

CALIFORNIA HORSE RACING BOARD
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REGULAR MEETING

of the California Horse Racing Board will be held on Thursday, March 22, 2012, commencing at 9:30 a.m., in the Baldwin Terrace Room at the Santa Anita Park Race Track, 285 West Huntington Drive, Arcadia, California. The audio portion only of the California Horse Racing Board regular meeting will be available online through a link at the CHRB website (www.chrb.ca.gov) under "Webcasts."

AGENDA

Action Items:

1. Approval of the minutes of February 23, 2012.
2. **Public Comment:** Communications, reports, requests for future actions of the Board. **Note:** Persons addressing the Board under this item will be restricted to three (3) minutes for their presentations.
3. Discussion and action by the Board regarding the allocation of future race dates for 2013 and beyond.
4. Discussion and action by the Board on the Application to Conduct a Horse Racing Meeting of the Hollywood Park Racing Association, LLC at Hollywood Park Race Track, commencing April 25, 2012 through July 17, 2012, inclusive.
5. Discussion and action by the Board regarding the distribution of race day charity proceeds of the Hollywood Park Racing Charities on behalf of Hollywood Park Racing Association in the amount of \$100,000 to 20 beneficiaries.
6. Discussion and action by the Board regarding the request from TwinSpires to extend its California advance deposit wagering (ADW) license through the end of 2012.
7. Discussion and action by the Board on the report from Southern California Off-Track Wagering Inc. (SCOTWINC) regarding the development of new minisatellite wagering facilities and kiosks.
8. Discussion and action by the Board regarding an update from California Exposition and State Fair on potential lessees and operators for future harness race meetings.
9. Discussion and action by the Board regarding the proposed addition of CHRB Rule 1489.1, Suspension of License Due to Delinquent Tax Debt., to require the suspension of an occupational license if the licensee's name appears on the Franchise Tax Board or Board of Equalization's list of 500 largest tax delinquencies, pursuant to AB 1424, Chapter 455 Statutes of 2011.

10. Discussion and action by the Board regarding the proposed addition of Article 27, Exchange Wagering and the following proposed CHRB Rules governing exchange wagering in California: CHRB Rule 2086, Definitions; 2086.5, Application for License to Operate Exchange Wagering; 2086.6, Operating Plan; 2086.7, Exchange Wagering Data; 2086.8, Monitoring Systems and Notification; 2086.9, Financial and Security Integrity Audits Required; 2087, Suspending Markets; 2087.5, Antepost Market; 2087.6, Cancellation of Matched Wagers; 2088, Declared Entries; 2088.5, Correcting Matched Wager Errors; 2088.6, Cancellation of Unmatched Wagers; 2089, Error in Payments of Exchanges Wagers; 2089.5, Requirements to Establishing Exchange Wagering Account; 2089.6, Deposits to an Exchange Wagering Account; 2090, Posting Credits for Winnings from Exchange Wagers; 2090.5, Debits to an Exchange Wagering Account; 2090.6, Withdrawals by Account Holder; 2091, Closing an Inactive Exchange Wagering Account; 2091.5, Suspending an Exchange Wagering Account; 2091.6, Powers of the Board to Review and Audit Records; 2092, Distribution of Exchange Revenues; 2092.5, Exchange Wagers Placed After the Start of a Race; 2092.6, Prohibitions on Wagers to Lay a Horse to Lose and Rule 2093, Certain Practices Related to Exchange Wagering.
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).
 - C. The Board may convene a Closed Session for the purposes of considering personnel matters as authorized by Government Code section 11126, (a).

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

CALIFORNIA HORSE RACING BOARD

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

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PENDING LITIGATION
MARCH 2012

SUPERIOR COURT LITIGATION

- A. **Patrick Gleason vs. Anne Glasscock and the California Horse Racing Board**
Superior Court of California, County of Sacramento, Case No. 34-2010-00076781
- B. **Jeff Mullins vs. CHRB, et al**
Superior Court of California, County of San Diego, Case No. 37-2010-00092212
- C. **San Luis Rey Racing, Inc., vs. CHRB, et al**
Superior Court of California, County of San Diego, Case No. 37-2011-00096586
- D. **Alexander Sywak vs. CHRB**
Superior Court of California, County of Sacramento, Case No. 34-2011-800001021

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PENDING ADMINISTRATIVE ADJUDICATIONS
MARCH 2012

CASE

- A. Appeal of the Board of Stewards Official Ruling #007, Hollywood Park Racing Association, dated April 29, 2011
Owner Pablo Suarez
OAH No. 2011090921

- B. Trainer Paul Aguirre
CHRB Case No. 11HP067

PROCEEDINGS of the Regular Meeting of the California Horse Racing Board held at the Santa Anita Park Race Track Baldwin Terrace Room, 285 West Huntington Drive, Arcadia, California, on February 23, 2012.

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

MINUTES

Chairman Brackpool asked for approval of the minutes of the Regular Meeting of January 19, 2012. Vice-Chairman Israel motioned to approve the minutes. Commissioner Choper seconded the motion, which was unanimously carried.

PUBLIC COMMENT

Chairman Brackpool stated there were no requests to speak during the Public Comment period.

DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION TO CONDUCT A HORSE RACING MEETING OF THE HOLLYWOOD PARK RACING ASSOCIATION, LLC AT HOLLYWOOD PARK RACE TRACK, COMMENCING APRIL 25, 2012 THROUGH JULY 17, 2012, INCLUSIVE.

Chairman Brackpool stated that in 2011 the Board made it clear it wished to hear applications for license to operate a race meeting two months prior to the start of the race meeting. That would allow any issues that arose to be resolved prior to granting a license. He commented there was apparently some miscommunication with Hollywood Park Racing Association (HPRA), which was requesting that its application be put over because it was not complete. However, the Board

would rather deal with the incomplete application to resolve some current issues and concerns. He added the application would be heard again at the March 2012 Regular Board Meeting. Going forward, all applications for license to operate a race meeting would have a first hearing two months prior to the start of the race meeting. Eual Wyatt of HPRA stated his organization was having success with its Friday night concerts. HPRA was attempting to attract more popular bands so it could emulate one night when it had upwards of 20,000 persons in attendance. HPRA believed it created an event-type of atmosphere that had spillover to daytime racing. When the facility was alive at least one night a week the momentum made HPRA a legitimate venue to visit. Mr. Wyatt stated HPRA also made some changes to its stakes schedule by adding more two-year-old races with increased purse values. Hopefully, that would attract more two-year-olds and result in larger fields. Chairman Brackpool asked if there were any data produced that demonstrated the transition between attending a Friday night concert at HPRA and wagering on horseraces. Mr. Wyatt stated HPRA took the Board's earlier advice and interviewed persons who attended the Friday night concerts. In 2012 HPRA would improve its survey methods. Commissioner Moss asked what HPRA's security component was for 2012; would it test each horse? Mr. Wyatt stated HPRA would conduct surveillance on each horse entered in stakes races. With regards to test samples, HPRA would do whatever the Board directed. Commissioner Rosenberg asked if the concerts always started after the races. Mr. Wyatt said that was correct. He asked if the concert crowd would have time to place wagers. Mr. Wyatt stated that on the big band nights, 80 percent of the crowd was at HPRA by nine o'clock. Vice-Chairman Israel asked why purses were \$2.5 million less. Mr. Wyatt said HPRA was running a shorter meeting. Vice-Chairman Israel asked if the purse numbers were on a pro rata basis. Bernie Thurman of HPRA stated total purses were down approximately \$5,000 per day on an

average daily basis. She added in 2011 HPRA paid out more than was generated. Chairman Brackpool asked if the projected purses would be similar to those that the Board saw in 2011, and the difference was because the projected underpayment was lower than the actual underpayment. Ms. Berman stated that was correct. She added the 2012 meeting would also be 50 days versus 54 days in 2011. Commissioner Rosenberg asked what specifically HPRA did to encourage those who attended the Friday night concerts to return to the races. Did HPRA provide free items or discounts, or did it contact those persons? Dyan Grealish of HPRA stated HPRA built an email data base to use to contact concert attendees, and it used postal mailing addresses to send direct mail pieces. Vice-Chairman Israel asked how many Twitter followers HPRA had. Ms. Grealish stated HPRA had a couple thousand followers. HPRA Tweeted throughout the year, but more regularly when it had live racing. Vice-Chairman Israel said only two thousand followers was low. HPRA needed to find a way to build up its numbers. Commissioner Rosenberg asked what HPRA offered its data base by email and direct mail. Ms. Grealish stated Friday night concert goers received a "bounce back" ticket to return on the weekends, which were not concert nights. Commissioner Choper asked what percentage of the tickets returned on the weekends. Ms. Grealish stated she did not have the figures. HPRA was in the process of putting the data together. Vice-Chairman Israel said HPRA could have given a "good-until" voucher that gave the holder a certain amount of time to return and make a wager. If they made a \$2 win bet, a third of them would likely win, and some of those would wager again once they had the experience. That might have been more helpful than an entrance voucher. Mr. Wyatt said HPRA was concentrating on booking bands that would draw upwards of 10,000 fans. HPRA would take the Board's advice and formulate a plan to encourage those who attended the concerts to return to the races. Mr. Liebau stated Bay Meadows Race Track

was the first facility to start Friday night racing. It built on it over the years, and it definitely saw the younger people return on Saturdays and Sundays. Chairman Brackpool asked if HPRA would have a report on the success of the "bounce-back" tickets it provided Friday night concert attendees. Mr. Wyatt stated HPRA would give the Board a plan, and report on what HPRA would do. Commissioner Choper stated no-one would call the Friday night concerts unsuccessful. However, it was important to understand if they truly resulted in new horseracing fans so the entire industry could benefit from the experience. The industry needed to try all possible venues to get more people to come to the races. There would be nothing wrong if HPRA came back and told the Board that only a small percentage returned to the racetrack. At Bay Meadows the younger people showed up on the weekends. Was there some way to determine how many came because they attended the concert, and then how many times did they come back? Ms. Grealish stated HPRA did have a way to measure such numbers. HPRA had everyone sign up for a Gold Club card. The database administrator needed to run the record to see who came back through the bounce backs. However, they had to scan their Gold Club cards, which was something HPRA could not make people do. Commissioner Choper asked if the cards were different from the concerts. Ms. Grealish said the Gold Club cards were Loyalty Club cards. That was how HPRA doubled its database. Receipt of the card required an email address. However, the cards included persons who did not attend concerts. They could scan the cards and also receive discounts. Those attending the concerts had to fill out forms because they had to be over 18 to be on the track, so they also got a Gold Club card. HPRA was able to determine where it was skewing the demographics because it could look at birthdates. HPRA could track the Gold Club cards, but it could not track whatever it offered concert attendees, such as coupons. The coupons only measured bounce back; they did not measure demographic

information. Commissioner Moss stated the Forum went through an ownership change and would be a musical venue. There should be a lot more young people in the area. He asked if there could be some cross-promotion. Mr. Liebau stated HPRA had a working relationship with the Forum, and it was possible there could be cross-promotion. Commissioner Derek stated the HPRA application contained a brief explanation of its paramedic ambulance procedure. She asked if HPRA was going to submit a more detailed report. Jacqueline Wagner, CHRB staff, stated HPRA did submit a plan that was currently being reviewed. Chairman Brackpool stated that a copy of the plan would be provided to Commissioner Derek, and it would be discussed in conjunction with the HPRA application at the March 2012 Regular Meeting. Commissioner Rosenberg asked if HPRA could provide the Board with preliminary profit and loss statements, as the audited statements would not be completed until after the March 2012 Regular Meeting. Mr. Liebau stated that could be done; they would be made available. Vice-Chairman Israel asked how much longer HPRA would commit to keep running. Mr. Liebau said he did not know the answer to that question. Vice-Chairman Israel asked if HPRA would run in the fall of 2012. Mr. Liebau stated he would be glad to answer the question in the fall, but if the Board wanted an answer for the fall, he would be happy to get one. Vice-Chairman Israel commented he would like an answer for the next five years. Mr. Liebau stated HPRA had always taken the position that it would provide at least six months notice. Chairman Brackpool said the Board did not believe that was sufficient. Mr. Liebau stated he was not in a position to respond to the Board's inquiries. Vice-Chairman Israel asked who could actually provide an answer. Mr. Liebau stated the ownership of HPRA was led by Stockbridge HP Holding Company, LLC (Stockbridge). Chairman Brackpool said the issue could return at the March 2012 Regular Meeting. John Bucalo of the Barona Casino spoke about what he believed would help HPRA increase its

concert attendees' interest in horseracing. Commissioner Choper commented he found it difficult to understand why HPRA's ownership would only commit to six months of operation at a time. He stated he understood the company's views, but he found it a one-sided commitment. Mr. Liebau said all of those involved in horseracing felt that way. There could be some give or take regarding the amount of time committed to racing, but the land company did have a fiduciary obligation to its investors. Commissioner Choper said it did have a commitment, but if the consequences were such that the investors preferred a longer commitment, it was an economic judgment. Stockbridge was being most efficient for its investors. The industry wanted a longer commitment. There had to be some give and take, but it seemed there were all take and no give. Chairman Brackpool stated the discussion was a prelude to what might take place at the March 2012 Regular Meeting.

DISCUSSION AND ACTION BY THE BOARD REGARDING A REPORT FROM THE CALIFORNIA MARKETING COMMITTEE (CMC) REGARDING ITS 2012 MARKETING AND PROMOTION PLANS PURSUANT TO BUSINESS AND PROFESSIONS CODE SECTION 19605.73(B).

Chairman Brackpool stated the presentation was in response to the Board's request for a more detailed analysis of the California Marketing Committee's (CMC) 2012 marketing and promotion plans. Chris Korby Co-Chair of the CMC stated the CMC attempted to make the report comprehensive. CMC representatives would respond to any questions the Board may have. Commissioner Rosenberg said the report was very complete and he did not have any questions. Vice-Chairman Israel stated he agreed, but he did wonder why the CMC lowered the incentive payments when that was how it competed with rebate shops. Mr. Korby said the amount budgeted in 2011 was a projection that did not come in at that figure, so the 2012 figure could be lower. Commissioner Choper asked to what extent the CMC was looking to determine

whether a different percentage would be better, or the existing percentage meant anything. He commented that if the percentages reflected did the job, it was a bargain. Commissioner Choper said the CMC had to ask itself where the percentages stopped being a bargain, but were still worthwhile. Mr. Korby stated the CMC looked at the issue frequently and it did its best to find the right balance. The CMC also listened to the feedback from program participants. The point was to provide volume discounts to those who wagered large amounts, and to keep them wagering in California. Vice-Chairman Israel asked if the CMC numbers were high enough to compete with rebate shops and discounters. Mr. Korby stated one of the problems was that the competition was basically unknown, and that was because they were illegal. The CMC attempted to target players located in California, and make them feel appreciated for their large volume play when they remain in California. Vice-Chairman Israel asked if the CMC did market research with the large volume players. Shannon McDonald of the CMC said the racetracks actively sat down with the large core players and talked to them about the program. Vice-Chairman Israel asked if the CMC received that information. Mr. Korby stated it did, and he stated Santa Anita Park Race Track was actively pursuing such players with a staff person hired specifically for that purpose. Commissioner Choper stated the advance deposit wagering providers (ADW) also gave discounts. He asked if the CMC tracked the ADW rates. Mr. Korby said the ADW rates were tracked. Commissioner Choper commented he was concerned with the ability of the CMC to attract the ADW player to the track, and it would be helpful if that could be talked about in a future report. The challenge was to get an ADW player to the racetrack for the full experience and the same discount he would get at home. Vice-Chairman Israel asked how the ADW rebates compared to the CMC rebates. Mr. Korby stated he did not have the numbers at hand. Commissioner Choper stated the issue was worth talking about. It would take

a lot to get out-of-state players to California, but if a player was in California how could the CMC get that person to the racetrack by offering discounts? Commissioner Moss asked if the 20-mile radius model was still working. He stated there were certain places that were preventing other interested parties from getting into horseracing and promoting the sport. He said he was talking about sports bars where there could be an increase in wagering. Commissioner Moss stated he questioned why the industry wanted to keep the old model. There were a lot of hard working people involved, so some if it was understandable, but Commissioner Moss said he did not know if the model was working for the sport. Cities such as San Francisco and Santa Barbara were not represented, nor were other large population centers. Chairman Brackpool stated the entity that worked towards establishing minisatellite wagering facilities was run by Southern California Off-Track Wagering, Inc. (SCOTWINC). Mr. Korby said that was correct. The CMC did, however, provide some money for minisatellite promotional support. Commissioner Derek said the report stated the CMC would end its Twitter account; she asked why. Ms. McDonald stated with limited funding in 2012, the CMC decided it would focus on the jockey micro site and continue on Facebook. She added the racetracks did Twitter, so there would still be a racetrack presence. Mr. Korby stated the CMC also wished to complement what the racetracks were doing, not supplant their efforts. Commissioner Choper asked what happened to the two mobile kiosks. Ms. McDonald said the kiosks existed, but the CMC was not presently funding them. The Southern California kiosk was in the Paseo Colorado Mall in Pasadena. It was outdoors and there seemed to be good traffic. The CMC did not have any other data, as it was not shared. She added there was a television feed and they did streaming from the CalRacing.com site. There were also give-away items and promotional materials. Ms. McDonald stated the kiosks reported to SCOTWINC, but she could do some research, if needed.

Chairman Brackpool stated at the March 2012 Regular Meeting, the Board could hear from SCOTWINC regarding its outreach on new minisatellite wagering locations, as well as the kiosks. Mr. Korby stated there was also a kiosk at the Tanforan Shopping Center in San Mateo. He added there had been some success with kiosks at fairs. They helped in informing people, drawing people in, and answering questions. Commissioner Rosenberg said the questions asked were excellent, but it should be remembered that the budget of the CMC was constantly being reduced because of the handle and due to legislation. He added if the Board was interested in the CMC rebates the report should come from the members of the subcommittee that were familiar with the subject; primarily, the racetracks should report on it. Chairman Brackpool stated the biggest change from 2011 to 2012 was \$500,000 for product enhancement, which was going to the Cal-Bred program. Ms. McDonald stated there were two separate programs: \$500,000 for product enhancement and \$800,000 for the Cal-Bred program. The \$800,000 was \$400,000 in 2012 and \$400,000 in 2013. Chairman Brackpool stated the money supplemented the \$300 nomination fees. February 15, 2012 was the last sign-up day for the \$300 payment. He said when he saw the numbers he was disturbed to see how few paid the nomination fees. It was mystifying that more than half the owners of Cal-Breds decided it was not worth paying the fees for horses that had not run. Why would an owner not pay the \$300 if not paying guaranteed the horse could not run in a stakes program? Doug Burge of California Thoroughbred Breeders said the Golden State Series was a stakes program of nearly \$5 million for Cal-Breds, with the bulk of the new money in the two and three year old races. It was estimated that the foal crop of 2010 was right at 1,900. Conservatively, it was believed that about 50 percent of owners would pay the \$300 fee. However, with attrition, and the competitiveness of running in Southern California, and with a lot of Northern California owners targeting northern races, of which only

two races were created for the north, the target figure was reduced to 850 to 1,000 foals. When the deadline hit, a little over 820 2-year-olds were nominated. They were owned by 330 different individuals. Most of the larger farms nominated horses on their own behalf and on clients' behalf. Of interest was that Tommy Town Thoroughbred in Santa Ynez nominated three dozen two-year-olds. That same organization was sending horses back east and to Canada over the past few years. Chairman Brackpool asked why fully 60 percent of the horse owners not subscribe. They were stating they would never run a stakes race when they did not know the quality of the horse because it had never run. Mr. Burge said that was correct, or the owners could be thinking that when the horse broke its maiden in a Cal-Bred maiden allowance race the \$20,000 over and above the purse would make the \$25,000 supplement seem a lot less. Chairman Brackpool stated if that were the case, the supplement should have been a lot more, because the way it was structured it was a perverse incentive. He added the program needed to be reworked. Mr. Burge stated the California Thoroughbred Breeders was always open to improving the program. Chairman Brackpool said the program was very creative. He was just staggered that 60 percent of the horses were not subscribed at \$300 for the sort of money that was available. Commissioner Rosenberg asked if Mr. Burge could state the percentage of registered foals from 2010 that were from Northern California. Mr. Burge stated the numbers were growing because the farms migrated from the south to the central and northern parts of the state. He added the number was nearly a third. Commissioner Rosenberg suggested that maybe in 2013 there could be more races developed for Northern California. Mr. Burg agreed, and added Cal-Breds were not prevented from running in stakes. Overnight stakes were available in the north, south and at fairs. Running in the Golden State Series required the \$300 nomination fee. Chairman Brackpool stated he admired the objective of the program, which was to increase

the incentives so the horse population continued to climb. He added, however, he wanted to make sure people were not gaming the system. Mr. Korby stated the program was new and CMC had a major financial commitment. The Board could be assured CMC was monitoring every aspect of the program, and if it did not work, CMC would use the funds elsewhere.

DISCUSSION AND ACTION BY THE BOARD REGARDING A REQUEST FROM CALIFORNIA EXPOSITION AND STATE FAIR TO AMEND ITS CURRENT DECEMBER 26, 2011 THROUGH JUNE 30, 2012 RACE MEETING APPLICATION TO REDUCE THE NUMBER OF LIVE HARNESS RACE DATES AND THE CONCERNS FROM THE CALIFORNIA HARNESS HORSEMEN'S ASSOCIATION (CHHA) REGARDING THIS REQUEST.

Chairman Brackpool said he was able to approve the Santa Anita Park Race Track request to stay at four race days because it had the consent of the horsemen. The request from the California Exposition and State Fair (Cal-Expo) to amend its current application to reduce the number of live harness race dates did not currently have consent from the harness horsemen. That was why the issue was before the full Board. David Elliott of Cal-Expo stated that over a seven week period Cal-Expo had been allowed to run two-day race weeks, and its average handle was within 6 percent of the typical three-day week. That meant Cal-Expo was at the same handle as a three-day week and all horses were running. In addition, Twinspires was moving its Saturday night rewards program to Friday nights. TVG also agreed to televise Cal-Expo's Saturday night late Pick 4, which could bring Cal-Expo above the 6 percent mark. Chairman Brackpool asked if an increase in field size kept Cal-Expo's handle within its target. Mr. Elliott said "yes". He added Thursday nights at Cal-Expo were very slow. Cal-Expo was not running with Los Alamitos, which raced Sunday nights. The one Thursday night that Cal-Expo ran in January 2012 resulted in an average field size for the week of 6.6. When Cal-Expo ran two days a week, its average field size was above seven. Mr. Elliott stated the point had often been made that a half a horse

made a big difference, and at Cal-Expo it added substantially to the handle. Vice-Chairman Israel asked if any races were added during the two-day weeks. Mr. Elliott said the field size went down because 34 races were run during the three-day weeks. The racing secretary had to split races, which created shorter fields. Cal-Expo was currently running 30 races, at 15 races a night, and the formula was working financially for all parties. All horses were getting raced, and every horse that did not get a check was receiving a starter purse of \$50 to help with Lasix, or paddock or driver fees. When Cal-Expo ran three days with lesser horses, people were not getting checks. Mr. Elliott added that Cal-Expo was trying to run the meeting so that it would be profitable to potential operators. Chairman Brackpool stated he understood Cal-Expo had not committed to running a meeting beyond the end of the current meeting, which was June 30, 2012. Mr. Elliott said that was correct. The Cal-Expo board of directors gave the California Harness Horsemen's Association (CHHA) a 180-day notice. The notice indicated that Cal-Expo would not be operating the fall 2012 meeting, which had a start date of approximately August 24, 2012. However, the board was entertaining solicitations for the operation of the fall 2012 meeting. Chairman Brackpool asked if there was an overpayment. Mr. Elliott stated that since 2008 Cal-Expo had been as high as \$750,000 overpaid, but through management of purses it had reached a point where the handle sustained the purses. Cal-Expo was currently \$16,000 overpaid, but that was manageable. Alan Kirschenbaum of the CHHA stated his organization objected to the proposed reduction in Cal-Expo race days. Mr. Kirschenbaum stated there were 30 races carded for the upcoming weekend, and the CHHA believed that was sufficient for three cards of racing. He said of the other breeds running in California, there were 192 horses participating during Los Alamitos' three nights of racing, Santa Anita had 190 horses participating in three days starting Thursday, Friday and Saturday. Meanwhile, Cal-Expo had

226 horses race in two nights. Mr. Kirschenbaum stated one of the harness drivers researched handle numbers and found that purses generated would be the same over two nights as over three nights. If everything were consistent, the purses generated on an average three-day, ten-race card, were 15 percent higher on average. If Cal-Expo ran unopposed on Thursday nights, additional simulcast money would be available because 16 races could be imported. CHHA estimated that could bring another \$5,000 or \$6,000 into the purse pool. That would mean purses could be closer to \$85,000 over three nights instead of \$70,000 over 2 nights. Every week Cal-Expo ran two nights versus three nights represented a 20 percent purse cut for the horsemen. Mr. Kirschenbaum stated the CHHA was aware Cal-Expo incurred additional expenses when it opened its facility for the third night, so the Board would have to decide between allowing the horsemen to make more money or management. So far, on a week-to-week basis, the decision was for management. The current operator stated it would not run a meeting in the fall of 2012, but the horsemen were in it for the long haul. Mr. Kirschenbaum asked if it would be in the best interests of horseracing to favor a lame-duck management over horsemen and horsewomen who worked day and night to put on the show. Chairman Brackpool stated the Board's decision was not about who should make more money. If it were, the issue would not be before the Board. Mr. Kirschenbaum stated the CHHA agreed there needed to be more horses. Cal-Expo has indicated it may offer an incentive program for horses to ship to California to race. The CHHA would be contributing half the funds for the program. Over the next few weeks three-year-old Cal-Breds would also be qualifying for spring stakes. The CHHA believed there would be more horses available to race. If 25 or 30 additional horses were available, Cal-Expo could card 4 more races a week. Cal-Expo could run 10 races Thursday, 12 races Friday and 12 races on Saturday. Vice-Chairman Israel asked if the parties considered splitting the difference by

running two days one week, and three days the next week. Mr. Elliott said he had not considered that. Cal-Expo learned that inconsistent race weeks lost fan interest. Vice-Chairman Israel asked what Cal-Expo's evidence was that showed inconsistent weeks of racing lost fan interest. He stated other sports, such as basketball, had inconsistent schedules. Mr. Elliott said if a racing association was asked to run three days one week, and three different days the next, it would probably protest. Horse players got used to consistency, and when Cal-Expo had to move a schedule or a day here and there, it experienced a decrease. Vice-Chairman Israel asked if Cal-Expo's position was two days or nothing. Mr. Elliott said "no". Vice-Chairman Israel asked if the CHHA position was flexible. Mr. Kirschenbaum stated the CHHA would like to race three days a week. Mr. Elliott commented that the CHHA believed the purse pool for a three day week would be \$85,000. Harness racing had a 50/50 split for purses and commissions. It cost Cal-Expo \$35,000 a day to operate the meeting. With a two day schedule Cal-Expo could stay a little in the black and pay its bills. Commissioner Rosenberg asked if the CHHA surveyed its membership. Mr. Kirschenbaum stated he polled the CHHA board members, and five of the nine members (including him) objected to the Cal-Expo request. Commissioner Rosenberg said he had an email from Cal-Expo that laid out a possible offer. Mr. Kirschenbaum stated one item on the email was racing two days instead of three. He said he believed that the email was a misrepresentation of what happened at the CHHA board meeting, and his poll of the board members showed the majority objected. Commissioner Rosenberg asked how Mr. Kirschenbaum responded to Cal-Expo's contention that the cost of operating was \$35,000 a night – while the increase in purses to horsemen for a third night would only be \$15,000. Cal-Expo would be losing \$20,000 a night. Commissioner Rosenberg stated the operator was going out of business because the meeting was not profitable. Mr. Kirschenbaum said Commissioner

