, I know exclusive is not the
8 term but kind of priority arrangements where you show some
9 tracks exclusively on the media part. Which tracks will
10 those be for next year?

11 MR. NATHANSON: For California tracks?

12 VICE CHAIRMAN HARRIS: For California.

13 MR. NATHANSON: Well we have exclusive television
14 agreements in place with Hollywood Park, Bay Meadows, Oak
15 Tree at Santa Anita as well as Los Alamitos and --

16 CHAIRPERSON SHAPIRO: Del Mar.

17 MR. NATHANSON: And Del Mar. So all those tracks
18 will receive priority placement.

19 VICE CHAIRMAN HARRIS: And then beyond that you
20 would have video streaming on all the other tracks?

21 MR. NATHANSON: We will have video streaming on
22 all California tracks and accept wagers on all thoroughbred
23 California tracks.

24 CHAIRPERSON SHAPIRO: Including Santa Anita and
25 Golden Gate?

1 MR. NATHANSON: Including Santa Anita and Golden
2 Gate. And we have been promoting it heavily both on our
3 network, our availability of all California tracks, as well
4 as through our own marketing dollars on other platforms such
5 as the Daily Racing Form and other publications.

6 COMMISSIONER MOSS: How many states do you now
7 broadcast to?

8 MR. NATHANSON: We broadcast to all 50 states.
9 This year we have increased our distribution by over 100
10 percent to nearly 30 million homes across every major cable
11 and satellite provider and IPTV provider. We have also
12 renewed our agreement with Fox Sports Net which takes our
13 programming into additional homes. For example, Fox Sports
14 Net West and Prime Ticket in Southern California.

15 CHAIRPERSON SHAPIRO: And you accept wagers in how
16 many states?

17 MR. NATHANSON: We accept wagers today in 13
18 states, including a new state which we launched this year,
19 an agreement with Yonkers Race Course in New York.

20 VICE CHAIRMAN HARRIS: So the factor there is
21 those are states that have basically through the legislature
22 authorized ADW.

23 MR. NATHANSON: Authorized TVG to conduct, yes.

24 VICE CHAIRMAN HARRIS: Are there are other states
25 out there that ADW is legal that you're not in that you

1 could expand into?

2 MR. NATHANSON: You know, I think that's up for
3 interpretation by each ADW company.

4 VICE CHAIRMAN HARRIS: I know there is a dispute
5 as far as the state and where the bet is made and all that.

6 CHAIRPERSON SHAPIRO: Okay, with that I would
7 entertain a motion that we approve this.

8 COMMISSIONER AMERMAN: So moved.

9 CHAIRPERSON SHAPIRO: Moved. Second?

10 COMMISSIONER MORETTI: Second.

11 CHAIRPERSON SHAPIRO: All in favor?

12 (Ayes)

13 MS. CHRISTIAN: Mr. Chair, if I can just take a
14 moment. I want to give some kudos to your staff. This is
15 very, very hard stuff and everybody is trying to work
16 through it. And I think that -- Because I have been on that
17 side. The staff analysis is very cogent, it's well done.
18 And I hope you all give some kudos to your hardworking staff
19 because they've really been very helpful to all of us.

20 CHAIRPERSON SHAPIRO: Well thank you. I
21 appreciate hearing that and I appreciate that the staff
22 hears that. And we will thank staff. Thank you Roberto,
23 thank you Bon, thank you everybody. Wendy, thank you. And
24 everybody back at the office who I may have missed but we do
25 appreciate it. And of course Jackie.

1 Okay, that brings us to Youbet. What happened to
2 xpressbet, did I -- They're X, they're alphabetical.

3 Okay. Good morning Mr. Champion and Mr. Powell,
4 how are you?

5 MR. CHAMPION: Good morning.

6 MR. POWELL: Good morning. Good, thank you.

7 CHAIRPERSON SHAPIRO: Good. You've heard the
8 prior discussions so you kind of know what the questions
9 are. You want to tell us about you have a hub agreement,
10 where it is.

11 MR. CHAMPION: Chuck Champion, Chairman and chief
12 Executive Officer of Youbet.com. We do have a hub
13 agreement. We have signed it. We understand that we'll be
14 getting a new hub agreement to sign again because of the
15 changes that we have all head about today. So we have an
16 agreement and we're prepared to sign it.

17 CHAIRPERSON SHAPIRO: Okay. And in terms of the
18 card check discussion, the labor agreement discussion?

19 MR. CHAMPION: We have had conversations with the
20 union. We are supportive of the concept of making sure that
21 individuals that are engaged in the processing of wagers,
22 particularly here in California, is addressed. It is going
23 to be a matter of identifying those individuals at Youbet
24 that would be covered, appropriately covered and how they
25 would be covered. So those conversations will need to take

1 place over the next number of weeks.

2 We suggest that you, however though to ensure that
3 there isn't bargaining power or leverage, make sure that it
4 is clear that what these ADW companies need to be is in
5 compliance with the statute, not simply having an agreement
6 in place.

7 CHAIRPERSON SHAPIRO: And I believe that is our
8 intent and I believe that that was acknowledged and
9 recognized by Mr. Broad.

10 MR. CHAMPION: Okay.

11 CHAIRPERSON SHAPIRO: But it is our intent to
12 comply with the statute. We are not party and shouldn't be
13 involved in contractual agreements between the parties.

14 MR. CHAMPION: Correct.

15 CHAIRPERSON SHAPIRO: All right, does anybody
16 else --

17 COMMISSIONER MORETTI: How many employees do you
18 now have in California?

19 MR. CHAMPION: In our Woodland Hills facility we
20 have about 78 I believe, almost 80.

21 CHAIRPERSON SHAPIRO: At one point you had I think
22 telephone jobs there. Do you now have?

23 MR. CHAMPION: We have some, we have some jobs
24 that are there that are not going to be residing there. Not
25 as a result of this but they have been moved. We were

1 carrying some overflow out of our Woodland Hills facility.
2 We are handling the vast majority of that out of our Oregon
3 facility and that's where most everything is going to be
4 placed.

5 CHAIRPERSON SHAPIRO: Okay. Does anybody else
6 have any other questions? Otherwise I think --

7 VICE CHAIRMAN HARRIS: So you also will be
8 covering essentially every track in California? It could be
9 bet through Youbet?

10 MR. CHAMPION: Yes. In fact we would like to
11 compliment Mr. Charles and his marketing team for some of
12 the ideas and suggestions that he has made in terms of how
13 he is going to improve performance at both Santa Anita and
14 at Golden Gate Fields.

15 One of the things that we will offer publicly to
16 Mr. Charles is the ability to notify our customers within 50
17 miles of those racetracks that Mondays are free and an
18 opportunity for them to go there. Because we support the
19 concept that we need to get new racing fans and people to
20 the racetrack. We think that is a terrific idea and we're
21 looking forward to working more closely with our partners at
22 Magna this year to try to make Santa Anita terrific as well
23 as Golden Gate Fields.

