

10. Public hearing 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; 2086.1, Authorization for Exchange Wagering; 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; 2088.6, 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, Exchange Wagers Placed After the Start of a Race; 2092.5, Prohibitions on Wagers to Lay a Horse to Lose; 2092.6, Suspension of Occupational License 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
Steve Beneto, Member
Jesse H. Choper, Member
Bo Derek, Member
Richard Rosenberg, Member
Chuck Winner, Member
Kirk E. Breed, Executive Director
Jacqueline Wagner, Assistant Executive Director

CALIFORNIA HORSE RACING BOARD
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**PENDING LITIGATION
SEPTEMBER 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
- E. **Morteza Atashkar vs. CHRB**
Superior Court of California, County of Sacramento, Case No. 34-2008-00024426

PROCEEDINGS of the Regular Meeting of the **California Horse Racing Board** held at the **Del Mar Surfside Race Place**, 2260 Jimmy Durante Boulevard, Del Mar, California, on **August 23, 2012**.

Present: Keith Brackpool, Chairman
David Israel, Vice-Chairman
Steve Beneto, Member
Jesse H. Choper, Member
Bo Derek, Member
Richard Rosenberg, Member
Chuck Winner, Member
Robert Miller, General Counsel

MINUTES

Chairman Brackpool asked for approval of the minutes of the Regular Meeting of July 19, 2012.

Vice-Chairman Israel **motioned** to approve the minutes. Commissioner Rosenberg **seconded** the motion, which was **unanimously carried**.

PUBLIC COMMENT

Gail Matthews of Winning Hands Equine Massage spoke about a proposed amendment to Rule 1658, Vesting of Title to Claimed Horse. Aase Headly, a trainer, spoke about security on the backside. Paul Husband of the Arabian Racing Association of California spoke about wagering opportunities on Arabian horse races. Steven Rothblum, a racing manager and bloodstock consultant, spoke about Rule 1658. Dave Elliott of Cal-Expo spoke about wagering on Arabian horse races.

DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING OF THE BIG FRESNO FAIR (F) AT FRESNO, COMMENCING OCTOBER 4, 2012 THROUGH OCTOBER 14, 2012, INCLUSIVE.

John Alkire of the Big Fresno Fair (BFF) said in 2012 the BFF would run its 129th year of horse racing. The BFF had developed a new "how to bet" brochure, expanded its social networking capabilities and was sending email blasts to all its satellite patrons on a weekly basis. In addition, for the second year in a row, the BFF expanded its online ticket sales. Mr. Alkire stated the 1962 Kentucky Derby winner, Decidedly, was bred and raised in the San Joaquin Valley and trained at the BFF in 1961. The family that owned Decidedly would be recognized at the 2012 fair meeting. Also, a memorial waterfall for Tommy Brosey, a breeder and owner, would be located at the end of the totalizator board. Mr. Alkire talked about additional events and incentives to bring new horses to BFF. Chairman Brackpool said the application indicated the backstretch housing inspection was requested. He asked who requested the inspection. Assistant Executive Director Jacqueline Wagner stated staff requested the inspection which would be completed in consultation with CHRB enforcement and BFF staff. Chairman Brackpool asked how the 2012 BFF purse program would compare to the 2011 program. Larry Swartzlander stated purses would be raised by 6 percent in 2012. In 2011 there were four stakes races, but in 2012 there would be two. He said the reduction in stakes was due to moving one stakes to the San Joaquin County Fair where it was better suited due to timing, and one stakes for two-year-old fillies was eliminated in difference to the Golden Gate Fields program. Chairman Brackpool **motioned** to approve the application for license to conduct a horse racing meeting of the BFF. Vice-Chairman Israel **seconded** the motion, which was **unanimously carried**.

DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING OF THE PACIFIC RACING ASSOCIATION (T) AT GOLDEN GATE FIELDS, COMMENCING OCTOBER 17, 2012 THROUGH DECEMBER 16, 2012, INCLUSIVE.

Joe Morris of Golden Gate Fields (GGF) stated the proposed race meeting would run from October 18, 2012 through December 16, 2012, or 35 days. The first post time would be at 12:45 p.m. to complement Santa Anita's post time. On Breeders' Cup day and Thanksgiving the first post time would be 12:15 p.m. The number of stakes races would be seven, which would bring GGF's total stakes races for 2012 to 18 stakes. The purse schedule would be on the same level as in 2011; however, there had been two meetings in a row with purse increases. The GGF 2011 winter-spring meeting saw an increase of 3.7 percent and the GGF 2012 summer meeting saw an increase of 3 percent. Vice-Chairman Israel asked about GGF's marketing plans. Dan Cirimele of GGF stated GGF's main goal was to have better communications with the Bay Area's various demographics. The general term that could be applied would be "ethnic marketing." There were large Hispanic and Asian markets in the Bay Area. GGF would hold a Hispanic Day and a Filipino festival. The last Hispanic Day drew crowds of up to 10,000 and the handle was up 14 percent. GGF would also hold a "Dollar Day." At least half of the ten highest on-track handles over the past year were Dollar Days. Vice-Chairman Israel asked if GGF was doing anything to capitalize on the interest in football. Mr. Cirimele said GGF would have special lounges with walls covered with plasma televisions that showed every single game. The horse races would be mixed throughout. Patrons could also see the post times, so GGF would capitalize on football and horse racing. Vice-Chairman Israel asked if pari-mutuel clerks were in close proximity to the television rooms. Mr. Cirimele said the clerks were nearby. Commissioner Rosenberg asked if the Golden Bear stakes race was new. Mr. Morris stated it was a new stakes race. He added in 2011 GGF ran 16 stakes, and in 2012 it would run 18 stakes with over \$200,000 more in the

stakes program. Chairman Brackpool asked how the current GGF meeting was going. Mr. Morris stated GGF recently changed to twilight racing to coordinate with Del Mar's schedule. Although GGF ran two less races over the weekend, its handle was up overall without advance deposit wagering (ADW). With ADW, GGF was up 55 percent across the board. Mr. Morris commented GGF's biggest problem was the size of its fields, so it was working to increase the number of horses entered to race. Chairman Brackpool asked if GGF had previous experience with twilight racing. Mr. Morris stated GGF went a little earlier than Hollywood Park, but the current meeting was the first time GGF ran alongside Del Mar. He added about 10 percent of GGF's attendees used public transportation. GGF was running shuttles to Bay Area Rapid Transit. It was also adding bands and dining room specials. Commissioner Choper asked where the horses were coming from. Mr. Morris said the horses were all local. GGF was running two fewer races, which increased the fields. He added GGF had a recruitment program, and horses did come from Canada or the Northwest, but many did not come down until the October meeting. Chairman Brackpool **motioned** to approve the application for license to conduct a horse racing meeting at GGF. Commissioner Choper **seconded** the motion, which was **unanimously carried**.

DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING OF WATCH AND WAGER LLC (H) AT CAL EXPO, COMMENCING NOVEMBER 2, 2012 THROUGH DECEMBER 22, 2012, INCLUSIVE.

Ed Cummings of Watch and Wager (WW) stated his organization was an advance deposit wagering (ADW) provider, and the U.S. entity of European Wagering Services (EWS) of the United Kingdom. WW was a new internet startup that formed in January 2012. The goal was to support and reactivate harness racing in Northern California. WW wanted to run a successful

harness meeting in conjunction with its partner, Golden Bear Racing (GBR). WW also had strategic reasons for its venture. It believed it was difficult to operate an ADW venture without a strong U.S. brick and mortar presence. WW believed the Cal Expo meeting would support its business in the U.S. WW also believed the U.S. and California was entering an interesting time for a number of other e-gaming related activities, and unless WW had an operational presence in California it would have less of a chance of being at the table when state or federal legislation was passed. Commissioner Rosenberg asked if WW could explain the nature of its lease with Cal Expo. Mr. Cummings stated the lease was final, and was for a five year term. The first deposit on the lease would become active upon the Board's approval. Vice-Chairman Israel stated there was a history of bankruptcies relative to harness racing in Sacramento. He asked who the guarantor of the meeting was. Mr. Cummings said WW would be the license holder and the signatory on the Cal Expo lease. It posted \$100,000 in cash and was looking for a party to insure a bond. Vice-Chairman Israel asked who owned the British holding company that owned WW. Mr. Cummings stated EWS owned 100 percent of WW. EWS was ultimately owned by Webis Holdings PLC, which was listed on the London AIM Stock Market and was a publicly traded company. Vice-Chairman Israel asked if there were any other California brick and mortar businesses owned by WW. Mr. Cummings stated the meeting at Cal Expo was WW's first venture into brick and mortar. Chris Schick of GBR stated harness racing at Cal Expo had been in decline for some time. It went from running three days a week to two days, and it lost some of the major stables over the last several years. In addition, at some point, Cal Expo decided it did not wish to run the business. To revive and grow harness racing at Cal Expo interested parties got together and came up with the current operating plan. The application before the Board was for a 16-day meeting from November 2, 2012 through December 22, 2012. Once dates were

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allocated for 2013, another application for a harness race meeting from December 26, 2012 through May 11, 2013 would be submitted. The plan was for a little over six months of racing versus 10 months. Starting December 2012 harness racing would go to three days a week, but that would be predicated on having the horse population to support that. Mr. Schick said GBR believed racing three days a week was fundamental to harness' long term success. To accomplish its goal GBR had a recruitment drive in place, which was receiving a good response. Part of the reason the harness plans were viable was the accumulation of "dark day money" which was funds received for the purse account. That included ADW money generated during the dark period plus commissions generated from imports to Los Alamitos on un-overlapped nights. The accumulation of the funds meant the proposed meeting would start with upwards of \$900,000 in the purse pool. That money would be amortized into the shortened schedule so harness racing at Cal Expo would have a good result with about 25 percent above current purse levels. That was the reason GBR believed it could go to three days and recruit horses to fill its races. Commissioner Rosenberg asked if the time of year had an effect on the number of horses GBR could bring to California. Was it more appealing for the horses to come to California in the winter? Mr. Schick stated GBR was facing strong competition from slot -fueled race tracks across the nation. However, it had an advantage during the winter months. Cal Expo also had a good facility with a nice backstretch and a mile race track, which was what patrons wanted. Cal Expo also had no stall rent. Other tracks, which were competitors, had hefty stall rents. The slot-fueled tracks were generally closed in the winter, so there was a pool of horses to draw from. Commissioner Beneto asked where the horses would go if Cal Expo only ran six months a year. Mr. Schick stated that in 2012 Cal Expo agreed to keep the backstretch open. In 2013 the plan was to close on May 11, and the following week the backstretch would be closed through part of

August. The facility would reopen approximately eight or nine weeks before the start of the fall 2013 meeting. Commissioner Beneto asked if the Cal Expo backstretch would be closed completely. Mr. Schick said that was correct. The horses would have to move out. He added in 2012 a vast majority of the horses left before the meeting ended and went to other venues. For those who stayed, it would be a good time to turn out their horses and rest them for the fall meeting. Commissioner Derek stated she noted WW would have emergency medical technicians (EMT) instead of paramedics. Mr. Schick said Cal Expo historically had EMTs, so its request was based solely on what happened in the past. He added the emergency service indicated it could add more advanced life support if the Board deemed it necessary, but the Cal Expo police department had advanced lifesaving training, which was an added bonus. Commissioner Derek stated she did not know if harness racing was less dangerous than thoroughbred racing; however, the thoroughbred industry complied with the request for paramedics. Chairman Brackpool said the Board was trying not to look to the past. It was more interested in what was done going forward. The issue was not something the Board would dictate, but WW and GBR should work with Commissioner Derek to reach a consensus. GBR should be prepared to talk about the issue when it returned for its next license. Commissioner Winner commented the issue could be discussed at the August 24, 2012 Medication and Track Safety Committee meeting. Vice-Chairman Israel stated several required documents were missing from the application. He asked if there was a reason the information was missing. Assistant Executive Director Jacqueline Wagner stated staff made the applicant aware of the missing documents. A lot of the documents pertained to issues still under negotiation. WW and GBR told staff the documents would be submitted when they were complete. Chairman Brackpool said the Board wanted harness racing to continue and be successful, and it understood there had to be negotiations to move the meeting

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forward, but it did not want to give exhaustive approvals and then find that needed information was not complete. Mr. Cummings stated three years of financial information was submitted on behalf of EWS. He added WW would be meeting with the parties to ensure the other documents were submitted as soon as possible. Chairman Brackpool said the Board would be prepared to look at granting a conditional approval providing the documents were in place prior to the September 2012 Regular Meeting. If they were not in place, the Board would have to know what the issues were. Alan Horowitz of the California Harness Horsemen's Association (CHHA) spoke in favor of the application and at length about the proposed meeting. He stated the CHHA urged the Board to approve the application. Richard Castro of the Pari-Mutuel Employees' Guild, Local 280 (Guild), stated his organization supported the application. He stated the Guild had a contract with WW and it would be signing the master and satellite agreement. Mr. Castro added the Guild was concerned with the unfunded liability from the previous meeting and it wanted to know if it would fall on the new operator or the previous Cal Expo meeting. David Elliott of Cal Expo said conversations about the unfunded liability were ongoing; however, Cal Expo would take responsibility and would pay what it owed. Commissioner Rosenberg asked if WW had conversations with TVG or HRTV. Mr. Cummings stated WW was in discussions with Betfair/TVG. Vice-Chairman Israel **motioned** to approve the application for license to operate a harness racing meeting of WW at Cal Expo conditioned upon receipt of items noted as missing from the application not later than the September 2012 Regular Meeting. Commissioner Winner **seconded** the motion, which was **unanimously carried**.

PUBLIC HEARING AND ACTION BY THE BOARD REGARDING THE PROPOSED ADDITION OF CHRB RULE 1581.2, PROHIBITION ON ENTERING OF PREGNANT MARES BEYOND 120 DAYS GESTATION, TO PROHIBIT THE RACING OF PREGNANT MARES BEYOND 120 DAYS OF GESTATION.

Chairman Brackpool stated the proposed addition of Rule 1581.2, Prohibition on Entering of Pregnant Mares Beyond 120 Days Gestation, would prohibit the racing of pregnant mares as specified. The 45-day public comment period was completed, and no comments were received. Vice-Chairman Israel **motioned** to adopt Rule 1581.2. Commissioner Derek **seconded** the motion, which was **unanimously carried**.

PUBLIC HEARING AND ACTION BY THE BOARD REGARDING THE PROPOSED AMENDMENT TO CHRB RULE 1656, ERRORS WHICH INVALIDATE CLAIM, TO SPECIFY THAT THE NAME OF THE NEW TRAINER, THE RACE NUMBER AND THE DATE OF THE CLAIMING RACE MUST BE CORRECTLY ENTERED ON A CLAIM OR THE CLAIM WILL BE INVALID.

Chairman Brackpool stated the proposed amendment to Rule 1656, Errors Which Invalidate Claim, would require that the name of the new trainer, the race number and the date of the claiming race must be correctly entered on a claim form or the claim will be invalid. The proposed amendment was put out for a 45-day public comment period; no comments were received. Commissioner Winner **motioned** to adopt the amendment to Rule 1656. Commissioner Rosenberg **seconded** the motion, which was **unanimously carried**.

DISCUSSION AND ACTION BY THE BOARD REGARDING THE REQUEST FROM SANTA ANITA PARK FOR APPROVAL TO REAUTHORIZE QUICK PICK WAGERING IN CALIFORNIA.

Mike Martin, CHRB staff, stated the item was vetted by the Pari-Mutuel Operations Committee (Committee). Reports were submitted by Sportech and the Thoroughbred Racing and Protective

Bureau (TRPB). Aside from an issue regarding future testing, the Committee stated it was satisfied that the Quick Pick wager, as presented, met all its requirements. Terry McWilliams of Sportech stated his organization submitted a letter in support of the TRPB testing results. The letter also outlined Sportech's commitment to future testing of every software terminal release that involved a random number generator related to the Quick Pick functionality. Sportech submitted two conditions: the first condition was a pledge to internally test the randomness of all software releases, and submit those test results to the CHRB for approval prior to installation. The second condition was to submit that data set every three years to an independent third party, which was the TRPB, for testing. Curtis Linnell of the TRPB said his organization did extensive testing on the random selection Quick Pick. There were some issues in the past and the TRPB wanted to see if its member tracks could avoid any further situations. The TRPB's testing was extensive and comprehensive, and it recommended the same testing be conducted every three years. The TRPB also supported Sportech doing its own vendor testing with every release. George Haines of Los Angeles Turf Club (LATC) stated racing fans were interested in the availability of the Quick Pick wager. The wager was available for many years, until the Kentucky Derby issue with the horse Big Brown. However, LATC was convinced that after extensive testing the problem was solved, and steps were in place to prevent future problems. Chairman Brackpool stated the wager was good for horseracing, and if it was repaired it was beneficial for the sport. There did not seem to be any opposition to the reinstatement of the wager. Commissioner Choper commented there was an issue during the Kentucky Derby, but there was every indication that it was repaired. Commissioner Winner asked if the approval was only for LATC. Mr. Martin stated the Board's action could make the wager available to any

racing association. Chairman Brackpool **motioned** to reinstate the Quick Pick wager. Vice-Chairman Israel **seconded** the motion, which was **unanimously carried**.

REPORT FROM THE EXCHANGE WAGERING AD HOC COMMITTEE.

Vice-Chairman Israel stated the Exchange Wagering Ad-Hoc Committee met on August 22, 2012 at Del Mar. The meeting was productive, and a deadline of August 31, 2012 was set for the submission of final comments. All comments would be posted on the Board's website for purposes of transparency. The proposed changes to exchange wagering texts would be presented at the September 2012 Regular Board Meeting. If the Board accepted the proposed changes, a final notice period would be conducted, and a hearing for adoption would occur. Commissioner Rosenberg stated that the Board would only accept specific language changes for posting on its website. Commissioner Winner stated he attended the Ad-Hoc Committee meeting and he believed the Committee and staff did a terrific job. The issue was difficult, and the industry needed to get it right, because if it did not it could be damaging. The process was a long one, and different companies had made significant investments, but everyone should understand that the way it was being done was necessary. Chairman Brackpool commented that rulemaking by committee or by the public was a long process. A large volume of comments were submitted, and staff did a good job of analyzing them, working out where changes were necessary and then letting interested parties have another hearing at the Ad-Hoc Committee meeting. He added he was proud that the Board held two Ad-Hoc Committee meetings, as well as several Regular Board Meetings on the subject. Chairman Brackpool stated he agreed with Commissioner Winner that exchange wagering could be very good for the industry, but it absolutely needed to be done right. He said as he understood the process, comments would be accepted until August

31, 2012 and then they would be discussed at the September 2012 Regular Board Meeting. There may be cases where the Board must decide between two alternative texts for a rule, and it might have to take a vote on which way to go. Depending on the changes accepted by the Board there could be a 15-day comment period, or a 45-day comment period. John Hindman of Betfair TVG said he understood the exchange wagering process was difficult and complicated. He stated his organization was attempting to be a constructive participant in the process and it appreciated the hard work that had gone into moving the issue forward. Betfair TVG also appreciated the time Vice-Chairman Israel and Commissioner Rosenberg dedicated to the issue. Per the instructions of the Ad-Hoc Committee Betfair TVG submitted comments electronically for posting on the Board's website and also its view of the procedural options. Tom Kennedy of the Jockeys' Guild (Guild) stated that the Guild remained very interested in ensuring that licensees have the appropriate protections in connection with the exchange wagering regulations. Per the instructions of the Ad-Hoc Committee the Guild submitted comments regarding Rule 2092.6, Suspension of Occupational License.

**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; 2088.6, 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.

Chairman Brackpool stated the item was combined with the previous agenda item.

DISCUSSION AND ACTION BY THE BOARD REGARDING THE ALLOCATION OF RACE DATES AND RELATED ISSUES FOR 2013.

