

CALIFORNIA HORSE RACING BOARD  
1010 HURLEY WAY, SUITE 300  
SACRAMENTO, CA 95825  
(916) 263-6000  
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## REGULAR MEETING

of the **California Horse Racing Board** will be held on, **Thursday, March 28, 2002**, commencing at **10:00 a.m.**, at the **Holiday Inn**, 924 West Huntington Drive, **Monrovia**, California.

### AGENDA

#### Action Items

1. Approval of the **minutes** of the regular meeting of January 24, 2002.
2. Discussion and action by the Board on the **amendment to the ADW license for YouBet.**
3. Discussion and action by the Board on the **amendment to the ADW license for XpressBet.**
4. Report by the CHRB Staff on the **ADW handle through March 17, 2002.**
5. Report on the **implementation of Advanced Deposit Wagering.**
  - A. Report by **XpressBet.**
  - B. Report by **TVG.**
  - C. Report by **YouBet.**
6. Discussion and action by the Board on the report by SCOTWINC Off-Site Stabling Committee **regarding the recent changes in the formula for funding Pomona and San Luis Rey Downs.**
7. Report and discussion by the racing associations on the **implementation of backstretch security.**

#### Other Business

8. **General Business:** Communications, reports, requests for future action of the Board.
9. **Old Business:** Issues that may be raised for discussion purposes only, which have already been brought before the Board.

10. **Executive Session:** For the purpose of receiving advice from counsel, considering pending litigation, reaching decisions on administrative licensing and disciplinary hearings, and personnel matters, as authorized by Section 11126 of the Government Code.
  - A. Personnel.
  - B. Board may convene an Executive Session to consider any of the attached pending litigation.
  - C. The Board may also convene an Executive Session to consider any of the attached pending administrative licensing and disciplinary hearings.

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

**CALIFORNIA HORSE RACING BOARD**

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

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**PENDING LITIGATION**  
**MARCH 2002**

<b>CASE</b>	<b>CASE NUMBER</b>
<b>DAVIES, A.</b> v. California Horse Racing Board	Contra Costa County Superior Court No. C 98-01694
<b>STOKES, LANCE W.</b> v. California Horse Racing Board	Los Angeles County Superior Court No. BS 064741
<b>MARTIN, JOHN</b> v. California Horse Racing Board	Sacramento County Superior Court No. 98 SC00952
<b>PLANO, RICHARD</b> v. California Horse Racing Board	Sacramento County Superior Court No. 98 CS00909
<b>SIEDELMAN, GARY</b> v. California Horse Racing Board	Sacramento County Superior Court No. AS 03388
<b>BAFFERT, BOB</b> v. California Horse Racing Board	U.S. District Court, Central District of California Case No. 01-07363 DT
<b>NELSON, KENNETH</b> v. Jon Buc, et al.	Alameda County Superior Court No. 830888-7

## ITEM 1

**PROCEEDINGS** of the Regular Meeting of the **California Horse Racing Board** held at the **Holiday Inn**, 924 West Huntington Drive, Monrovia, California, on **January 24, 2002**.

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

### MINUTES

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Chairman Landsburg asked for approval of the minutes of the Regular Board Meeting of November 30, 2001. Vice-Chairman Licht **motioned** to approve the minutes. Commissioner Moretti **seconded** the motion, which was **unanimously carried**.

### DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING OF CAPITOL RACING, LLC (H) AT CAL-EXPO, COMMENCING MARCH 1 THROUGH JULY 27, 2002, INCLUSIVE.

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Jacqueline Wagner, CHRB staff, said Capitol Racing, LLC (CR) proposed to run 90 nights for a total of 1,095 races. If sufficient horses were available, CR requested three additional nights for a total of 93 nights. The first post time would be 5:35 p.m. Ms. Wagner stated staff recommended approval of the application. Commissioner Moretti congratulated CR for running a successful program in the Sacramento region. Commissioner Bianco **motioned** to approve the application for license to conduct a horse racing meeting of CR at Cal Expo. Commissioner Granzella **seconded** the motion, which was **unanimously carried**.

**DISCUSSION AND ACTION BY THE BOARD ON THE REQUEST OF BAY MEADOWS AND GOLDEN GATE FIELDS TO AMEND THE BOARD APPROVED 2002 RACE DATES.**

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John Reagan, CHRB staff, said the request would move the week of November 6 through November 11, 2002, from Bay Meadows (BMOC) to Golden Gate Fields (GGF). Chairman Landsburg asked if the requested week would fall within the running of the California Cup. Mr. Reagan said it did not. John Van de Kamp of the Thoroughbred Owners of California said his organization did not object to the request. Commissioner Moretti **motioned** to approve the request of BMOC and GGF to amend the Board approved 2002 race dates. Commissioner Bianco **seconded** the motion, which was **unanimously carried**.

**DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT ADVANCE DEPOSIT WAGERING BY YOUTBET.COM.**

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Jacqueline Wagner, CHRB staff, said Youbet.com (Youbet) had filed an application to act as an out-of-state multi-jurisdictional wagering hub for the purpose of advance deposit wagering (ADW). Ms. Wagner stated that Youbet would operate seven days a week from 7:00 a.m. to 11:00 p.m. Pacific Standard Time. Youbet would use Television Games Network (TVG) wagering technology and automated telephone applications to accept wagers on races at Los Alamitos Quarter Horse Racing Association at Los Alamitos; Churchill Downs California Company at Hollywood Park; Del Mar Thoroughbred Club at Del Mar; Los Angeles County Fair at Fairplex; and Oak Tree Racing Association at Santa Anita. Ms. Wagner stated the application was missing a contract with TVG; contracts with the racing associations; horsemen's approvals; and the \$500,000 bond. Ms. Wagner said staff recommended the Board defer the application until the missing items were received. Chairman Landsburg read a statement on behalf of the Board regarding ADW into the record. He concluded by stating he

was recusing from consideration of Youbet's application as he had served on Youbet's board prior to his appointment to the CHRB. Chairman Landsburg said he resigned his position on Youbet's board before he accepted his position at the CHRB, and currently had no financial interest in the company. Additionally, Chairman Landsburg stated his sister owned Youbet stock. Vice-Chairman Licht said he would like to hear from Youbet regarding the \$500,000 bond. Ron Luniewski of Youbet said his organization had submitted a bond, however, some paperwork needed to be completed before the Bank of America would send the bond to the Board. Vice-Chairman Licht said the law required the Board to have the bond in hand before it could approve the application. Mr. Luniewski stated his legal counsel told him the Board could make a decision on the application, but Youbet would issue a bond as soon as possible. Vice-Chairman Licht said he understood Youbet proposed to use TVG's signal, and he had not seen TVG's consent for such an arrangement. Mr. Luniewski said he had copies of the contracts. He stated TVG had contracts with various racing associations, and had granted Youbet rights to the signal and wagering under interactive platforms. The racing associations had consented to the arrangement in writing. Mr. Luniewski stated his legal counsel advised him there were no issues with the subcontract under the statute. He added that Youbet had received approval from the Quarter Horse organization and was in talks with Thoroughbred Owners of California (TOC). Vice-Chairman Licht said he did not see anything in TVG's agreements with the racing associations that granted the right to sublicense to another hub. Mark Wilson of TVG said his organization did not view the sublicensing as a legal issue. TVG asked the racing associations to consent to the relationship and they did. Executive Director Roy Wood asked if Youbet had contracts with Magna Entertainment Corporation (MEC), Los Angeles Turf Club at Santa Anita, or the horsemen's organization at Santa Anita. Mr. Luniewski said he did not. He

said Youbet was talking to TOC and he believed a deal might be forthcoming. Vice-Chairman Licht asked if Youbet had made any studies of its impact on California labor. Would jobs be created or lost as a result of Youbet's activities? Mr. Luniewski said Youbet had not done any studies, but had 70 employees in California and would hire more as it grew. He commented he believed all the issues raised by Vice-Chairman Licht were solved. Commissioner Harris said he did not believe the issues were solved and Youbet did not have the horsemen's approval. Mr. Luniewski said that Youbet had the TVG consent, the Quarter Horse horsemen's approval, and was working with TOC. He stated Youbet had a good relationship with the harness association at Cal-Expo as well. Vice-Chairman Licht said that he did not think the application should be approved, as it was not complete. He stated he thought it should be deferred until completed rather than turned down. Commissioner Moretti said she agreed with Vice-Chairman Licht. She stated there were too many unresolved issues and she felt ADW applications should be complete prior to approval. Mr. Van de Kamp said he did not differ with Vice-Chairman Licht's recommendation regarding Youbet's application. He stated he and a TOC committee visited Youbet at their site and that Youbet had developed a sophisticated Internet product. He stated TOC had looked at the three applicants and decided to price the different entities based on their level of distribution. The TOC was not happy with any of the proposals in the sense that they were underexposing their product, but felt that ADW needed to start somewhere. Mr. Van de Kamp said the entities needed to develop a broader distribution. The TOC had proposed short-term agreements that could be adjusted if distribution of the product expanded. Mr. Van de Kamp stated TOC and Youbet were not in agreement, but the negotiations would continue. Commissioner Bianco said he would like to know how many jobs in California would be created by or lost to Youbet. Mr. Luniewski said Youbet was