Rosenberg was relying on an email sent by Cal-Expo with a version of events the CHHA had not agreed to. Commissioner Choper asked if it were true that Cal-Expo would have a net loss. Mr. Kirschenbaum said Cal-Expo would lose money on the one night. It would make money the other nights. Chairman Brackpool stated Cal-Expo reported the handle was down only 6 percent if it ran two nights. It would not have the fixed cost of running the third night, so it was actually more profitable running two nights than three. He said his biggest concern was the possibility of not having an operator for future meetings. Chairman Brackpool asked if the CHHA would rather be the steward of a four month enterprise that was making money by running two nights a week. There were fuller fields and more excitement. That would give the CHHA a much better chance of selecting and partnering with a new operator. The alternative was forcing an operator to get into an overpayment situation that could cause disputes for years. Mr. Kirschenbaum stated historically the CHHA paid back every overpayment. The CHHA was well aware it was in a transition period, and it was fighting for its life. However, it seemed the Board was relying on one set of information when there was other research that demonstrated the third night was much more than 6 percent. It could be as high as 24 percent higher, and it averaged out to 15 percent higher. As the head of the CHHA Mr. Kirschenbaum stated he was keeping an eye on the larger picture, but he was not prepared to assume that every expression of Cal-Expo's expense and profitability was given as fact. David Neumeister, a CHHA board member, stated Cal-Expo's own numbers demonstrated that commissions and purses totaled about \$4.1 million. That meant with 117 race days Cal-Expo averaged about \$35,000 a night in commissions, running three nights a week. Mr. Neumeister stated Cal-Expo was not losing money. He said Cal-Expo was not a private enterprise, but a state entity. Mr. Neumeister spoke at length about the effects of Cal-Expo's quest to run two nights a week. Chairman Brackpool said the much

larger problem was the ability to attract a new operator. Arguing about running two nights a week for the next four months was moving deck chairs around the Titanic. The only way to attract an operator was to have a successful program. Forcing the existing operator to do what it did not wish to do was not a way to find a replacement. Chairman Brackpool stated he was informed by Cal-Expo that it would not renew its license to operate a race meeting. He said he asked very specifically, and was told "no". Mr. Neumeister stated the harness operation would look better if it were running more nights a week. A meeting that ran only two nights a week looked like a failing proposition. He stated that Cal-Expo admitted it was profitable running three nights a week. Chairman Brackpool said Cal-Expo reported it was profitable running two nights, not three, and it was currently stating it was not profitable. Commissioner Choper asked what running three nights a week meant to Cal-Expo's bottom line. Mr. Elliott stated Cal-Expo lost \$20,000 to \$25,000 a week. The week in January that ran three nights had a \$16,000 overpayment. That was because the horses had to be split up among the three nights. Mr. Kirschenbaum stated Cal-Expo could take the same fields and divide them over the three night period. Commissioner Choper stated the three nights were not profitable because of the fixed cost of the third night. Chairman Brackpool said Cal-Expo was amortizing the same number of races over three nights as opposed to two. Simple math would demonstrate it was better to amortize over two nights than over three. Commissioner Rosenberg asked what the Thursday night on-track attendance was. Mr. Elliott stated Thursday nights were much smaller than Friday and Saturday nights. As the weather warmed on-track attendance was better. The satellite attendance was also light on Thursday nights, but it got better with Friday and Saturday night quarter horse racing. Commissioner Rosenberg commented it might be helpful if at a future Regular Meeting Cal-Expo could discuss potential lessees. Mr. Elliott stated there were several

entities interested in leasing the track. Commissioner Rosenberg said he was sympathetic with all parties, but it made no sense to card a lot of races without horses to run in them. It seemed that it might be a high priority for the horsemen to run some legislation to allow a non-profit cooperative to act as the operator. Mr. Neumeister stated the horsemen were not asking Cal-Expo to run more races. They were asking for the same number of races, only spread out over three nights. The field size would be identical. He added Thursday nights were the only nights harness paid no impact fee to Los Alamitos. Sixteen simulcast races could be imported versus only eight imports on Friday and Saturday nights. Mr. Neumeister stated all the horsemen were asking was that Cal-Expo not be given authority to run only two nights for the remainder of the meeting. Have Cal-Expo come in one week at a time and justify the request. Vice-Chairman Israel said he did not understand why one party believed Thursday nights were a problem and the other believed they were beneficial. Mr. Elliott stated current legislation allowed the night industry to bring in eight imports only per racing day, or 16 imports on a night when it was not racing against another night entity. The benefit was purse money. On Sunday nights, when Cal-Expo was not running, Los Alamitos generated about \$5,000 in purse money for the harness horsemen. Cal-Expo had additional imports on Thursday nights, but it had to split the purse money they generated with Los Alamitos, so it became a wash. Vice-Chairman Israel asked why Cal-Expo did not run concurrently with Los Alamitos on Sunday nights. Mr. Elliott stated that Sunday nights did not historically work for Cal-Expo. Mr. Neumeister stated that at the end of the meeting Cal-Expo would owe the horsemen around \$300,000. He said the CHHA would like the Board's help in determining the exact amount and how it would be paid. Chairman Brackpool said that was not the issue before the Board. If the CHHA were owed the funds, Cal-Expo would certainly make it whole. Commissioner Rosenberg asked if a motion would include

the Cal-Expo offer to return to three days a week if there were 270 horses available. Mr. Elliott stated Cal-Expo was willing to request a three-day week if 270 horses were consistently available. Commissioner Rosenberg motioned to allow Cal-Expo to amend its current race meeting application to reduce the number of live harness race dates to two nights a week, with the commitment that it returns to three nights upon the availability of 270 horses, as determined by the Board. Vice-Chairman Israel seconded the motion, which was unanimously carried.

DISCUSSION BY THE BOARD REGARDING A PRESENTATION FROM GOLDEN PEGASUS HORSE EXCHANGE RACING CORPORATION CONCERNING ITS PROPOSAL TO SELL STOCK/SHARES IN RACE HORSES ON AN OPEN MARKET.

Frank DeMarco, on behalf of the Stronach Group, stated the Stronach Group formed corporations for the purpose of racehorse ownership, and to issue stock to the public. The purpose of the corporations was to get small shareholders invested in horseracing. Mr. DeMarco said he was not a licensed security broker, and he was not making any representations about the stock. Interested parties should inform themselves about the offering and make their own determination. In the event the stock was fully subscribed and the corporations were finalized and capitalized, they would apply for an owner's license as a corporation. Board Rule 1506, Horse Ownership by Corporation or Limited Liability Company, allowed corporations to register if they appointed a managing employee who could be licensed as a horse owner. That person would be the public face of the corporation, and his license would be subject to the Board's rules and regulations. Mr. DeMarco stated the securities lawyers wanted a letter from the Board to the effect that the proposition was valid in California, and the corporations would be able to obtain a license based on the representations. He said Staff Counsel Robert Miller was working with the Stronach Group on such a letter. Chairman Brackpool stated the appropriate documents had

been filed, so the corporations were about to go effective. Mr. DeMarco stated March 12, 2012 was the target date. Chairman Brackpool said that was prior to the March 2012 Regular Board Meeting. If the Stronach group got the letter it did not need to return before the Board. Mr. DeMarco stated that was correct. Chairman Brackpool asked if those who owned more than 5 percent of the stock would have to be licensed. Mr. DeMarco stated that was a little confusing. The law did not mention such a limit, but the application for license did. The stock ownership could be tracked in the initial offering, and anyone who subsequently bought 5 percent or more on the open market would have to file a form 13-G. However, the Stronach Group was suggesting that the entity carried in on the street name would satisfy the Board. Vice-Chairman Israel commented it seemed like a venue for someone who was not otherwise qualified for an owner's license to get into horseracing. Mr. DeMarco stated that was a slim possibility as management control still completely resided with the corporation and essentially the managing employee. Vice-Chairman Israel asked what percentage of the company would actually be available for public sale. Mr. DeMarco said he did not know. Chairman Brackpool asked if Staff Counsel Miller was satisfied the Board could issue the requested letter. Mr. Miller said any letter would be issued by him, and would state that the format presented was in conformance with the laws and regulations of the California Horse Racing Board. Chairman Brackpool commented he would like to see the letter to ensure the Board was not assuming an unnecessary level of liability. Vice-Chairman Israel asked who would appear before the stewards in the event an appearance was required. Mr. DeMarco said that was the function of the responsible managing employee. Chairman Brackpool asked how soon the corporation needed to notify the Board if there was a change in the responsible managing employee. Jacqueline Wagner, CHRB

staff, said immediate notification was required so another employee could be licensed as an owner. Chairman Brackpool said that point should be clear in the comfort letter.

REPORT FROM THE EXCHANGE WAGERING AD HOC COMMITTEE.

Vice-Chairman Israel stated the Exchange Wagering Ad Hoc Committee (committee) met on February 9, 2012 at Santa Anita Park Race Track. After a thorough hearing, which included proponents and opponents of exchange wagering, no action was taken. There was no action because an agreement between the necessary parties had not been reached. The entire transcript of the proceedings was available on the Board's website. Stephen Burn of TVG Betfair stated he would like to apologize to anyone who misunderstood what his organization was proposing. Since the committee meeting TVG Betfair tried to reach out to individuals and organizations so that the regulatory process could move forward. Mr. Burn stated there was some discussion about the commercial model and funding that would go to the tracks and the horsemen if the betting exchange moved forward in California. He said he wanted to be clear that TVG Betfair was proposing that purses would be increased on what was offered in 2011. If and when an exchange was introduced, TVG Betfair could assist with Hollywood Park's challenges with regards to purse money, irrespective of how much business the exchange had. TVG Betfair was proposing to have a purse guarantee that boosted purses from 2011. During the committee meeting there were questions regarding the demographic difference between online tote bettors and the betting exchange in the U.K. That information was provided to the committee members. It demonstrated that the difference in age in the United Kingdom was 11 years and in Australia it was about seven years. Mr. Burn stated there was a lot of concern expressed about what a trainer or jockey would have to do to maintain his integrity if exchange wagering was introduced.

Much of that was misguided and could be addressed. He urged people to talk to others who had experience with what Betfair did or did not do for racing in the United Kingdom. In 2011 there was record attendance in the United Kingdom with more people than ever before. There was record handle on the UK Tote, the traditional pari-mutuel business, and TVG Betfair played a role in helping that happen. Mr. Burns said TVG Betfair hoped the regulatory process would continue so if an agreement were reached it could start operating either at Hollywood Park or Del Mar. Vice-Chairman Israel said the process was ongoing. Commissioner Choper said it would be helpful if TVG Betfair provided a few pages of questions and answers of issues with the TVG Betfair response. That way TVG Betfair could discuss what it considered major issues that required clarification. Darrell Haire of the Jockey's Guild stated his organization was opposed to exchange wagering. However, he stated the Jockey's Guild would soon meet with TVG Betfair to discuss its issues and make some suggestions. A final opinion would follow that meeting. Chairman Brackpool stated Commissioner Moss was attending his final meeting as a Commissioner. He said Commissioner Moss served eight years of dedicated work, during which he acted as a wise counsel and provided a wealth of information. In addition, Commissioner Moss was instrumental in a revival of interest in horseracing by agreeing to keep his mare, Zenyatta, running for a second year. Chairman Brackpool thanked Commissioner Moss for his service.

MEETING ADJOURNED AT 11:37 A.M.

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

Chairman

Executive Director

CALIFORNIA HORSE RACING BOARD

MARCH 22, 2012
REGULAR BOARD MEETING

There is no board package material for Item 2

STAFF ANALYSIS
DISCUSSION AND ACTION BY THE BOARD
REGARDING THE ALLOCATION OF
FUTURE RACE DATES FOR 2013 AND BEYOND

Regular Board Meeting
March 22, 2012

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 law. Business and Professions Code section 19530 provides that the Board shall have the authority to allocate racing weeks to an applicant or applicants pursuant to the provisions of this article and article 6.5 and to specify such racing days, dates and hours for horse racing 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. Business and Professions Code section 19531 states the Board shall make allocation 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.

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

Current Board practice in allocating race dates is to allocate dates for a one year period of time. In October 2011 the Board allocated 2012 race dates to California racing associations and to the fair racing circuit. The California Exposition and State Fair race dates were only allocated for December 2011 through June 2012 because of the uncertainty of there being a harness operator

for the remainder of the 2012 racing year. The Humboldt County Fair race dates were allocated in December 2011 after the resolution of a dispute between the Humboldt County Fair and Pacific Racing Association regarding precise race dates and overlap of the two meetings. While Business and Professions Code section 19531 states the number of weeks that may be allocated to a racing association in a given year, the Horse Racing Law does not prevent the Board from allocating race dates for more than one year at a time. If the Board were to determine that it wished to allocate race dates for multiple years, it would not be obligating future Boards, as Business and Professions Code section 19530 states 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. This indicates that a future Board may change previously allocated race dates if it desired.

RECOMMENDATION

This item is presented for Board discussion and action.

STAFF ANALYSIS

March 22, 2012

Issue: APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING OF THE HOLLYWOOD PARK RACING ASSOCIATION, LLC AT HOLLYWOOD PARK APRIL 26, 2012 THROUGH JULY 15, 2012.

Hollywood Park Racing Association, LLC filed its application to conduct a thoroughbred horse racing meeting at Hollywood Park:

- April 26 through July 15, 2012, or 50 days. The association proposes to race a total of 430 races, or 8.6 per day. In 2011 they raced 8.72 races per day with an average of 7.68 runners per race. In 2011 they were allocated to race 54 days the (actual) average daily purse for the meet was \$463,756.

At its February 23, 2012, regular meeting the Board deferred the Hollywood Park Racing Association race meet application until March 22, 2012. The application was incomplete therefore the Board asked the applicant to return to the March 2012 Board meeting.

- The race dates proposed are the dates the Board allocated.

| April - 2012 | | | | | | |
|--------------|-----|-----|-----|-----|-----|-----|
| 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 | | | | | |

| May - 2012 | | | | | | |
|------------|-----|-----|-----|-----|-----|-----|
| 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 | | |

| June - 2012 | | | | | | |
|-------------|-----|-----|-----|-----|-----|-----|
| 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 |

| July - 2012 | | | | | | |
|-------------|-----|-----|-----|-----|-----|-----|
| Sun | Mon | Tue | Wed | Thu | Fri | Sat |
| | 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 | | | | | |

- Racing 4 days per week, Thursday through Sunday, with 8 races on Thursdays and Fridays. 9 or 10 races on a selected basis on Saturdays, Sundays and holidays, with 11 races on May 5, 19 and June 9 (Triple Crown). Hollywood Park will be the Southern California host for simulcast only wagering July 16 and 17th.
- First post 1:00 p.m. daily.
 - 7:05 p.m. post Fridays with the exception of May 4.
 - 11:00 a.m. post Saturday, May 5th Kentucky Derby, May 19th Preakness and June 9th Belmont Day.
 - May 5, 19 and June 9th post times will be adjusted to coordinate with Triple Crown races.
- Specific changes from the 2011 license application:
 - Programs (on-track) – from \$2.25 to \$2.50
 - Programs (off-track) – from \$2.25 to \$2.50
 - Sauna and massage table were added to the jockey quarters

- Business and Professions Code section 19464(b) specifies no application for license to conduct a horse racing meeting shall be granted unless the applicant has deposited with the Board a surety bond in the amount of \$100,000, or a greater amount, as determined by the Board, which is sufficient to ensure payment of employees wages and benefits including, but not limited to, health, welfare and pension plans. The surety bond shall be maintained during the period of the meeting that all payments are made. In the event of a dispute over the amount owed, the dispute shall be resolved through the grievance procedures set forth in the labor agreement of the union representing the class of employees affected.

This subdivision does not apply to any person or association licensed to operate a horse race meeting prior to January 1, 2001, which has conducted a race meeting in each of the immediate three previous consecutive calendar years.

- Hollywood Park Racing Association, LLC's initial race meeting was conducted after 2001. Therefore, it is subject to the provisions of the Business and Professions Code section 19464(b).
- Pursuant to Business and Profession Code 19464(b) Hollywood Park Racing Association is required to submit a \$100,000 surety bond payable to the Treasurer of the State of California to ensure payment of employee wages and benefits. The Hollywood Park \$100,000 surety bond on file will expire March 31, 2013.
- Request Jennifer Paige be appointed horse identifier pursuant to CHRB Rule 1525.
- Track safety inspection has been requested and will be completed before the beginning of the race meet.
- Business and Professions Code section 19601.01 provides a thoroughbred association or fair, upon the filing of a written notice with, and approval by, the Board specifying the percentage to be deducted, may deduct from the total amount handled in the pari-mutuel pool for any type of wager an amount of not less than 10 percent nor more than 25 percent. The written notice shall include the written agreement of the thoroughbred association or fair and the horsemen's organization for the meeting of the thoroughbred association or fair accepting the wager. The established percentage to be deducted shall remain in effect until the filing of a subsequent notice with, and approval by, the Board, unless otherwise specified in the notice.

Hollywood Park requested an adjusted takeout of 14% on the ϕ .50 Pick 5 wager.

- Inspection of backstretch worker housing has been requested and will be completed before the beginning of the race meeting.
- Wagering program will use CHRB and ARCI rules.
 - Early wagering 8:30 a.m. on the day of and advance-day wagering.
 - ϕ .50 Pick 5 will be offered on the first five races with a 14% takeout. The major share of the pool will be designated as 100%.
 - Pick 6 on last 6 races - 70% of net pool to be retained for the jackpot and no cap be set.

- Pick 4 on traces 2 through 5 and on the last 4 races - designate the major share of pool as 0%.
 - Offering option of an alternate selection in the place Pick all, Pick 5, Pick 6 and Pick 4.
 - Super High Five on the last race in accordance with ARCI Pick(n) Position(x) pools rules.
- The Advance Deposit Wagering (ADW) providers are TVG, Xpressbet and Twinpires the television provider will be TVG.

Pursuant to Business and Profession Code section 19604, specific provisions must be met before an ADW provider can accept wagers.

Summary of B&P code 19604

To accept wagers on races conducted in California from a resident of California.

- The ADW provider must be licensed by the Board.
- A written agreement allowing those wagers exists with the racing association or fair conducting the races on which the wagers are made.
- The agreement 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.

To accept wagers on races conducted outside of California from a resident of California.

- The ADW provider must be licensed by the Board.
- 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.

Documents received in compliance with Business and Professions code 19604:

- ODS Technologies, L.P. d/b/a TVG Network has submitted all documents required in compliance with Business and Professions code 19604.
 - XpressBet LLC. dba XpressBet.com, has submitted all documents required in compliance with Business and Professions code 19604.
 - Churchill Downs Technology Initiatives Company, dba Twinpires, has submitted all documents required in compliance with Business and Professions code 19604.
- Simulcasting conducted with out-of-state racing jurisdictions pursuant to Business and Professions Code Section 19602; and with authorized locations throughout California.
 - Outstanding application items will be discussed at the March 2012 Board meeting.

Specific information still needed to complete this application includes:

1. 2011 Audited Financials
2. Fire clearance

RECOMMENDATION:

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

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

1. APPLICANT ASSOCIATION

A. Name, mailing address, telephone, fax numbers, and the email address for associations contact person: **Hollywood Park Racing Association, LLC**
1050 South Prairie Avenue
Inglewood, California 90301
(310) 419-1500 phone (310) 671-4460 fax
jackliebau@yahoo.com

B. Breed of horse: TB QH H

C. Racetrack name: **Hollywood Park**

D. Attach a certified check payable to the Treasurer of the State of California in the amount of \$10,000 as deposit for license fees pursuant to Business and Professions Code section 19490. On File

E. Was the association licensed to operate a race meeting prior to January 1, 2001?

Yes No

If no, attach a surety bond in the amount of one hundred thousand dollars. On File

NOTICE TO APPLICANT: No application for a license to conduct a race meeting shall be granted unless the applicant has deposited with the Board a surety bond in the amount of one hundred thousand dollars (\$100,000), or a greater amount, as determined by the board, which is sufficient to ensure payment of employee wages and benefits including, but not limited to, health, welfare, and pension plans. The surety bond shall be maintained during the period of the meeting and for an additional period, as determined by the board, sufficient to assure that all payments are made. This subdivision does not apply to any person or association licensed to operate a horse race meeting prior to January 1, 2001, which has conducted a race meeting in each of the immediate three previous consecutive calendar years. The \$100,000 surety bond amount maybe increased to an amount determined by the Board at the time the application is scheduled for hearing pursuant to Business and Professions Code section 19464(b).

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 allocated for the entire meeting: **April 25 through July 15, 2012.**
Hollywood Park Racing Association will be the Southern California host for simulcast only wagering to be offered on July 16 & 17, 2012.

B. Actual dates racing will be held: **April 26, 27, 28, 29, May 3, 4, 5, 6, 10, 11, 12, 13, 17, 18, 19, 20, 24, 25, 26, 27, 28, 31, June 1, 2, 3, 7, 8, 9, 10, 14, 15, 16, 17, 21, 22, 23, 24, 28, 29, 30, July 1, 4, 5, 6, 7, 8, 12, 13, 14, 15**

CHRB CERTIFICATION

Application received: *1/25/12*
Deposit received: *on file*
Reviewed: *(apu)*

Hearing date: *8/22/12*
Approved date:
License number:

- C. Total number of days or nights of racing: 50
- D. Days or nights of the week races will be held:
 Wed - Sun Tues - Sat Other (specify) Thursday through Sunday with racing on Monday May 28th and Wednesday July 4th. Simulcast only wagering to be offered on all days when live racing is not being conducted.
- E. Number of days or nights of racing per week: 4 Except as noted above.

3. RACING PROGRAM

- A. Total number of races: 430
- B. Number of races for each day or night: 8 races on Thursdays and Fridays; 9 or 10 races on a selected basis on Saturdays and Sundays and Holidays, 11 races on Saturdays May 5, May 19, June 9 (Triple Crown days).
- C. Total number of stakes races: Stakes 33 Overnight Stakes 16 - for a total of 49
- D. Attach a listing of all stakes races and indicate the date to be run and the added money or guaranteed purse for each. Note the races that are designated for California-bred horses. Attached
- E. Will provisions be made for owners and trainers to use their own registered colors?
 Yes No If no, what racing colors are to be used:
- F. List all post times for the daily racing program:

| <i>Race</i> | All days except (Friday nights, Saturdays May 5, 19, & June 9) | Friday Nights (May 4 is day racing) | **Saturday May 5 (Kentucky Derby Day) Saturday May 19 (Preakness Day) Saturday June 9 (Belmont Day) |
|--------------------|---|-------------------------------------|---|
| 1 st | 1:00 pm | 7:05 pm | 11:00 am |
| 2 nd | 1:30 pm | 7:35 pm | 11:30 am |
| 3 rd | 2:00 pm | 8:05 pm | 12:00 noon |
| 4 th | 2:30 pm | 8:35 pm | 12:31 pm |
| 5 th | 3:00 pm | 9:05 pm | 1:02 pm |
| 6 th | 3:30 pm | 9:35 pm | 1:34 pm |
| 7 th | 4:00 pm | 10:05 pm | 2:06 pm |
| 8 th | 4:30 pm | 10:32 pm | 2:44 pm |
| 9 th * | 5:00 pm | | 3:40 pm |
| 10 th * | 5:30 p.m. | | 4:11 pm |
| 11 th * | | | 4:40 pm |

* When applicable

** May 5, May 19 & June 9 post times will be adjusted to coordinate with the Triple Crown tracks races

HOLLYWOOD PARK
2012 SPRING/SUMMER STAKES SCHEDULE

| <u>DATE</u> | <u>STAKE</u> | <u>PURSE/DISTANCE</u> |
|----------------------|---|--|
| Thur. April 26 | HARRY HENSON STAKES Three Year Olds | \$70,000 Added Six Furlongs (Turf) |
| Saturday April 28 | GREY MEMO STAKES Three Year Olds & Upward, Bred in California | \$70,000 Seven furlongs |
| | WARRENS THOROUGHBRED STAKES Three Year Olds & Upward, Bred in California | \$70,000 Seven furlongs |
| | NTRA STAKES Three Year Olds & Upward, Bred in California | \$60,000 Six & One-Half Furlongs |
| | ALPHABET KISSES STAKES Three Year Olds & Upward, Bred in California | \$60,000 Six & One-Half Furlongs |
| Saturday May 5 | COOL FRENCHY STAKES Three Years Old & Upward | \$70,000 Added Five Furlongs |
| Sunday May 6 | TIME TO LEAVE STAKES Fillies & Mares, Three Years Old & Upward | \$70,000 Added Five Furlongs |
| Sunday May 13 | ROUND TABLE HANDICAP Four Year Olds & Upward | \$70,000 Added One Mile and One Half (Turf) |
| Sunday May 20 | FRAN'S VALENTINE STAKES Fillies & Mares, Three Year Olds & Upward Bred In California | \$70,000 Added One Mile (Turf) |
| Sunday May 27 | THE GREAT LADY M STAKES Fillies & Mares, Three Year Olds & Upward | \$70,000 Added Six Furlongs (Turf) |
| Saturday June 9 | MANHATTAN BEACH STAKES Fillies, Three Years Old | \$70,000 Added Six Furlongs (Turf) |
| Sunday June 10 | REDONDO BEACH STAKES Fillies & Mares, Three Year Olds & Upward Non-winners of a Grade I or II in 2011 at one mile or over | \$70,000 Added One Mile (Turf) |
| Sunday June 17 | DESERT STORMER HANDICAP Fillies & Mares, Three Year Olds & Upward | \$70,000 Added Six Furlongs |

| | | |
|-------------------|--|---------------------------------------|
| Friday June 22 | TSUNAMI SLEW Three Year Olds | \$70,000 Added One Mile (Turf) |
| Sunday July 1 | ROBERT K. KERLAN MEMORIAL HCP. Three Year Olds & Upward | \$70,000 Added Six Furlongs (Turf) |
| Sunday July 8 | LE CLE STAKES Fillies, Three Years Old | \$70,000 Added One Mile (Turf) |

HOLLYWOOD PARK
2012 SPRING/SUMMER STAKES SCHEDULE

| <u>DATE</u> | <u>STAKE</u> | <u>PURSE/DISTANCE</u> |
|-----------------------|--|---|
| Friday April 27 | INGLEWOOD HANDICAP (GRADE III) Three Year Olds & Upward | \$100,000 One Mile & One Eighth (Turf) |
| ***** GOLD RUSH ***** | | |
| Saturday April 28 | SNOW CHIEF STAKES Three Year Olds, Bred in California | \$300,000# One Mile & One Eighth |
| | MELAIR STAKES Fillies, Three Years Old, Bred in California | \$300,000 @# One Mile & One Sixteenth |
| | B. THOUGHTFUL STAKES Fillies & Mares, Four Year Olds & Upward Bred in California | \$125,000@ Seven & One Half Furlongs |
| | TIZNOW STAKES Four-Year-Olds & Upward, Bred in California | \$125,000@ Seven & One Half Furlongs |
| ***** ***** ***** | | |
| Sunday April 29 | WILSHIRE HANDICAP (GRADE III) Fillies & Mares, Three Year Olds & Upward | \$100,000 One Mile (Turf) |
| Saturday May 5 | MERVYN LEROY HANDICAP (GR. II) Three Year Olds & Upward | \$150,000 One Mile & One Sixteenth |
| | SENORITA STAKES (GRADE III) Fillies, Three Years Old | \$100,000 One Mile (Turf) |
| Saturday May 12 | LAZARO S. BARRERA MEM. STKS (GIII) Three Year Olds | \$100,000 Seven Furlongs |
| Saturday May 19 | MILADY HANDICAP (GII) Fillies & Mares, Three Year Olds & Upward | \$150,000 One Mile & One Sixteenth |
| | RAILBIRD STAKES (GRADE III) Fillies, Three Years Old | \$100,000 Seven Furlongs |
| Saturday May 26 | AMERICAN HANDICAP (GR II) Three Year Olds & Upward | \$150,000 One Mile (Turf) |

| | | |
|---------------------|---|--|
| Monday May 28 | THE GAMELY STAKES (GRADE I) Fillies & Mares, Three Years Old & Upward | \$250,000 One Mile & One Eighth (Turf) |
| | LOS ANGELES HANDICAP (GR. III) Three Year Olds & Upward | \$100,000 Six Furlongs |
| Saturday June 2 | THE CALIFORNIAN (GRADE II) Three Year Olds & Upward | \$150,000 One Mile & One Eighth |
| Sunday June 3 | AFFIRMED HANDICAP (GRADE III) Three Year Olds | \$100,000 One Mile & One Sixteenth |
| Saturday June 9 | CHARLES WHITTINGHAM MEMORIAL HCP (GR I) Three Year Olds & Upward | \$250,000 One Mile & One Quarter (Turf) |
| | HONEYMOON HCP (GR II) Fillies, Three Years Old | \$150,000 One Mile & One Eighth (Turf) |
| Saturday June 16 | VANITY HANDICAP (GRADE I) Fillies & Mares, Three Year Olds & Upward | \$250,000 One Mile & One Eighth |
| | WILLARD PROCTOR STAKES Two Year Olds | 100,000 Five & One Half Furlongs |
| | CINDERELLA STAKES Fillies, Two Years Old | 100,000 Five & One Half Furlongs |
| Saturday June 23 | HOLLYWOOD OAKS (GII) Fillies, Three Years Old | \$150,000 One Mile & One Sixteenth |
| Sunday June 24 | BEVERLY HILLS HANDICAP (GRADE III) Fillies & Mares, Three Year Olds & Upward | \$100,000 One Mile & One Quarter (Turf) |
| Saturday June 30 | SHOEMAKER MILE (GRI) (Breeders' Cup "Win And Your In") Three Year Olds & Upward | \$300,000 One Mile (Turf) |
| | TRIPLE BEND HCP. (GI) Three Year Olds & Upward | \$250,000 Seven Furlongs |
| Wed. July 4 | SWAPS STAKES (GR. II) Three Year Olds | \$150,000 One Mile & One Eighth |
| Saturday July 7 | HOLLYWOOD GOLD CUP (GRADE I) (Breeders' Cup "Win And Your In") Three Year Olds & Upward | \$500,000 One Mile & One Quarter |
| | ROYAL HEROINE MILE (GII) Fillies & Mares, Three Year Olds & Upward | \$150,000 One Mile (Turf) |

| | | |
|---------------------|---|--|
| Saturday July 14 | AMERICAN OAKS (GRADE I) Three Year Old Fillies (Invitational) | \$400,000 One Mile & One Quarter (Turf) |
| | A GLEAM HANDICAP (GR. II) (Breeders' Cup "Win And Your In") Fillies & Mares, Three Year Olds & Upward | \$200,000 Seven Furlongs |
| | LANDALUCE STAKES Fillies, Two Years Old | \$200,000* Six Furlongs |
| | HOLLYWOOD JUVENILE CHAMPIONSHIP (GR III) Two Year Olds | \$200,000* Six Furlongs |
| Sunday July 15 | SUNSET HCP (GRADE III) Three Year Olds & Upward | \$100,000 One Mile & One Half (Turf) |

\$105,000 from the CTBA Golden State Series Fund

@ \$25,000 from California Bred Fund.