Joe Morris of Golden Gate Fields (GGF) stated GGF and the California Authority of Racing Fairs (CARF) met in June 2012, and Thoroughbred Owners of California (TOC) GGF and CARF had numerous conversations, as well as conversations with California Thoroughbred Trainers (CTT) regarding the proposed Northern California 2013 race dates calendar. He stated the Northern California industry needed to be stronger, and to achieve that some changes needed to be made. To be an anchor for the north, GGF could not continue to be dark from June to October where it did not have a chance to generate income because it had no race dates, or did not have enough dates in a month. He stated the TOC was also adamant that there be no overlap, except with the Humboldt County Fair (HCF) at Ferndale. To change their schedules the fairs needed more than a year because they had carnival contracts and other obligations. When the

parties looked only one year out they realized it was unreasonable to shift the fair schedules. Mr. Morris added the northern vanning and stabling system was also not working. The program needed to be drastically altered or eliminated. As a group, the horsemen wanted GGF's backstretch open year-round. Those were the agreed upon issues. The parties decided they would look at the Northern California race dates over the next two years. In 2013 GGF would place its schedule around the edges of the racing fair dates, with a known HCF overlap. The parties would also try to fix the northern vanning and stabling issue. Then, conversations about 2014 race dates would start to achieve the change that were needed to grow the north. The parties expected to return to the Board in the near future with the 2013 racing schedule; the 2014 schedule would take a bit longer. Chairman Brackpool asked if the 2013 schedule would look like the 2012 Northern California calendar. Mr. Morris stated it would be very similar. Chairman Brackpool asked if that meant 2014 would look very different from what occurred in 2012 and 2013. Mr. Morris stated the parties agreed the industry needed to change for Northern California to grow. Chris Korby of CARF stated the parties agreed there needed to be some changes in Northern California and they were working cooperatively in that direction. However, it was difficult to affect such changes on a year-by-year basis, so the parties were asking to be able to work through at least a two-year calendar. Chairman Brackpool stated that meant the conversations were going well and the parties would like a little more time to pencil in changes that may be needed. Vice-Chairman Israel asked if by the September 2012 Regular Board Meeting the parties would be prepared to present a two-year Northern California racing calendar. Mr. Morris said the parties would be prepared to present a 2013 racing calendar, but the 2014 calendar would still be a work in progress. Chairman Brackpool stated that over the last three years there were three reoccurring issues. One was GGF's desire to amortize its overhead over a

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longer period of time, as well as the horsemen's desire to train at the facility; the second was the issue of moving San Joaquin County Fair dates and the third was the perennial issue of HCF race dates. He asked if those issues were being addressed in 2013. Mr. Morris said the parties were attempting to address those items. Mr. Korby stated the parties were working together because they realized they could only succeed in Northern California by cooperating. Chairman Brackpool commented the improved results for the fairs and GGF in 2012 were due to the parties working together. The Board was very pleased with the racing fairs' results in 2012. Commissioner Choper stated it appeared that apart from HCF, GGF would not overlap the racing fairs in 2013. Mr. Morris said that was true. The TOC was adamant about that and the parties were using it as a guideline. Chairman Brackpool stated he would like the parties to return in September 2012 with something about the economics of the HCF overlap. The Board needed to understand if there were a difference, but it did not want the issue debated for the first time at the September 2012 Regular Meeting. With regards to the proposed Southern California 2013 racing calendar, Chairman Brackpool said it seemed very similar to the previous year. He stated the Board was pleased to note that California would host the Breeders' Cup for 2013, which would be on November 1 and 2, 2013. George Haines of Santa Anita Park Race Track (SA) said his supported the proposed 2013 Southern California racing schedule. Jack Liebau of Hollywood Park Race Track (HP) said his organization was in agreement with the proposed 2013 Southern California racing schedule. Mike Sedar of Fairplex Park Pomona (Fairplex) stated his organization also agreed with the proposed 2013 Southern California racing schedule. Josh Rubenstein of the Del Mar Thoroughbred Club (DMTC) said his organization agreed with the proposed 2013 Southern California Racing Schedule. Lou Raffetto of TOC stated GGF had a distribution agreement that had a positive impact on the advance deposit wagering (ADW)

handle. The TOC believed a similar agreement would be signed for SA and HP. Assuming the distribution agreement were signed, TOC would support the HP spring 2013 dates, and it would support the HP request for fall 2013 race dates with a commitment – given by January 1, 2013 - that it would run those dates. The TOC would also like a commitment from the other racing associations that they would run the dates they applied for. Chairman Brackpool stated the Board assumed the other racing associations would run the dates they applied for as they were not considering an alternate use for their facilities. He added the Board understood the issues HP faced, but it and the industry were trying to get an answer. Mr. Liebau said the commitment being asked was unprecedented. HP had been allocated dates for six consecutive years without such a commitment. No such commitment was broached with GGF, which was offered for sale. HP thought it was bringing a commitment to the Board with respect to its spring-summer meeting. It would, in fact run that meeting. That would mean there would be no change to facilities for one year, as at the end of the spring-summer 2013 meeting SA would open. HP would not open again until Fairplex started to run. Mr. Liebau stated some consideration should be given to the HP fall 2013 meeting due to HP's cooperation with the industry regarding the 2012 Breeders' Cup at SA. HP gave up an extra week in 2012 – to be run in 2013 – so SA could be ready. Chairman Brackpool stated the Board was pleased HP was committed to running through August 2013. The 2013 calendar was agreed on amongst the parties, but what was at issue was a commitment to run it and what would happen if for some reason HP would not open in the fall. The idea that by a date certain, which the TOC set at January 1, 2013, the industry would know whether HP would run its fall 2013 dates was not unreasonable. The parties needed time to work out what the industry would do if HP were not available. HP previously stated it would commit to six months at a time, so the issue was really only two or three months in 2013.

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Mr. Liebau said if HP could not run its fall 2013 dates they would have to be reallocated. It was not practical to run in November at Del Mar, so the dates would be run at SA. The industry really did not have another choice. Commissioner Winner asked where training facilities would be located. Mr. Liebau stated he did not know what the industry would do about training facilities. Chairman Brackpool said that was the Board's point; the industry needed time to figure out where it would train its horses. Mr. Liebau stated the industry had that opportunity since 2005, but it had not moved forward. He added Fairplex was available, and it spent upwards of \$600,000 on improvements. Commissioner Winner said it was his understanding that by January 1, 2013 the TOC wanted a commitment by HP to run its 2013 fall dates. However, HP was only willing to commit to six months at a time. Mr. Liebau stated that was correct. He added he was an employee of HP and he did not set policy on that level, and neither did he influence such policy decisions. Commissioner Winner asked what the difference was between HP's six month commitment and TOC's request. Mr. Liebau stated it was eleven months. Commissioner Choper said at issue was only seven weeks of racing in November-December. The dates could be accommodated by SA, so the question was training facilities. Someone had to create a specific plan for what would happen after the SA meeting closed in November 2013. Mr. Liebau stated neither HP nor SA wanted to be auxiliary sites. Sooner or later the industry must have an auxiliary that could stand on its own. The fact was that HP and SA lost money by acting as auxiliaries, and that was a reason the industry conducted a huge feasibility study at Fairplex. That study determined an auxiliary could not be financed. Chairman Brackpool stated it was easy to say what would happen if HP were not racing. However, if HP closed and a training facility was not available, a lot of money would have to be immediately invested into an actual solution. That was why it was necessary for HP to provide

more than six months notice. Commissioner Rosenberg commented that even if an agreement was reached for 2013, the Board and the industry would be faced with the same issue next fall for the spring 2014 race dates. He added he found it hard to believe that Mr. Liebau was just an employee. He asked who Mr. Liebau reported to. Mr. Liebau stated he reported to Terry Fancher and Chris Meany of Stockbridge. Commissioner Rosenberg asked why those gentlemen were not answering the Board's questions regarding plans for developing the HP property. Mr. Liebau stated it would be fair to believe that if Stockbridge could finance a property in the current environment, it would. The economy was the issue. Commissioner Rosenberg said Mr. Liebau could not answer all of the Board's questions. Even if the economy did turn, how much lead time would Stockbridge need to decide when it would actually close the HP facility, and would it leave a training facility open? There were a multitude of questions to be answered. The principals should be before the Board answering questions. Mr. Liebau stated that because of HP's physical layout, it would be impossible to keep the backside open if Prairie Avenue or Century Boulevard were involved. One could not start tearing down a grandstand and have training on the track. With regards to the lead-time, all the entitlements were in place. Commissioner Rosenberg said that did not answer the question. The Board had to know if there were real negotiations with lenders in progress. Commissioner Winner commented the mayor of Inglewood reportedly made statements about development starting sooner rather than later. He asked if the mayor's comments were accurate. Mr. Liebau said he sent a letter to the mayor clarifying the issue. He added the mayor was either misquoted or misspoke. Commissioner Winner stated that meant there was no commitment to proceed with development at the current time. Mr. Liebau said "no". Commissioner Winner stated it would seem that if HP was going to commence with development at the time it had race dates it would certainly know by January 1,

2013 that financing was secured and that it was in the process of that development. He asked if Mr. Liebau disagreed with that idea. Mr. Liebau said that would depend on how fast the lawyers could draft the loan documents; everything else was in place. The entitlements were completed; the financing was not. Commissioner Beneto asked if Fairplex was available for training if HP closed. Mr. Seder stated there were several economic issues to be addressed. The facility would have to be expanded at significant expense. There were also calendar issues as there were multiple events at Fairplex. Mr. Seder added Fairplex would certainly try to make it work. Commissioner Beneto commented it would be a long-term deal to train at Fairplex. However, if HP closed the horses would not be moved to Fairplex long-term because of Fairplex' other commitments. Mr. Sedar said it would have to be seen if Fairplex could handle the number of horses at that level. Commissioner Beneto said what he was hearing was that Fairplex was an iffy deal. It would be short lived, and it appeared the industry had to start looking at a long-range plan instead of operating by the seat of its pants. Chairman Brackpool stated the industry was talking amongst itself, but there would be a hearing on what would happen if HP were no longer available. Mr. Raffetto stated the TOC concurred with the Board. It would like HP to have the ability to commit for another three years of racing, but that probably would not happen. TOC has had ongoing conversations with alternative training sites and future racing sites. Conversations had been held with Fairplex and with Los Alamitos Race Course (Los Alamitos). However, anything would take time and money, and that was why the industry wanted lead time. Fairplex could only accommodate 700 horses, but there were about 3,100 horses in Southern California. There was a similar situation with Los Alamitos. If the industry was going to actually look at either facility to do some long-term planning and work on the racetrack, it would be very difficult to do the work and have horses stabled there at the same time. That was why lead time

was needed. Mr. Liebau stated HP was willing to take a positive role in any discussions. In the past there were discussions between HP and Los Alamitos. Chairman Brackpool said the industry held numerous conversations, but it was time to form a working group that was official and to hold a full hearing of the Board. Vice-Chairman Israel stated the unintended consequence of the situation was that the industry would be forced into a conceptual reassessment of the structure of thoroughbred racing in Southern California. It was a good thing that would strengthen the sport. Vice-Chairman Israel **motioned** to approve the 2013 Southern California thoroughbred racing calendar with the HP fall 2013 race dates contingent on HP meeting the January 1, 2013 deadline to report if it would operate a fall 2013 race meeting. Mr. Liebau said he thought the Board was setting a condition that might lead to the premature demise of HP. Commissioner Choper stated the Board was simply looking to see if HP could give a little more information and the industry an idea of when it needed to be prepared. Commissioner Rosenberg **seconded** the motion. He added the Board was bringing the issue to a head and providing an opportunity for HP ownership to make a business decision. Vice-Chairman Israel stated ten months was no more arbitrary than six months. Mr. Liebau said the six month timeline was the result of a meeting between TOC, CTT and HP. The TOC and CTT were worried HP would shut down on short notice. HP asked what amount of lead-time the parties felt would be sufficient for notice of HP's pending closure. They stated six months. Chairman Brackpool said the motion would approve the 2013 Southern California thoroughbred racing calendar for the year, conditioned on HP committing to run its 2013 fall dates by January 1, 2013. He added that Mr. Liebau indicated if the motion passed HP could decide to close sooner. Mr. Liebau said that was not the case; HP was committed to running its spring 2013 race meeting. However, he stated the motion could result in the early demise of HP. He added if HP did not give the Board

anything by January 1, 2013 it would be out of business. Commissioner Beneto said he agreed with the motion, but he stressed the industry needed to get a contingency program going immediately. Chairman Brackpool stated a meeting would be scheduled before January 1, 2013 and representatives from HP ownership would be invited. Chairman Brackpool said the motion made by Vice-Chairman Israel would approve the 2013 Southern California thoroughbred racing calendar, conditioned on HP providing notice regarding its commitment to run its fall 2013 race dates. The **motion** was **unanimously carried**. Chairman Brackpool stated the next item was the 2013 race dates for Los Alamitos. Vice-Chairman Israel **motioned** to approve the proposed 2013 Los Alamitos race calendar. Commissioner Winner **seconded** the motion, which was **unanimously carried**. Chairman Brackpool stated the 2013 racing calendar for harness was the next item. Commissioner Rosenberg **motioned** to approve the proposed 2013 standardbred racing calendar. Chairman Brackpool **seconded** the motion, which was **unanimously carried**.

MEETING ADJOURNED AT 11:58 A.M.

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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

SEPTEMBER 20, 2012
REGULAR BOARD MEETING

There is no board package material for Item 2

CALIFORNIA HORSE RACING BOARD

SEPTEMBER 20, 2012
REGULAR BOARD MEETING

There is no board package material for Item 3

STAFF ANALYSIS
DISCUSSION AND ACTION REGARDING BREEDERS' CUP RACES TO LIMIT
AUTHORIZED BLEEDER MEDICATION TO FUROSEMIDE ADMINISTERED
BY CHRB LICENSED VETERINARIANS APPROVED BY THE BREEDERS'
CUP AND WHO ARE NOT, OTHERWISE ATTENDING HORSES COMPETING
IN THE BREEDERS' CUP RACES.

Regular Board Meeting
September 20, 2012

BACKGROUND

At its July 2012 Regular Meeting the Board approved the LATC application for license to operate a horse racing meeting at Santa Anita Park Race Track. The application contained provisions regarding the 2012 Breeders' Cup races that would be run at LATC on November 2 and 3, 2012. The conditions were agreed to by the TOC and CTT prior to Board approval of the application. The following conditions were noted for the Breeders' Cup races:

- No horse on the CHRB Authorized Bleeder Medication list will be allowed to enter or start in a 2YO Breeders' Cup Championship race as a condition of the race.
- Only Breeders' Cup CHRB licensed veterinarians approved by Breeders' Cup will be allowed to administer CHRB Authorized Bleeder Medication to horses entered in Breeders' Cup Championship races.
- The Breeders' Cup reserves the right to limit authorized bleeder medication to furosemide (Lasix/Salix) only in Breeders' Cup Championship races.

Two-year olds on the CHRB Authorized Bleeder Medication list not being allowed to enter 2YO races will presumably be handled as a condition entry. The other two conditions are based on the ARCI model rule for furosemide administration adopted by the ARCI in December, 2011. These are the same provisions currently under consideration by the CHRB as an amendment to Rule 1845, Authorized Bleeder Medication. The purpose of this item is for the committee to discuss the feasibility of limiting race day bleeder medication to furosemide only administered by non-practicing veterinarians at the Breeders' Cup and how to affect those conditions if the committee and board support the proposal.

At its August 24, 2012 Medication and Track Safety Committee Meeting, the Committee discussed the Breeders' Cup's request of limiting race day bleeder medication to furosemide only administered by non-practicing veterinarians at the Breeders' Cup and how to affect the conditions. The Board's Equine Medical Director and the Breeders' Cup will develop procedures to be used to implement the Breeders' Cup furosemide program.

RECOMMENDATION

Staff recommends the Board re-affirm the race conditions set forth in the fall license application for Santa Anita Park, to wit, limiting of authorized bleeder medication to furosemide administered by CHRB licensed veterinarians approved by the Breeders' Cup and who are not otherwise attending horses competing the Breeders' Cup races.

STAFF ANALYSIS
DISCUSSION AND ACTION BY THE BOARD
REGARDING THE PROPOSED AMENDMENT TO
CHRB RULE 1658, VESTING OF TITLE TO CLAIMED HORSE,
WHICH CURRENTLY ALLOWS A CLAIM TO BE VOID IF A CLAIMED HORSE
SUFFERS A FATALITY DURING THE RUNNING OF THE RACE OR BEFORE IT
IS RETURNED TO BE UNSADDLED

Regular Board Meeting
September 20, 2012

BACKGROUND

Business and Professions Code section 19420 provides that the Board has jurisdiction and supervision over meetings in California where horse races with wagering on their results are held or conducted, and over all persons or things having to do with the operation of such meetings. Business and Professions Code section 19440 states the Board shall have all powers necessary and proper to enable it to carry out fully and effectually the purposes of this chapter. Responsibilities of the Board include adjudication of controversies arising from the enforcement of those laws and regulations dealing with horse racing and pari-mutuel wagering. Business and Professions Code section 19562 provides that the Board may prescribe rules, regulations, and conditions, consistent with the provisions of this chapter, under which all horse races with wagering on their results shall be conducted in California.

Rule 1658, Vesting of Title to Claimed Horse, states that title to a horse which is claimed shall be vested in the successful claimant from the time the field has been dispatched from the starting gate and the horse becomes a starter. The successful claimant becomes the owner of the horse whether it is sound or unsound, or injured during the race or after it. However, the claim shall be void if the horse suffers a fatality during the running of the race or before it is returned to be unsaddled, or if the race is called off, canceled, or declared no contest.

A claiming race is a horse race in which each horse entered is made available for purchase, or claiming, at a fixed price which a buyer must agree to pay before the race is run. Claiming allows lesser quality horses to compete equally, as horses are entered for a price at which the owner or trainer feels is reasonable to lose it.

A claiming race is a venue through which a new owner may buy his first horse. It is also a venue where others claim (at bargain prices) horses they believe can compete at higher levels. However, claiming races can also be used by owners and trainers to rid themselves of horses whose performance is not what they expect, so the terms "*Caveat Emptor*" or "*Buyer Beware*" apply. The claimant does not get to examine the horse prior to putting in a claim, and the horse actually belongs to a successful claimant from the time the field is dispatched (unless there is reason to void the claim under the provisions of the rule).

In 2011 Rule 1658 was amended to allow the stewards to void a claim if the horse suffered a fatality during the running of the race or before it was returned to be unsaddled.

ANALYSIS

In July 2011, the Board adopted a modified version of the amendment to Rule 1658 recommended by the Medication and Track Safety Committee (Committee) which allows a claim to be voided by the stewards if the horse suffers a fatality during the running of the race or before the horse is returned to be unsaddled. The stewards have interpreted the provision to mean the horse must die or be euthanized before the horse leaves the track.

On December 2, 2011, the mare Dave's Revenge was pulled up just past the wire after running second in the fourth race at Hollywood Park. By order of the racing veterinarian, Dave's Revenge was removed from the track in the horse ambulance, and shortly thereafter euthanized after evaluation of her injuries. There was an \$8,000 claim in for Dave's Revenge. Even though the racing veterinarian fully expected the attending veterinarian would decide to euthanize Dave's Revenge, she was taken directly in the ambulance to the euthanasia location. Based on their interpretation of Rule 1658, the stewards allowed the rule to stand because the death did not occur before the horse was returned to be unsaddled. More recently, at the current Del Mar meet, a similar scenario occurred when the filly Elivette was claimed and sent by ambulance to the barn of her new trainers and eventually euthanized. Injured horses are removed from the track by ambulance whenever the horse can be safely and humanely transported to allow the horse's owner, trainer and attending veterinarian make the irreversible decision to euthanize a horse.

The decision to euthanize a horse on the track or remove the horse by ambulance is made by the racing (association) veterinarian based on his or her professional opinion. This is a long held policy in California, is supported by recommendations of the American Association of Equine Practitioners for the management of horses injured on the track and is unrelated to whether a horse is claimed or not.

The Medication and Track Safety Committee revisited Rule 1658 at its January 10, 2012 meeting and presented a proposal to amend the rule at the Board's January 2012 Regular Meeting. The proposal was not adopted at the time due to an unclear understanding as to how the proposal would work logistically. On August 12, 2012, as part of the on-going horse safety and injury mitigation program of the Jockey Club Thoroughbred Safety Committee, the Jockey Club recommended the ARCI and racing jurisdictions adopt a model rule to void claims on horses when a horse does not finish or is unable to return to the designated area to be unsaddled. The Jockey Club Thoroughbred Safety Committee's statement and draft model rule are attached for reference.