24 CHAIRPERSON SHAPIRO: Terrific. Okay.

25 COMMISSIONER MOSS: Just a question. In the past

1 you were not able to promote California racing because of
2 inhibiting fees and all that. Is this now a different
3 situation?

4 MR. CHAMPION: It is. You know, thanks to the
5 hard work of Mr. Nathanson, Mr. Liebau, along with the TOC
6 and representatives of TrackNet, which are some of our
7 competitors, the new agreements that have been crafted and
8 the new models that are being used afford Youbet a more
9 sizable profit here in California and therefore can be
10 reinvested into the state and growing the business. It's
11 still not nearly what we'll make in other states but it's
12 gone from nothing to something.

13 And California is a critically important market,
14 not only to horse racing but to Youbet. Twenty-five percent
15 or so of the handle is California handle. And we're
16 delighted at the changes and we're really looking forward to
17 how this experiment unfolds to make sure that it works for
18 all parties in the agreement. So we're going to throw our
19 shoulder into that to truly make it work.

20 And that's, again, already begun. We're showing
21 very nice increases year over year on Hollywood Park, even
22 with the additional competition in the marketplace. We are
23 watching over all trends, however though, because of the
24 absence of having tracks like Fairgrounds and Churchill. It
25 affects our business so that even though those tracks are

1 not formally exclusive that's in essence what's happening
2 right now. They're exclusive to the TrackNet partnership
3 and absent on TVG and Youbet and that affects our overall
4 performance in the state and in the country. So we're going
5 to have to keep an eye on that as we move forward.

6 COMMISSIONER MOSS: Mr. Champion, how many states
7 do you accept wagers in now?

8 MR. CHAMPION: We accept wagers in 36
9 jurisdictions. We recently stopped taking wagers in
10 Washington DC, the District of Columbia, as a result of
11 requests by the Oregon Racing Commission.

12 We have ceased taking wagers in Arizona as a
13 result of a new passage of law that we believe is
14 unconstitutional and are looking at, quite candidly,
15 challenging that law because of the nature of it. It's a
16 closure law, it's exclusion, it seems to violate the concept
17 of supremacy and the interstate horse racing acts and we're
18 looking at that very seriously as we speak.

19 MR. POWELL: I might add that the changes in both
20 of those jurisdictions apply to all ADWs.

21 CHAIRPERSON SHAPIRO: And that's Lonny Powell
22 speaking.

23 MR. POWELL: Yes, Lonny Powell, Youbet.com.
24 Sorry, Mr. Chair.

25 CHAIRPERSON SHAPIRO: That's okay.

1 MR. CHAMPION: Very painful for him as well,
2 coming from Arizona.

3 CHAIRPERSON SHAPIRO: All right, I will entertain
4 a motion to license Youbet for one year through 2008,
5 conditionally as we've discussed with the other applicants
6 or licensees. Is there a motion?

7 VICE CHAIRMAN HARRIS: So moved.

8 CHAIRPERSON SHAPIRO: Second.

9 COMMISSIONER MORETTI: Second.

10 CHAIRPERSON SHAPIRO: All approved?

11 (Ayes)

12 CHAIRPERSON SHAPIRO: Thank you very much.

13 MR. CHAMPION: Thank you very much.

14 CHAIRPERSON SHAPIRO: And good luck catching your
15 plane.

16 COMMISSIONER MORETTI: Could I ask, Mr. Chair,
17 that at our next meeting that we get a report back on what
18 happened with these negotiations that we are conditioning
19 all of this on.

20 CHAIRPERSON SHAPIRO: Our next meeting is going to
21 be December 14. So I don't know that we'll be able to get
22 it done for the 14th but perhaps for the January one.

23 VICE CHAIRMAN HARRIS: Sometime I would like to
24 also have the Board get a recap of the way the total ADW
25 works as far as where all the money goes for the different

1 types of bets. It gets pretty complicated and I don't think
2 any of us understand it as well as we really need to.

3 COMMISSIONER MORETTI: You should read the 75
4 notebooks you got.

5 VICE CHAIRMAN HARRIS: Yes, I got a big box of
6 stuff. But we need to just show different examples of bets.
7 If a bet is made at Golden Gate on Santa Anita or if
8 somebody is home in Fresno on Santa Anita. How it all
9 works.

10 COMMISSIONER AMERMAN: I think that's a great
11 suggestion.

12 CHAIRPERSON SHAPIRO: Okay. All right, moving
13 right along. We're going to do Xpressbet. And we're making
14 good progress so hopefully Melissa and Laura are watching
15 and they'll get an earlier plane maybe. Maybe they'll get
16 that 4:15 airplane.

17 Okay, Item number 17, which is discussion and
18 action to conduct advance deposit wagering by Xpressbet.
19 Again we're talking about for one year. Good morning.

20 MR. SCOGGINS: Good morning, Mr. Chair. My name
21 is Gregg Scoggins, I'm with Xpressbet and Magna
22 Entertainment. With me is Gene Chabrier with Xpressbet
23 also. It's a pleasure to be here.

24 CHAIRPERSON SHAPIRO: Nice to have you here.

25 MR. SCOGGINS: Thank you.

1 CHAIRPERSON SHAPIRO: You've heard the prior
2 discussions so let's hear about your hub agreement. Do you
3 have a hub agreement?

4 MR. SCOGGINS: As I understand it there is a hub
5 agreement in place that all of the parties have agreed to,
6 we're just awaiting signatures. It's the ten party
7 agreement that has been referred to earlier this morning.

8 CHAIRPERSON SHAPIRO: Okay, so as a condition of
9 your license you will have a hub agreement similar to the
10 other ADW companies.

11 MR. SCOGGINS: Yes sir.

12 CHAIRPERSON SHAPIRO: Okay. And on the agreement
13 with labor; you have also heard that discussion.

14 MR. SCOGGINS: Yes. To provide some factual
15 context. Xpressbet does have live tellers who take wagers
16 on behalf of customers. Those tellers are employees of
17 Xpressbet. They are located in Oregon at our Oregon hub.
18 We do not have any employees in the state of California at
19 this time.

20 The extent to which we utilize kiosks or
21 facilities at Santa Anita, Bay Meadows and Golden Gate are
22 pursuant to agreements that we have with those tracks where
23 SEIU union members who are employees of those tracks provide
24 those services on Xpressbet's behalf and Xpressbet
25 reimburses the track for those employees' times.

1 As far as the agreement with the SEIU. We had
2 submitted an agreement for their consideration, had received
3 comments back from their lawyer with which we agreed. It is
4 my understanding and expectation that we should not have too
5 much difficulty in finalizing the terms of that agreement
6 such that it would be in place before January 1.

7 CHAIRPERSON SHAPIRO: Okay. We want to make sure
8 there is no difficulty and that it will be in place. And
9 I'm hoping there isn't too much also -- And again, we're not
10 trying to create any negotiating leverage for either side or
11 any party but it is a condition of your license that it be
12 in place. Okay?