* \$35,000 from CMC

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. For thoroughbred and quarter horse meetings, the total amount distributed for California-bred stakes races from the purse account, including overnight stakes, shall not be less than 10% of the total amount distributed for all stakes races pursuant to Business and Professions Code section 19568(b).

4. RACING ASSOCIATION

- A. Association is a: Corporation (complete subsection C)
 LLC (complete subsection D)
 Other (specify, and complete subsection E)

B. Complete the applicable subsection and attached Addendum, Background Information and Ownership. On File

C. CORPORATION

1. Registered name of the corporation:
2. State where incorporated:
3. Registry or file number for the corporation:
4. Names of all officers and directors, titles, and the number of shares of the corporation held by each:
5. Names (true names) of all persons, other than the officers and directors listed above, that hold 5% or more of the outstanding shares in the corporation and the number of shares held by each:
6. Number of outstanding shares in the corporation:
7. Are the shares listed for public trading? Yes No
 If yes, on what exchange and how is the stock listed:
8. Name of the custodian of the list of shareholders and/or the transfer agent for the share holdings of the corporation:
9. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity:

A. Is parent and/or paired corporation or entity a publically traded or privately held company that guarantees the obligation of the applicant? If no, proceed to section F.
 If yes, answer questions 10-17. Yes No

10. Registered name of the corporation:
11. State where incorporated:
12. Registry or file number for the corporation:
13. Names of all officers and directors, titles, and the number of shares of the corporation held by each:
14. Names (true names) of all persons, other than the officers and directors listed above, that hold 5% or more of the outstanding shares in the corporation and the number of shares held by each:
15. Number of outstanding shares in the corporation:
16. Are the shares listed for public trading? Yes No
 If yes, on what exchange and how is the stock listed:
17. Name of the custodian of the list of shareholders and/or the transfer agent for the share holdings of the corporation:

D. LLC

1. Registered name of the LLC: Hollywood Park Racing Association, LLC
2. State where articles of organization are filed: Delaware
3. Registry or file number for the LLC: 3993456
4. Attach a list of the names of all members (including individuals (true names), corporations, other LLCs and or foreign entities), titles, and the number of shares of the LLC held by each:

| | |
|---------------------------------------|---|
| Terrence Fancher, Chairman & Director | 0 |
| Jack Liebau, President | 0 |
| Kristin Renaudin, Secretary | 0 |
| Charlene Kiley, Vice President | 0 |
| Eual Wyatt, Vice President | 0 |
| Barbara Helm, Vice President, Finance | 0 |
| Martin Panza, Vice President | 0 |
| Bernie Thurman, Vice President | 0 |
| Dyan Grealish, Vice President | 0 |

5. Are the shares listed for public trading? Yes No
- If yes, on what exchange and how the stock is listed:

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

A. Is parent and/or paired entity either a publically traded or privately held company that guarantees the obligation of the applicant? If no, proceed to section F. If yes, answer questions 7-12. Yes No

7. Registered name of the LLC/Corporation: Stockbridge HP Holdings Company, LLC and Subsidiaries (SBHC)
8. State where articles of organization are filed: Delaware limited liability company formed June 29, 2005
9. Registry or file number for the LLC: 3993233
10. Attach a list of the names (true names) of all members (members may include individuals, corporations other LLCs and foreign entities), titles, and the number of shares of the LLC held by each: The following entities are members of SBHC which owned 92.43% of Hollywood Park Racing Association, LLC at 12/31/2010. (percentage of membership is as of 12/31/2010)

- Bay Meadows Land Company, LLC (32.84%)
- Stockbridge Hollywood Park Co-Investors, LP (42.50%)
- Stockbridge Real Estate Fund II-B, LP (9.10%)
- Stockbridge Real Estate Fund II-C, LP (8.78%)
- Stockbridge Real Estate Fund II-A, LP (6.15%)
- Stockbridge Real Estate Fund II-T, LP (0.63%)

11. Are the shares listed for public trading? Yes No

12. If yes, on what exchange and how the stock is listed:

E. OTHER – N/A

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

F. FINANCIAL INFORMATION *

1. Attach the most recent audited annual financial statement or financial report for the applicant. The financial statement or financial report shall include all relevant financial information specific to the applicant including: The Audited 2010 Financials are on file as is the 2012 projected Profit and Loss Statement along with the requested Unaudited 2011 and 2010 Profit and Loss statements. We anticipate that Audited 2011 Financials will be available for submission to the CHRB before the end of March.
 - Statement of Financial Position: also referred to as a balance sheet. Statement should report on applicant's assets, liabilities, contingent liabilities and ownership equity as of the date of the prepared statement.
 - Statement of Comprehensive Income: also referred to as Profit and Loss ("P&L") Statement. Statement should include report on applicant's income, expenses, and profits.
 - Profit and Loss statement for prior two years race meeting and Profit and Loss statement for projected year race meeting.
 - Statement of Changes in Equity: to include the changes of the applicants' equity through the reporting period.
 - Statement of Cash Flows: to include a report of the applicant's cash flow activity, particularly its operating investing and financing activities during the reporting period.
 - Copy of a report made during the preceding 12 months to shareholders in the corporation and/or the Securities and Exchange Commission and/or the California Corporations Commission.

*NOTICE TO APPLICANT: The financial information provided pursuant to subsection (F) above is exempt from disclosure pursuant to Government Code section 6254(k) and non-disclosable to the public.

G. MANAGEMENT AND STAFF

1. Name and title of the managing officer and/or general manager of the association and the name and title of all department managers and staff, other than those listed in 13B, who will be listed in the official program:
 - F. Jack Liebau, President
 - Eual G. Wyatt, Jr., Vice President & General Manager
 - Charlene Kiley, Vice President
 - Dyan Grealish, Vice President Sales & Marketing
 - Barbara Helm, Vice President, Finance
 - Martin Panza, Vice President-Racing
 - Bernie Thurman, Vice President
 - Don Barney, Director of Security & Safety
 - Benoit & Associates, Inc., Track Photographers
 - Cleon Bounds, Property Manager
 - Marcus Crunk, Director of Marketing & Sales
 - Bernie Eastridge, Turf Course Superintendent
 - Diane Hudak, Stable Superintendant
 - Russell Hudak, Timer, Morning Line Maker
 - Sandy King, Horsemen's Liaison
 - Bob Mieszerski, Director of Media Relations
 - Dennis Moore, Track Surface Consultant
 - Tami Morris, Acting Director of Pari-Mutuels
 - Roger Roman, Director of Broadcasting

Vic Stauffer, Track Announcer
 Mark Tomes, Plant Superintendent
 Bob Vella, Quick Official
 Susan Winter, Paymaster of Purses
 Cole Younger, Operations Manager
 Kerlan-Jobe Orthopedic, Jockeys' Physician

2. Name and title of the person(s) authorized to receive notices on behalf of the association and the mailing and email address of such person(s). F. Jack Liebau, President, 1050 So. Prairie Avenue, Inglewood, CA 90301 jackliebau@yahoo.com

5. TAKE OUT PERCENTAGE

1. If this is a thoroughbred race meeting, will the percentage deducted for any type of wager be adjusted pursuant to Business and Professions Code section 19601.01? If no, proceed to subsection 6. If yes, identify the wager and the proposed takeout percentage.

Yes No

Wager(s) to be adjusted: 50¢ PnP(Pick 5) Proposed percentage: 14 %

- A. Attach copy of written notice requesting the proposed takeout adjustment, the proposed percentage and the wager(s) affected. The notice must include the written agreement of the thoroughbred association and the horsemen's organization for the meeting of the thoroughbred association accepting the wager. On File.

NOTICE TO APPLICANT: Pursuant to Business and Professions Code section 19601.01 notwithstanding any other provision of law, a thoroughbred association or fair, upon the filing of a written notice with, and approval by, the board specifying the percentage to be deducted, may deduct from the total amount handled in the pari-mutuel pool for any type of wager an amount of not less than 10 percent nor more than 25 percent. The written notice shall include the written agreement of the thoroughbred association or fair and the horsemen's organization for the meeting of the thoroughbred association or fair accepting the wager. The established percentage to be deducted shall remain in effect until the filing of a subsequent notice with, and approval by, the board, unless otherwise specified in the notice.

6. HANDLE HISTORY

1. Complete the table below providing the last five years of handle and attendance for your racing association. If your association has been operating for fewer than five years, provide information for the period of time it has been in operation. If the racing association has changed ownership include the handle information for the previous racing association.

| Year | Handle | | Attendance |
|--------------|-------------|--|------------|
| | Total | Total excluding N. CA Handle on Hollywood Park | |
| 2011 54 Days | 499,554,063 | 472,094,475 | 678,175 |
| 2010 57 Days | 540,125,931 | 510,714,677 | 722,529 |
| 2009 55 Days | 580,872,742 | 547,944,978 | 778,189 |
| 2008 60 Days | 708,557,165 | 666,560,918 | 838,299 |
| 2007 63 Days | 755,760,352 | 710,627,376 | 926,455 |

7. PURSE PROGRAM (Excluding supplements, nominations, sponsorships and starter fees.):

A. Purse distribution: Please note, there were 54 race days during the prior year race meeting compared to 50 days for the current meet.

1. All races other than stakes:

| | |
|------------------------|--------------|
| Current meet estimate: | \$15,019,835 |
| Prior meet actual: | \$16,995,379 |

Average Daily Purse (7 A1 ÷ number of days):

| | |
|------------------------|-----------|
| Current meet estimate: | \$300,397 |
| Prior meet actual: | \$314,729 |

2. Overnight stakes:

| | |
|------------------------|-------------|
| Current meet estimate: | \$1,010,500 |
| Prior meet actual: | \$1,214,500 |

Average Daily Purse (7 A2 ÷ number of days):

| | |
|------------------------|----------|
| Current meet estimate: | \$20,210 |
| Prior meet actual: | \$22,491 |

3. Non-overnight stakes:

| | |
|------------------------|-------------|
| Current meet estimate: | \$4,890,000 |
| Prior meet actual: | \$4,505,675 |

Average Daily Purse (7 A3 ÷ number of days):

| | |
|------------------------|----------|
| Current meet estimate: | \$97,800 |
| Prior meet actual: | \$83,438 |

4. Total Purses: (7A1+7A2+ 7A3)

| | |
|------------------------|--------------------------------------|
| Current meet estimate: | \$20,920,334 / Avg. daily: \$418,407 |
| Prior meet actual: | \$22,715,554 / Avg. daily: \$420,658 |

B. California-bred Stakes Races:

1. Percentage of the purse distribution for all stakes races that will be distributed for California-bred stakes races:

| | |
|------------------------|-------|
| Current meet estimate: | 11.5% |
| Prior meet actual: | 11.6% |

Average Daily Purse (7 B1 ÷ number of days):

| | |
|------------------------|----------|
| Current meet estimate: | \$13,750 |
| Prior meet actual: | \$12,250 |

C. Funds to be generated for all California-bred incentive awards (including breeder awards and owners premiums):

| | |
|------------------------|-------------|
| Current meet estimate: | \$1,654,747 |
| Prior meet actual: | \$1,808,833 |

D. Payment to each recognized horsemen's organization contracting with the association and the name(s) of the organization(s):

| | | |
|------------------------------------|------------------------|--------------------|
| Recognized Horsemen's Organization | Current meet estimate: | Prior meet actual: |
| TOC | \$175,105 | \$188,203 |
| CTT – Pension | 175,105 | 188,203 |
| CTT – Admin | 87,552 | 94,102 |
| NTRA | <u>36,125</u> | <u>47,905</u> |
| Total | \$473,887 | \$518,413 |

E. Amount from all sources to be distributed in the form of purses or other benefits to horsemen (7 A+7 C+7 D):

Current meet estimate: \$23,048,968
 Prior meet actual: \$25,042,799

Average Daily Purse (7 E ÷ number of days):

Current meet estimate: \$460,979
 Prior meet actual: \$463,756

F. Purse funds to be generated from on-track handle and intrastate off-track handle (excluding carry-overs from prior race meet(s):

Current meet estimate: \$14,104,321
 Prior meet actual: \$15,525,472

Average Daily Purse (7 F ÷ number of days):

Current meet estimate: \$282,086
 Prior meet actual: \$287,509

G. Purse funds to be generated from interstate handle:

Current meet estimate: \$6,816,013
 Prior meet actual: \$7,115,482

Average Daily Purse (7 G ÷ number of days):

Current meet estimate: \$136,320
 Prior meet actual: \$131,768

H. Bank and account number for the Paymaster of Purses' purse account: Union Bank of CCA #
 On File

I. Name, address, email and telephone number of the pari-mutuel audit firm engaged for the meeting: Bowen & McBeth, Inc. 10722 Arrow Highway, Ste 110, Rancho Cucamonga, CA 91730 909/944/6465

NOTICE TO APPLICANT: All funds generated and retained from on-track pari-mutuel handle which are obligated by law for distribution in the form of purses, breeders' awards or other benefits to horsemen, shall not be deemed as income to the association; shall not be transferred to a parent corporation outside the State of California; and shall, within 3 calendar days following receipt, be deposited in a segregated and separate liability account in a depository approved by the CHRB and shall be at the disposition of the Paymaster of Purses, who shall pay or distribute such funds to the persons entitled thereto. All funds generated from off-track simulcast wagering, interstate wagering, and out-of-state wagering which are obligated by law for distribution in the form of purses and breeders' awards, shall also be deposited within 3 calendar days following receipt, into such liability account. In the event the association is obligated to the payment of purses prior to those obligated amounts being retained from pari-mutuel wagering for such purpose, or as a result of overpayment of earned purses at the conclusion of the meeting, the association shall transfer from its own funds such amounts as are necessary for the Paymaster of Purses to distribute to the horse owners statutorily or contractually entitled thereto. The association is entitled to recover such transferred funds from the Paymaster of Purses' account; and if insufficient funds remain in the account at the conclusion of the meeting, the association is

| | TYPE OF WAGERS | APPLICABLE RULES |
|---------------------------------|---------------------------------|-------------------------------------|
| Race #1* | \$2DD | CHRB 1957 |
| | \$1E | CHRB 1959 |
| | \$1PPN | CHRB 1976.8 (Covering Races 1 - 10) |
| | \$1PK3 | CHRB 1977 |
| | \$2Q | CHRB 1958 |
| | 50¢ PNP (Pick 5) | CHRB 1976.9 |
| | \$1 Trifecta | CHRB 1979 |
| | 10¢ Superfecta | CHRB 1979.1 |
| Race #2* | \$2DD | CHRB 1957 |
| | \$1E | CHRB 1959 |
| | \$1PK3 | CHRB 1977 |
| | \$2Q | CHRB 1958 |
| | 50¢ PNP (Pick 4) | CHRB 1976.9 |
| | \$1 Trifecta | CHRB 1979 |
| | 10¢ Superfecta | CHRB 1979.1 |
| | Race #3* | \$2DD |
| \$1E | | CHRB 1959 |
| \$1PK3 | | CHRB 1977 |
| \$2Q | | CHRB 1958 |
| \$2 PNP (Pick 6 when 8 races) | | CHRB 1976.9 |
| \$1 Trifecta | | CHRB 1979 |
| 10¢ Superfecta | | CHRB 1979.1 |
| Race #4* | | \$2DD |
| | \$1E | CHRB 1959 |
| | \$1PK3 | CHRB 1977 |
| | \$2Q | CHRB 1958 |
| | \$2 PNP (Pick 6 when 9 races) | CHRB 1976.9 |
| | \$1 Trifecta | CHRB 1979 |
| | 10¢ Superfecta | CHRB 1979.1 |
| | Race #5* | \$2DD |
| \$1E | | CHRB 1959 |
| \$1PK3 | | CHRB 1977 |
| \$2Q | | CHRB 1958 |
| \$2PNP (Pick 6 when 10 races) | | CHRB 1976.9 |
| \$.50 PNP (Pick 4 when 8 races) | | CHRB 1976.9 |
| \$1 Trifecta | | CHRB 1979 |
| 10¢ Superfecta | | CHRB 1979.1 |
| Race #6* | \$2DD | CHRB 1957 |
| | \$1E | CHRB 1959 |
| | \$1PK3 | CHRB 1977 |
| | \$2Q | CHRB 1958 |
| | \$2PNP (Pick 6 when 11 races) | CHRB 1976.9 |
| | \$.50 PNP (Pick 4 when 9 races) | CHRB 1976.9 |
| | \$1 Trifecta | CHRB 1979 |
| | 10¢ Superfecta | CHRB 1979.1 |
| Race #7* | \$2DD | CHRB 1957 |
| | \$1E | CHRB 1959 |
| | \$1PK3 (when 9 or more races) | CHRB 1977 |
| | \$2Q | CHRB 1958 |

50¢ PNP (Pick 4 when 10 races) CHRB 1976.9
 \$1 Trifecta CHRB 1979
 10¢ Superfecta CHRB 1979.1

Race #8*
 \$2 DD (when 9 or more races) CHRB 1957
 \$1E CHRB 1959
 \$1PK3 (when 10 races) CHRB 1977
 \$2Q CHRB 1958
 50¢ PNP (Pick 4 when 11 races)⁺ CHRB 1976.9
 \$1 Trifecta CHRB 1979
 10¢ Superfecta CHRB 1979.1

When 8 races: 50¢ Super High 5 ARCI 004-105 (Pick (n) position (x) pools)

Race #9*
 \$1E CHRB 1959
 \$2Q CHRB 1958
 \$2 DD (when 10 races) CHRB 1957
 \$1PK3 (when 11 races)⁺ CHRB 1977
 \$1 Trifecta CHRB 1979
 10¢ Superfecta CHRB 1979.1

When 9 races: 50¢ Super High 5 ARCI 004-105 (Pick (n) position (x) pools)

Race #10*
 \$1E CHRB 1959
 \$2Q CHRB 1958
 \$2 DD (when 11 races)⁺ CHRB 1957
 \$1 Trifecta CHRB 1979
 10¢ Superfecta CHRB 1979.1

When 10 races: 50¢ Super High 5 ARCI 004-105 (Pick (n) position (x) pools)

Race #11*
 \$1E CHRB 1959
 \$2Q CHRB 1958
 \$1 Trifecta CHRB 1979
 10¢ Superfecta CHRB 1979.1

When 11 races: 50¢ Super High 5 ARCI 004-105 (Pick (n) position (x) pools)

* The 50¢ Pick 5 will be offered on the first 5 races of the card and will have a takeout of 14%. In accordance with CHRB Rule 1976.9 we designate that the major share of the Pick 5 pool be 100%. The Pick 6 [P(n)P] will be offered on the last 6 races of the card. In accordance with CHRB Rule 1976.9 we designate that seventy percent (70%) of the net Pick 6 pool be retained for the jackpot and that no cap be set on the jackpot. A 50¢ Pick 4 (PnP) will be offered races 2 through 5 and on the last 4 races of the card. In accordance with CHRB Rule 1976.9 we designate that the major share of the Pick 4 pool be 0%. Additionally, we will offer our patrons the option of an alternate selection pick in the place Pick All, Pick 5, Pick 6 and Pick 4. We will also offer 50¢ Super High Five on the last race of the card in accordance with the ARCI Pick(n) Position(x) pools rule.

NOTE: Applicant reserves the right to offer or substitute additional wagers approved prior to or during its meeting.

B. Maximum carryover pool to be allowed to accumulate before its distribution OR the date(s) designated for distribution of the carryover pool: Closing day, July 15, 2012

C. List any options requested with regard to exotic wagering: We will deduct the maximum amount allowable in accordance with B&P Code Section 19611.5.

D. Will "advance" or "early bird" wagering be offered? Yes No
 If yes, when will such wagering begin? Specify days and time for "early bird" wagering: 8:30 am on the day of.

- E. Type(s) of pari-mutuel or totalizator equipment to be used by the association and the simulcast organization, name of the person(s) supplying equipment, and expiration date of the service contract: Sportech, Inc., September, 2012

10. ADVANCE DEPOSIT WAGERING (ADW)

- A. Identify the ADW provider(s) to be used by the association for this race meeting:
TVG, Xpress Bet & Twinspires.com (Television provider will be TVG)
- B. Attach a copy of the agreement/contracts with each ADW provider to be used for this race meeting.
- C. Have the contract/agreements been approved by the respective horsemen's groups?

Yes No

If yes, attach a copy of the approval. **On File.**
If no, explain the status of the approval.

NOTICE TO APPLICANT: Pursuant to Business and Professions Code section 19604, ADW providers may accept wagers on races conducted in California from a resident of California if : 1) the ADW provider is licensed by the Board; 2) a written agreement allowing those wagers exists with the racing association or fair conducting the races on which the wagers are made; 3) the agreement 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. ADW providers may accept wagers on races conducted outside of California from a resident of California if: 1) the ADW provider is licensed by the Board; 2) there is a hub agreement between the ADW provider and one or both of (i) one or more racing associations or fairs that together conduct no fewer than five weeks of live racing on the breed on which wagering is conducted during the calendar year during which the wagers are placed and (ii) the horsemen's organization responsible for negotiating purse agreements for the breed on which wagering is conducted.