At the August 24, 2012 Medication and Track Safety Committee Meeting, the Committee discussed options to amend Rule 1658 to reduce ambiguities in the rule and more effectively meet the original objectives of the modified rule. After considerable discussion the Committee asked Dr. Arthur, Scot Chaney and Dr. Stead to revisit the rule with the intent to void claims for horses placed on the Veterinarian's List as unsound or lame. The proposed amendment to Rule 1658 includes a provision to void claims for horses placed on the Veterinarian's List as unsound or lame. The proposed rule and related administrative procedures are attached for review.

RECOMMENDATION

This item is presented for Board discussion and action.

CALIFORNIA HORSE RACING BOARD
 TITLE 4. CALIFORNIA CODE OF REGULATIONS
 ARTICLE 7. CLAIMING RACES.
 PROPOSED AMENDMENT OF
 RULE 1658. VESTING OF TITLE TO CLAIMED HORSE.

Regular Board Meeting
 September 20, 2012

1658. Vesting of Title to Claimed Horse.

(a) Title to a horse which is claimed shall be vested in the successful claimant from the time the field has been dispatched from the starting gate and the horse becomes a starter; and said successful claimant becomes the owner of the horse unless voided by the stewards under the provisions of this article ~~whether it is sound or unsound, or injured during the race or after it.~~ Only a horse which is officially a starter in the race may be claimed. A subsequent disqualification of the horse by order of the stewards or the Board shall have no effect upon the claim.

(b) The stewards shall void the claim and return the horse to the original owner if:

(1) ~~The~~ the horse suffers a fatality during the running of the race or

(2) The racing or official veterinarian determine the horse will be placed on the Veterinarian's List as unsound or lame before the horse is released to the successful claimant.
~~before the horse is returned to be unsaddled.~~

(c) The claim shall be void if the race is called off, canceled, or declared no contest in accordance with Rule 1544 of this division.

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

Reference: Section 19562,
 Business and Professions Code.

Procedures for Voiding Claims: (To be used in conjunction with proposed amendment to Rule 1658, Vesting of Title to Claimed Horse).

- All claimed horses capable of doing so are to be sent to the receiving barn for post-race testing and post-race evaluation by the official veterinarian.
- Unless otherwise designated for post-race testing, blood samples (official and split samples) will be drawn and sent for testing.
- If the official veterinarian determines the horse is lame or unsound and will be placed on the Veterinarian's List accordingly, the official veterinarian will notify the stewards prior to the horse leaving the receiving barn.
- Based on the findings of the official veterinarian the stewards will determine whether the claim will be voided. If the stewards decide the claim is void, the horse will remain in the control of the original owner. If the stewards decide the claim will stand, the horse will be turned over to the successful claimant upon leaving the receiving barn.
- If, in the opinion of the official or racing (track) veterinarian, a claimed horse is incapable of being sent to the receiving barn, the racing (track) veterinarian will obtain blood samples (official and split samples) whenever humanely possible and determine the extent of the horses injuries. If the horse is lame or unsound, the racing (track) veterinarian will notify the stewards and the official veterinarian.
- If a claimed horse is incapable of being sent to the receiving barn the stewards will determine whether the claim will be voided based on the findings of the racing (track) veterinarian the. If the stewards decide the claim is to be voided, the horse will be returned to the control of the original owner. If the stewards decide the claim will stand, the horse will be turned over to the claimant upon leaving the track.
- A horse with a lameness of an AAEP Lameness Score greater than 4 and determined to be unfit to race shall be placed on the Veterinarians List as lame.
- A horse with an AAEP Lameness Score of 4 or less and determined to be unfit to race shall be placed on the Veterinarian's List as unsound.
- The official veterinarian shall place a claimed horse on the Veterinarian's List as unsound or lame upon the recommendation of the racing (track) veterinarian.
- Horses that are injured and showing lameness will be placed on the Veterinarians List as unsound or lame. Horses that are injured and not showing lameness may be designated as injured on the Veterinarians List.

AAEP LAMENESS SCALE

Because each horse has unique performance characteristics, evaluating lameness can be challenging. Experienced riders may detect minor alterations in gait before they are apparent to an observer. Lameness may appear as a subtle shortening of the stride, or the condition may be so severe that the horse will not bear weight on the affected limb.

With such extremes of lameness possible, a lameness grading system has been developed by the AAEP to aid both communication and record-keeping. The scale ranges from zero to five, with zero being no perceptible lameness, and five being most extreme. **The AAEP guidelines explain the grading system this way:**

- 0:** Lameness not perceptible under any circumstances.
- 1:** Lameness is difficult to observe and is not consistently apparent, regardless of circumstances (e.g. under saddle, circling, inclines, hard surface, etc.).
- 2:** Lameness is difficult to observe at a walk or when trotting in a straight line but consistently apparent under certain circumstances (e.g. weight-carrying, circling, inclines, hard surface, etc.).
- 3:** Lameness is consistently observable at a trot under all circumstances.
- 4:** Lameness is obvious at a walk.
- 5:** Lameness produces minimal weight bearing in motion and/or at rest or a complete inability to move.

**THE JOCKEY CLUB
THOROUGHBRED SAFETY COMMITTEE
RECOMMENDATION**

August 12, 2012

Recommendation: Timing of Title Transfer with Claimed Horses

The Thoroughbred Safety Committee commends racing jurisdictions taking steps to ensure the safety of horse and rider by creating regulations voiding the claim of horses suffering fatalities during the conduct of the race. The Thoroughbred Safety Committee also commends racing jurisdictions with regulations voiding the claim of horses determined to have violated relevant drug or medication rules.

In an effort to target improvements to a racetrack's safety and injury mitigation programs, the Thoroughbred Safety Committee calls for:

“All racing regulatory authorities and the Association of Racing Commissioners International develop and implement a rule to discourage the entry of horses in claiming races by connections knowing of heightened risks for racing injury with the intent to transfer to unsuspecting claimants.

The Thoroughbred Safety Committee recommends the following amendments to the Association of Racing Commissioner Model Rules:

ARCI-009-010 General Provisions

- (1) A person entering a horse in a claiming race warrants that the title to said horse is free and clear of any existing claim or lien, either as security interest mortgage, bill of sale, or lien of any kind; unless before entering such horse, the written consent of the holder of the claim or lien has been filed with the stewards and the racing secretary and its entry approved by the stewards. A transfer of ownership arising from a recognized claiming race will terminate any existing prior lease for that horse.
- (2) Title to a claimed horse shall be vested in the successful claimant at the time the horse leaves the paddock is declared a starter and crosses the finish line with rider. If the claimed horse does not return to the designated unsaddling area the successful claimant shall have thirty minutes after the race is declared official to request the stewards to void the claim. The successful claimant shall then become the owner of the horse whether it be alive or dead, sound or unsound or injured at any time after leaving the paddock, during the race or after. However, the successful claimant may request on the claim blank at the time he/she makes the claim that the horse be tested for the presence of equine infectious anemia via a Coggins test., or other test as approved by the official veterinarian. Should this test prove positive, it shall be cause for voiding the claim. The expense of the test and the maintenance of the horse during the period requested for the test, shall be the responsibility of the successful claimant, unless the test proves positive, wherein the owner(s) of the horse at the time of entry shall be responsible.

ARCI-009-015 Claiming Of Horses

- (1) Any horse starting in a claiming race is subject to be claimed for its entered price by any:
 - (a) licensed owner;
 - (b) holder of a valid claim certificate; or
 - (c) licensed authorized agent acting on behalf of an eligible claimant.
- (2) Every horse claimed shall race for the account of the original owner, but title to the horse shall be transferred to the claimant at the time the horse ~~leaves the paddock~~ returns to the designated unsaddling area. If the claimed horse does not return to the designated unsaddling area the successful claimant shall have thirty minutes after the race is declared official to request the stewards to void the claim. The successful claimant shall become the owner of the horse, regardless of whether it is alive or dead, sound or unsound, or injured prior to, during or after the race.

Further the committee calls for the Association of Racing Commissioners International to develop a model rule that:

- o Voids the claim of any horse with a post-race positive medication test.

CALIFORNIA HORSE RACING BOARD
DISCUSSION AND ACTION BY THE BOARD
REGARDING THE PROPOSED AMENDMENT TO THE
CALIFORNIA HORSE RACING BOARD'S
DEFINED CONTRIBUTION RETIREMENT PLAN FOR
CALIFORNIA LICENSED JOCKEYS (PLAN)
TO UPDATE THE LIFE EXPECTANCY TABLE INCLUDED IN THE PLAN.

Regular Board Meeting
September 20, 2012

BACKGROUND

At the April 26, 2012 regular Horse Racing Board meeting the Board approved the request to amend the Jockeys Retirement Plan, to accomplish three goals:

- 1) Clarify the definition of non-highly compensated participants;
- 2) Allowing retired participants to be excluded from future Plan participation;
- 3) Allowing jockeys to elect a lump sum distribution of plan account balances of five thousand dollars or less.

ANLAYSIS

Jockey requests for retirement account balance distributions are made in writing, and annual participant distributions are determined by the Plans life expectancy table, a standard used within the pension industry. An alternative life expectancy table has been developed, approved by Horse Racing Board staff and the Jockeys' Guild, which is more in line with realistic with life expectancy standards realized in the race industry, permitting retired jockeys to realize a greater annual account distribution based on a more realistic life expectancy.

The Plan Recitals and Operative Provision Amendments are attached for Board to review.

RECOMMENDATION

Staff recommends the Board approve the Amendment to the Plan, modifying the Plan life expectancy table to more accurately reflect the expected life span of Plan participants.

**SECOND AMENDMENT TO THE
CALIFORNIA HORSE RACING BOARD
DEFINED CONTRIBUTION RETIREMENT PLAN
FOR CALIFORNIA LICENSED JOCKEYS**

This Second Amendment (Amendment) to the California Horse Racing Board Defined Contribution Retirement Plan For California Licensed Jockeys (Plan) is adopted by the California Horse Racing Board (Board) to be effective on and as of the date(s) set forth below.

RECITALS

- A. Effective January 1, 2011, the Board adopted the Plan.
- B. Effective May 1, 2012, the Plan was amended to clarify the definition of 415 compensation in situations involving non-highly compensated employees and disabilities.
- C. Effective May 1, 2012, the Plan was amended to allow Participants who retire and elect distributions of their benefit under the Plan to be excluded from future participation in the Plan as active participants and not to accrue any additional benefits under the Plan; and
- D. Effective May 1, 2012, the Plan was amended to allow retired Participants to elect a lump sum distribution of their Plan account balance if that account balance is \$5,000 or less.
- E. The Board now wishes to amend the Plan as follows:
 - 1. Effective October 1, 2012, in the event the Plan adopts a new Life Expectancy Table, any Participants who have previously commenced benefit distributions shall have their benefits redetermined as of the first day of the Plan Year following the adoption of the new Life Expectancy Table.
 - 2. Effective October 1, 2012, update the Life Expectancy Table of the Plan to the table from the required minimum distribution regulations found at Treas. Reg. section 1.401(a)(9)-9 Q & A 1 as permitted under Rev. Rul. 2002-62, in order to more accurately reflect the expected life span of the Plan Participants.

OPERATIVE PROVISIONS

Effective as of the dates set forth below and in accordance with the foregoing recitals, the Board hereby amends the Plan as follows:

1. Effective October 1, 2012, Plan Section 10.02 is hereby amended in its entirety to read as follows:

10.02. Method Of Payment Of Benefits.

The Administrator shall determine the amount of the Participant's Account and the time when benefit payments commence. The Administrator shall distribute the Participant's Account in accordance with the method of payment of benefits selected by the Participant (or the Beneficiary of a deceased Participant) in accordance with the provisions of the Plan from among the following:

A. Form Of Distribution.

1. *Except as provided in the Cash Outs subsection, below, or the Hardship Distributions section, below, a Participant shall receive the Participant's Account in substantially equal annual installments over a period equal to the Participant's life expectancy for the Participant's attained age as of the commencement of such distributions. A Participant's life expectancy shall not be redetermined after the commencement of such distributions unless the Plan adopts a new life expectancy table. For this purpose, a Participant's life expectancy shall be determined using the table set forth in Appendix A to this Plan. Each such annual installment shall be in an amount equal to the quotient derived by dividing the value of the Participant's Account as of the Valuation Date immediately preceding the payment by the number of installments remaining to be paid as of the Valuation Date.*
2. *In the event the Plan adopts a new life expectancy table, any Participant who has previously elected to receive their benefit in the form of annual installment payments shall have their payments redetermined based on the new life expectancy table on the first day of the Plan Year after the new life expectancy table is adopted.*

B. Cash Outs.

1. *If the value of the Participant's Account does not exceed one thousand dollars (\$1,000), the Administrator may distribute such benefit as soon as is administratively feasible after either the later of (i) the Participant's Severance From Employment or (ii) the Participant's attainment of Normal Retirement Age, or, if applicable the Administrator's determination of the Participant's death or Disability. If the value of the Participant's Account exceeds one thousand dollars (\$1,000), the Administrator shall not distribute such benefit without the written consent of the Participant; provided, however, that if the value of a Participant's Account exceeds one thousand dollars (\$1,000) and the Participant has a Severance From Employment and has attained the later of (i) age sixty-two (62) or (ii) Normal Retirement Age, the Administrator may distribute such benefit without the Participant's consent.*
2. *If the value of the Participant's Account does not exceed five thousand dollars (\$5,000) the Participant may elect to receive a single sum distribution of such benefit after either the later of (i) the Participant's Severance From Employment or (ii) the Participant's attainment of Normal Retirement Age, or, if applicable the Administrator's determination of the Participant's Disability.*
3. *If a Participant's consent is required before a distribution commences, the consent of the Participant must be obtained in writing during the one hundred eighty (180) day period ending on the date the distribution commences. The Participant's consent will be valid only if the Administrator provides the Participant with a written notice no less than thirty (30) and no more than one hundred eighty (180) days before the date the distribution commences, which notice must include:*
 - a. *A general description of the material features of the benefit available under the Plan;*

- b. The Participant's right to defer receipt of a Plan distribution; and
- c. The Participant's right to have the distribution transferred to an eligible retirement plan as defined in Code section 402(c)(8)(B).

Notwithstanding the foregoing, distribution may commence less than thirty (30) days after the notice described in the preceding sentence is given, provided the distribution is one to which Code sections 401(a)(11) and 417 do not apply, if (i) the Administrator clearly informs the Participant that the Participant has a right for at least thirty (30) days after receiving the notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option), and (ii) the Participant, after receiving the notice, affirmatively elects a distribution.

C. Incidental Benefits.

Death and other nonretirement benefits payable under the Plan shall be incidental to the primary purpose of the Plan. Thus, distributions to the Participant under the Plan shall be in sufficient amounts so that the relationship of a Participant's total benefits under the Plan to the deferred compensation payable to the Participant under the Plan is such that the primary purpose of the Plan is to provide deferred compensation to the Participant, all as required by Code section 401(a)(9)(G) and the Treasury regulations promulgated thereunder.

D. Eligible Rollover Distributions.

1. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a Distributee's election under this Method Of Payment Of Benefits section, a Distributee may elect, at the time and in the manner prescribed by the Administrator, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.
2. Notwithstanding the foregoing, in the event that the Participant or the Participant's Beneficiary elects, in

the manner set forth above, a distribution that constitutes an Eligible Rollover Distribution, and if the Distributee of the Eligible Rollover Distribution (i) elects to have such distribution paid directly to an Eligible Retirement Plan and (ii) specifies the Eligible Retirement Plan to which such distribution is to be paid, in such form and at such time as the Administrator may prescribe, then such distribution shall be made in the form of a direct trustee-to-trustee transfer to the Eligible Retirement Plan so specified.

2. Effective October 1, 2012, Appendix A of the Plan is hereby amended in its entirety to read as follows:

Table I (Single Life Expectancy) (For Use by Beneficiaries)				
Age	Life Expectancy	Age	Life Expectancy	
0	82.4	28	55.3	
1	81.6	29	54.3	
2	80.6	30	53.3	
3	79.7	31	52.4	
4	78.7	32	51.4	
5	77.7	33	50.4	
6	76.7	34	49.4	
7	75.8	35	48.5	
8	74.8	36	47.5	
9	73.8	37	46.5	
10	72.8	38	45.6	
11	71.8	39	44.6	
12	70.8	40	43.6	
13	69.9	41	42.7	
14	68.9	42	41.7	
15	67.9	43	40.7	
16	66.9	44	39.8	
17	66.0	45	38.8	
18	65.0	46	37.9	
19	64.0	47	37.0	
20	63.0	48	36.0	
21	62.1	49	35.1	
22	61.1	50	34.2	
23	60.1	51	33.3	
24	59.1	52	32.3	
25	58.2	53	31.4	
26	57.2	54	30.5	
27	56.2	55	29.6	

Table I (Single Life Expectancy) (For Use by Beneficiaries)			
Age	Life Expectancy	Age	Life Expectancy
56	28.7	84	8.1
57	27.9	85	7.6
58	27.0	86	7.1
59	26.1	87	6.7
60	25.2	88	6.3
61	24.4	89	5.9
62	23.5	90	5.5
63	22.7	91	5.2
64	21.8	92	4.9
65	21.0	93	4.6
66	20.2	94	4.3
67	19.4	95	4.1
68	18.6	96	3.8
69	17.8	97	3.6
70	17.0	98	3.4
71	16.3	99	3.1
72	15.5	100	2.9
73	14.8	101	2.7
74	14.1	102	2.5
75	13.4	103	2.3
76	12.7	104	2.1
77	12.1	105	1.9
78	11.4	106	1.7
79	10.8	107	1.5
80	10.2	108	1.4
81	9.7	109	1.2
82	9.1	110	1.1
83	8.6	111 and over	1.0

Approved by the California Horse Racing Board at a regular meeting of the California Horse Racing Board, at Hollywood Park Race Track, in Inglewood, California, on September 20, 2012.

CALIFORNIA HORSE RACING BOARD

SEPTEMBER 20, 2012
REGULAR BOARD MEETING

There is no board package material for Item 7

STAFF ANALYSIS
DISCUSSION AND ACTION BY THE BOARD
REGARDING THE ALLOCATION OF THE
NORTHERN CALIFORNIA RACE DATES
AND RELATED ISSUES FOR 2013

Regular Board Meeting
September 20, 2012

BACKGROUND

Business and Professions Code section 19530 provides the Board the authority to allocate racing weeks to an applicant pursuant to the provisions of the horse racing law 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 the law. Business and Professions Code section 19531 states the Board shall make allocations for 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. Business and Professions Code section 19532(a) specifies any association licensed to conduct thoroughbred racing in the northern zone may receive no more than 35 weeks of that racing. (b) Any association licensed to conduct thoroughbred racing in the central zone may receive no more than 17 weeks of that racing, except that any association which conducts a split meeting may receive up to 20 weeks of that racing. No more than one such split meeting may be licensed in any one year. Business and Professions Code section 19549 provides the maximum number of racing weeks that may be allocated to a fair shall be four weeks each, except under specified conditions.

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

At the August 23, 2012 Regular meeting the Board allocated the following 2013 race dates:

LOS ALAMITOS RACING ASSOCIATION

- LARA at Los Alamitos - December 28, 2012 through December 22, 2013

HARNESS RACING AT CAL EXPO

- Harness racing at Cal Expo - December 26, 2012 through May 25, 2013
- Harness racing at Cal Expo - October 25 through December 21, 2013

The harness racing dates would be operated by Watch and Wager LLC.com in conjunction with Golden Bear Racing.