13 MR. SCOGGINS: Yes sir.

14 CHAIRPERSON SHAPIRO: All right. Does anybody
15 have any questions?

16 I'm assuming you -- How many states do you accept
17 wagers in?

18 MR. SCOGGINS: Thirty-four.

19 CHAIRPERSON SHAPIRO: Thirty-four, okay. And
20 obviously you use HRTV.

21 MR. SCOGGINS: Yes sir.

22 CHAIRPERSON SHAPIRO: Because you are part of
23 TrackNet, is that correct?

24 MR. SCOGGINS: That's correct.

25 CHAIRPERSON SHAPIRO: Okay, TrackNet Media. All

1 right.

2 COMMISSIONER AMERMAN: What are the two states
3 that you don't accept wagers in that are done by --

4 CHAIRPERSON SHAPIRO: Youbet.

5 COMMISSIONER AMERMAN: -- Youbet.

6 MR. SCOGGINS: I'll defer to Mr. Chabrier.

7 MR. CHABRIER: I can tell you in a second.

8 COMMISSIONER AMERMAN: I didn't realize it was a
9 tough question.

10 CHAIRPERSON SHAPIRO: Do you know?

11 MR. POWELL: Texas is one.

12 MR. CHABRIER: Yes.

13 MR. SCOGGINS: And Michigan I suspect is the
14 other.

15 CHAIRPERSON SHAPIRO: There we go.

16 COMMISSIONER AMERMAN: Thank you.

17 CHAIRPERSON SHAPIRO: Okay, I will entertain a
18 motion to approve our friends at Xpressbet.

19 COMMISSIONER AMERMAN: So moved.

20 CHAIRPERSON SHAPIRO: Second?

21 COMMISSIONER MORETTI: Second.

22 CHAIRPERSON SHAPIRO: All in favor?

23 (Ayes)

24 MR. SCOGGINS: Thank you.

25 CHAIRPERSON SHAPIRO: Thank you. Okay, do we need

From: MIKE MARTEN
Sent: Monday, November 05, 2007 1:51 PM
To:
Subject: CHRB NEWS RELEASE

EXPERIMENT OPENS UP ADW WAGERING IN CALIFORNIA

SACRAMENTO, CA -- CHRB Chairman Richard B. Shapiro announced an eight-month experiment beginning Wednesday that opens up thoroughbred racing to all Advance Deposit Wagering providers in California.

"I am pleased that the stakeholders within the California racing industry have reached an accord that will permit non-exclusive ADW wagering," Chairman Shapiro said Monday. "During this eight-month experiment, fans wagering on California racing will be able to use the licensed platform of their choosing. Television will continue to be exclusively provided by either TVG or HRTV, depending on agreements with tracks and horsemen.

"I want to personally thank each of the parties for allowing this ADW experiment to become a reality. I know it was not easy. I appreciate that each and every party gave up something to make this happen. I am pleased that our all-to-often bifurcated industry came together to try something new, which may prove of benefit to all parties and most importantly to our fans."

Chairman Shapiro, joined by other racing commissioners, had been urging the industry stakeholders to "grow our business and use every possible vehicle and means to do that," including the end of ADW exclusivity.

Following intense negotiations in recent weeks involving the Thoroughbred Owners of California (TOC), Hollywood Park, Bay Meadows, Golden Gate Fields, Santa Anita Park, TVG, XpressBet, TwinSpires, and YouBet, the parties reached an agreement that begins Wednesday with the opening of the Hollywood Park and Golden Gate fall meets and runs through July 13, 2008, closing day of the Hollywood Park spring-summer meet.

TOC President Drew Couto described the experiment as "the next step in the evolution of California ADW. We've been asking for non-exclusivity for years. We believe this arrangement will benefit the entire industry. It makes slight adjustments to the hub fees and provides for payment of broadcast fees to the television broadcast partners. We believe this is going to be a great starting place for needed change."

Jack Liebau, president of Hollywood Park and Bay Meadows, said everyone recognized the inconvenience to the wagering public of having separate accounts for wagering on all California tracks.

"Wednesday will be a new dawn for ADW wagering in California," said Liebau. "Wagering will be made available to all ADW operators in California. For example, when we open Hollywood Park, customers will be able to wager on our races through XpressBet accounts, and when Golden Gate opens, customers will be able to bet on those races with TVG accounts.

“The new model provides for a larger revenue stream to tracks and horsemen. It also allows for a track to continue having an exclusive television provider. Hollywood Park will continue its exclusive television arrangement with TVG, and Bay Meadows will become an exclusive TVG track as far as television broadcasting is concerned.”

Santa Anita and Golden Gate will continue their exclusive television arrangements with HRTV.

CHRB Vice Chairman John Harris said, “I feel ADW is the great hope of horse racing, and some of the things we’ve accomplished in this go-round should enhance it. We have barely scratched the surface of our customer base. Horse racing is the only legal sports wager in most states. Wagering on the Internet on a regular basis by sports lovers all over the world can dramatically improve the economics of horse racing. I like this avenue for revenue growth much better than slots.”

STAFF ANALYSIS
DISCUSSION CONCERNING PROGRESS AND PLANNING FOR
THOROUGHBRED RACING ALTERNATIVES IN NORTHERN AND SOUTHERN
CALIFORNIA,
INCLUDING OPTIONS; COMBINED RACE MEETINGS, FINANCING
ARRANGEMENTS FOR TRACK IMPROVEMENTS AND TIME SCHEDULE FOR
PROPOSED IMPROVEMENTS, DEVELOPMENT OF PLANS FOR RACE DATES,
STABLING AND RELATED ISSUES.

Regular Board Meeting
June 27, 2008

BACKGROUND

Business and Professions Code section 19440(a) states the Board shall have all powers necessary and proper to enable it to carry out fully and effectually the purposes of this chapter. Responsibilities of the Board shall include allocation of racing dates to qualified associations in accordance with the law.

Board Rule 1430, Allocation of Racing Weeks and Dates, states the Board shall allocate racing weeks and dates for the conduct of horse racing in this State for such time periods and at such racing facilities as the Board determines will best subserve the purposes of the Horse Racing Law and which will be in the best interests of the people of California in accord with the intent of the Horse Racing Law.

ANALYSIS

In anticipation of the discussion concerning the progress and planning for thoroughbred racing alternatives in Northern and Southern California, the racing industry was asked to submit reports addressing the status of plans and progress for thoroughbred racing in northern and southern California for 2009 and beyond.

The attached Southern California Thoroughbred Industry Progress Report was submitted on behalf of the southern California stakeholders. As submitted, the Southern California white paper does not represent that each stakeholder agrees totally with statements made, however, the report confidently represents the feelings of the stakeholders that have been involved in the process.