11. SIMULCAST WAGERING PROGRAM

- A. Simulcast organization engaged by the association to conduct simulcast wagering: **Southern California Off-Track Wagering, Inc. (SCOTWINC)**
- B. Attach the agreement between the association and simulcast organization permitting the organization to use the association's live audiovisual signal for wagering purposes and providing access to its totalizator for the purpose of combining on-track and off-track pari-mutuel pools.
On File with CHRB
- C. California simulcast facilities the association proposes to offer its live audiovisual signal:

NORTHERN CALIFORNIA

Alameda County Fair, Pleasanton
Big Fresno Fair, Fresno
California State Fair & Exposition, Sacramento
Club One, Fresno
Golden Gate Fields, Albany
Jockey Club at San Mateo, San Mateo
Kern County Fair, Bakersfield
Monterey County Fair, Monterey
San Joaquin County Fair, Stockton
Santa Clara County Fair, San Jose
Shasta District Fair, Anderson
Solano County Fair, Vallejo
Sonoma County Fair, Santa Rosa
Stanislaus County Fair, Turlock
Tulare County Fair, Tulare

SOUTHERN CALIFORNIA

Barona Valley Ranch Resort & Casino, Lakeside
Cabazon Fantasy Springs Casino, Indio
Derby Club, Seaside Park, Ventura
Fairplex Park, Pomona
Los Alamitos Race Course, Los Alamitos
Santa Anita Park, Arcadia
Shalimar Sports Center, Indio
Sports Center, San Bernardino
Sports Pavilion at The Farmers Fair, Lake Perris
Sports Pavilion, San Bernardino Cty. Fair, Victorville
Surfside Race Place at Del Mar, Del Mar
Sycuan Gaming Center, El Cajon
Viejas Casino & Turf Club, Alpine
Watch & Wager, Antelope Valley Fgds, Lancaster

And any other similar site that becomes duly licensed by the California Horse Racing Board

- D. Out-of-state wagering systems the association proposes to offer its live audiovisual signal:
Common Pool Sites, Separate Pool, Flat Fee Sites (Attachment "A")

- E. Out-of-state wagering systems that will combine their pari-mutuel pools with those of the association: Attachment "A", see D above.
- F. California mini-simulcast facilities the association proposes to offer its live audiovisual signal:
 Commerce Casino Racebook, Commerce
 OC Tavern Grill & Sports Bar, San Clemente
 Original Roadhouse Grill, Santa Maria
 And any similar site duly licensed by California Horse Racing Board
- G. For THOROUGHBRED racing associations, list the host track from which the association proposes to import out-of-state and/or out-of-country thoroughbred races. Include the dates imported races will be held, and whether or not a full card will be accepted. If the full card will not be imported, state "selected feature and/or stakes races": Attachment "B"

NOTICE TO APPLICANT: Business and Professions 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 50 imported thoroughbred races statewide. The limitation of 50 imported thoroughbred races per day statewide does not apply to those races specified in Business and Professions 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 |
|--------------------|------------|---|

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

QUARTER HORSE SIMULCAST RACES TO BE IMPORTED

| | | |
|--------------------|------------|---|
| Name of Host Track | Race Dates | Full Card or Selected Feature and/or Stakes Races |
|--------------------|------------|---|

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

HARNESS SIMULCAST RACES TO BE IMPORTED

| | | |
|--------------------|------------|---|
| Name of Host Track | Race Dates | Full Card or Selected Feature and/or Stakes Races |
|--------------------|------------|---|

- J. For ALL racing associations, list imported simulcast races the association plans to receive which use breeds other than the breed of the majority of horses racing at its live horse racing meeting. Include the name of the host track, the dates imported races will be held, and how many races will be imported: Wagering will be offered on all races conducted or imported by Los Alamitos (Quarter Horse) and Cal Expo (Harness)

OTHER BREED SIMULCAST RACES TO BE IMPORTED

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

- K. For ALL racing associations, if any out-of-state or out-of-country races will commence outside of the time constraints set forth in Business and Professions Code sections 19596.2 and 19596.3, attach a copy showing the agreement by the appropriate racing association(s). N/A

NOTICE TO APPLICANT: All interstate wagering to be conducted by an association is subject to the provisions of Title 15, United States Codes, which require specific written approval of the CHRB and of the racing commission having jurisdiction in

Attachment A --

Hollywood Park Spring/Summer Meeting 2012

Commingled Locations

| | | | |
|--------------------------------|----------------------------|-------------------------------|---------------------------|
| AmWest Entertainment | Delta Downs | Meadows The | Scioto Downs |
| Amwest Accounts | Dover Downs | Meadows The (ADW) | Seabrook Greyhound |
| Greenbrier (WV) | Ebet | Millers OTB | Soi Mutuel |
| Riders Up (SD) | Elite Turf Club (1 to 10) | Mobile Greyhound | Southland Greyhound |
| Time Out Lounge (SD) | Ellis Park | Monmouth Park | Sports Creek Raceway |
| Triple Crown (SD) | Emerald Downs | Montana OTB | State Fair (Lincoln , NE) |
| Arapahoe-Mile High | Euro Wagering Services | Monticello | Suffolk District OTB |
| Colorado phone | Evangeline Downs | Mountaineer Park | Suffolk Downs |
| Arima Race Club | Fair Grounds | Mt. Pleasant Meadows | Pat's Pizza |
| Arlington I | Fair Grounds ADW | Nassau Regional OTB | Sunland Park |
| Atlantic City Racecourse | Fair Meadows | New Jersey Casino Assoc. | SunRay Park & Casino |
| Atokad | Finger Lakes | Nevada Pari-Mutuel Assoc. | Tampa Bay Downs |
| Balmoral | Fonner | Newport Jai Alai | Taunton Acct Wagering |
| Balmoral ADW (BETZOTIC) | Freehold | NJ Mobile | Taunton Dog Track Inc. |
| Bangor Raceway | Gillespie County Fair | Northfield | The Downs at Albuquerque |
| Batavia | Global Wagering Solutions | Cedar Downs OTB | Thistledown |
| Bet Fair Games Limited | Bwin International Ltd. | Northville | Tioga Downs |
| Beulah Park | Intl Betting Assoc. Ltd | NY OTB | Tri-State GH (Mardi Gras) |
| Birmingham | Magna Bet | NYRA | Turf Paradise |
| Bluffs Run Greyhound | Racebets | NYRA Account Wagering | Turfway Park |
| Buffalo Raceway | Greenetrack | Oaklawn | TVG Network |
| Calder Racecourse | Greyhound @ Post Falls | Ocean Downs | TVG Yonkers |
| Canterbury Day | Gulf Greyhound | Panama | Twin River Greyhound |
| Capital District OTB | Gulfstream | Penn National | TwinSpires |
| Catskills OTB | Harrington Raceway | Penn National Telebet | TwinSpires High Volume |
| Charles Town Race Course | Hawthorne Race Course | Peru | Venezuela OTB |
| Chester Downs & Marina LLC | Hawthorne ADW | Philadelphia Park | Vernon Downs |
| Chester Downs Acct Wagering | Hazel Park | Philly Park Phone Bet | Western OTB |
| Churchill Downs | Hoosier Park | Phumelela | Wheeling Downs |
| Club Hipica InTurf | Horseman's Park | Pinnacle Race Course | Will Rogers Downs |
| Coeur d' Alene Casino | Indiana Downs | Plainridge Race Course | Wyoming |
| Coeur d' Alene Account | Evansville OTB | Plainridge Telephone Wagering | XpressBet |
| Colonial Downs | Clarksville OTB | Player Management Group | Yavapia Downs |
| Colonial Downs Phone Bet | Intermountain Racing | Pocono Account Wagering | Yonkers Raceway |
| Columbus Raceway | Keeneland | Pocono Downs and OTB | Yonkers Account |
| Connecticut OTB | Keeneland Select ADW | Portland Meadows | Youbet Group 1 |
| Bradley Teletheater, Bristol | Kentucky Downs | Potawatomi Casino/ OTB | Youbet Illinois |
| New Britain, Norwalk, Milford | Kentucky OTB | Prairie Meadows | Zia Park |
| East Haven, Hartford, Putnam | Lebanon | Premier Turf Club | |
| Shoreline Star, Sports Haven | Les Bois (Treasure Valley) | Presque Isle Downs | |
| Torrington, Waterbury | Lewiston OTB's | Raceway Park | |
| Manchester, New London | Lien Games | Racing2Day LLC | |
| Willimantic | Chips Lounge and Casino | Racing2Day Intl. (Stan James) | |
| John Martin's Manor Restaurant | Howard Johnsons OTB | Remington Park | |
| Connecticut OTB ADW | Rumors OTB | Remington OTB Network | |

Paragon Casino

Skydancer Casino OTB

Retama

Ho-Chunk Casino and Racebook

BetAmerica and Win2wager

Racing & Gaming Services
Ripley de Venezuela
(Caliente)

Separate Pool Locations

Mohegan Sun Casino

Lone Star

Caymanas Park, Jamaica
Hippodromo Camarero,
PR

Oneida Bingo and Casino

Louisiana Downs

River Downs

MIR Books (Caliente)

Pony Bar Simulcast Center

LVDC

Rockingham Park

LVDC

Tote Investment Racing

Atlantis Paradise Casino

Ruidoso Downs

Randall James Racetrack

Avatar Ventures

Running Aces Harness Park

Millenium Racing

Pojoaque Cities of Gold

Sam Houston

Royal Beach Casino

Foxwoods Resort Casino

Valley Greyhound Park

Divi Carina Bay Casino

Meskwaki Bingo & Casino

Saratoga Harness Raceway

Fair Chance

The Stables

Saratoga Bets (ADW)

Corpus Christi Greyhound

Maronas (South America)

Scarborough

Cypress Bayou OTB

Maryland Jockey Club

Delaware

Maywood

Meadowlands

Attachment A

| Commingled Canadian Locations | |
|--|----------------------------|
| Assiniboia Downs | Kawartha Downs |
| Barrie Raceway | Marquis Downs |
| Charlottetown | Mohawk Racetrack |
| Clinton Teletheatre | New Brunswick |
| Dreseden | Northlands Park - Edmonton |
| Elmira Raceway | Picov Downs |
| Evergreen Park Grande Prairie | Quinte Raceway |
| Exhibition Park | Rideau Carlton |
| Flamboro Downs | Rocky Mountain Turf Club |
| Fort Erie | Royal Britiana Hub |
| Fraser Downs | St. John's |
| Fredericton Raceway | Sudbury Downs |
| Georgian Downs | Summerside - PEI |
| Grand River | TBC Sandown |
| Hanover Raceway | TBC Teletheaters |
| Hastings Park | Truro Raceway |
| Hiawatha | Western Fair Raceway |
| Hippodrome De Montreal | Windsor Raceway |
| Hippodrome De Quebec | Woodbine |
| Hippodrome De Trois-Rivieres | Woodstock - Ontrario |
| Inverness Raceway | |

Attachment B - Section F

2012 Import Tracks

| Track | Race Dates | Full or Partial Cards and Stakes |
|--------------------------|---------------------------|----------------------------------|
| Arlington | April 25 to July 17, 2012 | Full or Partial Cards |
| Assiniboia | April 25 to July 17, 2012 | Full or Partial Cards |
| Australia Racing | April 25 to July 17, 2012 | Full or Partial Cards |
| Beulah | April 25 to July 17, 2012 | Full or Partial Cards |
| Calder | April 25 to July 17, 2012 | Full or Partial Cards |
| Churchill Downs | April 25 to July 17, 2012 | Full or Partial Cards |
| Colonial Downs | April 25 to July 17, 2012 | Full or Partial Cards |
| Delaware Park | April 25 to July 17, 2012 | Full or Partial Cards |
| Ellis Park | April 25 to July 17, 2012 | Full or Partial Cards |
| Emerald | April 25 to July 17, 2012 | Full or Partial Cards |
| Evangeline | April 25 to July 17, 2012 | Full or Partial Cards |
| Finger Lakes | April 25 to July 17, 2012 | Full or Partial Cards |
| Fort Erie | April 25 to July 17, 2012 | Full or Partial Cards |
| Gulfstream | April 25 to July 17, 2012 | Full or Partial Cards |
| Hastings Park | April 25 to July 17, 2012 | Full or Partial Cards |
| Hawthorne | April 25 to July 17, 2012 | Full or Partial Cards |
| Indiana Downs | April 25 to July 17, 2012 | Full or Partial Cards |
| Keeneland | April 25 to July 17, 2012 | Full or Partial Cards |
| LARC (Latin America) | April 25 to July 17, 2012 | Full or Partial Cards |
| Lone Star | April 25 to July 17, 2012 | Full or Partial Cards |
| Louisiana Downs | April 25 to July 17, 2012 | Full or Partial Cards |
| Monmouth | April 25 to July 17, 2012 | Full or Partial Cards |
| Mountaineer Park | April 25 to July 17, 2012 | Full or Partial Cards |
| Northlands | April 25 to July 17, 2012 | Full or Partial Cards |
| NYRA - Aqueduct | April 25 to July 17, 2012 | Full or Partial Cards |
| NYRA - Belmont | April 25 to July 17, 2012 | Full or Partial Cards |
| Penn National | April 25 to July 17, 2012 | Full or Partial Cards |
| Philadelphia Park (Parx) | April 25 to July 17, 2012 | Full or Partial Cards |
| Pimlico | April 25 to July 17, 2012 | Full or Partial Cards |
| Prairie Meadows | April 25 to July 17, 2012 | Full or Partial Cards |
| Presque Isle | April 25 to July 17, 2012 | Full or Partial Cards |
| River Downs | April 25 to July 17, 2012 | Full or Partial Cards |
| Suffolk Downs | April 25 to July 17, 2012 | Full or Partial Cards |
| Sunray Park | April 25 to July 17, 2012 | Full or Partial Cards |
| Tampa Bay | April 25 to July 17, 2012 | Full or Partial Cards |
| Thistledown | April 25 to July 17, 2012 | Full or Partial Cards |
| Turf Paradise | April 25 to July 17, 2012 | Full or Partial Cards |
| Will Rogers Downs | April 25 to July 17, 2012 | Full or Partial Cards |

the out-of-state venue. All international wagering to be conducted by an association is subject to the provision of Business and Professions Code sections 19596, 19596.1, 19596.2, 19596.3, 19601, 19602, and 19616.1, and will require specific written approval of the CHRB.

Every association shall pay over to the simulcast organization within 3 calendar days following the closing of wagering for any day or night racing program, or upon receipt of the proceeds, such amounts that are retained from off-track simulcast wagering, interstate and out-of-state wagering, and which are obligated by statute for guest commissions, simulcast operator's expenses and promotions, equine research, local government in-lieu taxes, and stabling and vaning deductions. Every association shall pay to its Paymaster of Purses' account within 3 calendar days following the closing of wagering for each day or night racing program, or upon receipt of the proceeds, such amounts that are retained or obligated from off-track simulcast wagering, interstate and out-of-state wagering for purses, breeders' awards or other benefits to horsemen. (See Notice to Applicant, Section 7.)

12. CHARITY RACING DAYS

- A. Name and address of the distributing agent (charity foundation) for the net proceeds from charity racing days held by the association: **Hollywood Park Racing Association, 1050 South Prairie Avenue, Inglewood, CA 90301 310-419-1566**
- B. Names and addresses of the trustees or directors of the distributing agent:

**Hollywood Park Racing Association
 F. Jack Liebau, President
 1050 South Prairie Avenue
 Inglewood, CA 90301**
- C. Dates the association will conduct races as charity racing days OR:
- D. Will the association pay the distributing agent an amount equal to the maximum required under B&P Code Section 19550(b)? Yes

NOTICE TO APPLICANT: Net proceeds from charity racing days shall be paid to the designated and approved distributing agent within 180 days following the conclusion of the association's race meeting in accordance with the provisions of Business and Professions Code section 19555. Thereafter, the distributing agent shall distribute not less than 90% of the aggregate proceeds from such charity racing days within 12 calendar months after the last day of the meeting during which the charity racing days were conducted and shall distribute the remaining funds as soon thereafter as is practicable. At least 50% of the distribution shall be made to charities associated with the horse racing industry in accordance with the provisions of Business and Professions Code section 19556(b) and (c).

13. RACING OFFICIALS, OFFICIALS, AND OFFICIATING EQUIPMENT

A.

| | |
|-----------------------------|--|
| Racing officials nominated: | |
| Association Veterinarian(s) | Dana Stead, D.V.M. Tim Grande, D.V.M. |
| Clerk of Scales | Ruben Hernandez |
| Clerk of the Course | Melanie Stubblefield |
| Film Specialist | Ruben Hernandez |
| Horse Identifier | Jennifer Paige |
| Horseshoe Inspector | Louis Damore |
| Paddock Judge | Ken Goldberg |
| Patrol Judges | Lisa Jones |
| Placing Judges | Bob Moreno Kevin Colosi |
| Starter | Gary Brinson |
| Timer | Russell Hudak |

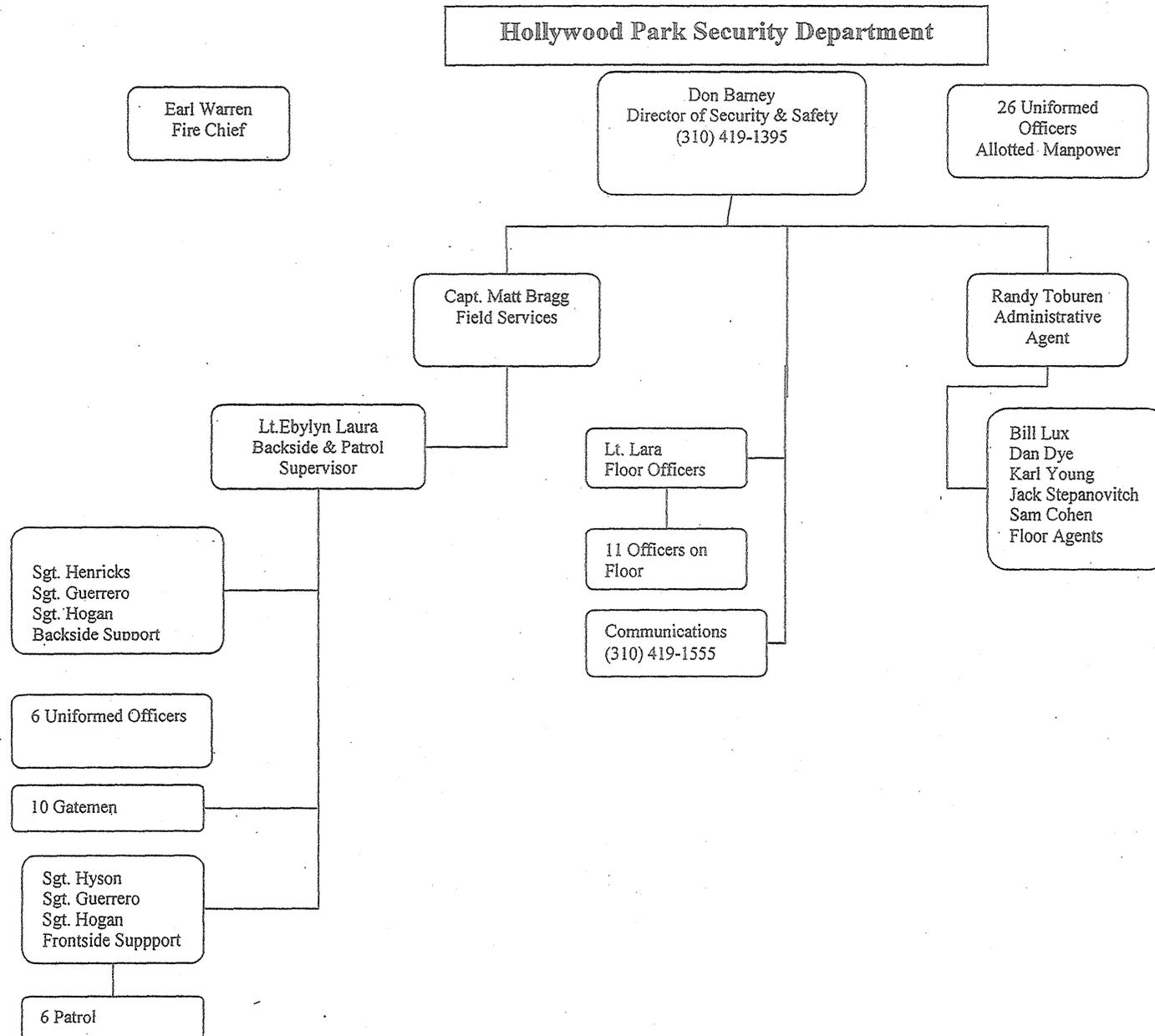
B. Management officials in the racing department:

| | |
|-------------------------------------|--|
| Director of Racing | N/A |
| Racing Secretary | Martin Panza |
| Assistant Racing Secretary | Richard Wheeler and Daniel Eidson |
| Paymaster of Purses | Susan Winter |
| Others (identify by name and title) | Charles McCaul (Asst. Clerk of Scales) |

- C. Name, address, email and telephone number of the reporter employed to record and prepare transcripts of hearings conducted by the stewards: Weinstein Court Reporters, 9582 Hamilton Avenue, Suite 265 Huntington Beach, California 92646 (714) 964-7102
- 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, USA 12/31/12
- E. Photo patrol 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. Association provides its own service and equipment. Equipment utilized is described in Attachment "C"
- 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: American Teletimer, 12/31/12

14. 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. Donald Barney, Director of Security 310-419-1395 – organizational chart attached.
- C. Estimated number of security guards, gatemen, patrolmen or others to be engaged in security tasks on a regular full-time basis:
 - 26 Uniformed Officers
 - 3 Agents
 - 1 Firemen
 - 10 Gatemen
 - 3 Communication Operators
- 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 stalls. The security for stakes races will be deployed in accordance with our agreement with TOC.
- 2. Detention Stalls:
 - A. Attach a plan for use of graded stakes or overnight races. Detention barn is to be used as directed by the CHRB.



Attachment C - Section E

VIDEO EQUIPMENTCAMERAS

Eight DXC-35 Sony Cameras
 Six DXC-637 Sony Cameras
 One BRC-H700 Sony remote control camera
 Pan (Wide) w/44X1 Fuji Lens
 Pan (Close up) w/55X1 Fuji Lens
 7/8 Dirt Tower w/45X1 Canon Lens
 7/8 Turf Tower w/22X1 Fuji Lens
 1/4 Tower w/26X1 Angenieux Lens
 3/16 Sony robo cam 16x1 Lens
 3/8 Dirt Tower w/45X1 Canon Lens
 3/8 Turf Tower w/33X1 Canon Lens
 One Autodome PTZ Day/Night Color Camera 23X 1 lens for Turf Chute Backside
 Winner's Circle w/18X1 Canon Lens
 Paddock view Camera w/18X1
 Ground Level Finish w/18X1 Canon Lens
 Gate Start Camera w/15X1 Fuji Lens
 Horse Tunnel Camera w/15X1 Canon Lens
 Studio Camera w/15X1 Canon Lens
 Paddock view Camera w/15X1

VIDEO TAPE RECORDING EQUIPMENT

12 - Channels Leitch 300 Video Servers
 2 - BVW - 75 Beta SP (slo-mo)
 4 - PVW - 2800 Beta Sp
 1- DPS Velocity video edit system

DISTRIBUTION/SWITCHING EQUIPMENT

Utah 132X132 A/V Router
 Ross Synergy 3 Production Switcher
 Ross "Squeeze & Tease" four Channel Digital Video Effects Unit

OTHER

Four "Autotote" VGS Units - Betting Screens
 Data links wagering system
 Dekocast Graphic System with Pegasus Datalinks software
 Clear-com "Matrix" Intercom System
 Approximately 1,100 Color Televisions

- B. Number of security guards in the detention stall area during a 24-hour period.
As needed at the direction of the CHRB.
- C. Describe number and location of surveillance cameras in detention stall area.
There are currently 10 cameras over the stalls and 2 covering the shedrow.

3. TCO2 Testing:

- A. Number of races to be tested, and number of horses entered in each race to be tested.
Will follow CHRB staff directives.
 - B. Plan for enhanced surveillance for trainers with high-test results.
Will follow CHRB directives.
 - C. Plan for detention stalls for repeat offenders.
Will follow CHRB directives.
 - D. Number of security personnel assigned to the TCO2 program.
As needed per the advise of CHRB staff.
- C. Describe the electronic security system:
- 1. Location and number of video surveillance cameras for the detention stall and stable gate.
Camera at each of our two stable gates, also see 2C above
- D. For night racing associations. Describe emergency lighting system: The track lighting system, which is used primarily for Friday night racing is on a preferred electrical current provided by Southern California Edison. Additionally we have an emergency lighting system powered by two karolite 125 k.w. 277/480 volt generators which are activated and placed on line during the running of every race run after dark.

15. EMERGENCY SERVICES

- A. Name, address and emergency telephone number of the ambulance service to be used during workouts and the running of the races: Westmed/McCormick Ambulance Service 13933 Crenshaw Blvd., Hawthorne, CA 888-349-8944 (ALS - Paramedic staffed)
 - 1. Attach a certification from the ambulance service(s) listed in 15A, certifying that the paramedic staff are licensed with the California Emergency Medical Services Authority. On file.
- B. Name, address and emergency telephone number of the ambulance service to be used during workouts at auxiliary sites: Santa Anita- AmbuServe, Inc. 15105 S. Broadway Ave., Gardena, CA 90248 310-644-0500.
 - 1. Attach a certification from the ambulance service (s) listed in 15B, certifying that the paramedic staff are licensed with the California Emergency Medical Services Authority. On file.
- C. Describe the on-track first aid facility, including equipment and medical staffing: Our first aid facility is located on the ground level in the hallway between the paymaster of purses and the track photographer offices. The rear entrance to the first aid facility opens to tunnel 1A and is approximately 12ft from the Jocks' room entrance. During training hours two certified Paramedics are stationed in an ambulance located on the backstretch just off the main track. They have access to the first aid facility should the need arise. During racing hours a certified EMT staffs and maintain the first aid facility with an additional team of

two Paramedics stationed in an ambulance on the race track. Also during racing hours there is a medical doctor on duty who is provided through Kerlan-Jobe clinic.

The facility is equipped with the following: beds, stethoscope, otoscope, flash light, forceps, clamps, scissors, scalpel, tourniquet, sterile syringes, blood pressure kit, oxygen, eye flushes, splints, bandages, trauma dressing, hydrogen peroxide etc., nasal packing, topical anesthetic, thermometer, Silver nitrate sticks (AgNO₃), ice packs, backboards for spinal precautions, cervical collars, immobilization straps hare traction splints for closed femur fractures, KED splints, bag valve mask for CPR, Automated external defibrillator., oxygen masks, cannula tubing and a variety of addition supplies and over the counter drugs (aspirin etc.)

- D. Name and emergency telephone number of the licensed physician on duty during the race meeting: (If quarter horse racing association see D (1) : Dr. John Goff 310/419 1562 There will be other doctors who will be pre scheduled to relieve Dr. Goff from time to time during the race meeting . That schedule will be provided to the CHRB when it becomes available.
1. Name address and emergency telephone number of hospital located within 1.5 miles of the racetrack, which whom an agreement is in place to provide emergency medical services, pursuant to Business and Professions Code section 19481.3(a):
- 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: Centinela Hospital, 555 East Hardy Street, Inglewood, CA- Dr Lee Wise - Chief of staff 310/697-9180
- 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: Refer to Attachment "D"
- G. Name of health and safety manager and assistant manager responsible for compliance of health and safety provisions pursuant to Business and Professions Code section 19481.3(d): Don Barney Safety Manager- Sam Cohen, Assistant Safety Manager
- H. Attach a fire clearance from the fire authority having jurisdiction over the premises. Inspection has been requested. See attached.
- I. Name of the workers' compensation insurance carrier for the association and the number of the insurance policy (if self-insured, provide details): Sea Bright Insurance Company BB 1114259
- J. 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 association for payment of workers' compensation. Attached

NOTICE TO APPLICANT: Every licensee conducting a horse racing meeting shall pursuant to Business and Professions Code section 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

Attachment D – Section 15**HOLLYWOOD PARK EMERGENCY MEDICAL ACTION PLAN FOR INJURED JOCKEYS**

Since May 1, 2003, Hollywood Park has had in place an emergency medical action plan for injured jockeys. There is now a law requiring such an action plan. Pursuant to the Business and Professions Code Section 19481.3 (b) each racing association shall adopt and maintain an emergency medical action plan for injured jockeys and shall be posted in English and Spanish within the Jockeys' Room.

The system we have in effect follows the exact guidelines required by the above statute. The emergency action plan we deploy goes as follows.

Hollywood Park contracts through Kerlan Jobe to have a Licensed Medical Doctor present at all times during live racing. We also contract with McCormick Ambulance Service for an Advanced Life Support Unit (a paramedic staffed ambulance) to follow the fields during each live race. McCormick also staffs our first aid room with an EMT. It should be noted that McCormick Ambulance service is the designated 911 ambulance responder in our area. There is also a Los Angeles County Paramedic station less than a mile from our property. **Please refer to the McCormick Ambulance Service Hollywood Park Protocol which is attached.**

Upon the observed or reported injury of a jockey, medical assistance will be immediate. The responding paramedic, track doctor or security will contact communications (via hand-held radio or calling 310-419-1555). Security will then activate the emergency contact procedure. This procedure will be the responsibility of Donald Barney, Safety Director, or his designee. The Safety Director will contact the Chief of Medical Staff at Centinella Hospital and prepare for the injured jockey's arrival. The phone number of Centinella Hospital is 310-419-8636 and is located at 555 East Hardy Street, Inglewood (less than one half mile away).