headquartered in California and employed 70 people. He stated that as Youbet expanded its business it would hire more people. Based on its past operating history, Mr. Luniewski said he did not believe Youbet would affect track attendance. Ron Liccardo of the Pari-Mutuel Employees Guild said his organization was opposed to Youbet's application. Rod Blonien representing the Los Alamitos Quarter Horse Racing Association (LAQHRA) said his organization had an agreement with TVG and Youbet on behalf of the horsemen. He stated Dr. Ed Allred had consented to TVG's arrangement with Youbet, and LAQHRA would like Youbet to be approved as soon as possible. Mr. Blonien asked that the Board consider granting a limited approval to Youbet so it could take advance deposit wagers on races emanating from LAQHRA. He stated he believed the requirements as they pertained to LAQHRA were technical, and Youbet was capable of providing the financial surety required under the law. Vice-Chairman Licht said he did not believe the law gave the Board such latitude. There were certain requirements that needed to be fulfilled prior to Board approval. Commissioner Harris **motioned** to table the application for approval to conduct ADW by Youbet until the next Regular Board Meeting. Commissioner Bianco **seconded** the motion, which was **carried** with Chairman Landsburg **recusing**.

**DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT ADVANCE DEPOSIT WAGERING BY 20014 DELAWARE, INC., A WHOLLY-OWNED SUBSIDIARY OF MAGNA ENTERTAINMENT CORPORATION.**

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Jacqueline Wagner, CHRB staff, said the 20014 Delaware, Incorporated had filed an application to act as a California multi-jurisdictional wagering hub (CA-hub). Ms. Wagner stated that if granted, the license would be for two years and would become effective upon approval. Ms. Wagner noted 20014 Delaware, Incorporated had filed to change its name to

XpressBet. The dates of operation would be January 1 to December 31, inclusive. XpressBet would operate 24 hours a day. XpressBet's CA-hub would provide services for Los Angeles Turf Club at Santa Anita; Capitol Racing LLC at Cal-Expo; Bay Meadows Operating Company, LLC at Bay Meadows (BMOC); and Pacific Racing Association at Golden Gate Fields (GGF). Ms. Wagner stated the contracts with the racing associations had been received, as well as contracts with Mountain Laurel Racing, Incorporated, and the Washington Trotting Association. She said a letter of intent had also been received from TrackPlay, LLC, and a letter concerning the TOC horsemen's approval. Ms. Wagner commented the only area of concern was coverage under the agreement for the dates July 28 through August 29, 2002. Jack Liebau of Magna Entertainment Corporation (MEC) said his organization urged the Board to approve every complete ADW application that came before it. He stated MEC believed California residents would be better served by competition in the marketplace. Mr. Leibau introduced several individuals from MEC. Chairman Landsburg asked why the agreement with TOC ended in November 2002. Mr. Leibau said TOC believed that the agreement should be for one year. The BMOC meeting would end on November 3 and the parties would have more time to negotiate with the November date. Chairman Landsburg asked Mr. Van de Kamp to comment on the TOC letter which he noted contained the phrase "subject to execution and delivery of definitive agreement". Mr. Van de Kamp said the parties agreed on economic terms, however, there were other terms that needed to be added to the agreement. He stated the parties were in agreement about the terms, but they needed to be put into contractual language. Mr. Van de Kamp commented TOC decided to make only short-term agreements with the applicants because there would be a lot of activity in 2002 that could change due to expansion of wagering activity and possible changes in the law. Such changes could affect how the

parties would proceed in the future. Jim McAlpine of MEC congratulated the Board and CHRB staff on the implementation of ADW regulations, and gave a video presentation regarding MEC's account wagering experience. Chairman Landsburg asked Mr. Van de Kamp about the financial agreement TOC proposed. Mr. Van de Kamp said TOC approached each potential ADW entity based on their distribution. He stated TOC wished to protect the horsemen, and he believed the agreement would accomplish that goal. A California advance deposit wager on a California race would produce over 5.9 percent to purse revenues in California, which was equivalent to what a California on-track wager would be for Win, Place and Show. A California advance deposit wager on an out-of-state race would produce 5.437 percent, which was greater than purse revenues from an off-track wager at a simulcast facility in California. Mr. Van de Kamp noted the greatest change occurred on out-of-state advance deposit wagers on California races. Currently California horsemen received approximately 1.6 percent on average for an out-of-state wager on a California race. Under the agreement there would be a substantial host fee that would produce double the amount received from a simulcast wager from out-of-state. In addition, at a certain point, there would be no territorial access fees, and the rate of return in such situations would be 5.6 percent for purse revenues. Mr. Van de Kamp said he believed the agreement could mean purse revenues might make two to three times as much as was received from out-of-state simulcast wagering on California races. Mr. Van de Kamp said the horsemen would be adequately protected from cannibalization by the agreement. Vice-Chairman Licht asked what in the law made MEC believe it did not need an agreement with the horsemen that lasted for the duration of its license. Mr. McAlpine said TOC restricted its offer to one year due to the possibility of change within that time. He stated MEC did not object to the offer, nor would it object if the Board

wished to limit the license to one year, or make it conditioned upon the agreement with TOC being renewed for the period of the license. Vice-Chairman Licht asked how the NEWCO TV signal would be delivered. Andrew Gaughan of MEC said a lease was in place for a satellite on Galaxy 3. He stated there were currently 3,000 customers who had access to the program including the MEC product. The MEC product would be run as a free-view through February 2002 and would be a subscriber service thereafter. Mr. Gaughan said the service was nationwide, so a California resident could subscribe. Vice-Chairman Licht said he was satisfied with the financial arrangement between TOC and MEC, but he felt the essential element was a commercially reasonable means of disseminating the product which would be critical to expanding the fan base. Vice-Chairman Licht stated he was not satisfied regarding product distribution, and asked how MEC would get new fans to buy a satellite dish, or a second dish, to watch races. Mr. Gaughan said MEC was negotiating with multiple system operators for digital carriage of its channels. He said the general public and new fans could receive the program service. Vice-Chairman Licht asked Mr. McAlpine to explain the on-track-wagering platform at the racetrack. Mr. McAlpine said the platform was a marketing tool with computer terminals. Patrons would be trained to use the Internet and the telephone to open ADW accounts and place wagers. The satellite service would also be marketed at the platforms. Commissioner Moretti asked what type of job growth might be seen from the new companies and facilities. Mr. McAlpine said the hub would be in California and would be operated through the BMOC tote, and the BMOC production facility would become the production facility for the television product. Mr. McAlpine said MEC expected a dramatic growth in ADW and would need to employ more people in the marketing area and to work the booths California. Chairman Landsburg asked Mr. McAlpine to address launch timing of the ADW

product in California. Mr. McAlpine said MEC expected to be in business the morning after receiving license approval. He stated MEC had sign-up kits developed, and an advertising campaign ready to launch in the industry media – as well as direct mail programs for major California communities. Mr. McAlpine commented MEC had committed almost a million dollars to launch its product. Chairman Landsburg said he understood the broadcast hub would be at BMOC. He asked where the wagering hub would be. Mr. McAlpine said the wagering hub would be at BMOC as well, and would run through the automated tote systems. Commissioner Harris asked if there was a telephone-wagering component. Mr. McAlpine said the telephone component was an automated touch-tone or voice-activated system. There would be a live customer backup handled through the Pennsylvania operation. Mr. Gaughan said there were two tote offices. The office at BMOC would accept all the online and automated telephone wagers. If a customer had an issue and wanted to talk to a live customer service representative, they would speak to staff at the Pennsylvania office. Mr. Liccardo stated the Guild had been in negotiations with BMOC management regarding jobs on-track, and until an agreement was reached, he would oppose the application. Mr. Liebau said the enabling legislation for ADW would not have passed without the full support of the unions. He said he and an associate met with Mr. Liccardo to discuss the jobs. He stated there must have been a misunderstanding as he left the meeting with the impression the union was not interested as the jobs only paid \$12.50 an hour. Mr. Liebau stated it turned out he was misinformed as the union was interested in the jobs, so he continued talks with the union representatives. Mr. Liebau said MEC would fully comply with the provisions of the ADW legislation, and he was sure the issue would be resolved as his organization had a history of good relations with the union. Chairman Landsburg asked how many people would be reached by mass media the day after