The Southern California stakeholders include The Thoroughbred Owners of California (TOC), California Thoroughbred Trainers (CTT), California Thoroughbred Breeders Association (CTBA), Del Mar, Magna Entertainment Corporation (MEC), Hollywood Park, Oak Tree and the Los Angeles County Fair Association

Northern California stakeholders submitted the attached set of draft calendars for 2009-2011, which reflect the current status of discussion amongst the principals on this subject. As submitted, it is emphasized that this is a “draft” in progress, and that the parties continue to meet regularly, as has been the case over the last several months, to develop calendars that will offer a solid racing schedule for Northern California’s foreseeable future.

The Northern California stakeholders include: Golden Gate Fields and the member fairs of the California Authority of Racing Fairs.

In addition, to assist in the discussion, the following items are also attached:

Business and Professions Code Section 19530-19540
2008 Racing Calendars
2008 Race Dates Bar Chart
2009 Calendar

RECOMMENDATION

Staff recommends that the Board hear from the industry stakeholders

Wagner, Jacqueline

From: Clifford Goodrich
Sent: Thursday, June 12, 2008 10:39 AM
To: Wagner, Jacqueline
Subject: SoCal Progress Report

Jackie -

I have attached a white paper that should provide the board with a broad background of the progress to date relating to long-term training and stabling.

While I cannot represent that each stakeholder agrees totally with statements made, I am confident that the report generally represents the feelings of the stakeholders that have been involved in the process.

If you have any questions, please call me at (805) 341-7575.

Sincerely,

Cliff Goodrich
Consultant for Fairplex

SOUTHERN CALIFORNIA THOROUGHBRED INDUSTRY PROGRESS REPORT

The present stakeholders (TOC, CTT, CTBA, Del Mar, MEC, Hollywood Park, Oak Tree and the Los Angeles County Fair Association) have been actively pursuing various alternatives for long-term racing and training for over two years. While no final agreements have been reached, it is important that the board be made aware of discussions and progress detailed below.

Hollywood Park Transition

All of the items discussed below are made more difficult to logistically initiate given the uncertainty of Hollywood Park's racing future. However, Hollywood Park's commitment to race at least through its 2009 spring-summer meeting has given the industry some additional time to formulate its long-term plans. It is essential that all current stakeholders are supportive of every aspect of long-term planning or else progress will be severely inhibited.

Training Facilities

The southern California Thoroughbred racing industry is resolved on the importance and need for a centrally located, quality, permanent year-round training center, serving southern California. Additionally, the training center would operate cooperatively with San Luis Rey Downs in conjunction with the other race track conducting a race meet at the time. Fairplex has been identified as the most logical site for a year-round training center. This selection is contingent upon both financing and business arrangements being put in place to secure Fairplex for a period of up to thirty years. Part and parcel with this selection is the anticipated expansion to a near-one mile synthetic racing surface, a seven-eighths mile inner turf course and a five-furlong dirt training track. Also, additional new stalls would expand the present capacity from just over 1,300 stalls to a projected 2,200. More stall space could be made available with changes in project scope and cost.

In addition to Fairplex, should thoroughbred racing be conducted at Los Alamitos, Los Alamitos is anticipated to add approximately 700 stalls to be dedicated to year-round thoroughbred training at its facility.

Finally, it appears that there may be a need to utilize the Del Mar Fairgrounds on an emergency basis, while the Fairplex expansion is under construction. An exact period of time, along with the necessary business arrangements are currently under discussion. According to Tim Fennel, CEO of the 22nd District Agricultural Association, the Del Mar Fairgrounds is dedicated to Thoroughbred racing and would be available as an emergency training center during the fall and winter months of the year (September through March). There will be an industry meeting on June 23rd at Del Mar to explore and give further definition to this arrangement.

Should Hollywood Park cease racing, all of the above alternatives would lead to permanent total stall capacities ranging from approximately 4,700 to 5,400 approved thoroughbreds -- very similar to current levels. While all facilities may not be utilized simultaneously, such levels have

been determined to be more than sufficient to accommodate the needs of Thoroughbred tracks in southern California.

Finally, it has been agreed to that the expansion of Fairplex needs to move forward, regardless of whether Hollywood Park remains in racing or not. Should Fairplex be expanded and Hollywood Park remain in racing, the prospect then exists to provide periods of time during which race tracks would no longer be needed to conduct off-site stabling and training. Allowing such facilities a “rest” would allow those entities to properly enhance, improve and provide needed maintenance to their backstretch facilities while the horses were elsewhere. In addition, this alternative allows for cost efficiencies with regard to the off-site stabling and vaning fund, a fund where the statutory source and consequently amount derived for funding is shrinking.

Racing Facilities/Meets

Should Hollywood Park cease racing, in addition to the Santa Anita, Oak Tree, Del Mar and Los Angeles County Fair meets, potential additional racing dates could be conducted at Fairplex, Los Alamitos and/or the 22nd District Agricultural Association at Del Mar. Each of these associations has expressed interest in conducting Thoroughbred race meetings. Stakeholders continue to be involved in discussions that will hopefully lead to a date’s schedule that is in the best interests of the Thoroughbred industry in southern California.

Financing

At this point in time efforts are underway to secure tax exempt financing through a JPA for the Fairplex expansion. The estimated cost for such an expansion, described earlier in this document is \$75 million. The stakeholders have been challenged, but are making progress, on identifying various sources for the funding necessary to service the approximate \$5 million in annual debt service.

To date, the industry has spent \$600,000 in soft costs on scope, budget and related engineering. The scope and project design has been reviewed and accepted by the southern California racing industry. The industry is working on a \$3 million funding package to complete the soft cost (pre-construction) portion of the project. The Fairplex expansion requires approximately 14 months, of which the first five are dedicated to planning and the ensuing nine months to construction.

Legislation

Virtually all of the “pieces” outlined above are critical to moving forward and will require new or modified legislation. It is imperative that this legislation be introduced, passed by the legislature and signed into law by the Governor by the end of the current legislative session. The industry is currently working on cooperative legislation that would provide funding to support the training centers at both Fairplex and Pleasanton.

**Northern California Stakeholders Draft 2009-2011
Calendars**

Wagner, Jacqueline

From: Christopher Korby
Sent: Friday, June 13, 2008 1:42 PM
To: Wagner, Jacqueline; Richard B. Shapiro
Cc: Joe Barkett; Rick Pickering; Robert Hartman; Ron Charles-S. Anita; Drew Couto; Tom Bachman
Subject: DRAFT Northern California Calendars for 2009, 2010 and 2011

Jackie,

Please find attached a set of DRAFT calendars 2009-2011 for Northern California race dates, reflecting the current state of discussions amongst the principals on this subject. I want to emphasize that this is a DRAFT-in-progress and that the parties continue to meet regularly, as they have over the last few months, to hammer out calendars that will offer a solid racing schedule in Northern California for the foreseeable future.

The closing of Bay Meadows will bring significant changes to racing in Northern California. In our planning, we are intentionally showing dates as blocks so as to allow us the flexibility for adjustments as circumstances might dictate over the next few years. These calendars are a framework that reflect the direction of our planning and demonstrate our confidence that we will continue to offer a strong, year-round racing program in Northern California.