The Chief of Staff will ensure that his personnel are standing by to receive the injured jockey. The Chief of Staff will also contact any specialists who are contracted for the care of an injured jockey. This will lay the foundation for a rapid admittance and treatment of the injured jockey. A Security Agent will also be dispatched to respond to the emergency room to assist family members of the injured jockey and to also maintain the integrity of the injured jockey's needs. It will also be the responsibility of the Security Agent to keep the Director of Safety informed as to the

condition and progress of the injured jockey. It will be the responsibility of the Security Agent to obtain a copy of the accident from the T. V. Department. The Security Agent will prepare a report as to the accident and treatment. The agent will also ensure that all workers' compensation information pertaining to the jockey is accurate and current.

Hollywood Park Race Track participates in the Jockey Information Health System through Encompass. Our doctor and Donald Barney, Director of Security, along with Security Agents have access to this program. When a jockey, who participates in this program, is injured on the track, the Director of Security, or his designee, will access and print out the jockey's information. This information, along with workers' compensation information is given to the Security Agent who will be responding to the hospital.

Attachment D – Section 15**HOLLYWOOD PARK
PLAN DE ACCIÓN DE EMERGENCIA MÉDICA PARA JINETES LESIONADOS**

Desde el 1 de mayo de 2003, Hollywood Park ha tenido un plan de acción médico de emergencia para jinetes lesionados. Hay una nueva ley que requiere tal plan de acción. De acuerdo con el Artículo 19481.3 (b) de Código de Profesión y Negocios, cada asociación de carreras de caballos debe adoptar y mantener un plan médico de emergencia para jinetes lastimados y debe publicar dicho plan en inglés y español dentro del cuartito de jinetes.

El sistema que tenemos en efecto sigue las reglas exactas requeridas por el estatuto antes mencionado. El plan de acción de emergencia que implementamos es el siguiente:

Hollywood Park, por medio de Kerlan Jobe contrata a un Médico Acreditado que este presente siempre durante las carreras en vivo. También contratamos con el servicio de ambulancia McCormick para que una unidad de apoyo vital (una ambulancia con personal paramédico) siga a los jinetes el campo de carreras durante cada carrera en vivo. McCormick también provee a un Técnico Médico de Emergencia (EMT) para nuestra sala de primeros auxilios. Cabe señalar que McCormick es el servicio de ambulancia que responde a llamadas de 911 en nuestra zona. También hay una estación de paramédico del condado de Los Ángeles a menos de una milla de nuestra propiedad. Por favor refiérase al protocolo para Hollywood Park de McCormick Ambulance Service que esta adjunto.

Asistencia médica será inmediata al observar o reportar un jinete lastimado. El paramédico que responda, el médico del hipódromo o seguridad contactará a Comunicación (vía radio de mano o llamando al 310-419-1555). La seguridad activará entonces el procedimiento de contacto de emergencia. Este procedimiento será responsabilidad de Donald Barney, Director de Seguridad, o la persona que él designe. El Director de Seguridad se pondrá en contacto con el Jefe de Personal Médico en el Hospital Centinella para que se preparen para la llegada del jinete lesionado. El número de teléfono del Hospital Centinella es 310-419-8636 y está ubicado en 555 East Hardy Street, Inglewood (menos de media milla de distancia).

El Jefe de Personal se asegurará de que su personal este preparado para recibir al jinete lesionado. El Jefe de Personal también se pondrá en contacto con especialistas que sean contratados para el cuidado de un jinete lesionado. Esto sentará las bases para una rápida admisión y tratamiento del jinete lesionado. Un Agente de Seguridad se enviará a la sala de emergencia para responder a la emergencia y para ayudar a la familia del jinete lesionado y también mantener la integridad de las necesidades del jinete. Sera la responsabilidad del Agente reportar e informar al Director de Seguridad de la condición y progreso del jinete. Es la responsabilidad del Agente obtener una copia del accidente del Departamento de Television. El Agente de Seguridad preparará un reporte

detallado referente al accidente y al tratamiento. El Agente también asegurará que la información de compensación del trabajador relacionado con el jinete esta exacta y al corriente.

Hollywood Park participa en el Sistema de información de Salud de Jinetes a través de Encompass. Nuestro médico y Donald Barney, Director de Seguridad, junto con Agentes de Seguridad tienen acceso a este programa. Cuando un jinete que participa en este programa se lesiona en el campo de carreras, el Director de Seguridad, o la persona que él designe tendrá acceso a imprimir la información del jinete. Esta información, junto con información de compensación del trabajador será dado al agente de seguridad que responderá al hospital.



CERTIFICATE OF LIABILITY INSURANCE Page 1 of 1

DATE (MM/DD/YYYY)
10/05/2011

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

| | | |
|--|--|--|
| PRODUCER Willis Insurance Services of California, Inc. c/o 26 Century Blvd. P. O. Box 305191 Nashville, TN 37230-5191 | CONTACT NAME: PHONE (A/C NO. EXT): 877-945-7378 FAX (A/C NO.): 888-467-2378 E-MAIL ADDRESS: certificates@willis.com | |
| | INSURER(S) AFFORDING COVERAGE | |
| INSURED Stockbridge Capital Group, LLC dba Hollywood Park 4 Embarcadero Center, Suite 3300 San Francisco, CA 94111 | INSURER A: SeaBright Insurance Company NAIC# 15563-100 | |
| | INSURER B: | |
| | INSURER C: | |
| | INSURER D: | |
| | INSURER E: | |

COVERAGES **CERTIFICATE NUMBER: 16768092** **REVISION NUMBER:**

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

| INSR LTR | TYPE OF INSURANCE | ADD'L INSR | SUBR INSR | POLICY NUMBER | POLICY EFF (MM/DD/YYYY) | POLICY EXP (MM/DD/YYYY) | LIMITS |
|----------|--|------------|-----------|---------------|-------------------------|-------------------------|--|
| | GENERAL LIABILITY <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC | | | | | | EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$ \$ |
| | AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS | | | | | | COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$ |
| | <input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$ | | | | | | EACH OCCURRENCE \$ AGGREGATE \$ \$ |
| A | WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? <input type="checkbox"/> Y/N (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below | | N/A | BB1114259 | 9/23/2011 | 9/23/2012 | <input checked="" type="checkbox"/> WC STATU-TORY LIMITS <input type="checkbox"/> OTH-ER E.I. EACH ACCIDENT \$ 1,000,000 E.I. DISEASE - EA EMPLOYEE \$ 1,000,000 E.I. DISEASE - POLICY LIMIT \$ 1,000,000 |

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach Acord 101, Additional Remarks Schedule, if more space is required)

| | |
|--|--|
| CERTIFICATE HOLDER CHR B 1010 Hurley Way Suite 300 Sacramento, CA 95825 | CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE |
|--|--|

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.

16. 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 Attachment "E"

Does the association provide its own concessions? Yes No

17. ON-TRACK ATTENDANCE/FAN DEVELOPMENT

- A. Attach a copy of the promotional and marketing plans for the race meeting: The Executive Summary follows. Comprehensive plans to be submitted to CHRB and all Commissioners via overnight mail on Monday, March 12, 2012.

OVERVIEW OF EFFORTS TO PROMOTE 2012 SPRING-SUMMER MEET

The Marketing Plan in and of itself for the upcoming Spring-Summer Meet encompasses an expenditure of \$54,647 per live racing day. Like other tracks, the contemplated marketing efforts are largely directed toward increasing on-track attendance and handle even though Hollywood's on-track handle represents only 12% of its total handle (the national average, per the Jockey Club Fact Book, is 11%).

The traditional marketing tools, like media buys and direct mail, comprise only one of several components contributing to the promotion of a successful meet. Hollywood's multi faceted marketing plan includes wide television distribution of our races, and the promotion of the wagering product itself.

Last year, the Santa Anita meet was unfortunately victimized by a large amount of negative publicity resulting from California's increase in takeout. Hollywood believes that the decline in handle during last year's Santa Anita's meet, (a decline of 8.8% in average daily handle and 13.6% on a comparable day basis), was in large part attributable to this bad press.

Several tracks across the country seized the opportunity to successfully promote wagering on their respective races by lowering takeouts on certain of their wagers, essentially offering loss leader bets which horseplayers perceived to have good value. These marketing efforts by out of state tracks attracted attention to their wagering cards, at the expense of Santa Anita's cards.

Hollywood responded and countered the negative publicity surrounding the increased California race takeout by introducing the Player's Pick 5, a 50 cent wager with a 14% takeout. The new wager was offered on the first five races; Hollywood gambled that the perceived value of this new bet would be strong enough to attract horseplayers who might normally have skipped these races (which typically offer shorter field size), and further, that horseplayers attracted to the Player's Pick 5 would also make wagers in other Hollywood pools. Hollywood heavily advertised the wager and offered free past performance data. Hollywood believes that the addition of the Players Pick 5 to the wagering menu during last year's meet greatly enhanced overall wagering during its meet. Average daily handle declined by only 2.4%, and Hollywood's average daily handle for the first time in memory exceeded that of Santa Anita's Winter meet. Historically, the average daily handle in Southern California declines throughout the calendar year (with the exception of Del Mar). That is, the Santa Anita Winter meet handles more than the Hollywood Spring-Summer meet, the Hollywood Spring-Summer meet handles more than the meet conducted at Santa Anita in the Fall, and Santa Anita Fall meet handles more than

the that Hollywood Fall meet.

The cost of Hollywood's substantially reduced share of takeout on the Player's Pick 5 was an expense that Hollywood incurred in marketing its meet last year and will again incur this year. At an appropriate time, most likely at the conclusion of the TOC elections, Hollywood intends to discuss the introduction of further innovative wagers with TOC representatives.

Following is the Executive Summary of the Marketing Plan for the meet. A comprehensive plan will be sent via overnight mail on Monday, March 12 for next day delivery to the Board and Commissioners.

Hollywood Park Racing Association Spring Summer 2012 Marketing Plan

Executive Summary

For the upcoming fifty day Spring/Summer Meet, Hollywood Park is making a concerted effort to deploy our resources with an eye toward the acquisition and development of new fans while continuing efforts for retention of existing customers.

Research was conducted by the California Marketing Committee to identify the most profitable and sustainable demand groups for horse racing industry players in California, and developing corresponding strategies and tactics to serve these demand groups.

Four main clusters were identified with distinct demographic, attitudinal, and behavioral characteristics, what drives their decision to attend or play, what is important to them, and the best communication channels to reach them. These four groups are Elite Experts, Moderate Core, Infrequent Fringe, and Horse Lovers.

As noted in research conducted by the California Marketing Committee, the average age for first horseracing attendance is 21. Entertaining and socializing are emotional anchors brought to racing by the "Millennials" demographic, as well as an interest in lower priced entertainment. Targeted marketing efforts across various channels including social media, print, TV, radio and display ads will reinforce this message.

The centerpiece of attracting new fans to Hollywood Park and horseracing is the "Friday Night Live" concert series, attracting young people to spend an evening after work with their friends watching racing, followed by a concert in the North Park. Along with free general parking and a program, competitively priced food and beer offerings as well as food trucks, it is the best entertainment deal in town. The Eleven night concert series for 2012 showcases a strong lineup of talent, including popular acts such as Pepper (Warped Tour Opener), DEVO, Rebelution, and similar performers that the younger demographic is drawn to.

Addressing the concerns of core players, efforts were made to increase the quality of the product by reducing racing to 4 days a week for the entire meet, as well as launching a new Player Pick 5 wager with a low takeout that has received positive response and support as indicated in healthy pools with a daily wagering averaging \$203,270. The iGoRacing iPhone App was enhanced with live streaming video so horseplayers have relevant information readily available to them. The Android version of the App will be deployed in time for the Spring meet.

The challenges of a slowly recovering economy persist, aggravated by the sharp increases in fuel prices, which will peak during the late spring and summer months. The top two reasons cited by customers who were attending the races less often are less money for gambling and less money for entertainment.

A major focus of the marketing plan for the upcoming Meet will be that Hollywood Park represents the most affordable and best value in Sports Entertainment in the Los Angeles Area. Special emphasis will be placed on the pricing discounts that will be offered throughout the Racing Season. Thursdays are 55+ Days and fans 55 and better receive \$5 discount on General Admission which entitles a customer access to the entire facility except for the Turf Club. At Hollywood Park there is no distinction between the Grandstand and the Players Club for purposes of admission. Every day during the meet, we will

offer a \$1 discount on Admission to Gold Club Members. There will be two "Free Days on Us," for Gold Club members. We also offer free box seats to all fans on Thursday afternoons. Our advertising will play up discounts and special offers in an effort to appeal to the financially "strapped" consumer.

For those fans that cannot make the drive to see live racing, Hollywood Park collaborates with Southern California satellite facilities to increase attendance with Mystery Mutuel Voucher promotions and a supply of giveaway items for free or at cost.

The Spring meet is highlighted by the \$500,000 Hollywood Gold Cup to be run on Saturday, July 7th, and the \$400,000 American Oaks on Saturday, July 14th. Oaks day promises to be spectacular with four stakes races amounting to \$1 million in purses. In addition to the American Oaks, we will feature the \$200k A Gleam Hcp, the \$200k Landaluce Stakes, and the \$200k Hollywood Juvenile Championship. In honor of both the Gold Cup and American Oaks there will be a premium giveaway item for Fans.

As previously mentioned, a complete Marketing plan is forthcoming detailing the strategies and tactics that we will undertake for the upcoming meet. Here is an overview of the promotional plan for the meet:

Programs and promotions

which will be continuous throughout the Spring Summer Meet include:

Guaranteed Wagers:

Pick Fours will be guaranteed every race day - \$150,000 on Week Days and \$250,000 on Weekends.

Show Me The Money

This is an online Show Parlay contest, where fans are required to pick one horse every day of the meet until they are eliminated. The last player "alive" wins \$2,500. This contest drives traffic to our website where fans can get all the latest news about upcoming promotions. It is a perennial fan favorite.

Friday Night Live

This promotion will have us pick out 5 college students each Friday night and give them a \$5 win wager on each horse in a designated race. They will be filmed and posted on the social media websites Facebook and YouTube.

Spring Handicapping Challenge

This free contest encourages fans to come out on 3 specific dates (the first actually being a 3 day weekend) to win a Large screen TV and their share of \$5,000

Triple Crown Challenge

This has been one of our most popular free contests ever. Fans get 4 picks on the Kentucky Derby and if they pick a winner, they move on to the Preakness. In the Preakness they get 2 picks to move on to the Belmont and finalists get one pick in the Belmont to win their share of \$5,000.

Triple Crown Dream Contests

This will be a series of 3 different contests contested on each day of the Triple Crown.

- The first contest, the ***Derby Dream Contest***, will have our fans try to predict the exact order of ALL the Derby contestants. If no one hits the exact order the person or persons with the most correct will win \$1,000. If someone gets the correct order of all the Derby entrants, he will win the \$1,000 and be automatically entered in both the ***Preakness Dream Contest*** and the ***Belmont Dream Contest***.
- The second contest, the ***Preakness Dream Contest***, will have fans enter a drawing the day of the Preakness and one fan will be selected for every horse in the race. Each fan will be assigned a different horse in the Preakness and whichever horse wins the Preakness, that fan will win \$1,000.
- The third contest, the ***Belmont Dream Contest***, will be a drawing where one winner will get a \$1,000 wager on one horse in the Belmont. Of course his winnings if his selected horse wins the Belmont will be much more than the \$1,000.

Derby Hat Contest

With participation growing each time we hold this contest it has become a fan favorite. Prizes will be \$500 to the best hat and \$100 each for the most creative and the most traditional.

DVD Distribution:

We will continue to produce and distribute complimentary DVDs to the connections of horses winning races at Hollywood Park.

Handicapping Seminars

Player's Pick 5

Hollywood Park, which introduced the Player's Pick 5 at the start of the 2011 Spring/Summer meet, will again offer the bet on its wagering menu during the 2012 Spring/Summer meet. The 50-cent minimum bet has proven to be a fan favorite with Hollywood Park patrons, in part, due to its low 14% takeout rate. The average pool was \$203,270 for the 2011 Spring/Summer meet. Helped by a record payout of \$157,395, the average payout was \$7,546. Total handle on the bet was over 10.9 million for the meet.

The 2011 Autumn meet Player's Pick 5 showed continued success with daily pools averaging \$209,119. Topped by a payout of \$50,488 on December 7, the average payout was \$3,793.

The Player's Pick 5 will be promoted on the Hollywood Park website using graphics linked to a landing page showing the daily payouts, pools, and averages. Facebook, Twitter and the Hollywood Park TV feed will also be used to promote the popular bet.

HOLLYWOOD PARK GOLD CLUB

The Hollywood Park Gold Club is a player rewards program that benefits members each time they attend Hollywood Park for live or simulcast racing.

Admission discounts

Racing fans get a daily discount at the admission gate. Gold Club members age 55 + get a discount on Thursdays.

Rewards

Members earn points when they wager on-track on Hollywood Park or any California Thoroughbred track during the live meet. The points can be redeemed for rewards that range from free admission passes to cash vouchers.

Promotions

Gold Club members enjoy exclusive benefits including "A Free Day on Us" and on track drawings for 52" flat screen TV's between races.

VIP Program

An analysis is performed to gain insight on the top percentage of customers based on wagering totals and per cap totals. Customers who meet a certain threshold are rewarded with an Annual Gold Club VIP pass that entitles them to free admission and a program for the next calendar year. In addition, some players are identified as candidates for membership in the VIP room.

Growth in 2011

The Gold Club experienced explosive growth in 2011, primarily as a result people enrolling online and on-track for the Friday Night concert series. Total membership increased 136% from 22,610 members to 53,567 by the end of the year. 17,850 of the total membership are age 55+ and eligible for senior discounts.

Response analysis indicates that Gold Club members have the highest response rate to direct mail offers, further indicating the value, loyalty, and interest of these customers.

Advertising Plan

Based on analysis of the Hollywood Park mailing list and data therein, it is believed that the majority of customers most likely to attend the races at Hollywood Park live within a specific geographic area

surrounding the racetrack. This area encompasses Santa Monica to Palos Verdes on the West; inland to Downey in the East; and the areas closely located to the 101 and 210 freeways in the San Fernando Valley. Media buys will focus on this geographic area.

Hosts/Hostesses Employed for Meeting

There will be approximately 25 Guest and Customer Services Representatives employed throughout the meet.

Improvements to the Physical Facility

The number of TV's on tables in the terrace dining areas is being increased and new flat screen LED Televisions are replacing older ones in the Players Club. A total of 150 flat screen TV's are being installed.

Facilities Set Aside for New Fans

The North Park Lawn serves as the location for the Friday Night Concert Series. The TVG Late Ddouble will also air there prior to the beginning of the concert. This will help to introduce and engage the younger demographic through contests and prizes as well as the chance to be on TV.

Fan Education

THE INSIDE SCOOP

Kurt Hoover hosts insightful chats with Hollywood Park's leading celebrities and personalities. *The Inside Scoop* is a great way for fans to meet the stars, ask questions, and get autographs.

THE RAILBIRD CLUB, PRESENTED BY TVG

TVG analyst Rich Perloff hosts viewing morning workouts at the Finish Line café. Fans can grab a cup of coffee and a muffin and spend an entertaining session and an opportunity to meet special guests.

PACE PALS

A simplified visual handicapping system created by Hollywood Park's Craig Peterson, and hosted by Pace Pals handicappers Jeff Munson and Stan Granch. Pace Pals intuitive visual format makes understanding the races and picking winners easy for newcomers and handicapping veterans.

B. Promotional/ Marketing budget for this race meeting: **On file.**

Promotional/Marketing budget for prior race meeting: **On file.**

C. Number of hosts and hostesses employed for meeting: **25**

D. Describe facilities set aside for new fans: **The North Park Lawn serves as the location for the Friday Night Concert Series. The TVG Late Ddouble will also air there prior to the beginning of the concert. This will help to introduce and engage the younger demographic through contests and prizes as well as the chance to be on TV.**

E. Describe any improvements to the physical facility in advance of the meeting that directly benefit:

1. Horsemen
2. Fans – The installation of 150 new flat screen TV's increasing the number of TV's in the Terrace Dining areas allowing for the replacement of older TV's in the Player's Club.
3. Facilities in the restricted areas

18. SCHEDULE OF CHARGES

Attachment E - 1Concessionaires and Service Contractors

Hollywood Park Catering, Inc.
1050 S. Prairie Ave.
Inglewood, CA 90301

Food, Beverage, Liquor

Harry Aquarelli
Duke Racing Selections
6632 West 87th Street
Los Angeles, California 90045

Tip Sheet

Winners
Toby Turrell
14112 Enfield Circle
Westminster, California 92683

Tip Sheet

Bob's Card, Inc.
Tiffany Boland
6288 Highland Meadows
Medina, Ohio 44256

Tip Sheet

Today's Racing Digest
P. O. Box 85007
San Diego, California 92138

Thorograph
541 Hudson Street
New York City, New York 10014

New World Service, Inc.
1050 South Prairie
Inglewood, California 90301

Janitorial

Miscellaneous

Ann Roper Silks
c/o Ann Roper
P. O. Box 3547
Lennox, CA 90304

Western Saddlery
c/o A. Liederman
206 E. Hillsdale Blvd.
San Mateo, CA 94403

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

| | |
|------------------------------|---------|
| Admission (general) | \$10.00 |
| 17 years old & under | Free |
| Thursday Senior Citizens | \$5.00 |
| Admission (clubhouse) | N/A |
| Admission (Turf Club) | \$20.00 |
| Reserved seating (general) | \$2.00 |
| Reserved seating (clubhouse) | N/A |
| Parking (general) | Free |
| Parking (preferred) | \$5.00 |
| Parking (valet) | \$10.00 |
| Programs (on-track) | \$2.50 |
| (off-track) | \$2.50 |

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

| Box Seats | *Turf Club Membership |
|---|-------------------------------|
| 4 seat Box \$1,280 | Single Turf Club \$ 640 |
| 6 seat Box \$1,600 | Double Turf Club \$ 1,000 |
| 8 seat Box \$2,080 | Corporate Membership \$ 1,920 |
| 8 seat SuperBox \$2,400 | |
| *Includes Spring/Summer, Fall Meets and Simulcast | |

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

19. JOCKEYS/DRIVERS' QUARTERS

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

| | | |
|--|---|--|
| <input checked="" type="checkbox"/> Corners (lockers and cubicles) | How many | <input type="text" value="80"/> |
| <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/drivers: Separate quarters, including restroom, facilities, showers, cubicles, scale, televisions, couch, sauna, massage table, etc.

20. BACKSTRETCH EMPLOYEE HOUSING

A. Inspection of backstretch housing was completed by CHRB Investigator Phil Miyazaki on February 7, 2012.

B. Number of rooms used for housing on the backstretch of the racetrack: 459

C. Number of restrooms available on the backstretch of the racetrack: 77 including: 155 toilets, 81 urinals and 167 sinks.

D. Estimated ratio of restroom facilities to the number of backstretch personnel: Minimum of 1 to 10 including non-resident personnel.

21. TRACK SAFETY

- A. Total distance of the racecourse - measured from the finish line counterclockwise (3' from the inner railing) back to the finish line: Main Track – 1 mile & 1/8 – 5,940 feet; Turf Track – 1 mile 165 feet – 5,445 feet
- B. Describe the type of track surface at the facility, including the specific track surface composition: Cushion track – sand, fibers, rubber and wax.
- C. The percent of cross slope in the straight-aways is: 3%
The percent of cross slope in the center of the turns is: 5 ½%
- D. 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. Main Track – aluminum gooseneck post, aluminum railing, as well as aluminum safety panels covering the gooseneck post. Turf Course – inner rail – Fontana turf rail 40" in height, outer rail – metal uprights.
- E. Name of the person responsible for supervision of the maintenance of the racetrack safety standards pursuant to CHRB Rule 1474: Dennis Moore
- F. Attach a Track Safety Maintenance Program pursuant to CHRB Rule 1474. On file.
- G. If the association is requesting approval to implement alternate methodologies to the provisions of Article 3.5, Track Safety Standards, pursuant to CHRB Rule 1471, attach a Certificate of Insurance for liability insurance which will be in force for the duration of the meeting specified in Section 2. The CHRB is to be named as a certificate holder and given not less than 10 days' notice of any cancellation or termination of liability insurance. Additionally, the CHRB must be listed as additionally insured on the liability policy at a minimum amount of \$3 million per incident. The liability insurance certificate must be on file in the CHRB headquarters office prior to the conduct of any racing. N/A

22. DECLARATIONS

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

exceptions, so state): The following Union Contracts will be open for negotiations during our meet on the date indicated - 6/30/12 Teamsters Truck Drivers Local 495 - 6/30/12 The Master Turf Agreement which includes IBEW Local 11, Op Eng Local 12, Laborers Local 300 and Painters Dist. Council 36 - 6/30/12 Plumbers Local 78 - 6/30/12 Carpenters Local 409 - 5/1/12 United HERE Local 11 - 4/19/12 IBEW Broadcast Center Local 45 - 4/30/12 Teamsters Print Shop Local 572.

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

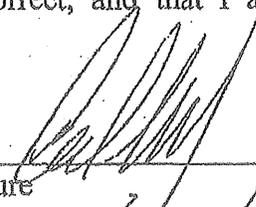
NOTICE TO APPLICANT: Pursuant to CHRB Rules 1870 and 1871, the CHRB shall be given 15 days' notice in writing of any intention to terminate a horse racing meeting or the engagements or services of any licensee, approved concessionaire, or approved service contractor.

23. CERTIFICATION BY APPLICANT

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

Eual G. Wyatt
Print Name

Vice President & General Manager
Print Title


Signature

1/25/2012
Date

STAFF ANALYSIS
DISCUSSION AND ACTION BY THE BOARD REGARDING THE
DISTRIBUTION OF RACE DAY CHARITY PROCEEDS OF THE
HOLLYWOOD PARK RACING CHARITIES, INC. ON BEHALF OF HOLLYWOOD
PARK RACING ASSOCIATION IN THE AMOUNT OF \$100,000 TO 20 BENEFICIARIES

Regular Board Meeting
March 22, 2012

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, and each licensed racing association that conducts more than 14 weeks of racing to designate five racing days during any one meeting, to be conducted as charity days by the licensee for the purpose of distribution of the net proceeds therefrom to beneficiaries through the distribution agent. No racing association shall be required to pay to a distributing agent for the purpose of distribution to beneficiaries more than an amount equal to two-tenths of one percent of the association's total on-track handle on live races conducted by the association at the meeting. Business and Professions Code section 19555 requires that proceeds are to be distributed to beneficiaries within 12 calendar months after the last day of the meet during which charity days were conducted. Business and Professions Code section 19556 provides that the distributing agent shall make the distribution to beneficiaries qualified under this article. At least 20 percent of the distribution shall be made to charities associated with the horse racing industry. An additional five percent shall be paid to a welfare fund and another five percent shall be paid to a non-profit corporation, the primary purpose of which is to assist horsemen and backstretch personnel who are being affected adversely as a result of alcohol or substance abuse. In addition to the above distributions, a separate 20 percent shall be made to a nonprofit corporation or trust, the directors or trustees of which shall serve without compensation except for reimbursement for reasonable expenses, and which has as its sole purpose the accumulation of endowment funds, the income on which shall be distributed to qualified disabled jockeys.

ANALYSIS

The Hollywood Park Racing Charities, Inc. on behalf of Hollywood Park Racing Association (HPRA) is requesting approval to distribute its race day charity proceeds generated during the 2010 race meets. HPRA forwarded the appropriate amount to its distributing agent. The agent is distributing \$100,000 to designated charities. HPRA indicated they will no longer be using an agent to distribute charity proceeds after 2011 to eliminate administrative costs being deducted from the required distribution.