the Board approved the license. Mr. Gaughan said the question was difficult to answer, but an extensive marketing campaign was ready to launch. Chairman Landsburg said would like to know about media openings that would reach Californians who had not been to the racetrack and how many Californians did MEC feel it could reach? Ed Hannah of MEC said the media reach would include six hours a week of DIRECTV and would reach Californians who subscribed to the satellite service – as well as California households with Internet access. Mr. McAlpine commented there would be media advertising, direct mail pieces and the different companies involved had web sites that would point to XpressBet. Mr. Gaughan added the Santa Anita live program that ran one hour a day in the Los Angeles basin reached three million homes. Mr. McAlpine said it was a challenge to get new customers. He stated XpressBet had conducted extensive market research to try to determine how to attract new patrons to horse racing. XpressBet was taking the research to the next step by developing a marketing plan with the assistance of outside marketing experts. XpressBet did not wish to attract only existing horse racing patrons. However, it believed there were many patrons who would only go to the track a certain amount of the time, and who would take advantage of ADW. Chairman Landsburg said he believed a new patron would make new inroads, and should be reached with the best marketing program. A distribution system that would expose 22 million adults in California to ADW was needed. Chairman Landsburg stated if the applicant was proposing a marketing plan that would reach one-and-a-half or two percent of the population he was not happy. The horse racing industry was unknown to two generations of Californians, and although he applauded the horsemen's agreement – which he thought was groundbreaking - Chairman Landsburg stated there must be a way to communicate to a larger public using the ADW lever. To do otherwise would be a disservice to horse racing and public.

Mr. McAlpine said among the applicants he did not think there was one with a greater interest in reaching new customers than XpressBet. MEC had invested three hundred million dollars in physical assets in California, so it definitely wanted to bring new patrons to horse racing. Ed Halpern of the California Thoroughbred Trainers (CTT) asked that action on the ADW applications be deferred pending a full review of the terms of the contracts affecting horsemen or racing in California. He said the contract between TOC and MEC was signed the morning of the meeting and had not been seen by the Board or CTT. The CTT had no say in the terms of the agreement as it was kept secret until the morning of the Board meeting. Mr. Halpern stated the CTT was asking the Board not to approve any of the ADW applications until agreements were reached with all horsemen. He asked that no action be taken on the ADW applications. Chairman Landsburg commented he thought CTT should be informed regarding the proposal. He said he could not order CTT to be made part of the negotiations, but he could ask that CTT be included as a gesture of goodwill if the industry was going to come together regarding ADW. Mr. Van de Kamp said the proposals before the Board were not the optimum as ADW would not reach 22 million adult Californians with any of the providers. However, ADW was getting a start, and the TOC agreement with MEC was based on that notion. The short-term nature of the contract was an incentive for ADW providers to achieve a broader distribution of the product. Mr. Van de Kamp stated the enabling legislation was vendor neutral, and the parties had not been able to get together to exchange signals so patrons could have a single account. He said TOC encouraged MEC, TVG and YouBet to work together. John Morgan of SoCal Sportsbook spoke in favor of the ADW applications. Marty Wygod of the Concerned Horsemen's Committee said he had spoken with some TOC board members who expressed their reservations regarding details of the agreement with MEC. He stated they

were apprehensive about having an agreement based on cannibalization of the product. He said the focus of XpressBet was the existing patron at the racetrack or the off-track wagering facility. He stated he did not see anything XpressBet was bringing to the table other than a creation that would be hard to stop once it started. Drew Couto of TOC said he met with Mr. Wygod to explain how the TOC committee viewed the negotiations with MEC. He stated he expressed to Mr. Wygod the committee's concerns regarding each of the proposals and their potential for cannibalization. However, the committee viewed each proposal independently, valued each proposal based on its potential for cannibalization, and made separate offers. Mr. Couto said the offers were made with TOC board approval. Norm Towne, representing the Guild, the San Mateo County Fair, the California Exposition and State Fair and the Solano County Fair, said the organizations he represented knew there was a risk ADW would cannibalize the product. He stated the organizations he represented believed there was not a single approach to ADW, and the industry needed to take advantage of each, as horse racing was an underexposed product. He said the organizations he represented were exploring the possibility of putting a system in place that would operate exclusively in California and distribute the signal on a private basis. Mr. Towne stated his organizations intended to have an inclusive system, and would like to make a presentation to the Board and to racing entities about how such a system could be initiated. Alan Horowitz of Capitol Racing said his organization and the California Harness Horsemen's Association had entered into a nonexclusive agreement with XpressBet. He stated both organizations wished XpressBet well and that the nonexclusive agreement was similar to the generous nature of the agreement between XpressBet and TOC. Vice-Chairman Licht asked if someone would address questions raised regarding the TOC board's support of the letter of agreement between MEC and TOC.

Were all the TOC board members fully informed? Mr. Couto said the TOC board - in advance of the negotiations - approved the terms of the agreement between TOC and MEC. The terms of the current agreement were identical to those the TOC board authorized. Mr. Couto stated the final contract did need to be defined and clarified before it would be submitted to the TOC board for approval. Commissioner Harris asked if the TOC board would feel more comfortable if it had more time to explain the terms of its agreement to the horsemen, or did it think the Board should proceed with the application? Mr. Couto said he could not speak on behalf of the TOC board, but he felt the agreement gave the horsemen a good return. He stated he did not know if more time would be beneficial. Mr. Van de Kamp said the agreement would expire if the Board did not approve the application. He stated the agreement was public record and he had given a copy of it to Mr. Halpern of the CTT. Gary Biszantz of the Thoroughbred Owners and Breeders of America said he believed the goal of ADW was to attract new fans to horse racing in California; the question was how?. He stated in his opinion television was the answer to popularizing the sport. Television made the major league sports such as the NFL, NBA and NASCAR. Although viewers did not have to place wagers on the sports, television attracted millions of fans who became interested and enjoyed the shows. Television was the greatest advertising medium invented, yet there were some groups before the Board trying to figure out a way not to use it. He stated he believed the Board should grant TVG a license. Chairman Landsburg said he believed the key to ADW was promulgation of California horse racing under the most widely available broadcast medium. The television signal would do far more for horse racing than explain wagering. The goal was to bring celebrity to people in horse racing. If horse racing could be refocused to portray jockeys, trainers and horses as heroes with whom a new audience could identify, and the identification could take place within the framework of

the races, then the gate to the hearts and minds of new and lapsed fans could be opened. In the world of sports, if an audience was given someone and something to cheer for, they would come to the tracks. Chairman Landsburg said he was concerned MEC was planting a small seed it hoped would grow into something much larger. He stated the Board wanted to see the kind of outreach that would show the industry was giving something new, not just another way to place a wager. Chairman Landsburg said he was not convinced by the presentations that the applicants had made arrangements to get the full signal to a wider audience. Chairman Landsburg stated until he could be convinced, he was not willing to say "yes." Mr. McAlpine said his organization had undertaken as aggressive a program as could be launched in the period of time it had been in business and ADW had been a possibility in California. He stated his organization would put its capital and human resources behind its venture, and would continue to put those resources to work. Mr. McAlpine said XpressBet demonstrated it could grow a business with 27,000 subscribers in another jurisdiction. He believed XpressBet could grow significantly in California. Mr. McAlpine stated he believed the new customer was someone horse racing had not seen yet, and that would be where XpressBet's priority would be. Chairman Landsburg said television was the only medium that could reach a lot of people and move the right basis. He stated he hoped when the Board said "go" it would know it was saying ok to something enormously productive, not something that would only make a few extra dollars in purses for the horsemen. Commissioner Harris said he agreed with Chairman Landsburg. He asked if XpressBet had a plan that would show what it would do to achieve a certain number of viewers. Mr. McAlpine said its application included a business plan that projected a handle of 29 million dollars the first year, and 253 million over a period of years. The business plan also talked about the number of patrons XpressBet would attract via an

aggressive marketing campaign, by providing distribution through various media, and by providing technology so patrons could wager via telephone and the Internet – as well as view the product on television. He said there were huge opportunities in ADW, but no one should be deluded into thinking they would happen instantly. Mr. McAlpine said it would take a long time, and a considerable amount of investment, energy and innovation to make ADW happen. Vice-Chairman Licht asked Chairman Landsburg what more he would have expected MEC to do with respect to creating a broadcast or television opportunity, other than its association with TVG. Chairman Landsburg said he was told by MEC executives that negotiations were underway for cable coverage of GGF and BMOC. He stated, however, they did not say they had an agreement subject to a license approval. Mr. McAlpine said Chairman Landsburg was correct. XpressBet had a number of initiatives in California for distribution of its product, but it had not signed any contracts, so he would not tell the Board something had been achieved when it had not. Vice-Chairman Licht **motioned** to approve the application for license to conduct ADW by XpressBet. Commissioner Granzella **seconded** the motion, which was **carried** with Chairman Landsburg and Commissioner Bianco **not voting**.

**DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT ADVANCE DEPOSIT WAGERING BY ODS TECHNOLOGIES, L.P. d/b/a TVG.**

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Jacqueline Wagner, CHRB staff, said ODS Technologies, L.P. d/b/a TVG (TVG) filed an application to function as an out-of-state multi-jurisdictional wagering hub. The dates and times of operation would be 365 days a year, 24 hours a day. TVG would provide service for the Los Alamitos Quarter Horse Racing Association at Los Alamitos (LAQHRA), Churchill Downs California Company at Hollywood Park (HP), Del Mar Thoroughbred Club at Del Mar,

Los Angeles County Fair at Fairplex, and Oak Tree Racing Association at Santa Anita. Ms. Wagner stated the contracts with the racing associations and the Quarter Horse horsemen's approval had been received. Mark Wilson of TVG said he believed his organization's application met all the requirements of the Business and Professions Code and the advance deposit wagering (ADW) regulations established by the Board. In addition, TVG had posted the required bond, established a security access policy, safeguards and procedures, and verified its capability to provide a full accounting and the source of each wager. TVG was also committed to providing a daily download to the designated industry database. Mr. Wilson stated TVG had the financial resources to operate ADW and television programming to broaden the fan base in California and nationwide. TVG's parent company was an \$8 billion dollar company with enormous resources and no long-term debt. Mr. Wilson added TVG had engaged a third-party information service to provide age, residency and identity verification for each account holder. Mr. Wilson stated there had been a lot of discussion regarding exclusivity. He said TVG believed it was a business matter and the predicate for its \$150 million-dollar investment in the industry. TVG also believed broad distribution was the key to creating a new fan base. Unfortunately horse racing over the past 40 years had not embraced television as had other sports, but TVG would change that. It was currently broadcasting to eight million homes and had announced a cable distribution deal with Adelphia Cable, which served much of the Los Angeles area. In addition, TVG was negotiating with Comcast Cable, which had systems in Northern California. Mr. Wilson commented Comcast Cable was an enthusiastic supporter of TVG and had launched it throughout the state of Maryland, where TVG's performance was ahead of expectations. Mr. Wilson said distribution was the single most important element of TVG. He stated TVG was distributed nationwide as part of Dish

Network's basic package. Additionally, TVG just negotiated a deal with Adelphia Digital Cable in Los Angeles, which would be launched within 30 to 60 days. Other deals with cable companies such as Time Warner and Fox were being aggressively pursued. Mr. Wilson stated TVG had a sophisticated online wagering platform and in the future patrons would be able to use their remote control to place wagers from home. Mr. Wilson said TVG and Dish Network were working to make that happen as soon as the third quarter of 2002. Mr. Wilson stated the most important element of TVG was the marketing power of Gemstar TV Guide International (Gemstar). Suzanne Meeks gave a video presentation of Gemstar's products and services. Ms. Meeks said Gemstar reached 75 million households weekly in the United States. Gemstar believed TVG was one of the most important networks in its portfolio and it intended to insure its continued growth. Ms. Meeks showed a video of TV Guide Channel's promotional material for the 2001 Kentucky Derby. Marcy Miller of TVG said TVG was the only network in the country where one could watch a live horse race every day, 12 hours a day, seven days a week. Ms. Miller said she lived in Los Angeles and subscribed to Dish Network. One of the channels she received on Dish Network was TVG. While watching TVG she learned how to place wagers and handicap races. Ms. Miller said TVG planned to concentrate its marketing efforts in California where it would reach new fans with targeted direct response marketing. The targeted audience would be males 25 to 54 years old, sports fans interested in gaming, women who loved horses, and women who liked to gamble. Ms. Meeks stated TVG was already in over 5.5 million homes with TV Guide Channel, and reached one million persons through TV Guide Magazine. Additionally, TV Guide Magazine was available every week in over 12,500 retail outlets in California. Ms. Meeks said TVG planned to run 30-second response television ads on TV Guide Channel daily for over 80 spots per week. Every week it would have two

full-page ads in TV Guide Magazine in all nine California editions. TVG would be listed Saturdays for horse racing prime time and Wednesdays in the prime time listing section. Additionally, TVG would have two horse racing covers in California on TV Guide Magazine. Mr. Wilson said there would be additional advertising on FOX Sports Network, ESPN, CNN and MSNBC, for a minimum of 50 ads weekly. Chairman Landsburg asked if TVG had a horsemen's contract. Mr. Wilson said TVG had a contract. Chairman Landsburg asked if TVG had negotiated with TOC on behalf of the horsemen. Mr. Wilson said TVG had a contract with LAQHRA and a horsemen's contract with the Pacific Coast Quarter Horse Racing Association (PCQHRA). Mr. Wilson said TVG did not have an agreement with the horsemen for the meeting at HP. He said TVG held discussions at the invitation of TOC and its track partners, and he was confident an agreement could be reached. Chairman Landsburg said he did not know if the Board could grant a license without a horsemen's agreement. Deputy Attorney General Blake said if TVG had agreements with LAQHRA and PCQHRA, the Board could grant a license. Commissioner Harris asked if a Californian places a wager out-of-state, would the wager be subject to negotiations or was there a set fee? Mr. Wilson said the wager would be part of a negotiated fee. The negotiations would take place between the racetrack and TOC. Commissioner Harris said his concern was such negotiations had not taken place. Rick Baedeker of HP said the HP application for license to conduct a horse racing meeting would be before the Board in February or March 2002. He said within the application HP would stipulate it would send its signal to TVG. Mr. Van de Kamp said TOC valued the direction TVG was taking regarding distribution. However, TVG was not going as far as TOC would like. He said TVG had a contract with LAQHRA, but the fees would depend on the results of the negotiations, not just California's statutory distribution mechanism. Under the license TVG

would be able to bring in Thoroughbred races, day and night, from around the country. The horsemen's revenue would go to the track that was running. Mr. Van de Kamp said the statutory distribution from California residents was set by law with the exception of that variable. With respect to out-of-state wagers into California, TVG would only be able to offer wagers on LAQHRA races. Mr. Van de Kamp stated TOC was willing to meet with TVG to work out an agreement that would satisfy both parties. Mr. Wilson said if TVG received its license and was not able to come to an agreement with TOC the horsemen would be protected under the statute regarding wagering on out-of-state races in California. Vice-Chairman Licht asked if it would be better for the horsemen if he placed a wager at the track or via ADW. Mr. Wilson said the horsemen would receive the same percentage under the statute. Mr. Van de Kamp said the contract negotiated between MEC and TOC provided for a lesser ADW fee for MEC. The difference would go to the tracks and the horsemen. Mr. Wilson said Mr. Van de Kamp was correct. TOC had negotiated a contract that was more generous for the horsemen. He stated TVG took five-and-a-half percent out of every dollar wagered. The state of Oregon received a quarter of a point and the National Thoroughbred Racing Association received a half point. If one counted the additional costs, one could say TVG took six-and-a-quarter percent. Vice-Chairman Licht said he understood TOC and MEC had negotiated a more favorable rate than required by statute. Mr. Van de Kamp said the statute only laid out the maximum fees for ADW providers as well as the maximum out-of-state host fees. Commissioner Harris said TVG had a distribution network that would enhance what the Board wanted to see happen in California, however, if a California resident wagered a dollar on a race at Turf Paradise through MEC, more money would be returned to California than if that dollar were wagered through TVG. Mr. Wilson said the point was well taken, however, he felt with TVG's marketing

component and distribution, the fees it charged were a fantastic deal for horse racing. Chairman Landsburg asked if in Mr. Wilson's opinion there had been a change in on-track attendance where TVG's account wagering had been in place. Mr. Wilson said Kentucky was the market where TVG had been the most involved and he felt the on-track attendance had been static. Mr. Baedeker said TVG had been active in Kentucky for many years, and broadly distributed for two years. He stated Churchill Downs had not experienced a drop in on-track attendance until its last meeting and that most persons involved with Churchill Downs would attribute the decline in attendance to the expansion of the Caesar's River Boat operations. He added Kingland showed an increase in attendance the first meeting after TVG was deployed in Lexington. Commissioner Moretti said she believed the discussion did not take into account the Board's duties regarding ADW. She stated the statute had been implemented, and the Board was charged with approving, denying or delaying applications. Because one entity had a larger fan base than another was not a reason to deny an application if it fulfilled the obligations the Board laid out under the statute. Ron Liccardo of the Pari-Mutuel Employees Guild (Guild) stated he was opposed to the application as he did not believe it would translate to jobs. Joe Lang of TVG said there were still a few issues left to resolve with regard to moving a hub into California. He stated once the issues were resolved, TVG intended to talk with the Guild about union jobs. Chairman Landsburg said he thought TVG's studios in California would be a benefit. He stated, however, that the entities had not proved their ability to attract new patrons, so union jobs would probably be lost. Chairman Landsburg said the Board could not grant a license with a good conscience until it knew the applicant would support the union in California. Mr. Wilson stated TVG currently had 200 jobs in California. He said his organization would be happy to move additional jobs to California if the tax rate