The Southern California thoroughbred and fair racing circuit were allocated the following date blocks with the actual live race dates to be determined at the time applications are submitted to the Board:

LOS ANGELES TURF CLUB

- LATC at Santa Anita - December 26, 2012 to April 21, 2013
- LATC II at Santa Anita - September 25, 2013 to November 3, 2013

HOLLYWOOD PARK RACING ASSOCIATION

- HPRA at Betfair Hollywood Park (BHP) - April 22, 2013 to July 16, 2013 (Spring meeting)
- HPRA at BHP- November 4, 2013 to December 25, 2013 (Fall meeting)

DEL MAR THOROUGHBRED CLUB

- DMTC at Del Mar July 17, 2013 to September 4, 2013

POMONA/FAIRPLEX (LOS ANGELES COUNTY FAIR ASSOCIATION)

- September 5, 2013 to September 23, 2013

The allocation of the 2013 Northern California thoroughbred and fair circuit race dates was postponed to allow Pacific Racing Association (PRA), California Authority of Racing Fairs (CARF) and the Thoroughbred Owners of California (TOC) an opportunity meet to resolve any potential issues and return to the Board with a proposed 2013 Northern California races dates proposal.

Subsequent to the August 23, 2012 Board meeting, PRA, CARF and TOC have submitted its joint request for the following 2013 Northern California Race Dates.

PACIFIC RACING ASSOCIATION

PRA at Golden Gate Fields - December 25, 2012 to June 18, 2013 (Winter/spring race meeting)

- PRA II at Golden Gate Fields - August 14, 2013 to September 17, 2013 (Summer race meeting)
- PRA at Golden Gate Fields - October 16, 2013 to December 25, 2013 (Fall race meeting)

CALIFORNIA AUTHORITY OF RACING FAIRS

- Alameda County Fair at Pleasanton – June 19, 2013 to July 9, 2013
- Cal Expo - July 10, 2013 to July 23, 2013
- Sonoma County Fair at Santa Rosa- July 24, 2013 to August 13, 2013
- Humboldt County Fair at Ferndale – August 14, 2013 to August 25, 2013
- San Joaquin County Fair at Stockton – September 18, 2013 to October 1, 2013
- Fresno County Fair at Fresno – October 2, 2013 to October 15, 2013

PRA, CARF, and TOC are in agreement on the proposed 2013 Northern California Race dates as submitted, with the possible exception of August 14-25.

RECOMMENDATION

Staff recommends the Board hear from the parties.

2013 PROPOSED NORTHERN CALIFORNIA RACING CALENDAR (HOSTED DAYS) - GGF/CARF/TOC 9-6-12

Dec-12

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	24	25	26	27	28	29
30	31					

GGF W/S	Dec 25 - June 18
GGF Summer	Aug 14 - Sept 17
GGF Fall	Oct 16 - Dec 25

Pleasanton	June 19 - July 9
Sacramento	July 10 - July 23
Santa Rosa	July 24 - August 13

Ferndale	August 14 - August 25
Stockton	September 18 - October 1
Fresno	October 2 - October 15

January

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

February

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					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		

March

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

April

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

May

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

June

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

July

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

August*

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

September

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

October

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

November

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

December

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

STAFF ANALYSIS
September 20, 2012

Issue: APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING OF THE HOLLYWOOD PARK FALL RACING ASSOCIATION, LLC AT BETFAIR HOLLYWOOD PARK NOVEMBER 5, 2012 THROUGH DECEMBER 24, 2012.

Hollywood Park Fall Racing Association (HPFRA), LLC filed its application to conduct a thoroughbred horse racing meeting at Betfair Hollywood Park:

November 5 through December 24, 2012, or 24 days, 2 less than 2011. The association proposes to race a total of 210 races, or 8.75 per day. In 2011 they raced 8.73 races per day with an average of 7.79 runners per race. Live racing will commence November 8, 2012 through December 16, 2012, HPFRA will host simulcast only wagering for Southern California November 5 through December 24th on days when live racing is not presented. The (actual) average daily purse for the fall 2011 meet was \$392,832. The (estimated) average daily purse for this meet is \$396,678.

November - 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	

December - 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 H	26	27	28
29	30	31				

- Racing 4 days per week, Thursday through Sunday in November and Friday through Monday in December, with 8 races on Thursdays, Fridays and 9 or 10 races on a selected basis on Saturdays and Sundays. 10 races Friday, November 23rd, Saturday November 24th and Sunday, November 25th.
- First post 12:30 p.m. daily.
 - 11:00 a.m. post November 22, Thanksgiving Day.

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 Fall 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 Professions Code 19464(b) Hollywood Park Fall 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 October 29, 2013.
- Request Jennifer Paige be appointed horse identifier pursuant to CHRB Rule 1525, Racing Officials Appointed by the Board.
- A track safety inspection has been requested and will be completed before the beginning of the race meet.
- Wagering program will use CHRB and ARCI rules.
 - Early wagering 8:30 a.m. on the day of and advance-day wagering.
 - ¢.50 pick 5 will be offered on the first five races with a 14% takeout. This 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.
 - ¢.50 Pick 4 on races 2 through 5 races and last 4 races.
 - 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 Professions 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.

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

1. Horsemen Agreement

RECOMMENDATION:

Staff recommends the Board approve the application contingent upon the submission of the outstanding horsemen agreement.

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 Fall 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: **Betfair 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: **Nov. 5 through Dec. 24, 2012 with live racing beginning on Nov. 8 and continuing through Dec. 16 as indicated below (Section 2B). Hollywood Park Fall Racing Association will be the Southern California host for simulcast only wagering on all days when live racing is not presented during the period from Nov. 5 through Dec. 24.**

B. Actual dates racing will be held: **November 8, 9, 10, 11, 15, 16, 17, 18, 22, 23, 24, 25, 29, 30, December 1, 2, 6, 7, 8, 9, 13, 14, 15, 16**

CHRB CERTIFICATION

Application received: *8/6/12*
Deposit received: *on file*
Reviewed: *[signature]*

Hearing date: *9/20/12*
Approved date:
License number:

- C. Total number of days or nights of racing: **24**
- D. Days or nights of the week races will be held:
 Wed - Sun Tues - Sat Other (specify) **Thursday through Sunday**

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**

3. RACING PROGRAM

- A. Total number of races: **210**
- 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, with 10 races on Friday November 23, Saturday November 24 and Sunday November 25.**
- C. Total number of stakes races: 16 plus 2 overnight stakes for a total of 18".
- 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 Thursday, November 22	Thanksgiving Thursday, November 22
1 st	12:30 pm	11:00 am
2 nd	1:00 pm	11:30 am
3 rd	1:30 pm	12:00 noon
4 th	2:00 pm	12:30 pm
5 th	2:30 pm	1:00 pm
6 th	3:00 pm	1:30 pm
7 th	3:30 pm	2:00 pm
8 th	4:00 pm	2:30 pm
9 ^{th*}	4:30 pm	
10 ^{th*}	5:00 p.m.	

*** When applicable**

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

HOLLYWOOD PARK FALL MEETING
2012 PROPOSED STAKES SCHEDULE

<u>DATE</u>	<u>STAKE</u>	<u>PURSE/DISTANCE</u>
Sat. Nov. 10	REAL QUIET STAKES Two Year Olds	\$100,000 One Mile & One Sixteenth
Sun. Nov.11	SHARP CAT STAKES Fillies, Two Years Old	\$100,000 One Mile & One Sixteenth
Sat. Nov. 17	ON TRUST HANDICAP Three Year Olds & Upward, Bred in California	\$75,000 Added* Seven and One Half Furlongs
Sun. Nov. 18	CAT'S CRADLE HANDICAP Fillies & Mares, Three Year Olds & Upward, Cal-Bred	\$75,000 Added * Seven and One Half Furlongs
Thur.. Nov. 22	HOLLYWOOD PREVUE STAKES (GRADE III) Two Year Olds	\$100,000 Seven Furlongs
Fri.. Nov. 23	CITATION HANDICAP (GRADE I) Three Year Olds & Upward	\$250,000 One Mile and One Sixteenth (Turf)
Sat. Nov. 24	MIESQUE STAKES (GRADE III) Fillies, Two Years Old	\$100,000 One Mile (Turf)
Sat Nov. 24	GENEROUS STAKES (GRADE III) Two Year Olds	\$100,000 One Mile (Turf)
Sun. Nov. 25	HOLLYWOOD DERBY (GR. I) Three Year Olds	\$250,000 One Mile and One Quarter (Turf)
	THE MATRIARCH (GRADE I) Fillies & Mares, Three Year Olds & Upward	\$250,000 One Mile (Turf)
Sat. Dec. 1	NATIVE DIVER STAKES (GRADE III) <i>Sponsored by the Oak Tree Racing Association</i> Three Year Olds & Upward	\$250,000 @ One Mile and One Eighth
Sun. Dec. 2	VERNON O. UNDERWOOD (GRADE III) Three Year Olds & Upward	\$100,000 Six Furlongs
Sat. Dec. 8	HOLLYWOOD STARLET (GRADE I) Fillies, Two Years Old Nominations Friday, May 14, 2012	\$500,000 Guaranteed One Mile and One Sixteenth
	BAYAKOA STAKES (GRADE II) <i>Sponsored by the Oak Tree Racing Association</i> Fillies & Mares, Three Year Olds & Upward	\$200,000 # One Mile and One Sixteenth
Sun. Dec. 9	SOVIET PROBLEM STAKES <i>A Golden State Series Race</i> Fillies, Two-Years-Old, Bred in California	\$200,000 Seven Furlongs

Sat. **CASHCALL FUTURITY (GRADE I)** \$750,000 Guaranteed
 Dec. 15 Two Year Olds One Mile and One Sixteenth
Sponsored by CashCall
 Nominations Friday, May 14, 2012

HOLLYWOOD TURF CUP (GII) \$250,000
 Three-Year-Olds & Upward One and One Half Miles (Turf)

Sun. **KING GLORIOUS STAKES** \$200,000
 Dec. 16 *A Golden State Series Race*
 Two-Year-Olds, Bred in California Seven Furlongs

@ Includes \$150,000 from OTRA

Includes \$50,000 from OTRA

* Includes \$10,000 from the Cal-Bred Fund

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 Fall Racing Association, LLC
2. State where articles of organization are filed: Delaware

- 3. Registry or file number for the LLC: 3993459
- 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 92.30% of Hollywood Park Fall Racing Association, LLC at 12/31/2011. (percentage of membership is as of 12/31/2011)**

- **Bay Meadows Land Company, LLC (33.49%)**
- **Stockbridge Hollywood Park Co-Investors, LP (41.36%)**
- **Stockbridge Real Estate Fund II-B, LP (9.28%)**
- **Stockbridge Real Estate Fund II-C, LP (8.95%)**
- **Stockbridge Real Estate Fund II-A, LP (6.28%)**
- **Stockbridge Real Estate Fund II-T, LP (0.64%)**

- 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: **2010 & 2011 Audited Financials are on file with the CHRB as is the 2012 Projected Profit & Loss Statement.**
 - 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, 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: 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. Attached

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	Live Days	Handle	Attendance
		Total	
2011	26	\$203,714,742	242,811
2010	29	\$225,574,422	306,986
2009	27	\$225,775,846	276,497
2008	40	\$349,350,426	419,954
2007	32	\$350,733,341	379,534

This Agreement is entered into this 29 day of August, 2012 by and between Hollywood Park Fall Racing Association ("HPRA") and Thoroughbred Owners of California ("TOC") with reference to the following:

- A. Pursuant to Section 19601.01 (all Sections herein referred to are part of the California Horse Racing Law), and subject to the approval of the California Horse Racing Board (the "Board"), HPRA and TOC are empowered to reduce the take-out on a Pick 5 wager to 14% at the upcoming 2012 Hollywood Park Fall Meet (the "Meet").
- B. HPRA and TOC desire, on an experimental basis, to reduce the take-out on a Pick 5 wager to 14% solely for the Meet (the "Pick 5 Wager"). The Pick 5 Wager will have a fifty cent minimum, and will commence on the first race each day of such Meet.
- C. Reference to a 14% take-out is intended to encompass the entire amount withheld from wagers on the Pick 5 Wager, plus breakage.
- D. The amounts retained from Pick 5 Wagers made in California shall be distributed as prescribed in Chapter 4 of California Horse Racing Law (the "Law"), including the distribution prescribed in Section 19601.02 (b) (i. e., SB1072 - 3% allocable to purses shall be protected).
- E. The amount retained by HPRA from wagers placed by out-of-state customers, including through ADW Providers, on the Pick 5 Wager shall be distributed in the same manner as is the case with respect to other types of wagers placed by out-of-state customers. The host fee rate and purse fee rate (i.e., SB 1072) on the Pick 5 Wager shall not be less than those rates listed on the approved Simulcast/ADW rate sheet for the meet.
- F. Monarch, the firm retained to sell to out-of-state locations the audio-visual signal of the races conducted at Hollywood Park, has advised that it does not believe the introduction of the Pick 5 Wager will adversely impact the Host Fees, Workers' Compensation and Purse Funds provided for in HPRA's existing simulcast contracts.
- G. This Agreement is intended to constitute the requisite "written notice" required by Section 19601.01.

It is thereby Agreed:

1. The take-out on the Pick 5 Wager shall be 14% and the minimum bet shall be fifty cents.
2. With respect to wagers made in California, the Pick 5 Wager shall be calculated and the distributions/ deductions therefrom made, as prescribed in the Law, including the provisions of Section 19601.02.
3. Host Fees, Workers' Compensation and Purse Funds generated from out-of-state wagering attributable to the Pick 5 Wager shall be calculated and distributed in the same manner as Host Fees, Workers' Compensation and Purse Funds on other type of wagers received by HPRA from out-of-state wagering.
4. HPRA and TOC shall use their respective best efforts to secure the approval of the Pick 5 Wager by the Board.

Hollywood Park Racing Association

By: _____

Thoroughbred Owners of California

By: _____

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

A. Purse distribution: Please note, there were 26 race days during the prior year race meeting compared to 24 days for the current meet.

1. All races other than stakes:

Current meet estimate: **\$6,326,963**
 Prior meet actual: **\$6,867,799**

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

Current meet estimate: **\$263,623**
 Prior meet actual: **\$264,146**

2. Overnight stakes:

Current meet estimate: **\$130,000**
 Prior meet actual: **\$370,000**

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

Current meet estimate: **\$ 5,417**
 Prior meet actual: **\$14,231**

3. Non-overnight stakes:

Current meet estimate: **\$2,225,000**
 Prior meet actual: **\$2,060,225**

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

Current meet estimate: **\$92,708**
 Prior meet actual: **\$79,239**

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

Current meet estimate: **\$8,681,963** / Avg. daily: **\$361,748**
 Prior meet actual: **\$9,298,024** / Avg. daily: **\$357,616**

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: **13.1%**
 Prior meet actual: **5.3%**

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

Current meet estimate: **\$12,875**
 Prior meet actual: **\$ 5,000**

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

Current meet estimate: **\$646,327 / Avg. daily: \$26,930**
 Prior meet actual: **\$707,260 / Avg. daily: \$27,202**

- 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	\$71,452	\$75,043
CTT - Pension	35,726	37,522
CTT - Admin	71,452	75,043
NTRA	<u>13,346</u>	<u>20,743</u>
Total	\$191,975	\$208,351

- 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: \$ 9,520,264
 Prior meet actual: \$10,213,634

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

Current meet estimate: \$396,678
 Prior meet actual: \$392,832

- 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: \$5,747,237
 Prior meet actual: \$5,900,379

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

Current meet estimate: \$239,468
 Prior meet actual: \$226,938

- G. Purse funds to be generated from interstate handle:

Current meet estimate: \$2,801,494
 Prior meet actual: \$3,185,948

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

Current meet estimate: \$116,729
 Prior meet actual: \$122,536

- 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 entitled to carry forward the deficit to its next succeeding meeting as provided by Business and Professions Code section 19615(c) or (d). In the event of **underpayment** of purses which results in a balance remaining in the Paymaster of Purses' account at the conclusion of the meeting after distribution of amounts due to horsemen and breeders and horsemen's organizations, the association may carry forward the surplus amount to its next succeeding meeting; provided, however, that the amount so retained does not exceed an amount equivalent to the average daily distribution of purses and breeders' awards during the meeting. All amounts in excess shall be distributed retroactively and proportionally in the form of purses and breeders' awards to the horse owners and breeders having earned purses or awards during the conduct of the meeting.

8 STABLE ACCOMMODATIONS

- A. Number of usable stalls available for racehorses at the track where the meeting is held: **1,950**
- B. Minimum number of stalls believed necessary for the meeting: **1,950**
- C. Total number of usable stalls to be made available off-site at approved auxiliary stabling areas or approved training centers: **1,500**
- D. Name and location of each off-site auxiliary stabling area and the number of stalls to be maintained at each site: **Santa Anita 1,500**
- E. Attach each contract or agreement between the association and the person(s) furnishing off-site stabling accommodations for eligible racehorses that cannot be provided stabling on-site. **On File**

Complete subsections F through H if the association will request reimbursement for off-site stabling as provided by Business and Professions Code sections 19607, 19607.1, 19607.2, and 19607.3; otherwise, proceed to section 9.

- F. Total number of usable stalls made available on-site for the **1986** meeting, pursuant to Business and Professions Code section 19535(c): **2,000**
- G. Estimated cost to provide off-site stalls for this meeting: **\$452,296**. Show cost per day per stall: **Average cost: \$7.73.**
- H. Estimated cost to provide vanning from off-site stalls for this meeting. Show fees to be paid for vanning per-horse: **\$110,000** **Roundtrip from: Santa Anita \$180**

Los Alamitos \$180

9 PARI-MUTUEL WAGERING PROGRAM

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

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

	TYPE OF WAGERS	APPLICABLE RULES
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	CHRB 1957
	\$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	CHRB 1957
	\$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	CHRB 1957
	\$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:	\$1 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:	\$1 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:	\$1 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:	\$1 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 on 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 \$1 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, December 16, 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, 2015**

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.
On File with CHRB.
- 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

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



August 22, 2012

Mr. Tom Varela
 Monarch Content Management
 Fax: (626) 821-1520
 Email: tvarela@monarchmanagement.com

RE: 2012 Hollywood Fall Race Meeting Interstate Simulcast Approvals

Dear Tom,

This letter shall serve as TOC's authorization for Hollywood Park ("HOL") to transmit the audiovisual signal of HOL Thoroughbred races to, and accept wagers on those races placed through, the out-of-state betting systems ("Guests"), in accordance with the conditions of, and at Host Fee rates no lower than those specified in the rate sheet provided to TOC by Monarch Content Management ("Monarch") on behalf of HOL, during the HOL racing season commencing November 5, 2012, continuing through December 16, 2012.

As a condition of TOC's authorization of the acceptance of wagers on HOL races by Guests which engage in phone and/or Internet wagering, herein called "ADW," HOL shall take all reasonable steps to distinguish between ADW and other wagering handled through such Guests, including requiring tote vendors of both HOL and Guest to facilitate the separation of ADW and non-ADW data in reports used by HOL and/or CHRIMS to account for and settle balances between HOL and Guest.

TOC's authorization shall not serve, nor should it be construed as, a precedent to future requests for permission to simulcast to the Guests specified herein or to any other Guest. TOC reserves the right to cancel or withdraw its authorization for any Guest, at any time, upon 48 hours written notice.

Pursuant to AB-701, raising the takeout to fund Workers' Compensation costs, HOL shall collect the incremental increase in takeout as an addition to the money room adjustment, for the transmittal to the Fund in accord with such legislation. Should any Guest herein authorized fail to enter into a contractual obligation with HOL to allocate this additional takeout in this manner, TOC authorization for that site is hereby immediately rescinded.

Should you have any questions, please feel free to contact me.