Per conversation yesterday, we are sending these for inclusion in the Board packet.

Best regards,
--Chris

Christopher Korby
Executive Director
California Authority of Racing Fairs
916-263-3348

2009 DRAFT-Northern California Race Dates

December

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					26	27
28	29	30	31			

5

GGF Winter	84
GGF Spring	65
Total GGF	149

Pleasanton run @ GGF	20
Pleasanton run @ GGF	15
Total Pleasanton @ GGF	35

Summer Fairs	70
Overlap Summer Fair	TBD
Total Fairs	####

Simulcast only TBD

January

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

23

February

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

20

March

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

1

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April

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

22

May

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

23

June

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

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July

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

21

August

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

TBD

22

September

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

17

October

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

10

14

November

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

20

1

December

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

15

2010 DRAFT-Northern California Race Dates

PAGE 8-9

December						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
						26
27	28	29	30	31		
5						

GGF Winter	83
GGF Spring	65
Total GGF	148

Pleasanton run @ GGF	20
Pleasanton run @ TBD	15
Total Pleasanton	35

Summer Fairs	70
Overlap Summer Fair	TBD
Total Fairs	###

Simulcast only TBD

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

February						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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14	15	16	17	18	19	20
21	22	23	24	25	26	27
28						
20						

March						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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21	22	23	24	25	26	27
28	29	30	31			
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20						

April						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	
22						

May						
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23						

June						
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July						
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21						
21						

August						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				
TBD						
21						

September						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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19						

October						
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November						
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December						
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15						
15						

2011 DRAFT-Northern California Race Dates

PAGE 8-10

December						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
26	27	28	29	30	31	

GGF Winter	82
GGF Spring	65
Total GGF	147

Pleasanton	20
Pleasanton	15
Total Pleasanton @ GGF	35

Summer Fairs	70
Overlap Summer Fair	TBD
Total Fairs	####

Simulcast only TBD

January						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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2	3	4	5	6	7	8
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February						
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March						
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April						
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May						
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June						
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July						
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August						
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September						
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October						
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November						
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December						
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14

BUSINESS AND PROFESSIONS CODE
ARTICLE 6 RACING DAYS AND WEEKS AND
ARTICLE 6.5 FAIRS AND EXPOSITIONS

19530. The board shall have the authority to allocate racing week to an applicant or applicants pursuant to the provisions of this article and Article 6.5 (commencing with Section 19540) and to specify such racing days, dates, and hours for horse racing meetings as will be in the public interest, and will subserve the purposes of this chapter. The decision of the board as to such racing days, dates, and hours shall be subject to change, limitation or restriction only by the board. No municipality or county shall adopt or enforce any ordinance or regulation which has or may have the effect of directly or indirectly regulating, limiting or restricting the racing days and dates of horse racing meetings.

19530.5. For the purposes of this article there shall be three geographical zones which shall be designated

- (a) the "southern zone," which shall consist of the Counties of Imperial, Orange, Riverside, and San Diego;
- (b) the "central zone," which shall consist of the Counties of Kern, Los Angeles, San Bernardino, San Luis Obispo, Santa Barbara, and Ventura; and
- (c) the "northern zone," which shall consist of the remaining counties in the state.

19531 The board shall make allocations of racing weeks, including simultaneous racing between zones, as it deems appropriate. The maximum number of racing weeks that may be allocated for horse racing other than at fairs, shall be as follows:

- (a) – For thoroughbred racing: 44 weeks per year in the northern zone; 42 weeks per year in the central zone; and seven weeks per year in the southern zone.
- (b) For harness racing: 25 weeks per year in the northern zone.
- (c) For quarter horse racing: 25 weeks per year in the northern zone.
- (d) For harness racing and quarter horse racing: a total of 77 weeks per year in the combined central and southern zones.
- (e) In its written application for a license, an applicant shall state the time of day, consistent with this chapter, during which it will conduct its racing meeting, and particularly the first race starting time for the various racing days. After receiving a license, a licensee shall not change the first race starting time without securing prior approval of the board.
- (f) Notwithstanding this section or any other provision in this chapter, the board shall not allocate dates to a thoroughbred association in the central zone for the purpose of conducting racing during daytime hours if a thoroughbred racing association is conducting racing in the southern zone on the same date during daytime hours.

19531.1. Notwithstanding any other provision of law, the board shall not allocate racing dates to a private thoroughbred racing association in the central or southern zone for the purpose of conducting thoroughbred racing during daytime or nighttime hours if a fair racing association is conducting racing in the central zone on the same dates and if that fair is obligated to make payments on a capital expense loan incurred for the purpose of improving its facilities for horse racing.

- 19532.** (a) Any association licensed to conduct thoroughbred racing in the northern zone may receive no more than 22 weeks of that racing.
- (b) Any association licensed to conduct thoroughbred racing in the central zone may receive no more than 17 weeks of that racing, except that any association which conducts a split meeting may receive up to 20 weeks of that racing. No more than one such split meeting may be licensed in any one year.
- (c) This section and Section 19531 shall not operate to deprive any association of any weeks of racing granted during 1980.
- (d) This section and Section 19531 shall not operate to deprive the California State Fair and Exposition of any weeks of racing granted during the previous calendar year, and the board may continue to allocate those weeks of racing to the California Exposition and State Fair or any lessee thereof.
- (e) Nothing in subdivision(d) is a limitation on the board allocating racing weeks to any private racing association as a lessee of the California Exposition and State Fair racetrack facility pursuant to Sections 19531 and 19532.

19533. (a) Any license granted to an association other than a fair shall be only for one type of racing, thoroughbred, harness, or quarter horse racing as the case may be, except that the board may authorize the entering of thoroughbred and Appaloosa horses in quarter horse races at a distance not exceeding five furlongs at quarter horse meetings, mixed breed meetings, and fair meetings. If the board authorizes the entering of thoroughbred or Appaloosa horses in quarter horse races, the following conditions shall be met:

- (1) Any race written for participation by quarter horses, Appaloosas, and thoroughbreds shall be written as quarter horse preferred.
 - (2) The number of races written as quarter horse preferred at a distance exceeding 870 yards shall not exceed more than three races per program without the consent of the quarter horse horsemen's organization contracting with the association.
 - (3) More than one-half of the races on any program shall be for quarter horses at a distance not to exceed 550 yards, unless the consent of the quarter horse horsemen's organization is received.
 - (4) Mixed races with Appaloosa and quarter horses may only be written with the consent of the quarter horse horsemen's organization contracting with the association.
 - (5) Thoroughbreds shall constitute less than half the number of horses in these races although an exception may be granted on a race-to-race basis with the consent of the quarter horse horsemen's organization contracting with the association.
- (b) The association that conducts the meeting shall pay to a thoroughbred trainers' organization an amount for a pension plan for backstretch personnel to be administered by that trainers' organization equivalent to 1 percent of the amount available to thoroughbred horses for purses. The remainder of the portion shall be distributed as purses. Any redistributable money paid to the board pursuant to Section 19641, which is paid to a welfare fund established by a horsemen's organization from races with both thoroughbred and quarter horses, shall be divided pro rata between the two welfare funds based on the number of thoroughbreds and quarter horses in the race.
- (c) (1) Notwithstanding any other provision of law, any association licensed to conduct quarter horse racing may apply to the board for, and the board shall grant, authority to conduct thoroughbred racing as part of its racing program if all of the following conditions are met:
- (A) The thoroughbred races are for a claiming price of not more than five thousand dollars (\$5,000), and at a distance of four and one-half furlongs or less. The races may not be stakes, allowance races, or maiden allowance races.
 - (B) More than one-half of the races on any program shall be for quarter horses at a distance not to exceed 550 yards, unless the consent of the quarter horse horsemen's organization is received.