was the same as in Oregon. Mr. Wilson said the tax rate would take money away from the horsemen if the jobs were currently in California. Ed Halpern of the California Thoroughbred Trainers (CTT) said he opposed the application. He said he was confused by the different entities coming to the contracts, and it would be nice for the horsemen to understand what was happening before the applications were approved. Vice-Chairman Licht said he would like to hear TOC's recommendation regarding the application. Mr. Van de Kamp said TOC expected to negotiate with TVG regarding the Thoroughbred tracks. He stated he did not want to interfere with LAQHRA, so he would not object to the application. Commissioner Harris said the Board had two very different models of operation and marketing strategies before it. He stated it bothered him that the licenses would last two years without a chance to revisit them. Mr. Van de Kamp said the MEC model only had an agreement with TOC until November 15, 2002. With regard to TVG, the horsemen would negotiate a model that could be different in some ways, but the parties would be back before the Board. For TVG to carry California races out-of-state, it would have to have an agreement with TOC. Commissioner Harris asked if TVG had plans regarding the Northern California fairs. Mr. Wilson said TVG had numerous discussions with the California Authority of Racing Fairs (CARF). Jack Liebau of MEC said his organization believed any entity that met the criteria should be licensed. Multiple providers in the marketplace would serve the California industry well. Dr. Ed Allred of LAQHRA said his organization was in favor of licensing both XpressBet and TVG. He stated the LAQHRA horsemen were strongly in favor of TVG and were ready to go ahead. Commissioner Sperry asked if TVG's agreement with the Dish Network was exclusive. Would it prevent TVG from having DirectTV carry its product? Mr. Wilson said there was no such restriction. The agreement with Dish Network was negotiated several years ago to carry TVG on a long-term

basis on every platform Dish Network had. Vice-Chairman Licht said he was concerned about the projected increase in patrons under TVG. If there was not an increase the existing fan base would be cannibalized. If TVG did cannibalize the fan base, it would not be good for the horsemen. Vice-Chairman Licht said he would be more comfortable with a short term approval until the Board could see what would happen regarding cannibalization. Mr. Wilson said TVG's experience in jurisdictions with television demonstrated that purses had grown dramatically. He stated in Kentucky, purses were up substantially the four years TVG had been in operation. Commissioner Harris said he agreed with Vice-Chairman Licht. He commented TVG was probably an excellent model, but if XpressBet was only licensed to the end of 2002, limiting TVG to a year would put the entities on an even playing field. Commissioner Harris **motioned** to approve the application for approval to conduct ADW by TVG through December 22, 2002. Vice-Chairman Licht **seconded** the motion, which was **carried** with Chairman Landsburg and Commissioner Bianco **not voting**.

**DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT ADVANCE DEPOSIT WAGERING BY AUTOTOTE ENTERPRISES, INC.**

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John Reagan, CHRB staff, said Autotote Enterprises, Inc. (Autotote) filed an application to function as out-of-state advance deposit wagering (ADW) hub. The dates and time of operation were 363 days per year, Monday through Saturday, 10:30 a.m. until close of racing; Sunday 11:00 a.m. until the close of racing. Mr. Reagan said the application was missing contracts with California associations and horsemen's organizations. The application did not list the entity that would provide advertising services and Autotote's \$500,000 financial security expired prior to the end of the term of its approval. In addition, the application did not

indicate compliance with the regulatory requirement that would limit the access of California account holders to one deposit per-day. Dave Payton of Autotote said his organization was a subsidiary of Scientific Games. He stated Autotote had been involved in ADW for over nine years in Connecticut. Since it began offering ADW in Connecticut, the handle had increased over 60 percent. Mr. Payton said Autotote was a relatively small operation, but it provided services to over 30 states. He stated Connecticut Teletrack did not offer Internet services, nor did they provide television. It was a wagering company that ran an off-track operation with telephone wagering allowed. Mr. Payton said Autotote's real concern was its inability to negotiate a contract with a racetrack. He stated Autotote had not been able to reach any agreements. Without a track agreement, Autotote did not feel it could reach an agreement with the horsemen's organizations. Autotote viewed ADW as an opportunity to apply for approval as an out-of-state-hub. Mr. Payton said Autotote submitted the financial security as required by the ADW regulations and was serious about going forward with its application. He stated Autotote would like to continue to negotiate agreements with the associations. Chairman Landsburg asked if Autotote had a license for simulcast operations. Mr. Payton said it did. He commented the application listed all of the tracks Autotote anticipated offering ADW. Chairman Landsburg asked how a Connecticut operation could accept telephone wagers on California racing through the simulcast outlet. Mr. Payton said the wagers were from account holders. The simulcast agreement was in place with all the associations. Chairman Landsburg asked if the agreements covered telephonic wagers. Mr. Payton said Autotote could not currently take telephone wagers from California residents. Autotote was seeking agreements and approval so it would be able to expand its accounts by allowing California residents to open telephone wagering accounts in Connecticut. Commissioner Harris said the reason

Autotote's account holders could make wagers on California races as the outlets were approved by the horsemen's organizations on a meet-by-meet basis. He stated going forward it remained to be seen whether the horsemen would still agree to such an arrangement. John Van de Kamp of Thoroughbred Owners of California (TOC) said his organization had not talked to Autotote about ADW. He stated TOC did not think the application should receive approval. However, it did highlight an issue the industry had to confront. The industry was sending its simulcast signal to a number of out-of-state sites and it was somehow getting routed to ADW systems. If there were going to be separate contracts and tracks would have to agree with TOC on them, the industry would have to work together to make sure there was a transfer from the strict simulcast contracts to the ADW contracts. Chairman Landsburg said he did not think it would be only Autotote's problem. There would not be a hub other than the two for California – unless the hub was based in California and a process was begun of securing at least a sublicense like Youbet's. Mr. Van de Kamp said Autotote could come in as a sub-licensee with the agreement that patrons in Connecticut could place wagers in that manner. Commissioner Harris said he believed the issue was at some of the track satellite facilities there was also telephone wagering taking place. It was the telephone wagering the Board was interested in. Chairman Landsburg said the Board did not currently have outreach to such facilities, or the ability to tell them not to take telephone wagers from California patrons under the simulcast agreement. California had no jurisdiction in Connecticut. He stated sublicensing could be a way to bring more parties to ADW. The more systems supplying money to California racetracks, the better. Commissioner Harris **motioned** to table the application for approval to conduct ADW by Autotote Enterprises, Inc. Vice-Chairman Licht **seconded** the motion, which was **unanimously carried**.

**DISCUSSION AND ACTION BY THE BOARD ON THE LICENSE AMENDMENT FOR THE LOS ANGELES TURF CLUB TO ADD THE KENTUCKY DERBY FUTURE WAGER TO THE PARI-MUTUEL FORMAT.**

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John Reagan, CHRB staff, said the request was from the Los Angeles Turf Club (LATC) which wanted to offer a future wager in three separate pools: February, March and April. The pools would be calculated after the Kentucky Derby on May 4, 2002, which would be during the Hollywood Park (HP) meeting. Mr. Reagan said the two associations would work together to manage the process. The wager would be offered under Association of Racing Commissioners International rules and the tote system could handle it. Mr. Reagan stated the wager was for win only with a 16 percent pool. He said between three, and three and a half percent would be paid to Kentucky. Commissioner Harris asked if TVG would offer the wager. Mr. Reagan said that had not been finalized. Chairman Landsburg asked if California would get the lion's share of the take-out, or was the wager another way for California patrons to send their money out-of-state. Commissioner Harris said he thought it would be a relatively small amount of money, but it would provide for a lot of interest in racing in general. Rick Baedeker of HP said the host fee of two and a half to three and a half percent would go to Kentucky, the balance would stay in California. He added it was a popular wager in other racing jurisdictions. Vice-Chairman Licht **motioned** to approve the request by LATC to add the Kentucky Derby Future Wager to the pari-mutuel format. Commissioner Moretti **seconded** the motion, which was **carried** with a "**no**" vote by Chairman Landsburg.