Staff notes that approximately 73 percent of the proposed charity day proceeds distribution will be given to horse racing related organizations.

RECOMMENDATION

This item is presented for Board discussion and action.

CHRB ANALYSIS
Hollywood Park Racing Association 2010 Charity Day Proceeds

| # | Nonprofit Organization | Amount | Proposed Disbursement Percentage | Percentage Required By Horse Racing Law (from the 2/10 of 1%) | Notes |
|----|---|--|----------------------------------|---|----------|
| 1 | Disabled Jockeys Endowment | 30,000.00 | 30% | minimum of 20% | d |
| 2 | California Equine Retirement Foundations | 3,000.00 | 3% | | a |
| 3 | Winners Foundation | 10,000.00 | 10% | minimum of 5% | c |
| 4 | Edwin J. Gregson Foundation | 4,000.00 | 4% | | a |
| 5 | Racktrack Chaplaincy of America | 7,000.00 | 7% | | a |
| 6 | Southern California Equine Foundation | 4,000.00 | 4% | | a |
| 7 | CA Thoroughbred Horsemen's Foundation | 12,000.00 | 12% | minimum of 5% | b |
| 8 | Tranquility Farms | 3,000.00 | 3% | | a |
| 9 | Inglewood Education Fund | 5,000.00 | 5% | | |
| 10 | Inglewood Children's Dental Center | 2,000.00 | 2% | | |
| 11 | Los Angeles NAACP | 2,000.00 | 2% | | |
| 12 | Los Angeles Urban League | 2,000.00 | 2% | | |
| 13 | Centinela Valley Juvenile Diversion Project | 2,000.00 | 2% | | |
| 14 | Inglewood After School Program | 2,000.00 | 2% | | |
| 15 | Inglewood Recreation Department | 2,000.00 | 2% | | |
| 16 | Inglewood Senior Citizens Center | 2,000.00 | 2% | | |
| 17 | International Life Services | 2,000.00 | 2% | | |
| 18 | Saint Margaret's Center | 2,000.00 | 2% | | |
| 19 | Salesian Boys & Girls Club | 2,000.00 | 2% | | |
| 20 | Watts/Willowbrook Boys & Girls Club | 2,000.00 | 2% | | |
| | Total | 100,000.00 | 100% | minimum of 50% | e |
| | Notes: | | | | |
| | a | 20% to charities associated with the horse racing industry (B&P 19556 (b)) | | | |
| | b | 5% to welfare fund for backstretch personnel (B&P 19556 (b)) | | | |
| | c | 5% to nonprofit organization to assist horsemen and backstretch personnel affected by alcohol and substance abuse(B&P 19556 (b)) | | | |
| | d | 20% to nonprofit organization that benefits qualified disabled jockeys (B&P 19556 (c)(1)) | | | |
| | e | overall a minimum of 50% of the charity distribution should go to horse racing industry related nonprofit organizations. | | | |
| | Background information for each organization is attached. | | | | |

Hollywood Park Racing Charities, Inc. - 2010 Grants

Education

Inglewood Education Fund

Established in 2003 to help Inglewood area teachers/schools submitting requests for needed materials and/or funding for classes and projects such as books, science materials, or cost for special off campus field trips.

Health

Inglewood Children's Dental Center

Established in 1995 to provide outreach services to elementary school children in Inglewood and surrounding area with dental care and education. In California more than 50% of kindergartners and 70% or 3rd graders suffer from tooth decay with 25% having never had any treatment. It remains the most common chronic childhood illness.

Los Angeles NAACP

Established in 1914 in Los Angeles to fight for the rights of the cities african-american population against racial discrimination. Among other programs and policies the branch works closely with the Los Angeles Unified School district addressing the issues of overcrowding, integration and low achievement among blacks and minority students.

Los Angeles Urban League

Established in 1921 to provide advancement and business opportunities to African americans and minorities. Employment development and training being their more recent focus. Programs include the Milken Youth and Family Literacy program working with area colleges and universities as well as the LAUSD.

Racing

California Equine Retirement Foundation

Established in 1986 to provide a full range of services to former racehorses in need Of rehabilitation toward retirement or placement in a new career. CERF houses Seventy-plus horses ranging in age from two to thirty-two years of age. Each horse Is maintained with his or her own specific nutritional needs to ensure optimal Health and fitness.

California Thoroughbred Horsemen's Foundation

Established in 1983 to provide assistance to needy backstretch workers and their Dependents, primarily in the area of medical and dental care. The CTHF contracts Physicians and dentists professional services; provides hospitalization, outpatient, rehabilitative or preventative medical programs and provides temporary family financial aid.

Permanently Disabled Jockeys Endowment

Creation of this fund was in 2006, after merging with the DJE (Disabled Jockey Endowment). It is a collaborative effort between leaders in horse racing, race tracks, jockeys and horsemen to bring financial assistance to jockeys stricken by catastrophic injury.

Edwin Gregson Foundation

Established in 2000 to provide educational programs to backstretch workers, such as scholarship grants, English as a Second Language, and computer skills. Recreational programs are also provided including sports leagues and games, i.e. dominoes, pool and poker tournaments.

Racetrack Chaplaincy of America

Established in 1971 to assist backstretch personnel with everything from daily Devotions to bible study, counseling, translations, social security, insurance and IRS appointments, tax preparation and notary services.

Southern California Equine Foundation

Established in 1976 and runs the equine hospital on Hollywood Park's backstretch providing veterinary care, ambulances and all medical services for ill and injured race horses.

Tranquility Farm

Established in 2001 as a full service program for rehabilitated race horses for second careers as pleasure horses or humane retirement. All horses are given needed medical treatment as well as additional training as needed for ownership in a new career setting if possible.

Winners Foundation

Established in 1984 to provide information, support and referral services for employees and family members of the California horse racing community being adversely affected by alcohol and/or substance abuse. Maintains relationships with twelve step groups, detox centers, in and outpatient hospital programs.

Social Services

Centinela Valley Juvenile Diversion Project

Established in 1975 to reduce violence at school and at home for Inglewood youth as well as those in surrounding communities. Provides at-risk youth with programs targeted to helping them form more productive lives such as, counseling, tutoring, educational support, and referrals to other agencies if needed.

Inglewood After School Program

Established in 1984 to provide citywide after school recreation program for elementary youth within the Inglewood Unified School District. Held through the Recreation, Parks and Community Services department with activities such as music, art, dance and gymnastics as well as homework completion and tutoring for children with special needs.

Inglewood Recreation Department

Established in 1989 to provide middle school children with a Boys/Girls club program at City parks. Program focuses on leadership training, mentoring, professional and social development as well as technical training to better assist their transition from middle to high school.

Inglewood Senior Citizens Center

Established in 1973 to provide programs for Inglewood senior citizens. Peer counseling and visitor programs are provided for both those able to come to the center and home-bound seniors.

International Life Services

Established in 1985 to provide pregnancy counseling to women of all ages. Provides

Referrals for adoptions, maternity homes, financial aide, physicians and other social services, such as clothes, cribs, car seats and associated items of indigents and teenagers.

Saint Margaret's Center

Established in 1987 to provide emergency support services to residents of Inglewood who live at or below the poverty level. Among the programs provided are A food pantry, medical and vision screening and emergency shelter. Provides Christmas program in conjunction with Hollywood Park each year for low-income families.

Salesian Boys & Girls Club

Established in 1966 and provides various educational programs to middle school and high school youth. Like the Watts/Willowbrook programs, this club is in a largely immigrant area marked by poverty, violence and poor educational achievement. Assists students in reaching requirements for entrance into UC or CSU campuses.

Watts/Willowbrook Boys & Girls Club

Established in 1957 to provide various programs to youth ages 7-18. Educational services are the primary focus with computer use for homework assignments, creative writing, art and health and wellness. Membership is predominantly African American and Hispanic that live in neighborhoods plagued with drugs, violence and crime. Provides supervision and assistance in a safe environment.

STAFF ANALYSIS
DISCUSSION AND ACTION BY THE BOARD
REGARDING THE REQUEST FROM TWINSPIRES TO EXTEND ITS
CALIFORNIA ADVANCE DEPOSIT WAGERING LICENSE
THROUGH THE END OF 2012.

Regular Board Meeting
March 22, 2012

BACKGROUND

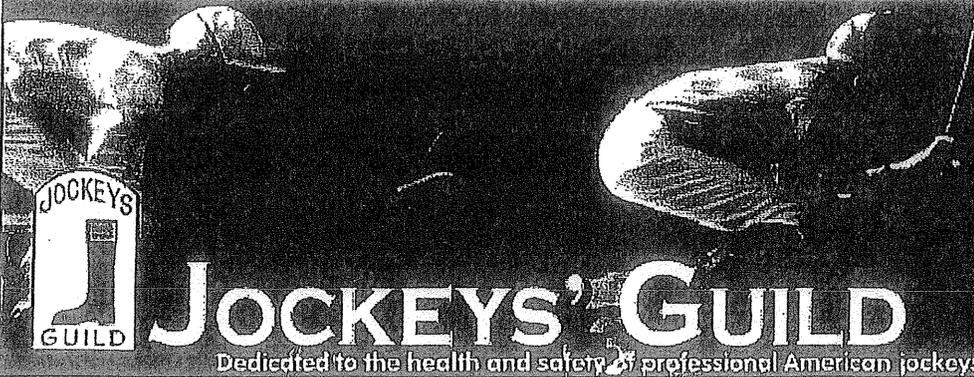
At the November 17, 2011, Regular Meeting, representatives of the Jockeys' Guild (Guild) voiced objection to the application for advance deposit wagering (ADW) submitted by TwinSpire and requested that the application of Churchill Downs, Inc. (CDI) subsidiary be deferred until CDI reached agreement with the Guild regarding media rights. The Guild argued that it was unfair to California racing in general, and its race tracks in particular, for CDI to enjoy a competitive advantage in its racing operations by depriving the Guild of the contributions historically made by CDI. The Board deferred consideration of all three 2012 ADW license applications (TVG and XpressBet), allowing for a more thorough review of each applicant's commitment to the health and welfare of jockeys.

At its December 2011 Regular Meeting, the Board addressed the health and welfare issue between CDI and the Jockeys' Guild. There was no conclusion reached on the matter, so the Board granted TwinSpire a four-month ADW license in hopes that the parties could reach an agreement during this time. Subsequently, The Jockey's Guild reported on January 23, 2012, that the dispute between the Jockeys' Guild and CDI had been resolved. CDI agreed to make payments to the Jockeys' Guild to subsidize health insurance, life insurance, and disability benefits for jockeys who are members of the Jockeys' Guild and ride in the United States.

Twinspires is currently licensed through April 30, 2012, as an out-of-state multi-jurisdictional wagering hub. They are requesting that its license be extended through the end of 2012, given that the matter prompting the approval of its current four month license has been resolved. The requested term of license is consistent with California's other ADW providers.

RECOMMENDATION:

Staff recommends the Board approve the request to extend TwinSpire's current ADW license through December 2012.



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Jockeys' Guild announces agreement with Churchill Downs Incorporated

Jan 23rd, 12

The Jockeys' Guild and Churchill Downs Incorporated (CDI) have reached a multi-year agreement to support the Guild and its member jockeys.

While terms of the agreement were not disclosed, CDI agreed to make payments to the Jockeys' Guild to subsidize health insurance, life insurance and disability benefits for all jockeys who are members of the Guild and ride in the United States. CDI tracks include Churchill Downs Racetrack, Calder Casino & Race Course, Arlington Park and Fair Grounds Race Course & Slots.

"We sincerely appreciate the commitment made by CDI to support the benefits that impact our jockeys," said Terry Meyocks, national manager of the Jockeys' Guild. "This agreement will directly benefit approximately 950 active, retired and permanently disabled members. It is critical that we receive support from all of our racetrack partners within the industry."

Currently, the Guild provides life insurance, AD&D insurance and temporary disability benefits to its active members, as well as life insurance and aid to the permanently disabled members.

About Churchill Downs, Incorporated

Churchill Downs Incorporated ("CDI") (NASDAQ: CHDN), headquartered in Louisville, Ky., owns and operates the world-renowned Churchill Downs Racetrack, home of the Kentucky Derby and Kentucky Oaks, as well as racetrack and casino operations and a poker room in Miami Gardens, Fla.; racetrack, casino and video poker operations in New Orleans, La.; racetrack operations in Arlington Heights, Ill.; and a casino resort in Greenville, Miss. CDI also owns the country's premier account-wagering company, TwinSpires.com, and other advance-deposit wagering providers; the totalizator company, United Tote; and a collection of racing-related telecommunications and data companies. Information about CDI can be found online at www.churchilldownsincorporated.com.

About the Jockeys' Guild

Jockeys' Guild, Inc., the organization representing professional jockeys in American Thoroughbred and Quarter Horse racing, was founded in May, 1940 and has approximately 950 members, including active, retired disabled jockeys. The purpose is to protect jockeys, strive to achieve a safer racing environment, to obtain improved insurance and other benefits for members and to monitor developments in local, state and federal laws affecting the racing industry, and in particular, the jockeys.

Previous Articles

[Alvarado Wins Five At Aqueduct](#)

[SANTA ANITA JOCKS, HOLY ANGELS CAGERS GAME TO BENEFIT YOUTH, DISABLED RIDERS](#)

[KY Horse Industry Cites Chamber's Support](#)

[In a career like jockey Mike Smith's, what's 12 more victories?](#)

[Ramon Dominguez Named TT TODAY Jockey of the Week](#)

[Community groups to discuss making jockey's house a landmark](#)

[Jockey E.J. Perrodin announces his retirement](#)

[HBO'S LUCK INKED FOR SECOND SEASON](#)

[Jockey Julio Felix Hits 2,500 Win Milestone](#)

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STAFF ANALYSIS
DISCUSSION AND ACTION BY THE BOARD ON THE REPORT FROM
SOUTHERN CALIFORNIA OFF-TRACK WAGERING INC. (SCOTWINC)
REGARDING THE DEVELOPMENT OF MINISATELLITE WAGERING FACILITIES
AND KIOSKS

Regular Board Meeting
March 22, 2012

BACKGROUND

Business and Professions Code section 19605.25 provides that the Board may approve an additional 15 minisatellite wagering sites in each zone if, among other requirements, an agreement in accordance with section 19605.3 has been executed and approved by the Board. Business and Professions Code section 19605.3 states that the organization described in section 19608.2 is the party that executes the agreement approved by the Board with the association conducting a racing meeting and the satellite wagering facility. The organization described in 19608.2 is Southern California Off-Track Wagering, Inc. (SCOTWINC). In addition to executing the minisatellite wagering agreements, SCOTWINC has assumed the task of locating and developing minisatellite wagering sites. At the May 26, 2011 Regular Board Meeting the Board heard from Rick Baedeker of SCOTWINC regarding his efforts to develop minisatellite wagering sites in California. The Board requested that in the near future SCOTWINC give a presentation regarding what it would take to foster a quicker growth of minisatellite wagering sites, as well as a specific report on locations being considered and any impediments, if any, that might exist. At the August 2011 Regular Meeting the Board heard from Mr. Baedeker of SCOTWINC regarding an update on the development of minisatellite wagering facilities. Mr. Baedeker reported he was working with owners of a couple promising sites. The owners were ready to make major investments to incorporate minisatellite facilities in their sports bars. In addition, he spoke about a \$10,000 grant from the California Marketing Committee (CMC) to run a print-add and direct mail campaign. An advertisement was to be run in the Los Angeles Times Monday morning football section to educate owners of potential satellite locations about the opportunity to operate minisatellite wagering facilities. Interested parties would be directed to the Cal Racing webpage for more information. Besides the print-add, a direct mail campaign would be conducted. Mr. Baedeker stated a post card would be mailed to every restaurant with a gross of a million or more within designated zip codes. The mailing would target areas within various 20-mile radiuses where a waiver could be got, as well as areas outside certain 20-mile radius (without waivers). After a lengthy discussion, the Board indicated it would like an additional update to include a report on any financial commitments from the CMC and SCOTWINC, a plan for developing new minisatellite locations, and what the Board could look forward to within the coming year.

At the February 2012 Regular Meeting the Board heard a report from the CMC on its 2012 marketing and promotion plans. During the discussion, the subject of kiosks was introduced. The CMC representative explained that the two kiosks, located at the Paseo Colorado Mall in Pasadena, and the Tanforan Shopping Center in San Mateo reported to SCOTWINC. Chairman

Brackpool stated the issue would be discussed at the March 2012 Regular Meeting in conjunction with a report on the development of minisatellite wagering facilities.

ANALYSIS

There are currently three minisatellite wagering facilities operating: the Commerce Club, which was granted a license in April 2009; OC Tavern, which was granted a license in June 2010; and ORG Restaurants, LLC, which was granted a license in August 2011. Since August 2011, no additional minisatellite wagering facility applications have been approved.

RECOMMENDATION

This item is presented for Board discussion and action.

A representative of SCOTWINC is prepared to make a presentation to the Board.

STAFF ANALYSIS
DISCUSSION AND ACTION BY THE BOARD REGARDING
AN UPDATE FROM CALIFORNIA EXPOSITION AND STATE FAIR
ON POTENTIAL LESSEES AND OPERATORS FOR
FUTURE HARNESS RACE MEETINGS

Regular Board Meeting
March 22, 2012

BACKGROUND

Business and Professions Code section 19420 provides that jurisdiction and supervision over meetings in this State where horse races with wagering on their results are held or conducted, and over all persons or things having to do with the operation of such meetings, is vested in the California Horse Racing Board. Business and Professions Code section 19440 provides that the Board shall have all powers necessary and proper to enable it to carry out fully and effectually the purposes of this chapter. Responsibilities of the Board shall include, but are not limited to, licensing of each racing association and all persons, other than the public at large, who participate in a horse racing meeting with pari-mutual wagering, as well as allocation of racing dates to qualified associations in accordance with the law. Business and Professions Code section 19480 states the Board may issue to any person who makes application therefor in writing, who has complied with the provisions of this chapter and who makes the deposit to secure payment of the license fee imposed by this article, a license to conduct a horse racing meeting in accordance with this chapter at the track specified in the application; provided, the Board determines that the issuance thereof will be in the public interest and will subserve the purposes of this chapter. Business and Professions Code section 19530 provides that the Board shall have the authority to allocate racing weeks to an applicant or applicants pursuant to the provisions of this article 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.

In November 2011 the Board approved the application for license to operate a horse racing meeting of the California Exposition and State Fair Harness Association at Cal-Expo (Cal-Expo). The approved license period was from December 26, 2011 through June 30, 2012, inclusive. Cal-Expo proposed to run three nights per week, Thursday through Saturday. At the hearing Commissioner Rosenberg asked if the Cal-Expo fair board had made any decisions regarding the future of harness racing at Cal-Expo. Mr. Dave Elliott of Cal-Expo stated the fair board may make a decision about the future of harness racing at Cal-Expo sometime between December 2011 and February 2012. Mr. Elliott stated there had been enquiries from parties that may be interested in becoming the harness operator at Cal-Expo, but there were no concrete proposals. Mr. Elliott also stated that Cal-Expo had to give the California Harness Horsemen's Association (CHHA) at least 180 days notice if it were not going to operate. He said the date for such notice would be February 24, 2012 for the fall 2012 meeting. The Board approved the Cal-Expo application.

At the February 23, 2012 Regular Meeting the Board approved a request by Cal-Expo to modify its remaining racing weeks of March 1, 2012 through June 14, 2012 to two days a week from the current three days a week. During the discussion Mr. Elliott stated the Cal-Expo board of directors had given the CHHA a 180-day notice that Cal-Expo would not be operating a harness meeting beginning with the fall 2012 meeting. The fall harness meeting at Cal-Expo traditionally runs from August through December. As of the February 2012 Regular Meeting a new harness operator had not been identified. However, Mr. Elliott stated that Cal-Expo was entertaining solicitations for the operation of the fall meeting, and there were five different entities with which Cal-Expo was having conversations.

On March 7, 2012 Cal-Expo informed staff that of the five entities that requested further information on running a race meeting at the Cal-Expo facility, two business interests had requested additional operating information regarding the meet.

RECOMMENDATION

This item is presented for Board discussion and action.

STAFF ANALYSIS
DISCUSSION AND ACTION BY THE BOARD
REGARDING THE PROPOSED ADDITION OF CHRB
RULE 1489.1. SUSPENSION OF LICENSE DUE TO DELINQUENT TAX DEBT
TO REQUIRE THE SUSPENSION OF AN OCCUPATIONAL LICENSE
IF THE LICENSEE'S NAME APPEARS ON THE
FRANCHISE TAX BOARD OR BOARD OF EQUALIZATION'S LIST OF
500 LARGEST TAX DELINQUENCIES, PURSUANT TO
AB 1424, CHAPTER 455, STATUTES OF 2011

Regular Board Meeting
March 22, 2012

BACKGROUND

Business and Professions Code section 19440 provides that the Board shall have all powers necessary and proper to enable it to carry out fully and effectually the purposes of this chapter. Responsibilities of the Board shall include, but not be limited to, licensing of each racing association and all persons, other than the public at large, who participate in a horse racing meeting with pari-mutuel wagering. Business and Professions Code section 19510 states no person required to be licensed may participate in any capacity in any horse race meeting without a valid and unrevoked license. Business and Professions Code section 19461 states every license granted under this chapter is subject to suspension or revocation by the Board in any case where the Board has reason to believe that any condition regarding it has not been complied with, or that any law, including the Labor Code and the regulations adopted thereunder, or any rule or regulation of the board affecting it has been broken or violated. Business and Professions Code section 19520 provides that every person not required to be licensed who participates in, or has anything to do with the racing of horses shall be licensed by the Board pursuant to rules and regulations that the Board may adopt, and upon the payment of a license fee fixed and determined by the Board. Business and Professions Code section 494.5(a)(1) states that except as provided in paragraphs (2), (3), and (4) of this section, a state governmental licensing entity shall refuse to issue, reactivate, reinstate, or renew a license and shall suspend a license if a licensee's name is included on a certified list. Business and Professions Code section 494.5(e)(2)(A) requires the state governmental licensing entity to issue a temporary license valid for a period of 90 days to any applicant whose name is on a certified list if the applicant is otherwise eligible for a license. Business and Professions Code section 494.5(b)(1) provides that "Certified list" means either the list provided by the State Board of Equalization or the list provided by the Franchise Tax Board of persons whose names appear on the lists of the 500 largest tax delinquencies pursuant to section 7063 or 19195 of the Revenue and Taxation code, as applicable.

In February 2012 the Franchise Tax Board contacted the California Horse Racing Board (CHRB) regarding the provisions of Assembly Bill (AB) 1424, Chapter 455, Statutes of 2011. AB 1424 would require the suspension of occupational, professional and drivers licenses for debtors appearing on the top 500 largest tax delinquencies lists for Franchise Tax Board (FTB) and Board of Equalization (BOE). Under AB 1424, the FTB and BOE are required to submit a list of

names of persons appearing on their 500 largest tax delinquencies lists to licensing agencies. The Licensing agencies are required to determine if the name of a licensee appears on the list. If so, the licensing agency must provide the licensee or applicant for license preliminary notice of its intent to suspend, withhold or refuse renewal of license. If an applicant for license appears on the list, he may only be granted a 90-day temporary license. Within at least 90 days of the preliminary notice of intent to suspend, withhold or refuse renewal of license, the licensing agency shall suspend the occupational license or terminate the temporary license. When the licensee has complied with the tax obligation, the BOE or FTB shall mail a release form to the licensee, as well as the appropriate state governmental licensing entity. The CHRB would have five working days to process the release.

ANALYSIS

The proposed addition of Rule 1489.1, Suspension of License Due to Delinquent Tax Debt, provides that persons whose names appear on the BOE or FTB certified list (Top 500 largest tax delinquencies list) shall not be able to obtain an occupational license or reactivate, reinstate or renew a license. In accordance with the provisions of Business and Professions Code section 494.5 the propose regulation requires the Board to mail licensees or applicants for license whose name appears on the BOE or FTB list a preliminary notice of intent to suspend, or withhold issuance or renewal of license. If, within 90 days of the mailing of the preliminary notice, the Board receives a notice of release from the BOE or FTB the licensee will not be suspended and the temporary license may become permanent. If no such release is received within 90 days, the license is suspended and the temporary license is terminated and the license fees forfeited. Upon receipt of a notice of compliance, the proposed regulation requires that a suspended license be reinstated within five working days. This is in compliance with the provisions of the statute.

RECOMMENDATION

This item is presented for Board discussion and action. Staff recommends the Board direct staff to initiate a 45-day public comment period regarding the proposed regulation.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 4. OCCUPATIONAL LICENSES
PROPOSED ADDITION OF
RULE 1489.1. SUSPENSION OF LICENSE DUE TO DELINQUENT TAX DEBT

Regular Board Meeting
March 22, 2012

1489.1. Suspension of License Due to Delinquent Tax Debt.

(a) No licensee, applicant for license or registration, or any person required to obtain an occupational license from the Board may be issued a permanent license, or reactivate, reinstate or renew a permanent license if his or her name appears on the certified list provided by the California State Board of Equalization or the Franchise Tax Board.

(b) In accordance with the provisions of Business and Professions Code section 494.5, a licensee or applicant for license whose name appears on the certified list shall, within 90 days of the mailing of a preliminary notice of intent to suspend or withhold issuance or renewal of license, be subject to suspension of license, or denial of a permanent license, unless and until the Board of Equalization or the Franchise Tax Board provides the Board with notice of the licensee's or applicant's compliance.

(1) A license suspended due to delinquent tax debt shall be reinstated within five business days following receipt by the Board of a notice of compliance from the Board of Equalization or the Franchise Tax Board.

(2) A temporary license issued to an applicant whose name appears on the certified list shall be valid for a period of 90 days and thereafter shall be terminated unless the Board has received a notice of compliance from the Board of Equalization or the Franchise Tax Board. In the event of termination of a temporary license, the occupational license fee shall be forfeited.

(c) For the purposes of this regulation “certified list” means the list provided by the State Board of Equalization or the Franchise Tax Board of persons whose names are on the lists of the 500 largest tax delinquencies as provided under section 7063 or 19195 of the Revenue and Taxation Code.

Authority: Sections 494.5, 19440, 19510, 19520 and 19704,
Business and Professions Code.

Reference: Sections 494.5, 19510, 19520 and 19704,
Business and Professions Code.

STAFF ANALYSIS

DISCUSSION AND ACTION BY THE BOARD REGARDING THE PROPOSED ADDITION OF ARTICLE 27, EXCHANGE WAGERING AND THE FOLLOWING PROPOSED CHRB RULES GOVERNING EXCHANGE WAGERING IN CALIFORNIA: CHRB RULE 2086, DEFINITIONS; 2086.5, APPLICATION FOR LICENSE TO OPERATE EXCHANGE WAGERING; 2086.6, OPERATING PLAN; 2086.7, EXCHANGE WAGERING DATA; 2086.8, MONITORING SYSTEMS AND NOTIFICATION; 2086.9, FINANCIAL AND SECURITY INTEGRITY AUDITS REQUIRED; 2087, SUSPENDING MARKETS; 2087.5, ANTEPOST MARKET; 2087.6, CANCELLATION OF MATCHED WAGERS; 2088, DECLARED ENTRIES; 2088.5, CORRECTING MATCHED WAGER ERRORS; 2088.6, CANCELLATION OF UNMATCHED WAGERS; 2089, ERROR IN PAYMENTS OF EXCHANGES WAGERS; 2089.5, REQUIREMENTS TO ESTABLISHING EXCHANGE WAGERING ACCOUNT; 2089.6, DEPOSITS TO AN EXCHANGE WAGERING ACCOUNT; 2090, POSTING CREDITS FOR WINNINGS FROM EXCHANGE WAGERS; 2090.5, DEBITS TO AN EXCHANGE WAGERING ACCOUNT; 2090.6, WITHDRAWALS BY ACCOUNT HOLDER; 2091, CLOSING AN INACTIVE EXCHANGE WAGERING ACCOUNT; 2091.5, SUSPENDING AN EXCHANGE WAGERING ACCOUNT; 2091.6, POWERS OF THE BOARD TO REVIEW AND AUDIT RECORDS; 2092, DISTRIBUTION OF EXCHANGE REVENUES; 2092.5, EXCHANGE WAGERS PLACED AFTER THE START OF A RACE; 2092.6, PROHIBITIONS ON WAGERS TO LAY A HORSE TO LOSE AND RULE 2093, CERTAIN PRACTICES RELATED TO EXCHANGE WAGERING.