Sincerely,

Lou Raffetto, Jr.
 President

OFFICERS

MIKE PEGRAM
 CHAIR
 PABLO SUAREZ
 VICE CHAIR, SOUTHERN CA.
 JACK OWENS
 VICE CHAIR, NORTHERN CA.
 GEORGE KRICKORIAN
 SECRETARY/TREASURER
 ED MOGER
 AT LARGE
 JOHN SADLER
 AT LARGE

DIRECTORS

MADELINE AUERBACH
 BOB BAFFERT
 DENNIS CARDOZA
 MARK DEDOMENICO
 MIKE HARRINGTON
 RON MCANALLY
 GEORGE TODARO
 KATHY WALSH
 MICHAEL WELLMAN

EXECUTIVE STAFF

LOU RAFFETTO
 PRESIDENT
 KELLE BREEN
 CHIEF FINANCIAL OFFICER
 MARY FORNEY
 DIRECTOR OF OPERATIONS
 RICHARD SCHEIDT
 NO. CA. DIRECTOR OF
 OPERATIONS

CHAIRS EMERITUS

ED FRIENDLY (1996-97)
 ROBERT B. LEWIS (1997-2001)
 GARY BURKE (2001)
 JACK B. OWENS (2001-03, 04-05,
 2011)
 RON CHARLES (2003-04)
 ALAN LANDSBURG (2005-07)
 MARSHA NAIFY (2007-10)
 ARNOLD ZETCHER (2010-11)

CORPORATE OFFICE

285 W. HUNTINGTON DRIVE
 ARCADIA, CA 91007
 T: 626-574-6620
 F: 626-821-1515
 WWW.TOCONLINE.COM

Stanislaus County Fair, Turlock
Tulare County Fair, Tulare

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
 - Santa Clarita Lanes, Saugus
 - And any similar site(s) duly licensed by California Horse Racing Board subsequent to the submission of the application.
- 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
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- 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
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- 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
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- 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)**

2012 Hollywood Park Fall meet Attachment A Section 11 D & E

Commingled Locations

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

Pony Bar Simulcast Center
 Tote Investment Racing
 Randall James Racetrack
 Millenium Racing
 Royal Beach Casino
 Divi Carina Bay Casino
 Fair Chance
 Corpus Christi Greyhound
 Cypress Bayou OTB
 Delaware

Lien Games ADW's
 BetAmerica
 BestFastNow
 OnlineRacing.TV
 BetTheRacesOnline.com
 BigJackpotBetting.com
 Hometownbets.com
 RaceplayWin.com
 VIPHorsePlayer.com
 TrackInfo.com
 Offtrackbetting.com

Prairie Meadows
 Premier Turf Club
 Presque Isle Downs
 Raceway Park
 Racing2Day LLC
 Racing2Day Intl. (Stan James)
 Remington Park
 Remington OTB Network
 Retama
 Racing & Gaming Services
 Riplay de Venezuela (Caliente)
 River Downs

Separate Pool Locations

Caymanas Park, Jamaica
 MIR Books (Caliente)
 NDS (Nevada)

Canadian Locations

Assiniboia, Barrie, Charlottetown, Clinton Teletheatre, Dresden, Elmira Raceway, Evergreen Park, Exhibition Park, Flamboro Downs, Fraser Downs, Frederiction Raceway, Georgian Downs, Grand River, Hanover Raceway, Hastings Park, Hiawatha, Hipodrome de Quebec, Inverness Raceway, Kawartha Downs, Marquis Downs, Mohawk, New Brunswick, Northlands, Northside Downs, Picov Downs, Quinte Raceway, Rideau Carlton, Rocky Mountain Turf Club, Royal Britiana Hub, St. Johns, Sudbury Downs, Summerside, TBC Sandown, TBC Teletheaters Truro Raceway, Western Fair, Windsor, Woodbine, Woodstock/Ontario

Attachment B – Section 11 G

Hollywood Park Fall Meet

November 7, 2012 to December 24, 2012

Out-of-State & International Imports - Full or Partial Card (Subject to Change)

DOMESTIC
AQUEDUCT
BEULAH PARK
CALDER RACECOURSE
CHURCHILL DOWNS
DELTA DOWNS
FAIR GROUNDS
FINGER LAKES
HAWTHORNE RACECOURSE
LAUREL
MOUNTAINEER
PARX RACING
PENN NATIONAL
PORTLAND MEADOWS
REMINGTON PARK
SUNLAND PARK
TAMPA BAY DOWNS
TURF PARADISE
TURFWAY PARK
ZIA PARK
GULFSTREAM
INTERNATIONAL
WOODBINE
SOUTH AMERICAN RACING
HIPPODROMO CHILE
LA PLATA
MARONAS
PALERMO
VALPARAISO
SAN ISIDRO
SANTIAGO

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 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:	Dana Stead, D.V.M.
Association Veterinarian(s)	Tim Grande, D.V.M.
Clerk of Scales	Ruben Hernandez
Clerk of the Course	Lisa Jones
Film Specialist	Ruben Hernandez

Horse Identifier	Jennifer Paige
Horseshoe Inspector	Louis Damore
Paddock Judge	Karen Denovel
Patrol Judges	Tora Yamaguchi
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)

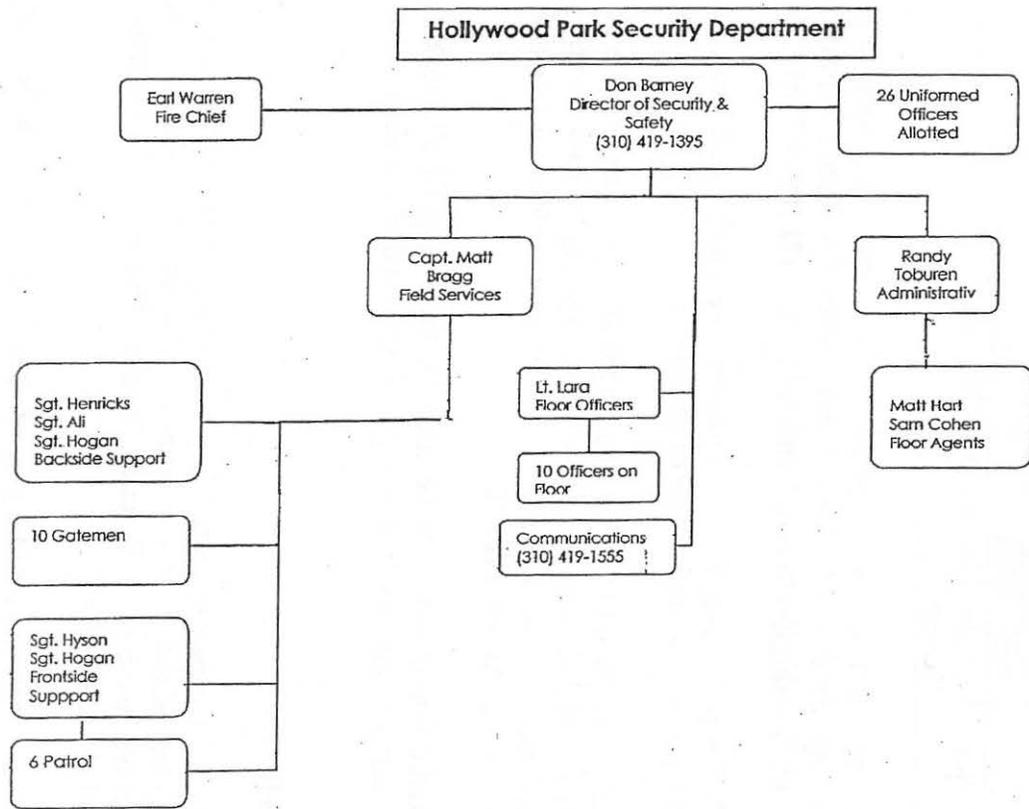
- C. Name, address, email and telephone number of the reporter employed to record and prepare transcripts of hearings conducted by the stewards: **Weinstein Court Reporters, 9582 Hamilton Avenue, Suite 265 Huntington Beach, California 92646 (714) 964-7102**
- D. Photographic device to be used for photographing 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.**
- B. 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.**



Attachment C – Section 13 EVIDEO 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

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.
- 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 will be used this meet primarily for the later races on the card as needed when daylight hours begin to shorten, 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 when the track lighting is in use.**

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 with the CHRB.**
Ambulance Staffing: Two Advance Life Support (ALS) – Paramedic Staffed
- 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 with the CHRB.**
Ambulance Staffing: Two ALS – Paramedic Staffed

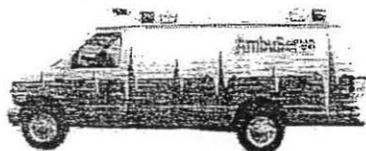


McCormick Ambulance
13933 Crenshaw Blvd.
Hawthorne Ca. 90250
(888)349-8944

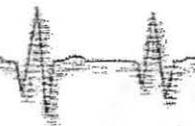
To whom it may concern:

This letter shall serve as a statement of affirmation that all Emergency Technicians employed by McCormick/Westmed Ambulance Service are trained, background checked, and state certified in order to fulfill their job duties as authorized by the State of California Emergency Medical Services Authority.

Mike Henderson
Vice President



AmbuServe
Ambulance



June 5, 2012

To whom it may concern:

This letter shall serve as a statement of affirmation that all Emergency Technicians employed by AmbuServe, Inc is trained, background checked and state certified in order to fulfill their job duties as authorized by the State of California Emergency Medical Services Authority.

AmbuServe, Inc

15105 S. Broadway

Gardena, CA 90248

310-644-0500

Thank you,

Traci Taylor

General Manager

- 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. **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 (Renewal certificate will be forwarded upon receipt.)**

Attachment D - Section 15 F**MEMORANDUM**

From: Don Barney, Director of Security & Safety

Subject: Emergency Medical Action Plan for Injured Jockeys

Since May 1, 2003 we at Hollywood Park have had in place an emergency medical action-plan for injured jockeys. There is now a new 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:

“Upon the observed or reported injury of a jockey, medical assistance will be immediate. The responding medical technician, track doctor or security will contact communications (via hand held radio or calling 310 4191555). Security will then activate the emergency contact procedure. This procedure will be the responsibility of the Safety Director or his designee. The Safety Director will contact the Chief of Medical Staff at Centinela Hospital and prepare for the injured jockeys arrival. The phone number of Centinela Hospital is 310- 4198636 and is located at 555 East Hardy Street, Inglewood.

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 jockeys 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.”

From: Don Barney, Director of Security & Safety

Subjecto: Emergencia Medica Accion de plan para el Jinete Lastimado

Desde Mayo 1, 2003 Hollywood Park a tenido un plan de Emergencia Medica para los jinetes lastimados. Hay nueva ley que requiere accion de plan. Siguiendo las leyes del negocio y Profesion Codigo seccion 19481.3(b) cada asociado de carrera tiene que adaptar y mantener el plan de emergencia en el cuarto de los jinetes.

El sistema en efectivo que tenemos sigue exactamente todas las reglas y guías. El plan de emergencia se dirige así:

“Asistencia médica será inmediata al observar o reportar un jinete lastimado. El médico técnico, el doctor de hipódromo o seguridad se comunicará vía radio o llamará (310)419-1555. Seguridad activará el proceso de el contacto de emergencia. Este proceso será la responsabilidad de el Director de Seguridad o su designado. El Director de Seguridad contactará al Jefe Médico de Centinela Hospital localizado en la 555 East Hardy Street, Inglewood.

El Jefe de Estafa se asegurará que su personal se encargue de recibir al jinete herido y contactar a otros especialistas en el contrato y cuidado de el jinete. Este fundamento será rápido para admitir y tratar al jinete herido. Un agente de seguridad será despachado al cuarto de Emergencia para asistir a la familia y mantener la integridad y necesidades de el jinete herido. Será la responsabilidad del agente, reportar e informar al Director de Seguridad de la condición y el progreso de el jinete. Es la responsabilidad del agente de obtener copia del accidente de el Departamento de Televisión. El agente se asegurará que toda la información de compensación de trabajo que pertenezca a el jinete sea fija y corriente.”

MAR 08 2012 4:00PM

HAWTHORNE PREV.

No. 8998 P. 1

COUNTY OF LOS ANGELES



FIRE DEPARTMENT

FIRE PREVENTION DIVISION
4478 W. El Segundo Blvd.
Hawthorne, CA 90280
(310) 263-2732
Fax(310) 263-2738

OFFICIAL INSPECTION REPORT

March 8, 2012

Hollywood Park Land Co., LLC
Inglewood, CA 90301
Attn: Glenn Bounds, Property Mgr.

On March 6, 2012 a fire inspection was performed at the racetrack facilities. At the time of the inspection, the facility had no violations and met the minimum requirements set forth by the Fire Department. We therefore approve the use of the facility for the 2012 Spring and Fall Thoroughbred meeting and until our next fire safety inspection in 2013.

Should you have any questions I can be contacted at the above phone number or Fax.

Thank you,

Greg Duke - Fire Inspector
County of Los Angeles Fire Department



CERTIFICATE OF LIABILITY INSURANCE

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, HO, EXT): 877-945-7378 FAX (A/C, NO): 888-467-2378 E-MAIL ADDRESS: certificates@willis.com	
	INSURER(S) AFFORDING COVERAGE INSURER A: SeaBright Insurance Company NAIC#: 15563-100	
INSURED Stockbridge Capital Group, LLC dba Hollywood Park 4 Embarcadero Center, Suite 3300 San Francisco, CA 94111	INSURER B:	
	INSURER C:	
	INSURER D:	
	INSURER E:	
	INSURER F:	

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.

INBR LTR	TYPE OF INSURANCE	ADD'L INSR	SUBR W/IN	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	GENERAL LIABILITY COMMERCIAL GENERAL LIABILITY 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 ANY AUTO ALL OWNED AUTOS HIRED AUTOS SCHEDULED AUTOS NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
	UMBRELLA LIAB EXCESS LIAB DED RETENTION \$						EACH OCCURRENCE \$ AGGREGATE \$
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N	N/A	BB1114259	9/23/2011	9/23/2012	<input checked="" type="checkbox"/> WC STATUTORY LIMITS E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000

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

CERTIFICATE HOLDER

CHRB
 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

- 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 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 detailed plan will be sent under separate cover to the CHRB Commissioners as noted below

- 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:

During the Fall meet, we will employ up to 6 hosts and hostesses to assist Groups in attendance and approximately 10 guest service personnel. We will add an additional ten people during the Turf Festival and on Cash Call Futurity Day to assist with the premium giveaways and sign-ups for the Hollywood Park Gold Club

- D. Describe facilities set aside for new fans:

Saturday Handicapping Seminar with Kurt Hoover

Sunday Bilingual Handicapping Seminar with George Ortuzar and Mike Burns

Customer Service Booths – Throughout the facility there are Customer Service booths staffed to assist patrons with any requested information

The Following is the Executive Brief of the Marketing Plan for the meet. A comprehensive plan will be sent to the Board and Commissioners via overnight mail on Friday, September 7, for delivery on Monday, September 10th.

BETFAIR HOLLYWOOD PARK RACING ASSOCIATION

Autumn 2012 Marketing Plan

Executive Summary

The Marketing Plan in and of itself for the upcoming Spring-Summer Meet encompasses an expenditure of approximately \$20,000 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%).

For the upcoming twenty four day Autumn Meet, Betfair Hollywood Park is making a concerted effort to deploy our resources with an eye toward the acquisition and development of new fans through ethnic marketing initiatives while continuing efforts for retention of existing customers.

Database analytics of the Betfair Hollywood Park customer database indicate a significant proportion of customers are Hispanic. In addition, 69% of Betfair Hollywood Park customers live within 20 miles of the track. Census bureau data mirrors the ethnic statistical breakdown with 51% of the population of Inglewood identified as Hispanic. There is significant potential for customer acquisition, as data supplied by Claritas indicates that 8.3 million Hispanics live in Los Angeles, making it the nation's #1 Hispanic market. The Hispanic market also skews younger in Los Angeles, with a median age of 28.3 years.

The marketing mix will focus on reaching this segment through Spanish and English language communication channels. On track, Spanish language marketing promotions and bilingual customer services will play a key role in serving the needs and enhancing the customer experience of Hispanic racing fans.

In addition, efforts will continue to reach and service other segments with distinct demographic, attitudinal, and generation behavioral characteristics, identified as Elite Experts, Moderate Core, Infrequent Fringe and Horse Lovers.

Addressing the concerns of core players, the Player's Pick 5 wager with a low takeout has received positive response and support as indicated in a healthy \$203,270 daily average pool for Autumn 2011. The Betfair Hollywood Park Player's Lounge launched in July and offers patrons modern, well-appointed surroundings, contemporary enhanced food and beverage options, access to state-of-the-art technologies including wide screen HD TVs, Wi-Fi internet and wagering via betting terminals and tellers. The updated version of the iGoRacing iPhone and android

App has been enhanced with live streaming video and gives horseplayers information at their fingertips. The Android version of the App will be deployed in time for the Autumn meet.

The challenges of a slowly recovering economy persist, aggravated by the sharp increases in fuel prices and food prices. As cited by the CMC research, the top two reasons customers attend less often are less money for gambling and entertainment. A major focus of the marketing plan for the upcoming Meet is that Betfair Hollywood Park represents the most affordable and best value in sports entertainment in the Los Angeles area. Special emphasis is placed on pricing discounts offered throughout the racing season. Thursdays are 55+ Days and fans 55 and better receive \$5 discount on Player's Club Admission. Friday afternoon racing will feature the "Fiesta Friday" happy hour beginning at 3pm. Fiesta Friday will offer drink specials such as Margarita's, chips and salsa along with a special Mexican inspired menu throughout the facility.

We will offer a \$1 discount on Admission to Gold Club Members each day. There will also be a "Free Days on Us," for Gold Club members. We 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 budget-minded consumer.

Attachment E - Section 16Concessionaires and Service Contractors

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

Harry Aqurarelli Tip Sheet
 Duke Racing Selections
 6632 West 87th Street
 Los Angeles, California 90045

Winners Tip Sheet
 Toby Turrell
 14112 Enfield Circle
 Westminster, California 92683

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

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. Janitorial
 1050 South Prairie
 Inglewood, California 90301

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

Group Events – We employ handicapping aides each day there are groups attending the races to educate new fans as to how to wager.

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

1. Horsemen
2. Fans – **The Boffair Hollywood Park Player’s Lounge launched in July and offers patrons modern, well-appointed surroundings, contemporary enhanced food and beverage options, access to state-of-the-art technologies including wide screen HD TVs, Wi-Fi internet and wagering via betting terminals and tellers.**
3. Facilities in the restricted areas - **Improvements to be determined**

18. SCHEDULE OF CHARGES

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 Phil Miyazaki, CHRB investigator on August 28, 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):
- B. Attach each horsemen's agreement pursuant to CHRB Rule 2044. The CTT agreement is on file. The TOC agreement will be submitted under separate cover.
- 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):
- 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.**

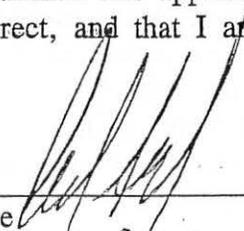
NOTICE TO APPLICANT: Pursuant to CHRB Rules 1870 and 1871, the CHRB shall be given 15 days' notice in writing of any intention to terminate a horse racing meeting or the engagements or services of any licensee, approved concessionaire, or approved service contractor.

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 

Date 8/6/12

STAFF ANALYSIS

PUBLIC HEARING 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; 2086.1, AUTHORIZATION FOR EXCHANGE WAGERING; 2086.5, APPLICATION FOR LICENSE TO OPERATE EXCHANGE WAGERING; 2086.6, OPERATING PLAN REQUIRED; 2086.7, EXCHANGE WAGERING DATA; 2086.8, MONITORING SYSTEMS AND NOTIFICATION; 2087, SUSPENDING MARKETS; 2087.5, ANTEPOST MARKET; 2087.6, CANCELLATION OF MATCHED WAGERS; 2088, DECLARED ENTRIES; 2088.6, CANCELLATION OF UNMATCHED WAGERS; 2089, ERROR IN PAYMENTS OF EXCHANGE WAGERS; 2089.5, REQUIREMENTS TO ESTABLISHING EXCHANGE WAGERING ACCOUNT; 2090, POSTING CREDITS FOR WINNINGS FROM EXCHANGE WAGERS; 2090.6, WITHDRAWALS BY ACCOUNT HOLDER; 2091.5, SUSPENDING AN EXCHANGE WAGERING ACCOUNT; 2091.6, POWERS OF THE BOARD TO REVIEW AND AUDIT RECORDS; 2092, DISTRIBUTION OF EXCHANGE REVENUES; 2092, EXCHANGE WAGERS PLACED AFTER THE START OF A RACE; 2092.5, PROHIBITIONS ON WAGERS TO LAY A HORSE TO LOSE; 2092.6, SUSPENSION OF OCCUPATIONAL LICENSE AND RULE 2093, CERTAIN PRACTICES RELATED TO EXCHANGE WAGERING.