**DISCUSSION AND ACTION BY THE BOARD ON THE REQUEST OF THE BAY MEADOWS OPERATING COMPANY TO RETROACTIVELY AMEND ITS LICENSE FOR THE SPRING AND FALL MEETS OF 2001. THE AMENDMENT WOULD DESIGNATE THE BAY MEADOWS FOUNDATION AS THE CHARITY DAY DISTRIBUTING AGENT.**

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John Reagan, CHRB staff, said the Bay Meadows Operating Company (BMOC) was required by law to have an independent distributing agent for its charity day proceeds. He stated that agent was the Bay Meadows Foundation (BMF). Changes in California law allowed BMOC to, in their opinion, act as its own distributing agent. Based upon prior settlements, the BMF took issue with BMOC's decision and took legal action. As a settlement BMOC was requesting that the Board retroactively recognize BMF as the distributing agent for the year 2001. He stated BMOC would list BMF as the distributing agent in future applications. Mr. Reagan said the BMF would still be required to provide the Board with financial data. Commissioner Bianco **motioned** to approve the request by BMOC to amend its license for the spring and fall meets of 2001 to designate the BMF as the charity day distributing agent. Commissioner Moretti **seconded** the motion, which was **unanimously** carried.

**DISCUSSION AND ACTION BY THE BOARD ON THE REQUEST OF THE HOLLYWOOD PARK CHARITIES, INC., TO DISTRIBUTE \$232,100 IN CHARITY PROCEEDS TO 40 BENEFICIARIES.**

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John Reagan, CHRB staff, said the list of the beneficiaries was included in the Board package. He stated 54 percent of the proceeds would go to horse racing related charities. Mr. Reagan said staff recommended approval of the request. Chairman Landsburg asked what was the function of Tranquility Farms. Rick Baedeker of Hollywood Park said it was a place for retired race horses. Commissioner Moretti **motioned** to approve the request of the Hollywood Park

Charities, Inc. to distribute \$232,100 in charity proceeds. Commissioner Bianco **seconded** the motion, which was **unanimously carried**.

**STAFF REPORT ON THE FOLLOWING CONCLUDED RACE MEETS:**

- A. **CHURCHILL DOWNS FALL OPERATING COMPANY AT HOLLYWOOD PARK FROM NOVEMBER 7, 2001 THROUGH DECEMBER 17, 2001.**
  - B. **PACIFIC RACING ASSOCIATION AT GOLDEN GATE FIELDS FROM DECEMBER 26, 2000 THROUGH DECEMBER 17, 2001.**
  - C. **BAY MEADOWS OPERATING COMPANY AT BAY MEADOWS FROM APRIL 4, 2001 THROUGH NOVEMBER 5, 2001.**
  - D. **LOS ALAMITOS QUARTER HORSE RACING ASSOCIATION AT LOS ALAMITOS FROM JANUARY 5, 2001 THROUGH DECEMBER 16, 2001.**
- 

John Reagan, CHRB staff, noted Pacific Racing and Bay Meadows were available for comparison. He stated over the past several years adjustments had been made to the Northern racing dates schedule, and it was sometimes difficult to show comparisons. He stated although the Golden Gate meeting was not completed, the report showed racing year versus racing year. The same would be done for Los Alamitos. Vice-Chairman Licht asked why Hollywood Park's (HP) on-track attendance was up dramatically Friday nights, yet its on-track handle was down. Rick Baedeker of HP said after 9/11 patrons were staying closer to home. He said Hollywood Park also saw a shift in on-track business to import business which was consistent with the previous year. Mr. Baedeker said had HP not been rained-out over its biggest weekend of the season, Thanksgiving weekend, he believed the figures would have been up in all categories.

**REPORT FROM THE PARI-MUTUEL COMMITTEE**

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Vice-Chairman Licht said the committee met January 24, 2002, and discussed amendments to Board Rules 1977, Pick Three, and 1978, Select Four, to allow the selection of an alternate runner in the case of a scratch. The committee voted to provide alternate runners in the Select Four. Alternate runners for Pick Three wagers was deferred because the costs in programming time appeared to be overwhelming. Vice-Chairman Licht said the committee also discussed amending various "Pick" wagers to allow a profit split in the calculation of the pari-mutuel pay out in the case of a dead heat in one or more legs of the wager. The committee deferred action on the item, again, because of the costs in man-hours for reprogramming the totalizator system. Vice-Chairman Licht said the committee also heard a staff report on the Pick Six pool. Staff was conducting a constant review of large Pick Six pay outs to make sure there would be a level playing field. Staff was looking at where the Pick Six's were being won, the size of the wagers and other items. Vice-Chairman Licht commented such reviews were part of the Board's charter to reassure the public that horse racing was fair.

**MEETING ADJOURNED AT 4:05 P.M.**

**STAFF ANALYSIS  
LICENSE AMENDMENT FOR YUBET**

**REGULAR BOARD MEETING  
MARCH 28, 2002**

**Background:**

At the last Board meeting, Youbet.com indicated that they would have live telephone operators located in California as part of their operating plan. This was not included in their original plan and the details have only recently been forwarded to the CHRB for review. The amendment to the Youbet operating plan is attached. Youbet is asking that the Board approve the amendment to their operating plan.

Additionally, as evidenced by the internet press release, there have been significant changes to the management team at Youbet as well as an infusion of new capital.

Representatives of Youbet will be at the meeting to answer any questions the Board may have with regard to these matters.

**Recommendation:**

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



March 15, 2002

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

Re: Amendment to Operating Plan to Include Live Operator Account Wagering

Dear Roy,

Youbet is seeking approval from the California Horse Racing Board to amend our operating plan to include live operator wagering. We believe this service will enhance our product offering, increase total handle, license fees and tax revenues for the State of California. Youbet plans to staff the live operator wagering service from our Woodland Hills location. We are hoping to start a beta test of live wagering on April 1, 2002, and to quickly launch a seven day a week, 16 hour a day, live operator service.

Youbet is licensed by and under the jurisdiction of both the Oregon Racing Commission and the California Horse Racing Board. Our position is that there is appropriate regulatory oversight to allow the operators in California to submit instructions on behalf of our customers into the hub in Oregon where the wager takes place. I have had discussions regarding the amended plan with Steve Barham, Executive Director of the Oregon Racing Commission. He has asked that we put this matter before his board for approval. This matter is on the March 21 meeting agenda. John Reagan has asked that we obtain the appropriate occupational licenses for the both operators and management supervising live operator account wagering in the Woodland Hills facility. We are in the process of obtaining these licenses.

Please review the amendment to our operating plan. We look forward to your comments and if necessary presenting this matter to you and your board for public discussion at the next regularly scheduled meeting.

Best regards,

Joe Hasson  
Vice President

CC: Phil Hermann, CEO, Youbet.com  
Steve Barham, Executive Director, ORC  
John Reagan, Senior Management Auditor, CHRB

## **Amendment To Operating Plan**

### **Staffing:**

The Interactive Account Operators will be located at Youbet's Woodland Hills, California facility. The Interactive Account Operator staff will be managed and supervised by the management team in Woodland Hills. Initially, two live operators will be hired with their role being to assist Youbet in designing workstations and operations procedures for live operator. We will conduct a beta test with a small group of customers. Following the beta test, the plan is to hire up to ten operators. As customer demand for the service grows additional operators will be added as necessary. The following are the initial milestones:

3/18/2002	Hire two live operators
4/8/2002	Support a 7 days a week live operator schedule

### **Systems:**

The betting terminals and call recording systems will be located in our Woodland Hills facility. Utilizing our private network, the betting terminals will be connected to the Amtote totalizer system operated by Amtote International in Beaverton, Oregon. The call recording system and totalizer reports will be accessible from both the Youbet Beaverton and Youbet Woodland Hills offices during the race day. Amtote International will be the vendor providing both the betting terminal hardware and software. Dictaphone will be the vendor providing both the call recording hardware and software.

### **Operations:**

The totalizer system and Youbet Oregon's operations are under the supervision of the Oregon Racing Commission. Youbet's operation in Beaverton, consist of mutual accounting, application processing and processing of customer deposits and withdrawals. The live operators are under the supervision of the California Horse Racing Board.



**AT THE COMPANY:**

Phillip C. Hermann  
Chief Executive Officer  
Youbet.com  
(818) 668-2100

FOR IMMEDIATE RELEASE

March 14, 2002

**YOUTBET.COM TO RECEIVE INFUSION OF CAPITAL AND DAVID MARSHALL,  
CO-FOUNDER AND FORMER CEO, TO RETURN TO THE COMPANY AS  
CHAIRMAN AND CEO**

Woodland Hills, CA, March 14, 2002 - Youbet.com, Inc. (Nasdaq: UBET), the leading online live event and wagering company for the horse racing industry, announced today that the company has accepted a proposal from David Marshall, co-founder of the company, that calls for an investment into the company of \$750,000. Concurrent with the closing of this investment, Mr. Marshall will assume the duties of Chairman of the Board and Chief Executive Officer. In addition, at the closing, Robert Fell, Caesar Kimmel and William Roedy will resign from the Board. Ron Luniewski has resigned as co-CEO and as director and has given the company notice of his intent to leave the company when his contract expires on April 30, 2002. Phillip Hermann, will relinquish his co-CEO title and broaden his responsibilities by becoming President and COO in addition to his current position of CFO.