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BACKGROUND

Senate Bill (SB) 1072, Chapter 283, Statutes of 2010, added Business and Professions code section 19604.5 to provide that the Board has full power to prescribe rules, regulations and conditions under which exchange wagering may be conducted in California. Exchange wagering is a relatively new form of wagering which was introduced in the United Kingdom in 2000. Exchange wagering uses a "stock market model" to operate sports wagering. Exchange wagering account holders may buy and sell, or "back" and "lay" the outcome of horse races in a manner much like day trading on a stock exchange. Business and Professions Code section 19604.5(a)(7) defines exchange wagering as a form of pari-mutuel wagering in which two or more persons place identically opposing wagers in a given market.

Business and Professions Code section 19604.5(e)(2) provides that prior to the Board promulgating rules, regulations and conditions under which exchange wagering may be conducted in California, it shall consider studies or comments submitted by interested parties on the impact of exchange wagering on pari-mutuel wagering and the economics of the California horse racing industry. On August 2, 2011, the Board published a notice of intent to promulgate exchange wagering rules. The notice solicited written comments and studies concerning the impact of exchange wagering, and advised that all written materials would be used to develop rules and regulations that are in the best interest of the public and the California horse racing industry. The 45-day public notice period closed on September 26, 2011. Substantive comments

were received from TVG-Betfair (TVG); Christensen Capital Advisors LLC; Global Betting Exchange; Los Angeles Turf Club/Pacific Racing Association (LATC/PRA); Churchill Downs Incorporated; Thoroughbred Owners of California (TOC); California Thoroughbred Horsemen's Foundation; and CHRIMS, Inc. Several individuals also wrote to express opinions regarding exchange wagering. TVG, Christensen Capital Advisors LLC, Global Betting Exchange, and CHRIMS, Inc. offered positive comments and suggested exchange wagering regulations. LATC/PRA, Churchill Downs Incorporated and TOC questioned whether exchange wagering would benefit California horse racing. All comments were taken into consideration and used in drafting the proposed exchange wagering regulations that constitute the proposed addition of article 27, Exchange Wagering.

On February 9, 2012, the Exchange Wagering Ad Hoc Committee (committee) met at Santa Anita Park Race Track. The committee heard testimony regarding exchange wagering from advance deposit wagering providers, racing associations, horsemen's organizations and betting exchange providers, as well as comments from CHRIMS, the Jockey's Guild and Horseplayer's Association of North America. The committee also heard and discussed a presentation from the CHRB enforcement and audit staff regarding enforcement plans for monitoring exchange wagering in California. Following discussion by all concerned parties the committee took no action, as an agreement between the parties had not been reached. Following the committee meeting changes were made to certain proposed regulations in response to comments. The changes to the texts are reflected by strikeouts and double underlined language.

ANALYSIS

Article 27, Exchange Wagering, is comprised of 25 proposed regulations governing the conduct of exchange wagering in California. The proposed regulations are:

Rule 2086, Definitions, provides definitions of exchange wagering terms used in Article 27.

Rule 2086.5, Application for License to Operate Exchange Wagering, requires the exchange wagering applicant to submit an application for consideration of approval to operate as a California exchange wagering provider.

Rule 2086.6, Operating Plan Required, requires that an exchange wagering applicant submit an operating plan detailing its proposed method of operation as an exchange with any application for a new or renewal license.

Rule 2086.7, Exchange Wagering Data, requires the exchange provider to provide the nonprofit horse racing data base with data related to exchange wagering for the purpose of pari-mutuel accounting and analysis.

Rule 2086.8, Monitoring Systems and Notification, provides that the exchange provider will furnish full access to its monitoring system and that the provider shall immediately notify the Board of any wagering anomalies and agreed upon thresholds. The rule also requires the provider to establish and distribute criteria for anti-money laundering procedures and thresholds, and establish and distribute criteria for monitoring telephone records of account holders.

Rule 2086.9, Financial and Security Integrity Audits Required, requires that the exchange provider undergo specified yearly audits, which shall be submitted to the Board as required.

Rule 2087, Suspending Markets, describes the circumstances under which an exchange provider may suspend markets and states requirements for notification of the Board when a market is suspended. The rule also requires the exchange provider to settle the market as appropriate after the conclusion of an investigation.

Rule 2087.5, Antepost Market, states that antepost markets are authorized and describes what constitutes an antepost market.

Rule 2087.6, Cancellation of Matched Wagers, sets the conditions under which a matched wager may be cancelled or voided by an exchange provider, and requires the exchange provider to notify the Board of such cancellation, as specified.

Rule 2088, Declared Entries, requires the exchange provider to void matched wagers on declared entries, except in an antepost market.

Rule 2088.6, Cancellation of Unmatched Wagers, allows cancellation at any time of an unmatched wager by the exchange provider.

Rule 2089, Errors in Payments of Exchange Wagers, sets the procedures for the exchange provider to remedy errors in payment of exchange wagers.

Rule 2089.5, Requirements to Establish an Exchange Wagering Account, states what is necessary for a natural person to establish an exchange wagering account. The regulation also requires the exchange provider to comply with Internal Revenue Service reporting requirements, and requires the recording and retention of specified transactions and conversations.

Rule 2089.6, Deposits to an Exchange Wagering Account, describes how deposits may be made to an exchange wagering account and the conditions relating to those deposits.

Rule 2090, Posting Credits for Winnings from Exchange Wagers, provides the requirements for the posting of credits for winnings from matched wagers.

Rule 2090.5, Debits to an Exchange Wagering Account, provides instruction for the debiting of exchange wagering accounts.

Rule 2090.6, Withdrawals by Account Holder, describes how an account holder may make withdrawals from his or her exchange wagering account.

Rule 2091, Closing an Inactive Exchange Wagering Account, provides for the closing of inactive accounts and the return of any remaining funds to the account holder.

Rule 2091.5, Suspending an Exchange Wagering Account, states the circumstances under which an account may be suspended and requirements for notifying the Board when an account is suspended.

Rule 2091.6, Powers of the Board to Review and Audit Records, describes the Board's authority to access records and financial information of exchange wagering providers.

Rule 2092, Distribution of Exchange Revenues, requires exchange providers to enter into certain agreements prior to accepting exchange wagers and provides for the distribution of revenue from such wagers in accordance with the agreements.

Rule 2092.5, Exchange Wagers Placed After the Start of a Race, provides the requirements for placing exchange wagers after a race has begun, including required approvals for such wagering to take place. The rule also states wagering after the conclusion of a race, or on a previously run race, is prohibited.

Rule, 2092.6, Prohibitions on Wagers to Lay a Horse to Lose, prohibits certain classes of licensee from placing wagers to lay a horse to lose, prohibits others from making such wagers on behalf of such licensees, and provides that only the owner of an account may use his account to place such a wager.

Rule 2092.7, Suspension of Occupational License, provides that the Board may suspend the license of any person if it determines there is good cause to believe such person may have committed acts of fraud in connection with exchange wagering.

Rule 2093, Certain Practices Related to Exchange Wagering, describes actions an exchange provider may or must take in relation to an account holder and the displaying of exchange wagers as required under Business and Professions Code section 19604.5(e)(3)(A).

RECOMMENDATION

This item is presented for Board discussion and action.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2086. DEFINITIONS

Regular Board Meeting
March 22, 2012

2086. Definitions

As used in this article:

(a) “Back” means to wager on a selected outcome occurring in a given market.

(b) “Confidential information” means the following:

(1) the amount of money credited to, debited from, or present in any particular account holder's exchange wagering account;

(2) the amount of money wagered by a particular account holder on any races or series of races;

(3) the exchange wagering account number and personal identification number of an account holder;

(4) the identities of particular entries on which the account holder is wagering or has wagered; and

(5) unless otherwise authorized by the account holder, the name, address, and all other information in possession of the exchange provider that would identify the account holder to anyone other than the Board or the exchange provider.

(c) “Corrective wager” means an exchange wager placed by the exchange provider in a given market, under circumstances approved by the Board, to address the impact on that market of the cancellation or voiding of a given matched wager or a given part of a matched wager.

(d) “Credits” means all positive inflow of money to an exchange wagering account.

(e) “Debits” means all negative outflow of money from an exchange wagering account related to a wager placed from such account.

(f) “Declared Entry” means a horse withdrawn from a race in which its entry has been accepted.

(g) “Deposit” means a credit of money to an exchange wagering account from an account holder.

(h) “Exchange” means a system operated by an exchange provider in which the provider maintains one or more markets in which account holders may back or lay a selected outcome.

(i) “Exchange revenues” means all charges, fees, income, payments, revenues, and deductions of any kind assessed or collected by, or paid or delivered to, an exchange provider in connection with the submission of any exchange wagers to the exchange provider by account holders residents of California and residents of jurisdictions outside of California on races conducted in California and by residents of California on races conducted outside of California.

(j) “Exchange wagers” means wagers submitted to an exchange provider to be posted in a market on an exchange.

(k) “Exchange wagering” means a form of pari-mutuel wagering in which two or more persons place identically opposing wagers in a given market, as provided under Business and Professions Code section 19604.5.

(l) “Exchange wagering account,” “account” means the account established with an exchange provider by a natural person participating in exchange wagering. An account may only be established or maintained with an exchange provider by a natural person.

(m) “Exchange wagering agreement,” “agreement” means a written agreement by and among the applicable exchange provider, the applicable racing association or racing fair conducting live racing in this state, and the horsemen’s organization responsible for negotiating purse agreements for the breed on which exchange wagers are accepted, provided that the terms and conditions for the permitted use of signal by the exchange provider, and the compensation to the applicable racing association or racing fair and the horsemen’s organization, include provisions for, but are not limited to all of the following:

(1) Calculation of any and all amounts earned and payable to the applicable racing association or racing fair and horsemen’s organization.

(2) Audit rights and conditions.

(3) Duration terms.

(4) Contractual remedies.

(n) “Exchange wagering license applicant,” “applicant” means any entity including, but not limited to, corporations, partnerships, limited liability companies, limited

partnerships, or individuals that file an application with the Board to conduct exchange wagering.

(o) “Exchange wagering license application” means the application form CHRB 229 (New 2/12), Application for License to Operate Exchange Wagering.

(p) “Exchange wagering licensee,” “exchange provider” means a person located within or outside of California that is authorized to offer exchange wagering to residents of California pursuant to Business and Professions Code section 19604.5 and this article.

(q) “Identically opposing wagers” means wagers in which one or more persons offer to lay a selected outcome at the same price at which one or more persons offer to back that same outcome, with the amount subject to the lay being proportionately commensurate to the amount subject to the back.

(r) “Lay” means to wager on a selected outcome not occurring in a given market.

(s) “Market” means, in relation to a given horse race or a given set of horse races, a particular outcome that is subject to exchange wagering as determined by an exchange provider.

(t) “Matched wager” means the wager that is formed when two or more persons are confirmed by the exchange provider as having placed identically opposing wagers in a given market on the exchange.

(u) “Means of personal identification” means the unique number, code, or other secure technology designated by an exchange wagering account holder to assure that only that account holder has access to his account.

(v) “Natural person” means a living, breathing human being, as opposed to a legal entity.

(w) “Net winnings” means the aggregate amounts payable to a person as a result of that person’s winning matched wagers in a pool less the aggregate amount paid by that person as a result of that person’s losing matched wagers in that pool.

(x) “Operating plan” means the plan submitted to the Board by an exchange provider detailing the proposed method of operation of the exchange.

(y) “Other electronic media” means any electronic communication device or combination of devices including, but not limited to, personal computers, the Internet, private networks, interactive television and wireless communication technologies, or other technologies approved by the Board.

(z) “Person” means any individual, partnership, corporation, limited liability company, or other association or organization.

(aa) “Pool” means the total of all matched wagers in a given market.

(bb) “Price” means the odds for a given exchange wager.

(cc) “Unmatched wager” means a wager or portion of a wager placed in a given market within an exchange that does not become part of a matched wager because there are not one or more available exchange wagers in that market with which to form one or more identically opposing wagers.

(dd) “Withdrawal” means a payment from an exchange wagering account by the exchange provider to an account holder.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5(a),
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2086.5. APPLICATION FOR LICENSE TO OPERATE EXCHANGE WAGERING

Regular Board Meeting
March 22, 2012

2086.5. Application for License to Operate Exchange Wagering.

(a) Prior to any exchange wagers being accepted, the applicant for license to operate exchange wagering must obtain a license from the Board.

(b) An applicant must complete CHRB form 229 (New 02/12) Application for License to Operate Exchange Wagering, hereby incorporated by reference, which shall be available at the Board's headquarters office. The application must be filed not later than 90 days in advance of the scheduled start of operation. A certified check in the amount of \$1,400,000 payable to the California Horse Racing Board, or an amount to be determined by the Board to fulfill Business and Professions Code section 19604.5(e)(6), a detailed operating plan as described under Rule 2086.6, Operating Plan Required, and proof of the applicant's compliance with labor provisions of Business and Professions Code section 19604.5(f), must accompany the application.

(c) The term of the exchange wagering License shall be not more than 2 years from the date the exchange wagering license is issued, unless otherwise determined by the Board.

(d) The Board shall notify the applicant in writing within 30 calendar days from the receipt date if the application is deficient. No later than 90 calendar days following the receipt of the application, the Board shall make a final determination on the application. The Board may approve the application if, after reasonable investigation and inspection, as it deems appropriate, it determines that the applicant has demonstrated that exchange wagers placed through the exchange will be accurately processed and that there will be sufficient safeguards to maintain the

integrity of the horse racing industry in this state. If the Board denies an application, the applicant has 30 calendar days, from the receipt 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 headquarters 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 Government Code section 11523.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,
Business and Professions Code.
Section 11523, Government Code.

STATE OF CALIFORNIA
CALIFORNIA HORSE RACING BOARD (CHRB)
APPLICATION FOR LICENSE TO OPERATE EXCHANGE WAGERING
CHRB-229 (New 2/12)

Application is hereby made to the California Horse Racing Board (CHRB) for approval to conduct exchange wagering in accordance with the California Business and Professions Code section 19604.5, Chapter 4, Division 8, California Code of Regulations, Title 4, Division 4, CHRB Rules and Regulations.

Application must be filed not later than 90 days in advance of the date scheduled to conduct exchange wagering.

The applicant must supply complete responses. The information is to be provided as of the date of this application unless otherwise specified. The applicant may refer to an exhibit/attachment in response to a question; however, you must specify the page number and line in which the text is responsive.

NOTICE – By submitting the application the applicant consents to the jurisdiction of California courts and the application of California law as to all California wagers and operations.

No application for a license to operate exchange wagering shall be granted unless the applicant has deposited with the Board a certified check in the amount of \$1,400,000 payable to the California Horse Racing Board, or an amount to be determined by the Board to fulfill Business and Professions Code section 19604.5 (e)(6), which provides that the Board may recover any costs associated with the licensing or regulation of exchange wagering from the exchange wagering licensee by imposing an assessment on the exchange wagering licensee in an amount that does not exceed the reasonable costs associated with the licensing or regulation of exchange wagering. Funds received pursuant to this subdivision shall be deposited in the Horse Racing Fund, to be available upon appropriation by the Legislature for the sole purpose of regulating exchange wagering.

1. APPLICANT INFORMATION

Company name:

Facility address:

City:

State:

Zip Code:

Phone:

Fax:

Website:

County:

CHRB CERTIFICATION

Application received:

Hearing date

Cashier check received:

Approved date:

Reviewed:

License number:

2. CONTACT PERSON (authorized representative)

Name and title of contact:

Business name and address:

City:

State:

Zip Code:

Phone:

Fax:

County:

Email address:

3. CALIFORNIA AGENT FOR RECEIPT OF SERVICE OF PROCESS

Name and title of contact:

Business name and address:

City:

State:

Zip Code:

Phone:

Fax:

County:

Email address:

4. MANAGEMENT PERSONNEL

NOTICE TO APPLICANT: All management personnel responsible for the California operations must be CHRB licensed. Business and Professions Code section 19604.5 (e) (5) provides the Board may reasonably require licensure or registration of officers or directors of any exchange wagering licensee.

List name, title, email address, phone and license number for all management personnel directly involved in management of exchange wagering. Identify which management staff is responsible for California operations:

| <u>Name and title</u> | <u>Email address</u> | <u>Phone</u> | <u>License No.</u> | <u>Responsible for California Operations</u> |
|-----------------------|----------------------|--------------|--------------------|--|
| | | | | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| | | | | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| | | | | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| | | | | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| | | | | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| | | | | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| | | | | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| | | | | <input type="checkbox"/> Yes <input type="checkbox"/> No |

5. DATE OF OPERATION

NOTICE TO APPLICANT: CHRB Rule 2086.5 provides the term of the exchange wagering license shall not be more than two years from the date the exchange wagering license is issued, unless otherwise determined by the Board.

A. Dates applicant is proposing to conduct exchange wagering:

Beginning date:

Ending date:

B. Dates exchange wagering will not be conducted:

C. Indicate the days and hours exchange wagering will be conducted below:

| <u>Days:</u> | <u>Hours:</u> |
|------------------|---------------|
| <u>Sunday</u> | |
| <u>Monday</u> | |
| <u>Tuesday</u> | |
| <u>Wednesday</u> | |
| <u>Thursday</u> | |
| <u>Friday</u> | |
| <u>Saturday</u> | |

6. BUSINESS STRUCTUREA. Identify your business structure (below):

- Corporation (complete subsection B and E)
 LLC (complete subsection C and E)
 Other (Specify and complete subsection D and E)

B. CORPORATION

1. Registered name of the corporation:
2. State and/or country where incorporated:
3. Registry or file number for the corporation:
4. Names of all officers and directors, titles, and the number of shares of the corporation held by each:
5. Names (true names) of all persons, other than the officers and directors listed above, that hold 5% or more of the outstanding shares in the corporation and the number of shares held by each:
6. Number of outstanding shares in the corporation:
7. Are the shares listed for public trading? Yes No
If yes, on what exchange and how is the stock listed:
8. Name of the custodian of the list of shareholders and/or the transfer agent for the share holdings of the corporation:
9. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity:
 - A. Is parent and/or paired corporation or entity a publically traded or privately held

company that guarantees the obligation of the applicant? If no, proceed to section E.

If yes, answer questions 10-17. Yes No

10. Registered name of the corporation:
11. State and/or country where incorporated:
12. Registry or file number for the corporation:
13. Names of all officers and directors, titles, and the number of shares of the corporation held by each:
14. Names (true names) of all persons, other than the officers and directors listed above, that hold 5% or more of the outstanding shares in the corporation and the number of shares held by each:
15. Number of outstanding shares in the corporation:
16. Are the shares listed for public trading? Yes No
17. If yes, on what exchange and how is the stock listed:
18. Name of the custodian of the list of shareholders and/or the transfer agent for the share holdings of the corporation:
19. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the approval.

C. LLC

1. Registered name of the LLC:
2. State and/or country where articles of organization are filed:
3. Registry or file number for the LLC:
4. Attach a list of the names of all members (including individuals (true names), corporations, other LLCs and or foreign entities), titles, and the number of shares of the LLC held by each:
5. Are the shares listed for public trading? Yes No
If yes, on what exchange and how is the stock listed:
6. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or

entity:

A. Is parent and/or paired entity either a publically traded or privately held company that guarantees the obligation of the applicant? If no, proceed to section E. If yes, answer questions 7-13

Yes No

7. Registered name of the LLC/Corporation:
8. State and/or country where articles of organization are filed:
9. Registry or file number for the LLC:
10. Attach a list of the names (true names) of all members (members may include individuals, corporations other LLCs and foreign entities), titles, and the number of shares of the LLC held by each:
11. Are the shares listed for public trading? Yes No
12. If yes, on what exchange and how the stock is listed:
13. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the approval.

D. OTHER

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

E. FINANCIAL INFORMATION *

1. Attach the most recent audited annual financial statement or financial report for the applicant. Attach a separate audited annual financial statement for the applicants California operations. The financial statement or financial report shall include all relevant financial information specific to the applicant including:
 - Statement of Financial Position: also referred to as a balance sheet. Statement should report on applicant's assets, liabilities, contingent liabilities and ownership equity as of the date of the prepared statement.
 - Statement of Comprehensive Income: also referred to as Profit and Loss ("P&L") Statement. Statement should include report on applicant's income, expenses, and profits.
 - Profit and Loss statement for prior two years and Profit and Loss statement for projected

- year.
- Statement of Changes in Equity: to include the changes of the applicants' equity through the reporting period.
 - Statement of Cash Flows: to include a report of the applicant's cash flow activity, particularly its operating investing and financing activities during the reporting period.
 - Copy of a report made during the preceding 12 months to shareholders in the corporation and/or the Securities and Exchange Commission and/or the California Corporations Commission.
2. Provide certification from the Chief Financial Officer that the account holders' funds will not be commingled with any other funds pursuant to CHRB rule 2086.6.

*NOTICE TO APPLICANT: The financial information provided pursuant to subsection (E) above is exempt from disclosure pursuant to Government Code section 6254(k) and non-disclosable to the public.

7. ORGANIZATIONAL INFORMATION

- A. Provide a detailed organizational chart for the applicant company and parent company if applicable.
- B. List all jurisdictions inside and outside of the United States in which you offer exchange wagering to patrons.
- C. Does the applicant or parent company hold a financial interest in the following (mark all that apply):
- Race track
 - Casino
 - Advance deposit wagering

If you have indicated you have an interest in any of the above identify name and address of business interest.

- D. What contributions is the applicant making to the California horse racing industry?
- E. Has there been any action initiated against the applicant its parent, any of its directors, partners, officers or subsidiary corporation this year, or in the last year, by any court or regulatory agency? If so, please identify the issue.

8. TRACK AGREEMENT AND HORSEMEN ORGANIZATION APPROVAL

EXCHANGE WAGERING LICENSING REQUIREMENTS

Business and Professions Code section 19604.5, identifies specific provisions that must be met before an exchange wagering provider may accept thoroughbred wagers on horse races from persons whose primary residence address is in the northern and central/southern zone of California; and specific requirements for quarter and standardbred wagers accepted from a resident whose primary residence address is in California:

Business and Professions Code section 19604 (b)(4) provides an exchange wagering licensee may only offer exchange wagering on thoroughbred horse races, conducted within or outside of this state, to persons whose primary residence address is in the northern zone of this state if it has an exchange wagering agreement with the racing association/fair located in the northern zone authorized by the Board when the exchange wagering licensee is offering exchange wagering to persons whose primary residence is in the northern zone of this state, and the horsemen's organization responsible for negotiating purse agreements for a live thoroughbred racing meeting.

Business and Professions Code section 19604.5 (b)(5) provides an exchange wagering licensee may only offer exchange wagering on thoroughbred horse races, conducted within or outside of this state, to persons whose primary residence address is in the central/southern zone of this state if it has an exchange wagering agreement with the racing association or racing fair located in the central/southern zone authorized by the Board, when the exchange wagering licensee is offering exchange wagering to persons whose primary residence is in the central/southern zone of this state, and the horsemen's organization responsible for negotiating purse agreements for a live thoroughbred racing meeting.

Business and Professions Code section 19604 (b)(6) provides an exchange wagering licensee may only offer exchange wagering on quarter horse races, conducted within or outside of this state, to persons whose primary residence address is in this state if it has an exchange wagering agreement with the racing association or racing fair located in the state authorized by the Board to conduct a live quarter horse racing meeting, when the exchange wagering licensee is offering exchange wagering to persons whose primary residence is this state, and the horsemen's organization responsible for negotiating purse agreements for the live quarter horse racing meeting.

Business and Professions Code section 19604 (b)(7) provides an exchange wagering licensee may only offer exchange wagering on standardbred horse races, conducted within or outside of this state, to persons whose primary residence address is in this state if it has an exchange wagering agreement with the racing association or racing fair located in the state authorized by the board to conduct a live standardbred racing meeting, when the exchange wagering licensee is offering exchange wagering to persons whose primary residence is this state, and the horsemen's organization responsible for negotiating purse agreements for the live standardbred racing meeting.

Business and Professions Code section 19604 (k) provides exchange wagers placed on a market after the start of a race shall be lawful if authorized by the Board, racing association, or racing fair conducting the races, and the horsemen's organization responsible for negotiating purse agreements for the breed on which the exchange wager is made.

Identify the breed of races (8A through 8E) on which exchange wagering will be offered. Attach a copy of each agreement permitting these wagers.

(*) If you do not have the required agreements permitting you to accept wagers in compliance with Business and Professions Code section 19604.5, you must attach a letter addressing the status of the outstanding document(s). Please reference section 8 and the title of the outstanding agreement you are addressing. The letter must include the status of negotiations and the outstanding issues that need to be resolved and an estimated completion date for each outstanding agreement.

If the information required in response to 8A through 8E is in one agreement provide a single copy of the document.

- A. Thoroughbred wagers from persons whose primary residence address is in the northern zone of California.
1. Do you have an agreement with a racing association or fair that allows you to accept thoroughbred wagers in the northern zone? Yes No
 - a. If yes, identify which thoroughbred association or fair the agreement is with and provide a copy: _____
 - b. If no, see above instructions (*).
 2. Do you have an agreement with the horsemen's organization that allows you to accept thoroughbred wagers in the northern zone? Yes No
 - a. If yes, provide a copy of the agreement.
 - b. If no, see above instructions (*).
- B. Thoroughbred wagers from persons whose primary residence address is in the central/southern zone of California.
1. Do you have an agreement with a racing association or fair that allows you to accept thoroughbred wagers in the central/southern zone? Yes No
 - a. If yes, identify which thoroughbred association or fair the agreement is with and provide a copy: _____
 - b. If no, see above instructions (*).
 2. Do you have an agreement with the horsemen's organization that allows you to accept thoroughbred wagers in the central/southern zone?
 Yes No
 - a. If yes, provide a copy of the agreement.
 - b. If no, see above instructions (*).
- C. Quarter wagers from persons whose primary residence address is in California.
1. Do you have an agreement with a racing association or fair that allows you to accept quarter horse wagers in California? Yes No
 - a. If yes, identify which quarter association or fair the agreement is with and provide a copy: _____
 - b. If no, see above instructions (*).
 2. Do you have an agreement with the horsemen's organization that allows you to accept quarter horse wagers in California? Yes No
 - a. If yes, provide a copy of the agreement.
 - b. If no, see above instructions (*).
- D. Standardbred wagers from persons whose primary residence address is in California.
1. Do you have a contract and/or agreement with a racing association, fair that allows you to accept standardbred wagers in California? Yes No

- a. If yes, identify which standardbred association/fair the agreement is with and provide a copy: _____
 - b. If no, see above instructions (*).
2. Do you have an agreement with the horsemen's organization that allows you to accept standardbred horse wagers in California? Yes No
 - a. If yes, provide a copy of the agreement.
 - b. If no, see above instructions (*).
- E. Wagers will be accepted after the start of the race.
1. Do you have an agreement that allows you to accept wagers after the start of the race with a racing association or fair that conducts the races? Yes No
 - a. If yes, identify which association/fair the agreement is with and provide a copy: _____
 - b. If no, see above instructions (*).
 2. Do you have a contract and/or agreement with the horsemen's organization that allows you to accept wagers after the start of the race? Yes No
 - a. If yes, provide a copy of the agreement.
 - b. If no, see above instructions (*).