Regular Board Meeting
September 20, 2012

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 (Ad Hoc committee) met at Santa Anita Park Race Track. The Ad Hoc 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 Ad Hoc 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 Ad Hoc committee took no action, as an agreement between the parties had not been reached. Following the Ad Hoc committee meeting changes were made to certain proposed regulations in response to comments.

At the March 22, 2012 Regular Board Meeting staff was instructed to initiate a 45-day public comment period regarding the addition of Article 27, Exchange Wagering. During the public comment period written comments were received from a wide variety of interested industry parties.

At the June 28, 2012 hearing for adoption of Article 27, Exchange Wagering, the Board determined that it would hold an Ad Hoc committee meeting to review written comments received during the 45-day public comment period and to authorize modifications to proposed regulations where the Ad Hoc committee felt changes were appropriate. The Board directed staff to organize the comments so that only those relating directly to the text of proposed regulations were provided, and to modify the text of the regulations where it believed comments should be accepted.

On August 22, 2012 the Ad Hoc committee met at Del Mar Race Course Surfside Race Place. The Ad Hoc committee heard testimony regarding proposed changes to specific exchange wagering regulations. The Ad Hoc committee instructed interested parties to resubmit their comments with proposed texts that included strikeouts and underlines. The parties were to submit comments no later than August 31, 2012. The comments would be placed on the Board's website for all interested persons to view, and staff recommendations would be made at the September 20, 2012 Regular Board Meeting. At that time the Board could instruct staff to initiate an additional comment period, or it could adopt the proposed Article 27 as previously presented.

ANALYSIS

Article 27, Exchange Wagering, is comprised of 25 proposed regulations governing the conduct of exchange wagering in California. During the August 2012 comment period comments were received on 18 of the 25 proposed regulations. After reviewing comments submitted during the comment period, modifications were made to 14 of the proposed regulations. The proposed modifications are:

Rule 2086, Definitions, Provides definitions of exchange wagering terms. The proposed modification of Rule 2086 would amend subsection 2086(p):

- 2086(p) “Matched Wager” means the wager that is formed when two or more persons, none of whom may be an exchange provider or its agents, are confirmed by the exchange provider as having placed identically opposing wagers in a given market on the exchange.

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. The proposed modification to Rule 2086.6 would change subsections:

- 2086.6(c) to include a reference to Business and Professions Code section 19604.5(d) which lists the security policies and safeguards required under the statute.
- 2086.6(h), which requires the exchange operator to provide its requirements for exchange wagering accounts established and operated for persons whose principal residence is *outside the state*. The proposed modification states: “which for the purposes of these rules, shall apply only to wagering on California races.” This is in keeping with Business and Professions Code section 19604.5(b) which states that exchange wagering by residents of jurisdictions outside of California on the results of races conducted in California shall be lawful under specified conditions.

Rule 2086.7, Exchange Wagering Data, addresses analysis and reporting of exchange wagering data. The proposed modification corrects a misspelling of “pari-mutuel”.

Rule 2086.9, Financial Security and Integrity Audits, requires specified audits of exchange wagering providers. The proposed modification will require that the exchange provider submit an annual audited financial statement to the Board 120 days after the end of the fiscal year rather than 90 days.

Rule 2087.5, Antepost Market, describes the antepost wager. The proposed modification of Rule 2087.5 narrows the types of races on which the wager may be made and clarifies that such wagers are not “single wagers” made by one person.

- (a) Antepost market wagers are authorized on Grade 1/Group 1 or Grade 2/Group 2 stakes races and are exchange wagers placed in advance of the closing of entries where one single wager is made on an outcome that includes both

Rule 2087.6, Cancellation of Matched Wagers, describes the circumstances under which a matched wager may be canceled. The proposed modification of the rule allows the exchange provider to cancel part of a matched wager as provided under Business and Professions Code section 19604.5(k).

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

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

- Modified the regulation to allow the account holder to cancel an unmatched wager.
- Modified the regulation to allow exchange provider and account holder to cancel an unmatched wager without cause.

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

- Modified regulation to require the exchange provider to notify the account holder of an underpayment.
- Modified regulation to allow exchange provider to recover overpayments, as specified. The modification includes a provision that allows the account holder to dispute the exchange provider’s actions. The Board would determine the validity of the exchange provider’s actions.

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. The rule was modified to state that the rule would apply only to wagers on California races with regards to residents of another state establishing an exchange wagering account. The modification also changed “jurisdiction” to “state” for purposes of clarity. The modifications included a change to subparagraph (d) to allow the exchange provider to refuse to establish an account for any reason.

- Modify subsection 2089.5(a) to state: Residents of another jurisdiction state may establish exchange wagering accounts provided it is not unlawful under United States federal law or the law of that jurisdiction state to place an exchange wager provided, however, that these rules shall apply only to wagering on California races.
- (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~~ finds that any information supplied by the prospective account holder is untrue or incomplete, or for any other reason as determined by the exchange provider.

Rule 2089.6, Deposits to an Exchange Wagering Account, provides how an exchange wagering account holder may make deposits to an account. The modification to this regulation states the exchange wagering account holder may make deposits in any form accepted by the exchange provider.

- (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 any one of the following as may be accepted by the exchange provider:

Rule 2090, Posting Credits for Winnings from Exchange Wagers, provides the requirements for the posting of credits for winnings from matched wagers. The proposed change adds a new subsection 2090(b) to require credits for wagers on a scratched entry to be posted immediately to exchange wagering accounts, as applicable.

- Update subsection 2090(b) to add “(b) Credit for any wagers on a scratched entry shall be posted to the account by the exchange provider immediately after the scratch.

Rule 2092.5, Prohibitions on Wagers to Lay a Horse to Lose, prohibits certain classes of licensees 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. The proposed modification to this regulation includes a version “A” and a version “B”. Version “A” is the version presented at the August 22, 2012 Ad Hoc committee meeting. Version “B” contains modifications suggested by Vice-Chairman Israel at the August 22, 2012 Ad Hoc Committee Meeting. Version “B” would prohibit the following classes of persons from laying a horse to lose:

- Board Members
- Persons who hold valid CHRB occupational licenses
- Employees and Contract employees of the Board

Rule 2092.6, Suspension of Occupational License, provides that the Board of Stewards may suspend the occupational license of any person after a preliminary hearing finds probable cause to believe that such person has committed acts of fraud in connection with exchange wagering or

any other action or inaction that threatens the integrity of exchange wagering. The proposed amendment to this regulation adds "preliminary hearing" to subsection 2092.6(a) and substantially modified subsection 2092.6(b) to address concerns expressed by the Jockeys' Guild.

- (b) Such suspension of license shall be for a period of time designated by the Board of Stewards, unless otherwise determined by the Board, provided that any such suspension under this section shall be limited to ten days and, if probable cause that a violation has occurred has been found, a hearing under Business and Professions Code section 19461 to determine whether a licensee has committed a violation of the rules must be held before any further discipline may be imposed.

If the modifications to the proposed texts are accepted by the Board, the proposed addition of Article 27 will need to be noticed for an additional public comment period. The public comments will be limited to the proposed modified texts only.

RECOMMENDATION

This item is presented for Board discussion and action. Staff recommends the Board direct staff to initiate a 15 day public comment period.

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

Regular Board Meeting
September 20, 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) "Credits" means all positive inflow of money to an exchange wagering account.

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

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

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

(g) “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.

(h) “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.

(i) “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.

(j) “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.

(k) “Exchange wagering license application” means the application form CHRB 229 (New 5/12), Application for License to Operate Exchange Wagering.

(l) “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.

(m) “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.

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

(o) “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.

(p) “Matched wager” means the wager that is formed when two or more persons, none of whom are the exchange provider or agents, are confirmed by the exchange provider as having placed identically opposing wagers in a given market on the exchange.

(q) “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.

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

(s) “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.

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

(u) “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.

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

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

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

(y) “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.

(z) “Withdrawal” means a payment from an exchange wagering account by the exchange provider to the 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
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2086.1. AUTHORIZATION FOR EXCHANGE WAGERING

Regular Board Meeting
September 20, 2012

2086.1. Authorization for Exchange Wagering.

(a) Exchange Wagering may be conducted upon the approval of the Board as provided for in this article and under the provisions of Business and Professions Code sections 19604.5(b)(2) to (7), inclusive.

(b) Despite subsection (a) of this regulation, a licensee may conduct exchange wagering on any horse race conducted outside of California where the licensee does not offer exchange wagering to residents of California on that race.

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 2086.5. APPLICATION FOR LICENSE TO OPERATE EXCHANGE WAGERING

Regular Board Meeting
September 20, 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 05/12) 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 protect the

public and 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.

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
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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 a 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, and that the funds shall not be used for any purpose other than those required by the account holder's exchange wagering transactions.

(c) Technology and hardware and software systems information, which shall include a data security policy as provided under Business and Professions Code section 19604.5(d), 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, which for the purposes of these rules, shall apply only to wagering on California races.

(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.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2086.7. EXCHANGE WAGERING DATA

Regular Board Meeting
September 20, 2012

2086.7. Exchange Wagering Data.

(a) For the purposes of ~~pari-mutual~~ pari-mutuel 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 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
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2086.8. MONITORING SYSTEMS AND NOTIFICATION

Regular Board Meeting
September 20, 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 a set amount approved by the Board in the operating plan, including online documentation and training;

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

(3) Provide immediate notification by email to the Board and its designee of when certain predetermined and agreed upon events occur as set out in the operating plan occur;

(4) Establish and distribute criteria for anti money laundering procedures 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
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2086.9. FINANCIAL AND SECURITY INTEGRITY AUDITS REQUIRED

Regular Board Meeting
September 20, 2012

Rule 2086.9. Financial and Security Integrity Audits Required.

(a) Ninety One hundred twenty days after the end of each calendar year the exchange provider shall submit to the Board an annual audited 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
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2087. SUSPENDING MARKETS

Regular Board Meeting
September 20, 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.

(d) An account holder who believes a payout was inappropriately disrupted due to the suspension of a market may submit a claim to the exchange provider in accordance with Rule 2089 of this article.

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
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2087.5. ANTEPOST MARKET

Regular Board Meeting
September 20, 2012

2087.5. Antepost Market.

(a) Antepost market wagers are authorized on Grade 1/Group 1 or Grade 2/Group 2 stakes races and are exchange wagers placed in advance of the closing of entries 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.

(b) Antepost markets close for wagering at the close of entries.

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 2087.6. CANCELLATION OF MATCHED WAGERS

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September 20, 2012

2087.6. Cancellation of Matched Wagers.

(a) An exchange provider may cancel or void a matched wager or part of 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)(1), (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.

(c) An account holder who believes a payout was inappropriately disrupted due to the cancellation of a matched wager may submit a claim to the exchange provider in accordance with Rule 2089 of this article.

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
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2088. NON-STARTERS AND DECLARED OR SCRATCHED ENTRIES

Regular Board Meeting
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2088. Non-Starters and Declared or Scratched Entries.

(a) Except for in an antepost market, matched wagers on non-starters and declared or scratched entries shall be voided by the exchange provider.

(b) In the event of a non-starter, declared or scratched entry, the price of all other matched wagers existing at the time the declared or scratched entry occurred, or the non-starter declared, may/may not be reduced proportionally by the exchange provider in accordance with the terms set forth in its operating plan to reflect the increased probability that those outcomes will become winning outcomes.

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
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2088.6. CANCELLATION OF UNMATCHED WAGERS

Regular Board Meeting
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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.

The exchange provider or the account holder who offered the unmatched wager may cancel an unmatched wager at any time without cause before it is matched 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

Regular Board Meeting
September 20, 2012

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 account holder, the exchange provider may prohibit the withdrawal of funds equal to the overpayment. The exchange provider shall immediately notify the account holder of the overpayment and shall be entitled to recover from such account holder the amount of the overpayment.

(1) An account holder who disputes an overpayment may, within 90 calendar days of the date of the overpayment, request in writing that the Board determine the validity of such overpayment.

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

(1) The exchange provider shall notify the account holder of such underpayment.

(12) An account holder must submit a claim for the underpayment within 30 90 calendar days inclusive of the date on which the alleged underpayment occurred. The exchange provider 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 claim not filed with the exchange provider within ~~30~~ 90 calendar days inclusive of the date on which the alleged under-payment occurred shall be deemed waived and the exchange provider shall have no further liability therefore.

(3) Any person whose claim is rejected by the exchange provider may, within ~~15~~ 45 calendar days from the date he received the notice of rejection, request in writing that the Board 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.

(4) 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 I whole or in part. Any such determination shall be final and binding on all parties.

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 2089.5. REQUIREMENTS TO ESTABLISH AN EXCHANGE WAGERING
ACCOUNT

Regular Board Meeting
September 20, 2012

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 state may establish exchange wagering accounts provided it is not unlawful under United States federal law or the law of that jurisdiction state to place an exchange wager provided, however, that these rules shall apply only to wagering on California races. An account may be established in person, by mail, telephone, or other electronic media including but not limited to the Internet. Only natural persons may open an account. 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 finds that any information supplied by the prospective account holder is untrue or incomplete, or for any other reason as determined by the exchange provider.

(1) If the exchange provider cancels a previously established account, within five business days it shall return to the account holder at the address of record any funds held in the account.

(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.

(1) 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
September 20, 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 any one of the following as may be accepted by the exchange provider:

(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
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2090. POSTING CREDITS FOR WINNINGS FROM EXCHANGE WAGERS

Regular Board Meeting
September 20, 2012

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) Credit for any wagers on a scratched entry shall be posted to the account by the exchange provider immediately after the scratch.

(bc) Notwithstanding Rule 1955 of this division, where the outcome of a matched antepost 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 antepost 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
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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.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2090.6. WITHDRAWALS BY ACCOUNT HOLDER

Regular Board Meeting
September 20, 2012

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 in the account, 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 in the account, 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.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2091. CLOSING AN INACTIVE EXCHANGE WAGERING ACCOUNT

Regular Board Meeting
September 20, 2012

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.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2091.5. SUSPENDING AN EXCHANGE WAGERING ACCOUNT

Regular Board Meeting
September 20, 2012

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.

(c) Funds in a suspended account shall be maintained by the exchange provider until such time as any investigation associated with the suspension is complete and/or the account is no longer suspended.

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 2091.6. POWERS OF THE BOARD TO REVIEW AND AUDIT RECORDS

Regular Board Meeting
September 20, 2012

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, 19433, 19440, 19590 and 19604.5, Business and Professions Code.

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

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2092. EXCHANGE WAGERS PLACED AFTER THE START OF A RACE

Regular Board Meeting
September 20, 2012

2092. Exchange Wagers Placed After the Start of a Race.

(a) As reflected in the exchange provider's operating plan, and as approved authorized by the racing association and horsemen's organization, 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.

Version A

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2092.5. PROHIBITIONS ON WAGERS TO LAY A HORSE TO LOSE

Regular Board Meeting
September 20, 2012

2092.5. 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 or substitute 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.;
- (7) The veterinarian or any assistant to the veterinarian providing services to the trainer who trains the horse.

(b) Nor shall any of the persons named in subsection (a) through (a)(7) 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.

(d) Nothing herein is intended to otherwise alter the applicability or application of Rule 1970.

Version A

(e) Individuals prohibited from wagering under Rule 1969 Shall be prohibited from placing an exchange wager while on duty at a race meeting or off-track wagering facility, including an out-of-state-Hub.

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.

Version B

CALIFORNIA HORSE RACING BOARD
 TITLE 4. CALIFORNIA CODE OF REGULATIONS
 ARTICLE 27. EXCHANGE WAGERING
 PROPOSED ADDITION OF
RULE 2092.5. PROHIBITIONS ON WAGERS TO LAY A HORSE TO LOSE

Regular Board Meeting
 September 20, 2012

2092.5. Prohibitions on Wagers to Lay a Horse to Lose.

(a) No exchange wager that lays a horse to lose may be made by:

(1) A member of the Board;

(2) Any person who holds a valid CHRB occupational license;

(3) Any employee or contract employee of the Board;

(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 subsections (a)(1) through (a)(3) 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.

(d) Nothing herein is intended to otherwise alter the applicability or application of Rule 1970.

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

Reference: Sections 19593 and 19604.5(e)(3)(A).

Version B

Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2092.6. SUSPENSION OF OCCUPATIONAL LICENSE

Regular Board Meeting
September 20, 2012

2092.6. Suspension of Occupational License.

(a) The Board of Stewards may suspend the occupational license of any person if, after a preliminary hearing, it determines there is probable cause to believe that such person may have has 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 a period of time designated by the Board of Stewards, unless otherwise determined by the Board, provided that any such suspension under this section shall be limited to ten days and, if probable cause that a violation has occurred has been found, a hearing under Business and Professions Code section 19461 to determine whether a licensee has committed a violation of the rules must be held before any further discipline may be imposed.

(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
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 27. EXCHANGE WAGERING
PROPOSED ADDITION OF
RULE 2093. CERTAIN PRACTICES RELATED TO EXCHANGE WAGERING

Regular Board Meeting
September 20, 2012

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.