(C) The consent of the quarter horse horsemen's organization contracting with the association is obtained with respect to the inclusion of thoroughbred racing.

(2) The quarter horse racing association conducting thoroughbred racing pursuant to this subdivision shall pay to a quarter horse horsemen's organization the amount specified in subdivision (e) of Section 19613, and an amount for a pension plan for backstretch personnel to be administered by a thoroughbred trainers' organization equivalent to 1 percent of the amount available to thoroughbred horses for purses. The remainder of the portion shall be distributed as purses. The quarter horse racing association shall also deduct the appropriate amount to comply with subdivision (a) of Section 19617.2 for distribution to the thoroughbred official registering agency.

19533.5. (a) Notwithstanding Section 19533, the board may authorize the following mixed breed racing:

(1) An association licensed to conduct a quarter horse meeting to include Appaloosa races and Arabian races with the consent of the quarter horse horsemen's organization contracting with the association with respect to the conduct of the racing meeting.

(2) A race between a quarter horse and a thoroughbred horse at a thoroughbred meeting with the consent of the thoroughbred horsemen's organization contracting with the association with respect to the conduct of the racing meeting.

(b) Notwithstanding Section 19533, an association licensed to conduct quarter horse racing or a fair may conduct races that include paint horses racing with quarter horses or Appaloosa horses in the same race. When paint horses race with quarter horses, the consent of the organization that represents quarter horse horsemen and horsewomen shall first be obtained. A quarter horse association may write a race for paint horses only to replace an Appaloosa or Arabian race without increasing the average number of races run per race day with the consent of the organization representing the quarter horse men and women.

(c) A quarter horse race with seven or more entries shall not be replaced by a race that includes paint horses, without the consent of the organization that represents quarter horse horsemen and horsewomen.

(d) Notwithstanding any other provision of law, any quarter horse racing association or fair conducting barrel racing, paint horse racing, show jump racing, or steeplechase racing shall pay to the quarter horsemen's organization the amount specified in Section 19613 for purposes of representing the horsemen and horsewomen conducting these races.

19533.6. Notwithstanding Section 19533, the board may authorize any racing association licensed to conduct a live quarter horse racing meeting to also conduct mule racing at that racing meeting, subject to the following conditions:

(a) Mule races may only be conducted when a fair is not licensed to conduct live races with parimutuel wagering.

(b) The consent of the quarter horse horsemen's organization contracting with the association shall be obtained with respect to the inclusion of mule racing.

(c) The majority of the races conducted on any given racing day shall be quarter horse races.

(d) A quarter horse association may conduct mule races provided that the total number of Arabian and mule races run in a year do not exceed the total number of Arabian races run in the state in 2001.

(e) An Arabian race with seven or more entries shall not be replaced by mule race, without the consent of the organization that represents Arabian horsemen and horsewomen.

19549. Except as provided in Section 19549.1, the maximum number of racing days that may be allocated to a fair shall be 14 days each year. Those racing days shall be days during the period in which general fair activities are conducted. However, any fair racing association that conducted racing in the central or southern zone prior to January 1, 1980, shall be entitled to be allocated up to three weeks of racing. The board shall take public testimony and make all determinations on the allocation of racing dates during a public hearing. All discussions of allocating racing dates by the board or its subcommittees shall be conducted during a public hearing. Nothing in this section diminishes the authority of the board to establish racing dates.

19549.1. Notwithstanding Sections 19533 and 19549 or any other provision of this chapter, the board may allocate horse racing days for mixed breed meetings and combined fair horse racing meetings pursuant to Section 4058 of the Food and Agricultural Code, except as follows:

(a) Dates may only be allocated for a combined fair horse racing meeting between July 1 and October 31, and the total combined number of dates shall not exceed the total combined dates of the combined fair racing associations in 1995.

(b) Days may not be allocated for a mixed breed meeting or a combined fair horse racing meeting during the month of June at the California Exposition and State Fair if a standardbred meeting is being conducted at that facility during the month of June. The mixed breed meetings shall be conducted by a person other than the fair and shall be subject to Section 19550. The mixed breed meetings shall encourage the racing of emerging breeds of horses.

19549.2. From the weeks available for harness and quarter horse racing pursuant to subdivision (d) of Section 19531, the board may allocate a maximum of 12 weeks of harness racing to the 22nd District Agricultural Association to be conducted on the 22nd District Agricultural Association grounds. The racing shall be conducted by a person other than the 22nd District Agricultural Association.

19549.3. Notwithstanding Section 19549 or any other provision of this chapter, the board may annually allocate a maximum of 28 racing days to any county fair in the northern zone which did not conduct horseracing prior to January 1, 1985.

19549.4. Notwithstanding Section 19414.5, the board may allocate racing weeks consisting of fewer than five days to an association conducting harness or quarter horse racing meetings if the association and the organization representing the horsemen participating in the meeting agree to the allocation.

19549.6. Notwithstanding subdivision (b) of Section 19531 and Sections 19540, 19546, and 19549, the board may allocate additional weeks of harness racing to the California Exposition and State Fair in Sacramento or its lessee, to be raced at the California Exposition and State Fair in Sacramento.

19549.7. Notwithstanding subdivision (c) of Section 19531 and Section 19549, the board may allocate additional weeks of quarter horse racing to a lessee of the California Exposition and State Fair in Sacramento to be raced at the California Exposition and State Fair in Sacramento.

19549.9. Notwithstanding subdivision (d) of Section 19531 and Section 19549, the board may allocate up to 10 additional weeks of harness racing to the Los Angeles County Fair, or its lessee, to be raced at the fairgrounds in Pomona.

19549.12. Notwithstanding Sections 19482 and 19549, any weeks of harness racing or quarter horse racing allocated by the board to be raced at the facilities of a county fair which conducts its racing meeting pursuant to Section 19549.3 may be conducted by the fair. License fees for racing at the facilities of the county fair other than for the racing days allocated pursuant to Section 19549.3 are exempt from Section 19614.5.

19549.13. (a) Fairs that conduct racing meetings in the northern zone may, and horsemen's organizations that represent horsemen who participate at fair racing meetings in the northern zone shall, jointly develop a program to provide for stabling and training facilities. This program shall be based on the anticipated inventory of horses and the number of available stalls and locations.