This investment involves the issuance of notes of the Company for a term of 12 months at an interest rate of 12% per annum secured by the assets of the Company. The investors will also receive five year warrants to purchase 750,000 shares of the Company's Common Stock at an exercise price of \$.50 per share.

It is anticipated that the transaction will be closed and the board and management changes will occur within the next ten days.

***About Youbet.com***

In the United States, Youbet.com provides network members the ability to watch and, in most states, the ability to wager on a wide selection of coast-to-coast thoroughbred and harness horse races via its exclusive closed-loop network.

Members have 24-hour access to the network's features, including live racing from a choice of all major racetracks in the U.S., Canada, and Australia, commingled track pools, live audio/video, up-to-the minute track information, real time wagering information and value-added handicapping products. Youbet Network subscribers enjoy live coverage from and wagering accessibility to all major racetracks in 40 states, representing virtually 100% of horse racing content.

Youbet.com maintains a strategic relationship with TVG, a wholly owned subsidiary of Gemstar-TV Guide International, Inc. (Nasdaq: GMST). TVG is the 24-hour interactive horse

racetrack network available nationwide on cable and satellite systems with exclusive simulcast and interactive wagering rights to live racing from leading racetracks in the U.S. including Churchill Downs (owned by Churchill Downs Incorporated, Nasdaq: CHDN), Del Mar, Belmont Park, Aqueduct and Saratoga. Through the agreement, Youbet.com is licensed to utilize TVG's patented wagering technology for online and automated telephone applications and utilizes a right to video stream and accept online pari-mutuel wagers on horse racing from virtually all of TVG's exclusive partner racetracks.

Youbet.com operates Youbet.com TotalAccess™, an Oregon-based hub for the acceptance and placement of wagers. The Company also maintains a relationship with another state licensed wagering entity, MEC Pennsylvania Racing, part of Magna Entertainment Corp. (Nasdaq: MIEC) which owns and/or operates 7 racetracks in the U.S. including Santa Anita Park, Gulfstream Park, Golden Gate Fields, Thistledown, Remington Park, Great Lakes Downs and The Meadows.

For further information about Youbet.com, visit [www.youbet.com](http://www.youbet.com).

### ***Forward-Looking Statements***

Press releases issued by Youbet.com may contain forward-looking statements, which are made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Expressions of future goals and similar expressions reflecting something other than historical fact are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. These forward-looking statements involve a number of risks and uncertainties, including the timely development and market acceptance of products and technologies, successful integration of acquisitions, the ability to secure additional sources of financing, the ability to reduce operating expense and other factors described in the Company's filing with the Securities and Exchange Commission. The actual results that the Company achieves may differ materially from any forward-looking statements due to such risks and uncertainties. The Company undertakes no obligations to revise or update any forward-looking statements in order to reflect events or circumstances that may arise after the date of this release. You Bet is a registered trademark of Youbet.com, Inc. All other brands and products referenced herein are the trademarks or registered trademarks of their respective holders.

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**STAFF ANALYSIS  
LICENSE AMENDMENT FOR XPRESSBET**

**REGULAR BOARD MEETING  
MARCH 28, 2002**

**Background:**

XpressBet has submitted an amendment to their ADW license. They wish to replace Trans Union LLC with Equifax Information Services as the provider of the third-party verification services as required by law and CHRБ regulations. They are requesting Board approval of this amendment to their license.

**Recommendation:**

Staff recommends that the Board approve this request.



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MAGNA ENTERTAINMENT CORP.

337 Magna Drive  
Aurora, Ontario  
Canada L4G 7K1  
Tel (905) 726-7196  
Fax (905) 726-7177

Direct Line: 905-726-7198  
e-mail: ed\_hannah@ magna.on.ca

VIA OVERNIGHT COURIER

March 13, 2002

Mr. Roy Wood  
Executive Director  
California Horse Racing Board  
1010 Hurley Way, Suite 300  
Sacramento, California 95825  
U.S.A.

Dear Roy:

XpressBet, Inc. wishes to replace Trans Union LLC with Equifax Information Services LLC ("Equifax") as the provider of third-party verification services required by California horse racing law for California-licensed advance deposit wagering hubs. In order to do so, CHRB's approval is required, which we hereby request. To assist you with your review of Equifax, I have enclosed information pertaining to Equifax as well as pamphlets describing the "Safescan" and "DTEC" services which would be used by XpressBet.

If you wish to discuss XpressBet's request further, please contact me at (905) 726-7198.

Yours truly,

Ed Hannah  
Vice-President and  
General Counsel

EH:dlsr  
encls.

## SAFESCAN®

### FAST, COST-EFFECTIVE FRAUD PROTECTION NATIONWIDE

EQUIFAX SAFESCAN AUTOMATICALLY MONITORS EVERY INFORMATION REQUEST, COMPARES CUSTOMER-PROVIDED INPUT AGAINST A SEPARATE NATIONWIDE WARNING SYSTEM AND ALERTS CUSTOMERS WHEN IT FINDS FRAUDULENT OR POTENTIALLY FRAUDULENT INFORMATION ELEMENTS. SAFESCAN COMBINES A COMPLETE SOCIAL SECURITY NUMBER CHECK, A COMPREHENSIVE ADDRESS SEARCH AND NATIONWIDE COVERAGE. PROVIDING SUPERIOR FRAUD PROTECTION THAT CAN PAY FOR ITSELF — EVEN IF IT STOPS JUST ONE FRAUD LOSS OUT OF THOUSANDS OF APPLICATIONS.

#### **An on-line or off-line system built on current, complete fraud-related information**

##### SAFESCAN:

- ! Helps detect errors and flags applications that should be examined more closely to verify address, Social Security number or telephone number
- ! Issues warnings on applications that contain potentially fraudulent data elements, helping deter potential fraud activity before it happens
- ! Warns you when an applicant's address is a mail receiving service, prison, lodging facility, check cashing site, etc.; has been misused in the past; or is associated with two or more names or Social Security numbers
- ! Provides a clear warning when a Social Security number has never been issued by the Social Security Administration, has previously been misused, was issued to a person who has been reported deceased, or was issued in the last five years
- ! Is continually updated with fraud-

related information from government agencies, law enforcement, the U.S. Postal Service, Equifax customers and trade associations

! Has no consumer disclosure requirement — warnings are not part of the consumer's file, cannot be used as a basis for denying credit or employment and apply only to information elements (not individuals)

! Is a low cost enhancement to a wide range of Equifax risk assessment products including ACROFILE™, ACROFILE PLUS™, ACROSELECT™, PERSONA™, PERSONA PLUS™, ID REPORT™, and FINDERS™

#### **Superior, cost effective fraud prevention**

SAFESCAN is part of a growing family of innovative products and services that comprise the Equifax *Total Solution* — your strategic master plan for growth and control. Call 1-800-879-1025 to contact an Equifax representative today. Or contact us online at [www.Equifax.com](http://www.Equifax.com).

**EQUIFAX**

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## DTEC™

**A FAST, ECONOMICAL WAY TO VERIFY IDENTITIES OR LOCATE DEBTORS**  
EQUIFAX DTEC DELIVERS ACCURATE, UP-TO-DATE NAME AND ADDRESS INFORMATION TO HELP YOU CONFIRM APPLICANT INFORMATION AND COLLECT ON UNPAID ACCOUNTS. USING JUST A SOCIAL SECURITY NUMBER, DTEC SEARCHES THE EQUIFAX NATIONWIDE CREDIT REPORTING DATABASE AND RETURNS IDENTITY INFORMATION QUICKLY AND COST-EFFICIENTLY. HELPING PREVENT APPLICATION FRAUD. LOCATE HARD-TO-FIND INDIVIDUALS. REDUCE CHARGE-OFFS.

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All available ID and address information in a single, concise report

DTEC:

- | Delivers name and address information on up to four identities that share the same Social Security number
- | Returns employer and age information when available
- | Helps guard against input errors and fraud by warning you when a Social Security number may have been previously misused, may never have been issued, may have been issued to a person who has been reported deceased, or has been issued in the last five years
- | Offers an optional "SSN verified" indicator to confirm whether several major Equifax customers (not the Social Security Administration) have provided the same Social Security number for

the same identity

| Verifies ID and address information much quicker than manual methods, improving productivity in application processing and unpaid-account recovery

| Offers the option of customers' telephone numbers for your locate efforts, eliminating the time and expense of using telephone directories, directory assistance or third-party sources

**A proven tool for validating account information and improving recovery**  
DTEC is part of a growing family of innovative products and services that comprise the Equifax *Total Solution* — your strategic master plan for growth and control. Call 1-800-879-1025 to contact an Equifax representative today. Or contact us online at [www.Equifax.com](http://www.Equifax.com).