CALIFORNIA HORSE RACING BOARD
Regular Board Meeting
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California Horse Racing Board				
From	Current Rule Number and Text	Proposed Modifications Received	Comments received	Staff Recommendation
<p>couto&associates</p> <p>Submitted on behalf of Global Betting Exchange</p>	<p>2086. Definitions As used in this article:</p> <p style="padding-left: 40px;">(a) "Back" means to wager on a selected outcome occurring in a given market.</p> <p style="text-align: center;">* * *</p>	<p style="text-align: center;">Alternative A</p> <p><u>"Best Execution" is the process by which the exchange operator may determine that an account holder making an offer to match a wager at specified odds is implicitly offering to match a wager at better odds if such are available and the exchange operator may adjust the offer to those better odds to generate an identically opposed wager that may then be matched. The benefit of this adjustment shall accrue to the account holder and not to the exchange operator.</u></p> <p style="text-align: center;">Alternative B</p> <p><u>(b) "Best execution" means the process by which an exchange provider facilitates the matching of identically opposing wagers at better odds than proposed, when available.</u></p>	<p>Based on the CHRHB's prior comments, GBE proposes the addition of "best execution" as a CHRHB-defined term, inserted as subsection "(b)."</p> <p>"Best execution" is the process currently and commonly utilized by exchange wagering providers worldwide, including Betfair and Betdaq, to facilitate the matching of identically opposing wagers, at better odds than proposed.</p> <p>Though a fundamental and material practice on all exchanges, the term is not defined in the current draft of the CHRHB's regulations. Moreover, neither Betfair's currently web-published "terms and conditions" nor its own "rules and regulations" provide a definition of the term. Despite consistent use of the process, the only reference to the process is buried in Betfair's FAQ's, and are inexplicably difficult to find. http://en.learning.betfair.com/app/answers/detail/a_id/2659</p> <p>Exclusion of the term from CHRHB-approved definitions questionably defers substantively defining this important process to licensees who may offer differing definitions and applications inconsistent with the CHRHB's statutorily required duties of assuring the protection of the public and providing uniformity of regulation. See, B&P Code, section 19401(a and d). It is unnecessary for the CHRHB to defer this obligation in order to encourage or promote competition among providers.</p>	<p><u>No change recommended.</u></p> <p>Nothing currently prohibits the practice. The terms and conditions are part of the application (item 10.B.) and the Board can take action if it believes the practice, as described by the exchange provider, is harmful.</p>
<p>California Thoroughbred Trainers</p>	<p>2086. Definitions.</p> <p>... (p) <u>"Matched wager" means the wager that is formed when two or more persons are confirmed by the exchange provider as having placed identically opposing</u></p>	<p>Modify 2086(p):</p> <p>...2086(p) <u>"Matched wager" means the wager that is formed when two or more persons, none of whom may be an exchange provider or its</u></p>	<p>This latest version of 2086 no longer includes the definition "Corrective Wager" which was included in the prior two versions. "Corrective wager" is a device allowing the exchange provider to make bets in order to balance unmatched bets. Although the definition of "Corrective Wager" is no longer included in the proposed regulations, there is nothing in the latest regulations</p>	<p><u>Modify regulation per recommendation.</u></p>

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From	Current Rule Number and Text	Proposed Modifications Received	Comments Received	Staff Recommendation
	wagers in a given market on the exchange.	agents, are confirmed by the exchange provider as having placed identically opposing wagers in a given market on the exchange.	which purports to define or explain the extent of the exchange provider's financial interaction with the betting system. The implication is that the exchange provider will not be a market maker. But that is not set forth in the regulations despite the removal of the "Corrective Wagers" definition. In response thereto, CTT proposes a change to the language of the definition of "Matched Wagers" found in 2086(p).	
California Thoroughbred Trainers	<p>2086.1(b). Authorization for Exchange Wagering.</p> <p>(a) Exchange Wagering may be conducted upon the approval of the Board as provided for in this article and under the provisions of Business and Professions Code sections 19604.5(b)(2) to (7), inclusive.</p> <p>(b) Despite subsection (a) of this regulation, a licensee may conduct exchange wagering on any horse race conducted outside of California where the licensee does not offer exchange wagering to residents of California on that race.</p>	<p>Mirror the language of 19604.5(b).</p> <p><i>"... (b) Notwithstanding any other law, rule, or regulation, exchange wagering by residents of California and residents of jurisdictions outside of California on the results of horse races conducted in California, and by residents of California on the results of horse races conducted outside of California, shall be lawful provided that all of the following apply..."</i></p>	<p>2086.1(b) makes reference to the licensee not offering out-of-state exchange wagering to California residents. It appears to be in conflict with Business and Professions Code section 19604.5(b) which does allow, under certain terms and conditions, for betting on out-of-state races by California account holders. Subsection (b) of the proposed regulation, on the other hand, seems to prohibit wagering on out-of-state races by California residents. Consistency is required.</p>	<p>No change recommended.</p> <p>Business and Professions Code section 19604.5(b)(2) to (b)(7) encompass the recommended text.</p>
Corbett, Steelman & Specter on behalf of LATC	<p>2086(i)</p> <p>"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 exchanger provider by a natural person."</p>	<p>2086(i)</p> <p>"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 exchanger provider by a natural person. <u>With respect to exchange wagers placed with a licensed racing association at a racetrack, the only requirements for an exchange wagering account are that the person opening the account be at least 18 years of age, and a resident of California or present in California at the time when the</u></p>	<p>California benefits from wagers placed by out-of-state patrons at our local race tracks. There is no rational basis for limiting an attendee's right to participate in Exchange Wagering based upon the laws of his home state, when these same restrictions are not applied to any other form of wagering. If Exchange Wagering is available at the race tracks to California residents, then it should also be available to all persons visiting California regardless of residency. This is particularly impactful for an event such as the Breeders Cup that attracts many out-of-state residents to California. In addition, it would place an undue burden on the race track personnel to request identification from any person present at the race track seeking to participate in Exchange Wagering, or to research the laws of their home state, before accepting a wager from them. Finally, there may also be constitutional ramifications to refusing to permit one in attendance from wagering based upon their residency.</p>	<p>No change recommended.</p> <p>Business and Professions code section 19604.5(c) states only natural persons with a valid exchange wagering account may place wagers through an exchange. The statute provides that to establish an account a person must be 18 years of age, a resident of California, or of another jurisdiction within which the placement of exchange wagers would not be unlawful under US federal law or of that jurisdiction.</p>

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		<u>wager is placed. None of the other account requirements set forth in these Rules shall be applicable to such wagers."</u>		
CDTIC	<p>Section 2086.1 Authorization for Exchange Wagering. (a) Exchange Wagering may be conducted upon the approval of the Board as provided for in this article and under the provisions of Business and Professions Code sections 19604.5(b)(2) to (7), inclusive. (b) Despite subsection (a) of this regulation, a licensee may conduct exchange wagering on any horse race conducted outside of California where the licensee does not offer exchange wagering to residents of California on that race.</p>	<p>(a) Exchange Wagering may be conducted upon the approval of the Board as provided for in this article and under the provisions of Business and Professions Code sections 19604.5(b)(2) to (7), inclusive. <u>Exchange wagering may only be conducted on those races where the necessary consent has been obtained from the applicable host track and horsemen's group. Specific written consent must be obtained from the applicable host track and horsemen's group to offer antepost market wagers, wagers placed after the start of a race or wagers to lay a horse to lose.</u> (b) Despite subsection (a) of this regulation, a licensee may conduct exchange wagering on any horse race conducted outside of California where the licensee does not offer exchange wagering to residents of California on that race.</p>	<p>Subdivision (a) of this section provides that exchange wagering may be conducted under the provisions of sections 19604.5(b)(2) to (7) of the statute. Paragraphs (4) through (7) all require an exchange wagering agreement with the racing association or fair and the horsemen's organization. Subdivision (b) goes beyond the authority and fails to recognize the necessary consent rights of tracks and horsemen located outside of California. Exchange wagering is a significantly different form of wagering than pari-mutuel wagering. The Board acknowledged that repeatedly throughout its Initial Statement of Reasons as justification for these regulations. One of the unique aspects involved in exchange wagering is that a bettor may wager on a horse to lose. Allowing wagers on a horse to lose raises substantial concerns about the impact of such wagers on the integrity of horseracing. Obviously, it is much easier to cause a horse to lose than it is to cause a horse to win. Wagers to lay a horse to lose requires greater diligence to assure fairness and integrity. In fact, the Board recognized this in section 2092.5 of the regulations. There, the Board specifically prohibits all persons who could contribute to a horse losing from wagering on a horse to lose. The Board's prohibition about who may not bet on a horse to lose does not go far enough to address the potential harmful impact on horseracing in California from allowing wagers that a horse will lose. Accordingly, the Board is urged to require the exchange wagering agreements with the racing associations, fairs, and horsemen's organizations (host track interests) to expressly allow or refuse wagers on a horse to lose. Those entities have the greatest stake in maintaining and protecting the integrity of horseracing in California. Each should be able to decide whether the risk to the reputation of horseracing is such that wagers on a horse to lose should be permitted or not.</p>	<p>No change recommended.</p> <p>(1) Agreements are required under Business and Professions code section 19604.5(b)(2) to (b)(7). (2) The very nature of exchange wagering requires someone to back a wager and another to lay a wager.</p>

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Corbett, Steelman & Specter on behalf of LATC	"Despite subsection (a) of this regulation, a licensee may conduct exchange wagering on any horse race conducted outside of California where the licensee does not offer exchange wagering to residents of California on that race."	2086.1(b) must be deleted.	This rule purports to allow an online exchange wagering operator licensed by California to accept wagers from non-California residents on non-California races. This contradicts the modification made to Rule 2089.5, which specify that accounts opened by non-California residents may be "used for wagering on California races only," and it therefore should be deleted.	<u>No change recommended.</u> Rule 2089.5 modified per TVG/Betfair comments, so "contradiction" no longer exists.
couto&associates Submitted on behalf of Global Betting Exchange	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 05/12) 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.	(b) an applicant must complete CHRB form 229 (new 05/12) 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. <u>A bond from a surety company admitted in the state of California or other form of financial security in the amount of \$500,000 or such other amount as is reasonably determined by the board to ensure licensed exchange providers fulfill their assessment obligations under Business and Professions Code section 19604.5(e)(6), must accompany the application,</u> a detailed 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.	GBE proposes the additional language because it believes the rule as drafted exceeds the statutory authority conveyed upon the CHRB by the legislature. Business and Professions Code section 19604.5(e)(6) specifically limits the CHRB's power to the <i>recovery of reasonable costs</i> associated with the licensing or regulation of exchange wagering from exchange wagering licensees. This section of the statute further limits the CHRB's authority to the imposition of an assessment "that does not exceed the reasonable costs associated with the licensing or regulation of exchange wagering." Accordingly, the law expressly prohibits the CHRB from prospectively funding such costs, particularly if the amount imposed exceeds the reasonable costs associated with the licensing or regulation of exchange wagering. Based on GBE's decade of experience, the proposed \$1.4 million deposit is unreasonable and excessive, particularly when considered that each such potential licensee must submit an equal amount, suggesting that the CHRB has – without any prior experience in regulating exchange wagering – conducted an analysis and determined that the reasonable cost of regulating each licensee is equal at \$1.4 million, and that there are no economies of scale when more than one license is regulated. The proposed language is proffered as a more feasible means to ensure the payment of such reasonable costs, in a manner that is entirely consistent both with the statute and existing CHRB regulations relating to the more traditional form of ADW. The proposed bond would act as a surety, guaranteeing the CHRB payment of "the reasonable costs" of licensing and regulating exchange wagering in a manner that does not exceed those reasonable costs. Should a provider fail to pay its share of these reasonable costs, the bond provides an immediate, accessible, and	<u>No change recommended.</u> A surety bond is a promise to pay an amount if a second party fails to meet an obligation. The purpose of the certified check required under Rule 2086.5 is to recover the costs to the Board for licensing and regulating exchange wagering (See Business and Professions Code section 19604.5(e)(6)). Regardless of the amount set for the license fee, a certified check is preferable to a surety bond or other form of financial security. The Board needs to access the funds and a certified check provides liquidity.

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			<p>guaranteed source of payment for such assessment.</p> <p>Given that current ADW wagering handle is expected to significantly exceed exchange wagering activity in the near-term, the \$500,000 financial security/bond deposit deemed reasonable and required of ADW providers provides a clear and time-tested valuation as to the sufficiency of financial security needed. Furthermore, this form of financial security – rather than a certified check – not only ensures the CHRB access to sufficient funds to recover its reasonable costs, but it simultaneously enables providers/licensees to continue utilizing a significant amount of capital needed to successfully and legally operate their business.</p>	
CDTIC	<p>Section 2086.5 Application for License to Operate Exchange Wagering.</p> <p>(b) An applicant must complete CHRB form 229 (New 05/12) 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.</p>	<p>(b) An applicant must complete CHRB form 229 (New 05/12) 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.</p> <p>[Please see our comments, but we feel that the initial statement of</p>	<p>Subdivision (b) of this section requires an application for a license to operate exchange wagering to be accompanied by "a certified check in the amount of \$1,400,000, payable to the Board, or an amount to be determined by the Board" pursuant to section 19604.5(e)(6). That paragraph provides, "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." Subdivision (6) of this section raises a number of concerns. The first concern raised by the fee provision is that the amount of the fee exceeds the authority granted by the Legislature. As noted, the Legislature authorized only the recovery of costs "associated with the licensing or regulation of exchange wagering." The legislation does not authorize the Board to require payment up front accompanying a license application. Further, the fee set out in the regulation of \$1.4 million exceeds the "reasonable costs associated with the licensing or regulation of exchange wagering." Any fee above the reasonable costs associated with licensing and regulating exceeds the authority granted by the Legislature.</p> <p>The second concern raised by the fee provision is that nothing is contained in the Initial Statement of Reasons demonstrating the necessity for a fee in the amount of \$1.4 million, or in any</p>	<p><u>No change recommended.</u></p>

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		<p>reasons should provide detail to support the reasonable costs to be recoverable and that the costs be known up front as this is not insignificant. This is an issue that is difficult to address and should be discussed in detail.]</p>	<p>amount. As a consequence, interested parties are precluded from commenting on the reasonableness of the costs projected by the Board to be required to license and regulate exchange wagering. The absence of information setting out the projected costs defeats the purpose contained in the Administrative Procedure Act of requiring an Initial Statement of Reasons to set out the basis for the proposed regulations so that interested parties have sufficient information to comment.</p> <p>The third concern raised by the fee provision is its lack of clarity. A regulation, to be valid, has to be clear and understandable to the regulated entities. This regulation is written in the disjunctive. The fee amount is \$1.4 million "or an amount to be determined by the board." Potential applicants for a license are provided no certainty about what the fee amount may be. Will it be \$1.4 million? More? Less?</p> <p>As noted above, the Board lacks authority to require an upfront fee in conjunction with a license application when the statute calls for recovering costs. If the Board, despite that, seeks to collect an upfront fee, it must impose that fee by a valid regulation adopted consistently with the requirements of the Administrative Procedure Act. The failure to have included the basis for estimating the projected costs in the Initial Statement of Reasons means the Board has to begin the rulemaking procedure anew. It is not sufficient for the Board, at this time, or in a 15-day notice, to provide that information. The Administrative Procedure Act contemplates that interested parties will have a full 45 days to analyze and prepare comments in response to the justification for a specified fee amount. Without starting anew, any fee imposed pursuant to this regulation is subject to being declared invalid.</p>	
CDTIC	<p>Section 2086.5 Application for License to Operate Exchange Wagering. (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.</p>	<p>(c) The term of the exchange wagering License shall be not more than <u>2 1</u> years from the date the exchange wagering license is issued, unless otherwise determined by the Board <u>for all licensees.</u></p>	<p>Subdivision (c) of this section provides that an exchange wagering license term shall be no more than two years, "unless otherwise determined by the board." This provision raises two concerns. The first concern with subdivision (c) is what is the necessity or reasons for setting the term of a license at two years? The Board, in its Initial Statement of Reasons, states that two years "is consistent with current Board practice regarding the term of</p>	<p><u>No change recommended.</u></p> <p>No explanation is provided as to why a one year license is preferable to a two year license. Advance deposit wagering regulations set the term of license at two years,</p>

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			<p>license provided in advance deposit wagering and minisatellite wagering entities." The statement that other licenses are for the term of two years fails to explain why two years is chosen for an exchange wagering license. Nothing in the Initial Statement of Reasons indicates that the purposes of SB 1072, that is, promoting the economic future of the horse racing industry in California and to foster the potential for increased commerce, employment, and recreational opportunities in California, are best served by a two-year license. Nothing in the Initial Statement of Reasons indicates what administrative benefits are derived from setting a two-year term for advance deposit wagering or minisatellite wagering entities. The essence of the Initial Statement of Reasons statement is simply "this is how we do it" without explanation.</p> <p>The term of the license can have a significant impact on the workability and success of exchange wagering. However, without information as to the basis and the evidence demonstrating the necessity for a two-year term, it is impossible for an interested party to determine whether the two-year term is appropriate or whether the term should be longer or shorter. Again, the Administrative Procedure Act contemplates interested parties having 45 days to analyze and comment on the asserted basis for determining that a particular regulation is necessary. This is an omission that cannot be remedied by making that information, if it exists, available today or in a 15-day notice.</p> <p>The second concern is that subdivision (c) lacks clarity. The regulation says that the term of a license will be for not more than two years unless otherwise determined by the Board. Accordingly, potential license applicants have no idea, relying on the regulation, what the term of its license will be. What standards will the Board consider in determining whether to change the term of a license? Does the Board contemplate lengthening or shortening the term of a license? Does the Board contemplate lengthening or shortening the term for different applicants? Substantial uncertainty exists with respect to this provision, and as such it fails to meet the clarity standard of the Administrative Procedure Act. The lack of clarity also lends itself</p>	<p>however, the Board has continued to set one year terms of license. If the Board determines a one year exchange wagering license is desired, it will have the ability to modify the term at the time of application.</p>

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CDTIC	<p>Section 2086.5 Application for License to Operate Exchange Wagering. (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 protect the public and 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.</p>	<p>(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 shall approve the application if, the applicant has met all applicable regulatory requirements hereunder. 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 protect the public and 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</p>	<p>to lack of consistent application, as the Board could unfairly grant varying terms of a license to different licensees.</p> <p>Subdivision (d) of this section provides that, "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 protect the public and to maintain the integrity of the horse racing industry in this state." Three concerns are raised with respect to subdivision (d). The first concern relates to how the Board can determine whether an applicant has satisfied the standards of this subdivision. Exchange wagering is an entirely new concept in wagering on horse races. It differs significantly from the standard pari-mutuel wager. The question is how will the Board and its staff acquire the expertise to evaluate applications and determine whether the proposed operation plan satisfies the standards of this subdivision. TwinSpire is particularly concerned because it appears that the program contemplated today is largely that proposed by Betfair. The Board's legislative mandate is to implement a program that promotes the economic future of the horse racing industry and to foster increased commerce, employment, and recreational opportunities in California. Clearly, a program designed by a single, potential licensee does not necessarily promote those goals. The Board, no doubt agrees, that what is in California's best interest is to design a program for multiple licensees with the legislative goals uppermost in mind. The second concern relates to the provision's lack of clarity. The provision authorizes the Board to approve or not an application even if it meets the demonstration set out in the regulation. The implication of the provision is that there may be other standards that the Board is looking at, that if met will result in approval and if not met will result in denial. If that is the case, the provision lacks clarity because those other standards are not set out. If there are no other standards, then why is the regulation ambiguous as to whether the Board will approve the application</p>	<p><u>No change recommended.</u></p> <p>This comment would leave the Board little discretion in granting a license to operate as an exchange wagering provider.</p>

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		Government Code section 11523.	or not if those standards are met? These questions demonstrate the lack of clarity of this provision. The third concern with subdivision (d) of this section is that the regulation appears to provide the Board with discretion as to whether to approve or deny a license even if the specified standards are met. Nothing in the Initial Statement of Reasons discusses this provision at all. Accordingly, no evidence, certainly no substantial evidence, exists to demonstrate the necessity for providing that kind of discretion or flexibility to the Board. The absence of evidence demonstrating the necessity for this provision renders the provision invalid. Accordingly, if the Board wants to preserve discretion and flexibility, at a minimum, it must demonstrate the need for that discretion and flexibility with substantial evidence.	
California Thoroughbred Trainers	<p><u>2086.6(i). Operating Plan Required.</u> <u>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:</u></p> <p><u>(a) A detailed report of the daily operation of the exchange.</u> <u>(b) Management of customer accounts including deposits, withdrawals, debits and credits. This shall include:</u> <u>(1) A policy to prevent commingling of funds; and</u> <u>(2) Evidence of an established account with a Federal Deposit Insurance Corporation (FDIC) insured bank in which all funds of the account holders will be deposited. This shall</u></p>	<p>Strike 2086.6(i).</p> <p>“(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.”</p>	<p>Subsection 2086.6(i) attempts to make the operating plan non-disclosable pursuant to <u>Government Code</u> section 6254.¹ It is not clear how the exemption in Section 6254 applies to these records. No privilege is stated. The only privilege which seems remotely applicable is the “Trade Secrets” privilege and if so, the trade secrets would only apply to a small portion of the operating plan. Trade secrets should remain confidential. As for the remainder of the operating plan, there is no exemption from disclosure set forth in the Exchange Wagering Law. It is not clear how subsection (i) is consistent with the Exchange Wagering Law. The trade secrets can be protected while making the remainder of the operating plan, including the critical budgetary estimates and wagering information, disclosable. CTT asked for disclosure of the operating plan. CHRb seeks to protect it from public disclosure and any public records request. CHRb declined to make any changes by stating that “a candid assessment has to be confidential.” While this may be a fruitful and conscientious opinion, it is not based in the law. CHRb must articulate a sound legal reason why this information is exempt under the Public</p>	<p><u>No change recommended.</u></p> <p>The operating plan is official information that the Board is requiring. The Board wants the applicant’s operating plan, which will contain how the applicant will achieve its objective of offering exchange wagering to the public. A candid assessment has to be confidential.</p>

¹ Government Code Section 6254(k) lists the following exemption to disclosure under the Public Records Act: “Records, the disclosure of which is exempted or prohibited pursuant to federal or state law, including, but not limited to, provisions of the Evidence Code relating to privilege.”