(b) Participating fairs and horsemen's organizations shall annually ratify an agreement which includes provisions governing the operation of the stabling and training facilities. The agreement shall also specify the conditions under which a participating fair may terminate its participation in the program.

(c) Individual horsemen who elect to participate in the program shall be required to sign standard agreements with the participating fair governing the operation of the program. The agreements shall contain provisions that govern the operation of the program, including, but not be limited to, insurance coverage and payment of a security deposit.

(d) All agreements provided for in this section shall be approved by the board.

(e) Each fair that conducts racing meetings in the northern zone may elect whether to participate in the stabling and training program.

19549.14. (a) Notwithstanding, Section 19489 or any other provision of this chapter, the board may permit the San Mateo County Fair to conduct live racing meetings at another site within or outside San Mateo County if its present site, Bay Meadows, closes.

(b) Live horse racing meetings conducted by the San Mateo County Fair, whether they are conducted within or outside of San Mateo County, shall be subject to the same provisions as are presently applicable to the San Mateo County Fair's conduct of live horse racing meetings at Bay Meadows.

(c) If the racing association licensed in the year 2002 to conduct thoroughbred race meetings in San Mateo County is not licensed to conduct a horse racing meeting in that county in any subsequent year, the San Mateo County Fair may, subject to the approval of the board, conduct its racing dates at a facility operated by a thoroughbred racing association or fair licensed to conduct a meeting in the northern zone.

19549.15. (a) Notwithstanding Section 19489 or any other provision of this chapter, the board may permit the Solano County Fair to conduct live racing meetings at another site within or outside Solano County, if the site of its 2002 racing meeting is no longer available for horse racing in any subsequent year. Further, subject to the approval of the board, the Solano County Fair may conduct its racing dates at a facility operated by a thoroughbred racing association or fair licensed to conduct a racing meeting in the northern zone.

(b) Any racing meeting licensed to the fair pursuant to subdivision (a) may be operated by the fair or the fair may contract for the operation and management of the racing meeting with an individual thoroughbred racing association or fair, or a partnership, joint venture, or other affiliation of one or more thoroughbred racing associations or fairs.

19535. (a) Notwithstanding any other provision of law, at the time the board allocates racing weeks, it shall determine the number of useable stalls that each association or fair shall make available and maintain in order to conduct the racing meeting. The minimum number of stalls may be at the site of the racing meeting or at board-approved offsite locations.

(b) With respect to racing meetings conducted in the northern zone, the association or fair conducting the meeting shall provide all stabling required by the board pursuant to subdivision (a) without cost to participating horsemen. Offsite stabling shall be at a board approved facility or facilities selected by the association or fair, with the agreement of the organization representing horsemen participating at the meeting. If there is a disagreement between the association or fair and the organization representing the majority of horsemen participating at the meeting with respect to the selection of offsite stabling facilities, the board, at the request of the association or fair or the organization representing the majority of horsemen participating at the meeting, shall promptly determine the board-approved facility or facilities at which offsite stabling shall be made available. The organization representing horsemen participating at the meeting and the association or fair shall mutually agree on the criteria and selection of horses that may use stalls required pursuant to this section. With respect to northern zone thoroughbred meetings only, the association shall also provide, at the option of the horse owner, vanning of participating racehorses from any board-approved offsite stabling facility in the northern zone. Fairs may provide, subject to the availability of funds pursuant to Sections 19607, 19607.1, 19607.2, and 19607.3, at the option of the horse owner, vanning of participating racehorses from any board-approved offsite stabling facility.

(c) With respect to racing meetings conducted in the central or southern zones, all costs associated with the maintenance of the useable stalls for the racing meeting shall be borne by the association or fair conducting the meeting, and, with respect to useable stalls at an offsite location, the association or fair may be required, by order of the board, to bear the costs of vanning from the offsite location to the racing meeting. However, with respect to any racing association in the central or southern zone that conducted a racing meeting in 1986, if the number of useable stalls made available onsite by a racing association during a racing meeting is less than 95 percent of the number of useable stalls made available onsite by that racing association during its 1986 racing meeting, the racing association shall reimburse the facility providing offsite stabling for the difference in cost between the actual number of useable stalls made available and 95 percent of the useable stalls made available in 1986. The racing association shall, in addition, reimburse the owner for vanning to the onsite location with respect to those horses stabled at an offsite location necessitated by the failure of a racing association to maintain 95 percent of the useable stalls made available by that racing association during its 1986 racing meeting.

ARTICLE 6.5 FAIRS AND EXPOSITIONS

19540. In order to encourage and develop the racing of all horses in California, regardless of breed, whenever a fair conducts a program of horse races on which there is parimutuel wagering, the fair, so far as practicable, shall provide a program of racing that includes thoroughbred racing, quarter horse racing, Arabian racing, and Appaloosa racing, if a sufficient number of horses is available to provide competition in one or more races.

CHRB 2008 RACING CALENDAR

DEC JAN FEB MAR APR MAY JUNE JULY AUG SEP OCT NOV DEC JAN

THOROUGHBRED & FAIR MEETINGS

26	Santa Anita (Los Angeles Turf Club) (77 Days)	20	23	Hollywood Park (60)	13	Del Mar 16 (43) 3	Pomona 5 22 (16)	Santa Anita (Oak Tree) 24 (26) 26	Hollywood Park (40) 21
----	--	----	----	------------------------	----	----------------------	------------------------	---	---------------------------

Golden Gate Fields 26 (30) 3	4	Bay Meadows (70)	11	Golden Gate Fields 14 (30) 22	NORTHERN FAIRS (87)	14	17	Golden Gate Fields (67)	21
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Fresno 1 13 (11)

QUARTER HORSE MEETING

28	LOS ALAMITOS (204)	21
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HARNESS MEETINGS

28	CAL EXPO (Sacramento Harness) (34)	1
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6	CAL EXPO (CalExpo) (66)	2
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10	CAL EXPO (Cal Expo) (44)	20
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FAIR MEETINGS - STATEWIDE
 PLEASANTON (11), JUNE 25 - JULY 6
 VALLEJO (10), JULY 9 - JULY 20
 SANTA ROSA (12), JULY 23 - AUG 4
 SAN MATEO (12), AUG 6 - AUG 18
 FERNDALE (10), AUG 7 - AUG 17
 CAL EXPO (12), AUG 20 - SEPT 1
 STOCKTON (9), SEPT 3 - SEPT 14
 POMONA (16) SEPT 5 - SEPT 22
 FRESNO FAIR (11), OCT 1 - OCT 13

PAGE 8-17

2008 - NORTHERN CALIFORNIA RACE DATES CALENDAR

December						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			26	27	28	29
30	31					