**EQUIFAX**

**STAFF ANALYSIS  
STAFF REPORT ON ADW HANDLE**

**REGULAR BOARD MEETING  
MARCH 28, 2002**

**Background:**

The Advance Deposit Wagering (ADW) handle from January 25, 2002 through March 17, 2002 totals \$13,096,879. This represents 3.46% of the \$376 million combined California ontrack, offtrack, and ADW handle accumulated since January 25. The attached schedule and graph show the daily handle for each of the ADW hubs.

The ADW handle at this point has produced more than \$600,000 for purses, \$50,000 for owners and breeders, \$600,000 for commissions, and a total of \$570,000 for the three hub operations. ADW does not appear to be having any significant impact on the California ontrack and offtrack handle with total handle for 2002 vs. 2001 being essentially unchanged and total California attendance down fractions of a percent.

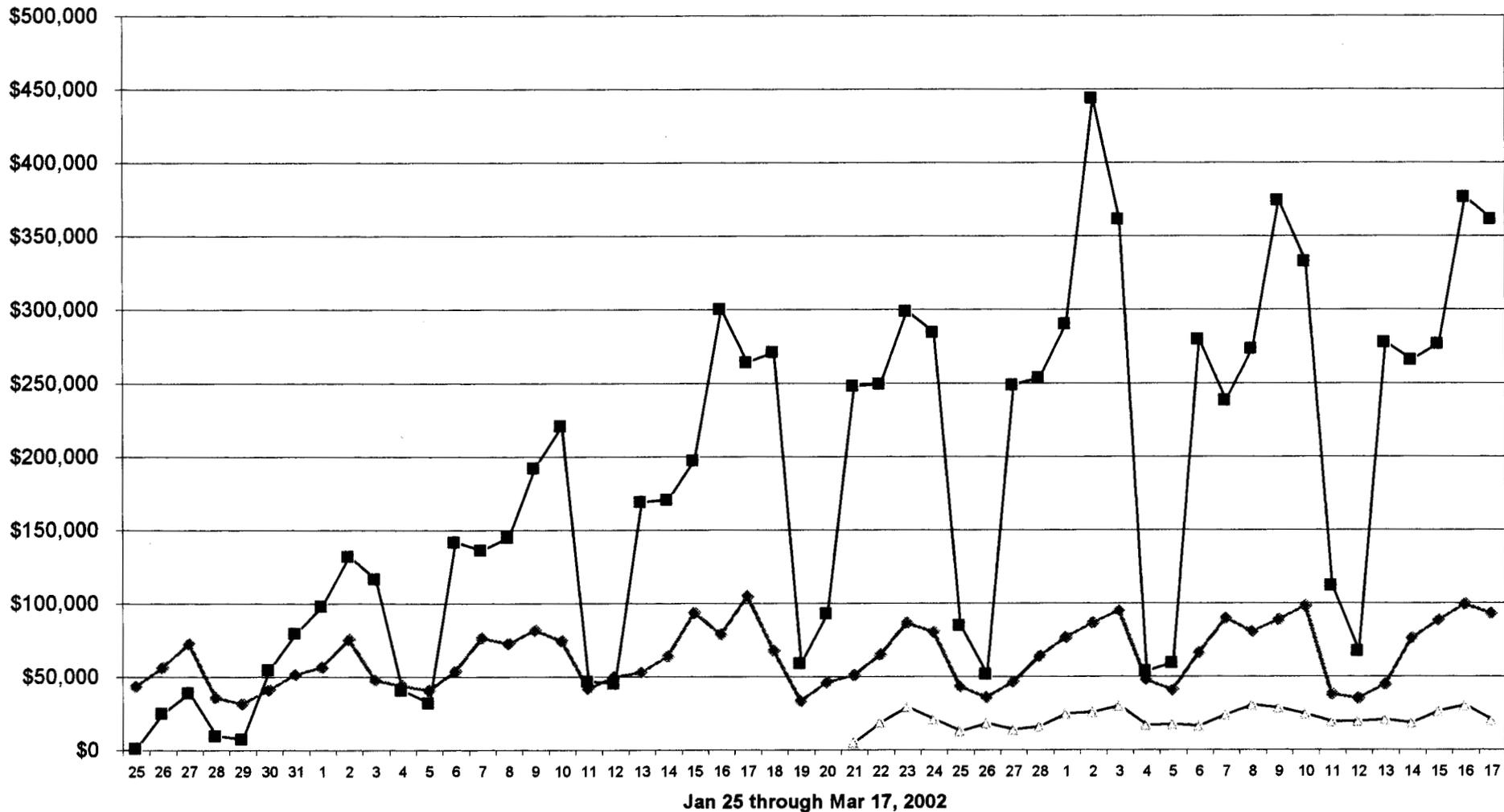
Staff is prepared to answer any questions about the data presented.

**Recommendation:**

This item is for information and discussion.

ADW	DAILY HANDLE				
January 25 through March 17					
DAY	TVG	XPRESSBET	YOUBET	TOTAL HANDLE	
25	\$43,663	\$1,389		\$45,052	
26	56,288	25,331		81,619	
27	72,573	39,267		111,840	
28	35,941	9,725		45,666	
29	31,892	7,653		39,545	
30	41,056	54,736		95,792	
31	51,740	79,817		131,557	
1	56,564	98,055		154,619	
2	75,542	132,024		207,566	
3	47,903	116,827		164,730	
4	44,129	40,797		84,926	
5	40,818	31,999		72,817	
6	53,860	141,996		195,856	
7	76,674	136,256		212,930	
8	72,676	144,994		217,670	
9	81,634	192,125		273,759	
10	74,428	220,869		295,297	
11	41,944	46,903		88,847	
12	50,018	45,460		95,478	
13	53,187	169,071		222,258	
14	63,864	170,490		234,354	
15	93,681	197,584		291,265	
16	79,005	300,510		379,515	
17	104,699	264,303		369,002	
18	67,922	271,001		338,923	
19	33,411	59,160		92,571	
20	45,953	93,001		138,954	
21	51,107	248,035	5,402	304,544	
22	64,852	249,499	18,934	333,285	
23	86,516	298,972	29,313	414,801	
24	80,387	284,651	20,797	385,835	
25	43,452	84,924	12,806	141,182	
26	36,129	51,761	18,225	106,115	
27	46,356	248,936	14,144	309,436	
28	63,975	253,504	16,120	333,599	
1	77,003	290,216	24,931	392,150	
2	86,775	444,018	25,816	556,609	
3	95,022	361,524	30,071	486,617	
4	47,922	53,728	16,884	118,534	
5	40,812	59,225	17,409	117,446	
6	66,304	279,877	16,354	362,535	
7	89,624	238,379	23,951	351,954	
8	80,833	273,684	30,613	385,130	
9	88,576	374,597	28,526	491,699	
10	98,016	333,104	24,571	455,691	
11	38,028	112,224	19,092	169,344	
12	35,290	67,378	19,398	122,066	
13	44,568	277,819	20,748	343,135	
14	76,053	265,793	18,351	360,197	
15	88,232	276,603	26,651	391,486	
16	99,088	376,645	30,508	506,241	
17	93,030	361,598	20,212	474,840	
	\$3,309,015	\$9,258,037	\$529,827	\$13,096,879	

# ADW DAILY HANDLE



—◆— TVG —■— XPRESSBET —▲— YOUTBET

**ITEM # 5**

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

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

**STAFF ANALYSIS  
SCOTWINC OFF-SITE STABLING COMMITTEE REPORT**

**REGULAR BOARD MEETING  
MARCH 28, 2002**

**Background:**

In the letter included with this item, the SCOTWINC Off-site Stabling Committee indicates that it has adjusted the funding formula with regard to off-site stabling payments to San Luis Rey Downs and Pomona. A three million dollar increase in funding will be split 50-50 between the two sites. Representatives of the Off-site Stabling Committee will be present to answer any questions that the Board may have about the new funding formula.

**Recommendation:**

Staff recommends that the Board hear from interested parties regarding this matter.



**Southern California  
Off-Track Wagering, Inc.**



March 1, 2002

Mr. Alan W. Landsburg, Chairman  
California Horse Racing Board  
1010 Hurley Way, Suite 190  
Sacramento, CA 95825

Dear Mr. Landsburg:

The SCOTWINC Off-Site Stabling Committee met this morning to discuss how to fund Pomona and San Luis Rey Downs for the next year. It was agreed to allocate three million dollars from the fund and to split that money 50/50 between the two sites.

This \$1.5 million increase in funding will be used toward a reduction in stabling rates at the San Luis Rey Downs Training Center. Because of this increase the Starter Fee program will be discontinued as of April 30, 2002. We have notified the San Luis Rey Downs Horsemen Association of this change.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Alvin A. Karwacki'.

Alvin A. Karwacki  
General Manager

cc: Roy C. Wood, Jr.  
John Reagan  
SCOTWINC Off-Site Stabling Committee

AAK/an

**ITEM # 7**

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

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