9. LABOR ORGANIZATION

NOTICE TO APPLICANT: Business and Professions Code section 19604.5 (f) (1) provides the Board shall not approve an application for an original or renewal license as an exchange wagering 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.

- A. Do you have a labor agreement for the applied term of the application? Yes No
 1. If yes, answer questions B – D.
 2. If no, answer question E.
- B. If yes, what is the name of the bona fide labor organization?
- C. What is the term of the agreement? (Begin date): _____ (End date): _____
- D. Provide a copy of the labor agreement.
- E. If no, have you been in contact with a labor organization? Yes No
 1. If yes, what was the date of contact?
 2. Include a letter with your application titled (Labor Status) addressing the status of the current labor negotiations. Include, date of last negotiation contact, remaining issues that need to be resolved and an estimated completion date.

10. ESTABLISHING EXCHANGE WAGERING ACCOUNTS

NOTICE TO APPLICANT: CHRB Rule 2089.5 provides that specific provisions must be met to establish an exchange wagering account. Business and Professions Code section 19604.5 (c) provides in part only natural persons with valid exchange wagering accounts may place wagers through an exchange. To establish an exchange wagering account, a person shall be at least 18 years of age and a resident of California or of another jurisdiction within which the placement of exchange wagers would not be unlawful under United States federal law or the law of that jurisdiction.

- A. Provide a detailed listing of the procedures to be used for establishing an account (must comply with rule 2089.5):
- B. Provide a copy of the form and terms of agreement used to establish an account for an account holder.
- C. Name and address of the third party you will use to verify identity, residence and age verification:

11. LOCATION AND PHYSICAL PLANT

- A. Do you have a call center to accept verbal wagers? Yes No
If so, what is the name, address and phone number of the location?
- B. What is the website address available for patrons to place wagers:
- C. Do you have a location in which patrons can place a wager in person: Yes No
If so, what is the name, address and phone number of the location?

12. OPERATION OF EXCHANGE WAGERING ACCOUNTS

- A. Submit a copy of your detailed operating plan pursuant to CHRB Rule 2086.6. Plan must include all items outlined in CHRB Rule 2086.6 including:
 1. a detailed report of the daily operation of the exchange
 2. a description of policy to prevent commingling of account holders' funds with any other funds.
 3. management policy of customer accounts including deposit, withdrawals, debits and credits.
- B. List the type of deposits you will accept:
- C. Identify any fees or transaction-related charges and the amount that will be assessed:

13. SECURITY POLICY

NOTICE TO APPLICANT: Business and Professions Code section 19604.5 (d) provides in part the Board shall approve, as part of the exchange wagering licensee's application for an exchange wagering license, security policies and safeguards to ensure player protection and integrity, including, but not limited to, provisions governing the acceptance of electronic applications for persons establishing exchange wagering accounts, location and age verification confirmation for persons establishing exchange wagering accounts, the use of identifying factors to

ensure security of individual accounts, and the requirements for management of funds in exchange wagering accounts. An exchange wagering licensee may not accept a wager, or series of wagers, if the results of the wager or wagers would create a liability for the exchange wagering account holder that is in excess of the funds on deposit in the exchange wagering account of that holder.

- A. Attach your security access policy and safeguards pursuant to Business and Professions Code section 19604.5 (d). Policy must include the following:
 - 1. Description of the technology to ensure identity, residence, and age verification when an account is established:
 - 2. Description of the technology to ensure confidentiality of the means of personal identification:
 - 3. Methods available for account holders to withdraw funds from their account:
- B. Attach a copy of your information security incident management policy.
 - 1. Have you had any computer related security issues this year, or in the last year, with data, data storage or hardware? Yes No
 - 2. If yes, please identify the issue.
- C. Provide the name, address, phone number and hours of operation of the location in which the physical and electronic data will be will be stored:

14. ENFORCEMENT OVERSIGHT

NOTICE TO APPLICANT: Business and Professions Code section 19604.5 (d) provides in part the Board shall approve, as part of the exchange wagering licensee's application for an exchange wagering license, security policies and safeguards to ensure player protection and integrity. CHRB Rule 2091.5 (b) states the exchange provider shall immediately notify the Board if it suspends an account due to probable fraud in connection with exchange wagering. The provider shall also submit to the Board a written account of the suspension.

- A. Identify the physical location of the applicant's security oversight operation.
- B. Attach an organizational chart including chain of command and contact information (phone number and email address) for key members of the applicant's security oversight operation.
- C. Describe what forensic and analytical tools will be used for the oversight/enforcement of exchange wagering security.

15. CONTRACTS AND AGREEMENTS

- A. List name, address and phone number of all organizations you will contract with to facilitate exchange wagering:

| <u>Company name, address and phone:</u> | <u>Describe services:</u> |
|---|---------------------------|
| | |
| | |
| | |

16. ADVERTISING

- A. Name and address of the advertising agency you will use:
- B. Describe marketing strategies planned for exchange wagering:
- C. What marketing contribution is the applicant making to the California horse racing industry?
- D. What innovative programs have been created by the applicant to help invigorate the California horse racing industry?
- E. Will there be rebate programs offered? If so, identify the programs.

17. CERTIFICATION

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

Print Name

Signature

Print Title

Date

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2086.6. OPERATING PLAN REQUIRED

Regular Board meeting
March 22, 2012

2086.6. Operating Plan Required.

As part of the exchange wagering license application, and any renewal application, the applicant shall submit a detailed operating plan in a format and containing such information as required by the Board. At a minimum, the operating plan shall address the following:

(a) A detailed report of the daily operation of the exchange.

(b) Management of customer accounts including deposits, withdrawals, debits and credits. This shall include:

(1) A policy to prevent commingling of funds; and

(2) Evidence of an established account with an Federal Deposit Insurance Corporation (FDIC) insured bank in which all funds of the account holders will be deposited. This shall include evidence that account holder's funds are segregated and held in a separate FDIC insured bank account of the exchange provider.

(c) Technology and hardware and software systems information, which shall include a data security policy, as well as a policy for the notification of the Board and account holders of any unauthorized access that may compromise account holders' personal information.

(d) Financial information that demonstrates the financial resources to operate an exchange and a detailed budget that shows anticipated revenue, expenditures and cash flows by month projected for the term of the license.

(e) Document retention policies including those related to account holder personal information and wagering information.

(f) A customer complaint and conflict resolution process.

(g) Programs for responsible wagering.

(h) The requirements for exchange wagering accounts established and operated for persons whose principal residence is outside of the state.

(i) The operating plan submitted pursuant to this regulation, and any subsequent updates or changes to such operating plan, shall be exempt from disclosure pursuant to Government Code section 6254(k) and non-disclosable to the public.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5(e)(4),
Business and Professions Code.
Section 6254(k),
Government Code.

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PROPOSED ADDITION OF
RULE 2086.7. EXCHANGE WAGERING DATA

Regular Board Meeting
March 22, 2012

2086.7. Exchange Wagering Data.

(a) For the purposes of pari-mutual accounting and settlement of exchange revenues according to contract, as well as reporting and analysis of data related to exchange wagering, the exchange provider shall enter into an agreement with the nonprofit horse racing data base, as designated by the Board. The exchange provider shall furnish the nonprofit horse racing data base as designated by the Board with the following data interface in a format agreed upon by the exchange provider and the nonprofit horse racing data base:

(1) A daily reconciliation of the amounts settled by the exchange provider and its account holders, including but not limited to:

(A) Race date, event, race number, wagering interests, breed type;

(B) Post time of race, start time of race, finish time of race;

(C) Winning, losing and net wagers;

(D) Wagers by type before race; by winning, losing, and net wagers, odds, amounts, backer, layer;

(E) Wagers by type during race; by winning, losing and net wagers, odds, amounts, backer, layer;

(F) Cancellations of wagers made by customers on betting interest, or interests during one event;

(G) Zip code of each account holder;

(H) Percentage or flat fee paid to source of event;

(I) Percentage or flat fee rebated to each account holder.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
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PROPOSED ADDITION OF
RULE 2086.8. MONITORING SYSTEMS AND NOTIFICATION

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March 22, 2012

2086.8. Monitoring Systems and Notification.

(a) Pursuant to an agreement between the exchange provider and the Board, or its designee, the exchange provider shall:

(1) Furnish the Board and its designee full access to the provider's real-time monitoring system that displays all wagers made over an agreed upon threshold, including online documentation and training;

(2) Provide immediate automatic notification to the Board and its designee of any unusual wagering patterns;

(3) Provide immediate automatic notification to the Board and its designee of when certain predetermined and agreed upon thresholds occur;

(4) Establish and distribute criteria for anti money laundering procedures and thresholds which include risk based systems for customer due diligence.

(5) Establish and distribute criteria for monitoring telephone records of account holders.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
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PROPOSED ADDITION OF
RULE 2086.9. FINANCIAL AND SECURITY INTEGRITY AUDITS REQUIRED

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Rule 2086.9. Financial and Security Integrity Audits Required.

(a) Ninety days after the end of each calendar year the exchange provider shall submit to the Board an annual financial statement for its California operations.

(b) On a calendar year basis the provider shall undergo the Statement on Standards for Attestation Engagements 16 (SSAE 16) audits:

(1) Service Organization Controls I (SOC I) and;

(2) Service Organization Controls II (SOCII) reports.

The SOC I and SOC II reports shall be submitted to the Board ninety days after the end of the calendar year.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
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PROPOSED ADDITION OF
RULE 2087. SUSPENDING MARKETS

Regular Board Meeting
March 22, 2012

2087. Suspending Markets.

(a) An exchange provider may suspend a market at any time, including after the race is declared official but before winning wagers are credited, if the provider has reason to suspect that fraud or any other action or inaction by any person connected with the race raises questions about the integrity and fairness of the market.

(b) The provider shall immediately notify the Board by means of electronic mail any time a market is so suspended. Upon settlement of the market the provider shall submit to the Board a written account of the suspension that at a minimum provides the following information:

- (1) The market suspended;
- (2) The date and time of the suspension;
- (3) The reason for suspending the market;
- (4) The results of the investigation;
- (5) How the market was settled.

(c) Upon the completion of an investigation, the exchange provider shall settle the market as appropriate.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5(k),
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
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PROPOSED ADDITION OF
RULE 2087.5. ANTEPOST MARKET

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2087.5. Antepost Market.

(a) Antepost market wagers are authorized and are wagers where one single wager is made on an outcome that includes both:

(1) that the selected horse will run the race; and

(2) that the selected horse will finish the race in the selected position of win, place, or show.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
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PROPOSED ADDITION OF
RULE 2087.6. CANCELLATION OF MATCHED WAGERS

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2087.6. Cancellation of Matched Wagers.

(a) An exchange provider may cancel or void a matched wager if required by law or where, in its sole discretion, it determines:

(1) there is a technological failure and the market must be voided; or

(2) there is good cause to suspect that a person placing a wager through the exchange has breached any term of the person's agreement with the exchange provider;

(3) it is in the interest of maintaining integrity and fairness in a particular market; or

(4) human error by the exchange wagering provider in recording an exchange wager.

(b) If a matched wager is canceled or voided due to situations described in subparagraphs (a)(2) and (a)(3) of this regulation, the exchange provider shall notify the Board in writing of its actions and the circumstances that resulted in such action.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5(k),
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
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PROPOSED ADDITION OF
RULE 2088. DECLARED ENTRIES

Regular Board Meeting
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2088. Declared Entries.

Except for in an antepost market, matched wagers on declared entries shall be voided
by the exchange provider.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5(k),
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
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PROPOSED ADDITION OF
RULE 2088.6. CANCELLATION OF UNMATCHED WAGERS

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2088.6. Cancellation of Unmatched Wagers.

An unmatched wager may be cancelled by the exchange provider at any time before it is matched by the provider to form one or more identically opposing wagers.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5(j),
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2089. ERRORS IN PAYMENTS OF EXCHANGE WAGERS.

2089. Errors in Payments of Exchange Wagers.

If an error occurs in the payment of amounts for exchange wagers, the following shall apply:

(a) In the event the error results in an over-payment to the individuals wagering, the exchange provider shall be responsible for such payment.

(b) In the event the error results in an under-payment:

(1) The exchange provider shall accept timely claims for such under-payment, shall investigate such claims and shall pay each claim, or a part thereof, which it determines to be valid, and shall notify the claimant in writing if his claim is rejected as invalid.

(2) Any person whose claim is rejected by the exchange provider may, within 15 days from the date he received the notice of rejection, request the Board to determine the validity of the claim. Failure to file such request with the Board within the said time shall constitute a waiver of the claim.

(3) A hearing shall be held on each such rejected claim timely filed with the Board. The Board shall give notice of such hearing to the claimant and the exchange provider. The Board may determine a claim to be valid, in whole or in part, and thereafter order the exchange provider to pay to the claimant the amount of the claim determined to be valid, or may deny the claim in whole or in part. Any such determination shall be final and binding on all parties.

(4) Any claim not filed with the exchange provider within 30 calendar days inclusive of the date on which the alleged under-payment was discovered shall be deemed waived and the exchange provider shall have no further liability therefore.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,
Business and Professions Code.

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PROPOSED ADDITION OF
RULE 2089.5. REQUIREMENTS TO ESTABLISH AN EXCHANGE WAGERING
ACCOUNT

Regular Board Meeting
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2089.5. Requirements to Establish an Exchange Wagering Account.

(a) An exchange wagering account is necessary to place exchange wagers. Exchange wagering accounts may be established by residents of California. Residents of another jurisdiction may establish exchange wagering accounts provided it is not unlawful under United States federal law or the law of that jurisdiction to place an exchange wager. An account may be established in person, by mail, telephone, or other electronic media including but not limited to the Internet. An account shall not be assignable or otherwise transferable.

(b) The information required to establish an account shall include:

(1) The prospective account holder's full legal name.

(2) The principal residence address of the prospective account holder. Such address shall be deemed the address of record for mailing checks, withdrawals, statements, if any, of the account, notices, or other correspondence or materials. It is the responsibility of the account holder to notify the exchange provider of any address change.

(3) Telephone number.

(4) Social Security Number or Individual Tax Identification Number.

(5) Certification or other proof that the applicant is at least 18 years of age.

(c) An exchange provider shall employ electronic verification with respect to each prospective account holder's name, principal residence address, date of birth and social security

number at the time of the account establishment by a Board-approved national, independent, individual reference company or another independent technology approved by the Board which meets or exceeds the reliability, security, accuracy, privacy and timeliness provided by individual reference service companies.

(d) An exchange provider may refuse to establish an account, or may cancel or suspend a previously established account, without notice, if it is found that any information supplied by the prospective account holder is untrue or incomplete.

(e) If an exchange provider or an affiliate of such provider is also licensed by the Board to conduct advance deposit wagering, the exchange provider may offer holders of existing advance deposit wagering accounts held with such exchange provider or such affiliate a convenient method of establishing an exchange wagering account by verifying information on file for the existing advance deposit wagering account.

(f) The exchange provider shall have the right to suspend or close any account at its discretion.

(g) The account applicant shall supply the exchange provider with a means of personal identification to be used by the account holder to access his account. Exchange wagering accounts are for the use only of the account holder and the account holder is responsible to maintain the secrecy of the account number and means of personal identification. The account holder must immediately notify the exchange provider of any breach of security for the account.

(h) Each account shall have a unique identifying account number. The exchange provider shall inform the account holder of the assigned account number and provide a copy of the exchange provider's exchange wagering procedures, terms, and conditions, as well as any information that pertains to the operation of the account.

(i) Each exchange provider shall, at all times, comply with Internal Revenue Service (IRS) requirements for reporting and withholding proceeds from exchange wagers by account holders and shall, following the credit to an account for a winning exchange wager, send to any account holder who is subject to IRS reporting or withholding a Form W2-G summarizing the information for tax purposes. Upon written request by an account holder, the exchange provider shall provide the account holder with summarized tax information on exchange wagering activities.

(j) All wagering conversations, transactions or other wagering communications through the exchange wagering system, verbal or electronic, shall be recorded by means of electronic media, and the tapes or other records of such communications shall be kept by the entity for at least 180 days, unless otherwise directed by the Board. These tapes and other records shall be made available to the Board upon request or order by the Executive Director.

(k) Upon request of the account holder the exchange provider shall provide a statement detailing account activity for the immediate 30 days prior to the request. Unless the exchange provider receives written notice disputing the statement within 14 calendar days of the date a statement is forwarded, it shall be deemed to be correct.

(l) No employee or agent of the exchange provider shall divulge any confidential information related to the placing of any exchange wager or any confidential information related to the operation of the exchange wagering system without the consent of the account holder, except to the account holder as required by this article, the Board, and as otherwise required by state or federal law.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,

Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2089.6. DEPOSITS TO AN EXCHANGE WAGERING ACCOUNT

Regular Board Meeting
March 22, 2012

2089.6. Deposits to an Exchange Wagering Account.

Deposits to an exchange wagering account shall be made, in person, by mail, by telephone, or by other electronic media, as follows:

(a) The account holder's deposits to the account shall be submitted by the account holder to the exchange provider and shall be in the form of one of the following:

(1) cash given to the exchange provider;

(2) check, money order, negotiable order of withdrawal, or wire or electronic transfer, payable and remitted to the exchange provider; or

(3) charges made to an account holder's debit or credit card upon the account holder's direct and personal instruction, which instruction may be given by telephone communication or other electronic media to the exchange provider or its agent by the account holder if the use of the card has been approved by the exchange provider.

(4) the name and billing address for any credit card, debit card, bank account, or other method of payment through which an account holder funds or transfers from an account shall be the same as the account holder's registered name and address.

(b) Funds in an account shall bear no interest to the account holder.

(c) The account holder may be liable for any charges imposed by the transmitting or receiving entity involved in a wire or electronic transfer, and such charges may be deducted from the account holder's account.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
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ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2090. POSTING CREDITS FOR WINNINGS FROM EXCHANGE WAGERS

Regular Board Meeting
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2090. Posting Credits for Winnings from Exchange Wagers.

(a) Credit for winnings from matched wagers placed with funds in an account shall be posted to the account by the exchange provider after the race is declared official.

(b) Where the outcome of a matched wager can be determined with certainty by the exchange provider prior to the time that the race is declared official, the exchange provider may settle such matched wager as soon as that outcome is determined with certainty.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2090.5. DEBITS TO AN EXCHANGE WAGERING ACCOUNT

Regular Board Meeting
March 22, 2012

2090.5. Debits to an Exchange Wagering Account.

Debits to an exchange wagering account shall be made as follows:

(a) Upon receipt by the exchange provider of an exchange wager properly placed, the provider shall determine whether there are sufficient funds in the account holder's wagering account to cover the maximum amount the account holder could be liable for based on the wager. If so, the wager shall be accepted. The exchange provider will debit the account holder's account the total maximum amount which the account holder could be liable for based on all exchange wagers placed by the account holder on races which have not yet been declared official.

(b) Wagers shall be accepted only during days and times designated as operating by the exchange provider.

(c) The exchange provider may at any time declare the system closed for receiving any wagers on any race or closed for all exchange wagering.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,
Business and Professions Code.

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PROPOSED ADDITION OF
RULE 2090.6. WITHDRAWALS BY ACCOUNT HOLDER

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2090.6. Withdrawals by Account Holder.

(a) Withdrawals shall be completed within five business days after the exchange provider receives a request from an account holder by mail, by telephone, or other electronic media, accompanied by the valid account number and a means of personal identification or, if by mail, a signed completed withdrawal form. In the case of any withdrawal requested by mail, by telephone, or by other electronic media:

(1) If sufficient funds are available, the exchange provider shall send a check payable to the account holder in the amount of the requested withdrawal to the address of record.

(2) If sufficient funds are not available, the exchange provider shall, within five business days of receipt, provide notification to the account holder of insufficient funds and send a check payable to the account holder in the amount of the funds available to the address of record.

(3) A wire or electronic funds transfer, including but not limited through the automated clearing house system, may be used in lieu of a check, at the discretion of the account holder and the exchange provider, to deliver funds withdrawn from an exchange wagering account to a monetary account controlled by the account holder. The account holder may be liable for any charges imposed by the transmitting or receiving entity involved in a wire or electronic transfer, and such charges may be deducted from the account holder's account.

(b) Exchange wagering account holders may make withdrawals in person with such identification as required by the exchange provider, the valid account number, and a means of personal identification.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,
Business and Professions Code.

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PROPOSED ADDITION OF
RULE 2091. CLOSING AN INACTIVE EXCHANGE WAGERING ACCOUNT

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2091. Closing an Inactive Exchange Wagering Account.

The exchange provider may close any exchange wagering account that has remained inactive for six months or longer. When an account is closed the exchange provider shall return any funds remaining in the account to the account holder at the address of record within five business days of closing the account.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,
Business and Professions Code.

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PROPOSED ADDITION OF
RULE 2091.5. SUSPENDING AN EXCHANGE WAGERING ACCOUNT

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2091.5. Suspending an Exchange Wagering Account.

(a) An exchange provider may suspend any exchange wagering account if the provider has reason to believe that the account holder may have committed acts of fraud in connection with exchange wagering or any other action or inaction which threatens the integrity or fairness of any exchange wagering, or is otherwise ineligible to hold the account.

(b) The exchange provider shall immediately notify the Board by electronic mail if it suspends an account due to fraud in connection with exchange wagering or any other action or inaction which threatens the integrity or fairness of any exchange wagering. The provider shall also submit to the Board a written account of the suspension that at minimum states:

- (1) The name of the person whose account was suspended;
- (2) The date and time of the suspension;
- (3) The reason for suspending the account;
- (4) The results of any investigation associated with the suspension of the account.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,
Business and Professions Code.

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PROPOSED ADDITION OF
RULE 2091.6. POWERS OF THE BOARD TO REVIEW AND AUDIT RECORDS

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2091.6. Powers of the Board to Review and Audit Records.

The Board shall have access for review and audit, to all records and financial information of an exchange provider. The information shall be made available upon notice from the Board, at all reasonable times to the extent such disclosure is not prohibited by law. Board access to and use of information concerning exchange wagering transactions and account holders shall be considered proprietary to the exchange provider and shall not be disclosed publicly except as may be required by law.

Authority: Sections 19420, 19440, 19433, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5(e)(4),
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
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PROPOSED ADDITION OF
RULE 2092. DISTRIBUTION OF EXCHANGE REVENUES

Regular Board Meeting
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2092. Distribution of Exchange Revenues.

Prior to accepting exchange wagers on any race in California, or from a resident of California, an exchange provider shall first enter into an exchange wagering agreement allowing those wagers pursuant to the terms of Business and Professions Code section 19604.5.,

Each exchange provider shall distribute all moneys in each pool, net of any fees, charges, or deductions of any kind assessed or collected by the exchange provider in connection with matched wagers in that pool, after any races associated with that pool are declared official, or as provided in Rule 2090(b) of this article. Each exchange provider shall distribute the portions of the exchange provider's exchange revenues as may be required pursuant to the exchange wagering agreement pursuant to Business and Professions Code sections 19604.5(b)(2) to (7), inclusive. Fifty percent of the amounts received by a racing association or racing fair from exchange wagering shall be paid to horsemen participating in the meetings conducted by that racing association or racing fair in the form of purses. The allocation of amounts received by a racing association or racing fair from exchange wagering between that racing association or racing fair and the horsemen participating in the meetings conducted by that racing association or racing fair may be modified by a written agreement between those entities.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5,
Business and Professions Code.

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PROPOSED ADDITION OF
RULE 2092.5. EXCHANGE WAGERS PLACED AFTER THE START OF A RACE

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2092.5. Exchange Wagers Placed After the Start of a Race.

(a) As reflected in the exchange provider's operating plan, and as approved by the Board, an exchange provider may accept wagers placed on a market after the start of a live race but before the results of that race have been declared official.

(b) No exchange wagers shall be placed on a market after the conclusion of a live race.

(c) Exchange wagering on previously run races is prohibited.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5(k),
Business and Professions Code.

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PROPOSED ADDITION OF
RULE 2092.6. PROHIBITIONS ON WAGERS TO LAY A HORSE TO LOSE

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2092.6. Prohibitions on Wagers to Lay a Horse to Lose.

(a) No exchange wager that lays a horse to lose may be made by a person who owns such horse in whole or in part, nor shall an exchange wager to lay the horse to lose be made by:

- (1) The trainer or assistant trainer who trains the horse;
- (2) The authorized agent who represents the owner of the horse;
- (3) The jockey or driver who rides or drives the horse;
- (4) The jockey agent who represents the jockey who rides the horse;
- (5) The valet who attends the jockey; or
- (6) Any stable employee of the trainer who trains the horse.

(b) Nor shall any of the persons named in subsection (a) of this regulation instruct another person to lay a horse to lose on their behalf, or receive the whole or any part of any proceeds of such a lay.

(c) No exchange wagering account shall be used to lay a horse to lose, except by the account holder. All wagers that lay a horse to lose will be presumed to be effected by, and for the benefit of, the account holder.

Authority: Sections 19420, 19440, 19590 and 19604.5,
Business and Professions Code.

Reference: Sections 19593 and 19604.5(e)(3)(A),
Business and Professions Code.

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PROPOSED ADDITION OF
RULE 2092.7. SUSPENSION OF OCCUPATIONAL LICENSE

Regular Board Meeting
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2092.7. Suspension of Occupational License.

(a) The Board of Stewards may suspend the license of any person if it determines during the course of its investigation that there is good probable cause to believe that such person may have committed acts of fraud in connection with exchange wagering or any other action or inaction which threatens the integrity or fairness of any exchange wagering.

(b) Such suspension of license shall be for the duration of such investigation a period of time designated by the Board of Stewards, unless otherwise determined by the Board.

(c) The licensee may make an appeal to the Board by complying with the provisions of Rule 1761 of this division.

Authority: Sections 19420, 19440, 19460, 19461, 19590 and 19604.5, Business and Professions Code.

Reference: Sections 19461, 19593 and 19604.5, Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
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PROPOSED ADDITION OF
RULE 2093. CERTAIN PRACTICES RELATED TO EXCHANGE WAGERING

Regular Board Meeting
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2093. Certain Practices Related to Exchange Wagering.

(a) The exchange provider shall provide an account holder with information on the race, including the track where the race will take place and the names of the participating horses before the account holder may place an exchange wager.

(b) The exchange provider shall require the account holder making the exchange wager to select the specific race and horse for the wager. The exchange provider may not offer automatic, quick-pick, or similar features to aid in the placing of an exchange wager.

(c) The exchange provider shall not display the results of an exchange wager through the use of video or mechanical reels or other slot machine or casino game themes, including, but not limited to, dice games, wheel games, card games, and lotto.

Authority: Sections 19420, 19440, 19590 and 19604.5, Business and Professions Code.

Reference: Sections 19593 and 19604.5(e)(3), Business and Professions Code.