5

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

22

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

14

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

10

GGF	127
BM	70
Total	197

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

3

June						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

16

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

20

Pleasanton	11
Vallejo	10
Santa Rosa	12
San Mateo	12
Cal Expo	12

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

23

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

5

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

22

Stockton	9
Fresno	11
Ferndale	10
Total Fairs	87

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

20

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

4

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

15

- GGF- 12/26/07-2/3/08, 5/14/08-6/22/08, 9/17/08-12/21/08
- BM-2/4/08-5/11/08
- Pleasanton-6/25-7/6/08
- Vallejo-7/9-7/20/08
- Santa Rosa-7/23-8/4/08
- San Mateo-8/6-8/18/08
- Ferndale-8/7-8/17/08
- CalExpo-8/20-9/1/08
- Stockton-9/3-9/14/08
- Fresno-10/1-10/13/08

2008 - SOUTHERN CALIFORNIA RACE DATES CALENDAR

December						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
30	31		26	27	28	29

5

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

15

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

23

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

2

16

5

Legend:

Del Mar 43

HP Fall 40

LATC 77

Fairplex 16

HPRA - Spring 60

Oak Tree 26

Days Canceled @ SA= 1/5,1/6,1/7,1/24,1/25,1/27,1/28,2/3,2/4,2/7,2/8

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

20

March						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
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16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

23

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

14

6

June						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

21

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

10

14

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

27

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

21

3

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

22

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

15

LATC-12/26/07-4/20/08

HP Spring-4/23-7/13/08

Del Mar-7/16-9/3/08

Oak Tree-9/24-10/26/08

HP Fall-10/29-12/21/08

Pomona-9/5-9/22/08

2008 - LOS ALAMITOS QUARTER HORSE RACE DATES CALENDAR

Total Race Days = 204

December						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			26	27	28	29
30	31					

3

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

17

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

16

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

18

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

16

May						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

19

June						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
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15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

17

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

17

August						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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17	18	19	20	21	22	23
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31						

19

September						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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15

October						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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18

November						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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17

December						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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27	28	29	30	31		

12

2008 - SACRAMENTO HARNESS ASSOCIATION RACE DATES CALENDAR

SHA= 34 race days

2008 - CALIFORNIA EXPOSITION STATE FAIR HARNESS RACING CALENDAR

CalExpo = 110

CalExpo took over Harness on 3/6/08

December

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			26	27	28	29
30	31					

2

January

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

16

February

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
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17	18	19	20	21	22	23
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16

March

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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13

April

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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12

May

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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4	5	6	7	8	9	10
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18	19	20	21	22	23	24
25	26	27	28	29	30	31

15

June

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
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15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

12

July

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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6	7	8	9	10	11	12
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27	28	29	30	31		

12

August

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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24	25	26	27	28	29	30
31						

2

September

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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9

October

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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12	13	14	15	16	17	18
19	20	21	22	23	24	25
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14

November

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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16	17	18	19	20	21	22
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12

December

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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21	22	23	24	25	26	27
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9

2009 CALENDAR

December

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					26	27
28	29	30	31			

January

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

February

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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15	16	17	18	19	20	21
22	23	24	25	26	27	28

March

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

April

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19	20	21	22	23	24	25
26	27	28	29	30		

May

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17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

June

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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28	29	30				

July

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August

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23	24	25	26	27	28	29
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September

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October

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25	26	27	28	29	30	31

November

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22	23	24	25	26	27	28
29	30					

December

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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6	7	8	9	10	11	12
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20	21	22	23	24	25	26
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2009 CALENDAR

December

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					26	27
28	29	30	31			

January

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

February

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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15	16	17	18	19	20	21
22	23	24	25	26	27	28

March

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

April

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

May

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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2010 CALENDAR

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STAFF ANALYSIS
REQUEST OF OAK TREE RACING ASSOCIATION
TO DISTRIBUTE CHARITY DAY RACING PROCEEDS

Regular Board Meeting
June 27, 2008

BACKGROUND

Business and Professions Code section 19550 states the Board shall require each licensed racing association that conducts 14 or less weeks of racing to designate three racing days during any one meeting to be conducted as charity days by the licensee for the purpose of distribution of the net proceeds to beneficiaries through the distribution agent. 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 Oak Tree Racing Association is requesting approval to distribute proceeds from charity day races conducted at Santa Anita during its September 26, 2007 through November 4, 2007 race meeting. The net proceeds from the charity days totaled \$78,213.90. The list of organizations selected and amount to be distributed is attached. Staff notes that 85 percent of the proceeds will be given to racing related organizations.

RECOMMENDATION

Staff recommends that the Board approve this request.



May 21, 2008

Mr. Kirk Breed
 California Horse Racing Board
 1010 Hurley Way, Suite 300
 Sacramento, CA 95825

Dear Kirk:

The audited net proceeds from Charity Racing Days during the 2007 Oak Tree meet came to \$78,213.90.

Therefore the Directors of the Oak Tree Charitable Foundation respectfully request CHRB approval at the June 19, 2008 regular meeting to disburse a total of \$78,213.90 to the attached schedule of eligible beneficiaries.

Contributions to thoroughbred industry charities total 85.16% of the distribution. We also contribute additional monies for equine related purposes from our Foundation and Racing Association funds.

Should you wish to review them, copies of grant applications from the selected organizations are available in this office.

Sincerely,

OAK TREE CHARITABLE FOUNDATION

Sherwood C. Chillingworth
 Executive Vice-President

* 6/6/08 YR

10 of 1430 option
 u Donna Peterson
 Attachment.

OAK TREE RACING ASSOCIATION
78,213.90
2008 (2007 MEET)

California Equine Retirement Foundation	\$ 7,000.00
CA. Thoroughbred Horsemen's Foundation	\$ 7,000.00
Disabled Jockeys' Endowment	\$ 15,600.00
Don MacBeth Memorial Jockey Fund	\$ 5,000.00
Jolene's Horse Rescue	\$ 2,000.00
GEVA, Inc., Northern California	\$ 2,000.00
Race Track Chaplaincy of America, S. California Council	\$ 7,000.00
Tranquility Farm (Harry A. Biszantz Mem. Center)	\$ 12,000.00
United Pegasus Foundation	\$ 2,000.00
Winners Foundation	\$ 7,000.00
Industry Contributions - 85.16%	\$ 66,600.00
Friends of Sierra Madre Library	\$ 1,000.00
Girl Scouts, Mt. Wilson Vista	\$ 613.90
Santa Anita Family YMCA, Monrovia	\$ 1,000.00
Boys and Girls Club of San Gabriel Valley	\$ 1,000.00
Five Acres, The Boys' & Girls' Aid Society, Altadena	\$ 1,000.00
Foothill Family Services	\$ 1,000.00
Frostig Center	\$ 1,000.00
Kidspace Children's Museum	\$ 1,000.00
Pasadena Humane Society, Pasadena	\$ 1,000.00
American Cancer Fund for Children, Inc., Los Angeles	\$ 2,000.00
REINS Therapeutic Horsemanship Program, Bonsall	\$ 1,000.00
TOTAL	\$ 78,213.90