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	<p><u>include evidence that account holder's funds are segregated and held in a separate FDIC insured bank account of the exchange provider, and that the funds shall not be used for any purpose other than those required by the account holder's exchange wagering transactions.</u></p> <p><u>(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.</u></p> <p><u>(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.</u></p> <p><u>(e) Document retention policies including those related to account holder personal information and wagering information.</u></p> <p><u>(f) A customer complaint and conflict resolution process.</u></p> <p><u>(g) Programs for responsible wagering.</u></p> <p><u>(h) The requirements for exchange wagering accounts established and operated for persons whose principal residence is outside of the state, which accounts may be utilized for wagers on California races only, and cannot be utilized to wager on non-California races.</u></p> <p><u>(i) The operating plan submitted pursuant to this regulation, and any subsequent updates or changes to such</u></p>		<p>Records Act. Again, there is nothing in the Exchange Wagering Law which protects these records from disclosure.</p>	

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	<u>operating plan, shall be exempt from disclosure pursuant to Government Code section 6254(k) and non-disclosable to the public.</u>			
couto&associates Submitted on behalf of Global Betting Exchange	2086.6. Operating Plan Required. (b) (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, and that the funds shall not be used for any purpose other than those required by the account holder's exchange wagering transactions.	(b) (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 <u>trust in</u> a separate FDIC insured bank account of the exchange provider, and that the funds shall not be used for any purpose other than those required by the account holder's exchange wagering transactions.	As the MEC bankruptcy inadvertently revealed, licensees essentially commingled pari-mutuel monies owing others with operating funds, relying solely on internal financial controls ("segregation") to ensure allocation/distribution to third-parties who were statutory recipients of such monies. This included not only entities to which ancillary distributions were owed, but to bettors who had bet on MEC races through out-of-state/simulcast sites/ADW partners. Similar practices currently exist among licensed ADW providers, where no trust account protections are required, creating an unnecessary risk to account holders. As a consequence, GBE concurs with those who have suggested California licensees be required to hold account holders' monies in trust, as part of a comprehensive, reasonable set of exchange wagering regulations adopted by the CHRB. In doing so, GBE recognizes and concedes that U.S. bankruptcy law would not extend the same protections to account holders' whose funds are held in "segregated" accounts rather than in accounts held in trust. The legislature previously confirmed the importance of this distinction and enacted Business & Professions Code section 19597.5 as a means to protect all statutory distributes, including winning bettors. The existence or non-existence of such protections being afforded parties by the CHRB in regulations promulgated before enactment of Business & Professions Code section 19597.5 does not justify the CHRB knowingly excluding such protections in this instance.	No change recommended. The regulation has already been modified to specify that the segregated funds held in a separate FDIC insured bank account of the exchange provider shall not be used for any purpose other than those required by the account holder's exchange wagering activities. Rule 2086.6 requires evidence of an established account with an FDIC insured bank in which account holder funds will be deposited. This includes evidence that account holders' funds are segregated and held in a separate account of the exchange provider. The Board's regulations do not currently require any funds to be held in trust. Business and Professions Code section 19597.5 addresses racing associations.
ODS Technologies LP ("TVG") and Betfair US LLC ("Betfair	Rule 2086.6(b)(2) (draft for Ad Hoc Committee August 22, 2012 – edits proposed by Staff in single underline)	(Edits proposed by TVG and Betfair in strike-through and double underline)	The Rules otherwise contemplate that a licensee may also be licensed to offer advance deposit wagering under <u>Business & Professions Code § 19604</u> and Article 26 of the Rules. <i>See e.g.</i> Rule 2089.5(e). Should an advance deposit wagering account	No change recommended. If the Board determines an exchange wagering account

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	<p>2086.6. Operating Plan Required.</p> <p>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:</p> <p style="text-align: center;">* * * *</p> <p>(b) Management of customer accounts including deposits, withdrawals, debits and credits. This shall include:</p> <p style="text-align: center;">* * * *</p> <p>(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, <u>and that the funds shall not be used for any purpose other than those required by the account holder's exchange wagering transactions.</u></p>	<p>2086.6. Operating Plan Required.</p> <p>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:</p> <p style="text-align: center;">* * * *</p> <p>(b) Management of customer accounts including deposits, withdrawals, debits and credits. This shall include:</p> <p style="text-align: center;">* * * *</p> <p>(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, and that the funds shall not be used for any purpose other than those required by the account holder's exchange wagering transactions, <u>advance deposit wagering transactions, or related client services.</u></p>	<p>holder desire to open an exchange wagering account, it would be counterproductive and unduly cumbersome to prohibit such account holders from using funds in either account to place advance deposit wagers or exchange wagers. Moreover, it is reasonably likely that holders of exchange wagering accounts may desire to purchase other client services, such as racing forms, video, etc., and should be able to do so with the funds deposited in the exchange wagering account.</p>	<p>holder's advance deposit wagering funds may be used in such a manner, the regulations may be amended at a future date.</p>
<p>ODS Technologies LP ("TVG") and Betfair US LLC ("Betfair")</p>	<p>Rule 2086.6(h) (draft for Ad Hoc Committee August 22, 2012 – edits proposed by Staff in single underline)</p> <p>2086.6. Operating Plan Required.</p> <p>As part of the exchange wagering license application, and any renewal application, the</p>	<p>(Edits proposed by TVG and Betfair in strike-through and double underline)</p> <p>2086.6. Operating Plan Required.</p> <p>As part of the exchange wagering license application, and any renewal</p>	<p>The Los Angeles Turf Club and the Pacific Racing Association (collectively the "Stronach Group") proposed a change to Rule 2086.6(h) to mandate that funds in an exchange wagering account opened by an out-of-state resident could only be used to wager on California races, while an exchange wagering account opened by California residents could be used to wager on any race wherever the race was run. The Stronach Group argued for this change on the basis that Business & Professions Code § 19604.5(b) only</p>	<p><u>Modify regulation per recommendation.</u></p>

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	<p>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:</p> <p>*****</p> <p>(h) The requirements for exchange wagering accounts established and operated for persons whose principal residence is outside of the state, <u>which accounts may be utilized for wagers on California races only, and cannot be utilized to wager on non-California races.</u></p>	<p>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:</p> <p>*****</p> <p>(h) The requirements for exchange wagering accounts established and operated for persons whose principal residence is outside of the state, which accounts may be utilized for wagers on California races only, and cannot be utilized to wager on non-California races, for purposes of these rules, shall apply only to wagering on California races.</p>	<p>permits exchange wagering between residents of California and residents of another jurisdiction on races conducted in California. The Stronach Group misinterpreted the meaning of § 19604.5(b).</p> <p>In enacting <u>Business & Professions Code § 19604.5(b)</u>, the California Legislature sought to make expressly legal exchange wagering where the wager had anything to do with California (i.e. where (i) the bettor was a resident of California, or (ii) the race is run in California, and declare the conditions under which such exchange wagering may take place). However, the California Legislature made <u>no</u> effort to declare, what races <i>outside</i> California a bettor living <i>outside</i> California could bet on or the conditions for such a bet – any more so than the California Legislature could attempt to declare the conditions under which a resident of New Jersey could place a bet at a New Jersey satellite wagering facility on a race run in New York. The conditions under which a bettor located in New Jersey is legally able to place a bet on a race run in New York is a question of the application of New Jersey law (and New York law) and something which California law cannot attempt to regulate.</p> <p>Moreover, attempting to restrict the wagers which a California licensee could take from non-California residents on non-California races would put California licensees at a distinct competitive disadvantage to exchange wagering operators who are licensed in another jurisdiction (e.g. New Jersey) and are able to accept exchange wagers from residents of every other state which may choose to legalize exchange wagering.</p> <p>It is appropriate for the Rules, therefore, to provide conditions applicable to exchange wagers placed by persons resident in jurisdictions outside California <i>solely</i> to the extent that such persons seek to place exchange wagers on races run in California.</p>	
CDTIC	Section 2086.6 Operating Plan Required. As part of the exchange wagering license application, and any renewal application, the	As part of the exchange wagering license application, and any renewal	This section requires license applicants to submit a detailed operating plan "in a format and containing such information as	<u>No change recommended.</u> It is not clear what

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	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:	application, the applicant shall submit a detailed operating plan in a format and containing such information as <u>may reasonably and consistently be</u> required by the Board. At a minimum, the operating plan shall address the following:	required by the Board." The section goes on to provide that, at a minimum, the operating plan shall address subdivisions (a) through (i). The provisions of this section raise three concerns. The first concern is the lack of clarity. The section provides that the operating plan shall contain such information as required by the Board. Despite listing in several subdivisions specific information to be included in an operating plan, the implication is that the Board may require other information. What other information is contemplated? That question demonstrates the lack of clarity in this section.	"reasonable" may entail, or who would determine what is reasonable. The current proposal is consistent with advance deposit wagering regulations.
CDTIC	Section 2086.6 Operating Plan Required. (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.	(d) Financial information that demonstrates the financial resources to operate an exchange and a detailed budget, <u>if one can reasonably be determined</u> , that shows anticipated revenue, expenditures and cash flows by month projected for the term of the license. OR (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.	Subdivision (d) raises a question about the objectivity of the regulation. That subdivision requires financial information about the financial resources of the applicant. No one can quarrel with that requirement. However, the subdivision goes on to require "a detailed budget that shows anticipated revenue, expenditures, and cash flows by month projected for the term of the license." No one has experience with exchange wagering in California or even in the United States. An entity with exchange wagering experience operates such a program in England. As a consequence, only that entity has a basis for providing a "detailed budget" showing anticipated revenues, expenditures, and cash flows by month. In fact, the Initial Statement of Reasons evidences a bias for foreign entities to conduct exchange wagering in California. It provides, "Most potential California exchange wagering providers currently offer exchange wagering in jurisdictions outside the United States." Certainly, not all potential exchange wagering providers offer exchange wagering outside the United States. TwinSpires does not. The regulations should not be structured with only foreign entities in mind, or to provide an advantage to such entities. Accordingly, the portion of subdivision (d) requiring a detailed budget should be struck.	No change recommended. It is not clear who would "reasonably determine" if a detailed budget could be provided. If a prospective exchange provider cannot project anticipated revenue, expenditures and cash flow, the Board should be made aware prior to licensing.
CDTIC	Section 2086.6 Operating Plan Required. (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	(c) Technology and hardware and software systems information, which shall include a data security policy <u>and safeguards to ensure player protection and integrity including,</u>	The second concern is found in subdivision (c). That subdivision pertains to technology and hardware and software systems. The Initial Statement of Reasons seeks to establish necessity for many of the provisions of the regulation that duplicate the statute by saying the wagering public generally turns to the Board's rules	Modify regulation to include reference to Business and Professions Code section 19605.4(d).

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	<p>of any unauthorized access that may compromise account holders' personal information.</p>	<p><u>but not limited to, provisions governing the acceptance of electronic applications for persons establishing exchange wagering accounts, residence and age verification confirmation for persons establishing exchange wagering accounts, the use of identifying factors to ensure security of individual accounts, the requirements for management of funds in exchange wagering accounts,</u> 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.</p>	<p>and regulations if there is a question of procedure or meaning. It goes on to say that including statutory provisions in the regulation, it will provide clarity for persons who may use the Board's regulations to engage in exchange wagering. That undoubtedly is true for entities that are regulated by the Board as well. As a consequence, subdivision (c) raises a potential trap for the unwary.</p> <p>While subdivision (c) requires the technology and hardware and software systems to include certain capabilities, the regulatory provision by no means describes everything that the statute requires in those systems. For example, the statute, in 19604.5(d), requires as part of the licensee's application "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, vocation 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." It goes on to require that the systems shall prevent the acceptance of a wager if the results of the wager would create a liability for the account holder that is in excess of the funds on deposit for that holder.</p> <p>None of the statutory provisions listed above are included in subdivision (c), giving rise to the false assumption that all that is required in the operating plan are systems that will accomplish the limited provisions of this subdivision. The omission of critical provisions of the requirements of the technology systems creates a lack of clarity in this regulatory provision.</p>	
CDTIC	<p>Section 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</p>	<p>(a) <u>Ninety One hundred and twenty</u> days after the end of each calendar year the exchange provider shall submit to the Board an annual financial statement, <u>for its California operations.</u> (b) <u>On a calendar year basis the provider shall undergo the Statement</u></p>	<p>This section requires, within 90 days after the end of the calendar year, an exchange provider to submit an annual financial statement for its California operations, including audits. This section also requires the provider to undergo the Statement on Standards for Attestation Engagements 16 (SSAE 16) audits. TwinSpire recommends that the time to submit the financial statements and the audits be extended to at least 120 days. It is very difficult to obtain audited statements in any time less than</p>	<p><u>Modify regulation</u> to change reporting requirement to 120 days.</p> <p>The Statements on Standards for attestation Engagements 16 (SSAE 16) highlights the roadmap on how the SOC I and SOC II audits must be</p>

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	<p>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.</p>	<p>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.</p>	<p>120 days. The Initial Statement of Reasons covering this section talks about the necessity for financial statements and audited reports. However, nothing in that statement discusses the necessity for submitting those documents within 90 days. The Initial Statement of Reasons contains no basis for determining that reports within 90 days is necessary. The absence of substantial evidence supporting the necessity of financial statements and audits within 90 days renders the provision invalid. The Board should solicit input from potential licensees and perhaps CPA firms to determine an appropriate time requirement and modify the regulation accordingly, supporting the new time requirement with the provided input.</p> <p>TwinSpires also urges the Board to drop the requirement that licensees be required to submit SSAE 16 audits. That audit form differs from the audits that public companies undergo to satisfy financial institutions, securities regulators, and others under a host of legal and contractual obligations. The SSAE 16 requirement adds an additional layer, increasing costs and imposing administrative burdens, without adding safeguards. In fact, the Board's Initial Statement of Reasons provides no evidence to demonstrate why, in its opinion, standard financial audits are insufficient to provide the information that is necessary to evaluate the financial standing of a licensee. Nowhere in that Statement is there any evidence about what information is critical to the Board. Hence, no justification exists for requiring SSAE 16 audits. Certainly, the reference to the fact that other entities are required to submit such audits has no application to exchange wagering licensees. It is important to note that those entities all provide services to other businesses, unlike the activities of an exchange wagering licensee that operates a business to consumer business. Further, no evidence is set out in the Statement describing the aspect of those entities' activities that make SSAE 16 audits necessary and how those activities relate to the activities of exchange wagering licensees. Referencing those other entities fails to demonstrate any necessity for imposing SSAE 16 audits on licensees.</p>	<p>performed. Currently companies engaged in data processing such as the totalizator company formally known as Scientific Games, now Sportech and CHRIMS, underwent SAS 70A audits. These audits were available to the CHRB on a request basis.</p> <p>Service Organization Controls I (SOC I) report is an audit of the entity's internal controls of its financial reporting. The auditor that performs the audit of the financial statements relies in this report to plan his/her audit. In some instances, the auditor performing the audit of the financial statements performs an audit of the entity's internal controls related to its financial reporting, when a SOC I report is not available. We are not asking for anything new that the entity should not have.</p> <p>Service Organization Controls I (SOC II) report focuses on controls that are relevant to security, privacy, and integrity of the systems the entity's uses to process its data, and the confidentiality or privacy of the data processed by the entity's systems. The SOC II audit gives assurances to the CHRB that the entity continuously evaluates its</p>

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				operational internal controls to mitigate the risks of being hacked and/or endangering the confidentiality of its customer's data.
California Thoroughbred Trainers	<p><u>2087. Suspending Markets.</u></p> <p><u>(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.</u></p> <p><u>(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:</u></p> <p><u>(1) The market suspended;</u></p> <p><u>(2) The date and time of the suspension;</u></p> <p><u>(3) The reason for suspending the market;</u></p> <p><u>(4) The results of the investigation;</u></p> <p><u>(5) How the market was settled.</u></p> <p><u>(c) Upon the completion of an investigation, the exchange provider shall settle the market as appropriate.</u></p> <p><u>(d) An account holder who believes a payout was inappropriately disrupted due to the suspension of a market may submit a claim to the exchange provider in accordance with Rule 2089 of this article.</u></p>	<p>Modify 2087(c)</p> <p>Upon the completion of an investigation <u>or at any appropriate time before completion of the investigation</u>, the exchange provider shall settle the market as appropriate.</p>	<p>Subsection (c) allows the exchange provider to settle the market "upon the completion of an investigation" related to fraud, etc. Since it is conceivable that a suspicious transaction would involve only a small fraction of the entire wagering pool, it is not clear why the payoffs for the remainder of the market would have to be delayed. It entirely fails to address those instances where fraud is not widespread, namely, where a single person might make a single illegal wager. Language to the effect, "...or at any appropriate time before completion of the investigation..." following the opening clause would seem more in keeping with the practical reality of such situations. In this way, those account holders who had nothing to do with the suspicious wagers would not be unduly prejudiced by the delay in conducting an investigation into the race.</p>	<p><u>No change recommended.</u></p> <p>Market suspension occurs when the suspected fraud is believed to be so widespread that it may have impacted the entire market, not just certain individuals in the market. The outcome from market suspension is that all the wagers are voided and refunded. Partial settlement of a suspended market implies that the exchange provider is able to identify the good wagers from the bad wagers before the investigation has concluded, which is unlikely in the event the fraud looks so widespread that the market is suspended in the first place.</p>

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California Thoroughbred Trainers	<p><u>2087.5. Antepost Market.</u></p> <p><u>(a) Antepost market wagers are authorized and are wagers placed in advance of the closing of entries where one single wager is made on an outcome that includes both:</u></p> <p><u>(1) that the selected horse will run the race; and</u></p> <p><u>(2) that the selected horse will finish the race in the selected position of win, place, or show.</u></p> <p><u>(b) Antepost markets close for wagering at the close of entries.</u></p>	<p>Strike 2087.5</p> <p>(a) Antepost market wagers are authorized and are wagers placed in advance of the closing of entries where one single wager is made on an outcome that includes both:</p> <p>(1) that the selected horse will run the race; and</p> <p>(2) that the selected horse will finish the race in the selected position of win, place, or show.</p> <p>(b) Antepost markets close for wagering at the close of entries.</p> <p>In the alternative, modify 2087.5(a):</p> <p>(a) <i>Subject to Rule 2087.6</i>, antepost market wagers are authorized...</p>	<p>Antepost wagers include a betting element related to whether the horse will even start in a race. There is nothing in the Exchange Wagering Law which either defines or allows antepost wagers. There is nothing in the regulations which defines how these wagers will be kept separate from the regular exchange wagers. How do antepost wagers deal with, for example, a horse which is declared a non-starter even after crossing the finish line in first, second or third?² Despite all this missing and necessary information, 2087.5 is the only proposed regulation which speaks of the antepost market. CTT asked for a modification based on the vague definition of the timing of antepost wagers. CHRB agreed. It seeks to add language defining antepost markets as closing at the close of entries. That does not, however, address the concern that mischief is possible if someone can cash a bet by scratching a horse. A horse can be scratched even after the close of entries. There is tremendous potential for mischief if scratching a horse can mean winning a bet. Further complicating this framework is that an exchange provider may be allowed to settle bets before the race is declared official.</p>	<p>No change recommended.</p> <p>Business and Professions Code section 19604.5 does not explicitly address antepost markets. However, 19604.5(b)(3) states that exchange wagering shall be conducted pursuant to rules and regulations promulgated by the Board. Business and Professions Code section 19604.5(e)(1) provides that the Board shall have full power to prescribe rules, regulations, and conditions under which exchange wagering may be conducted in California. Clearly, the Board may promulgate a regulation governing antepost wagers.</p> <p>An antepost wager is a "regular" exchange wager. A horse that fails to start for any reason will result in a losing wager for the person who wagered the horse would start. <u>Antepost markets close for wagering at the close of entries.</u> That limits anyone taking advantage of information about a horse that</p>

² This is not a remote circumstance. On March 3, 2012, for example, the horse, Mr. Bossy Pants appeared to win the 3rd race at Santa Anita. As such, he would have returned a winning wager for his "win" backers in the antepost market since he started and finished in the position they predicted. However, after a lengthy delay, the Stewards ruled the horse a non-starter and the race "no contest" thus nullifying what was a winning wager on Mr. Bossy Pants and turning it into either a cancelled wager or a losing one. On August 10, 2012, in the 4th race at Del Mar, the horse, Toomanytomatoes, was declared a non-starter but crossed the wire in 4th position. Had this horse finished 3rd or better it would have appeared that this could have been a winning antepost wager. However, since he was declared a non-starter this antepost wager turns immediately into a losing one even though the horse started. It would have been a losing wager even if the horse finished 1st, 2nd or 3rd. In pari mutuel wagering, this bet would be refunded.

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				arises after entries are drawn. These types of wagers are currently run out of Las Vegas and traditional pari-mutuel pool for the Kentucky Derby.
ODS Technologies LP ("TVG") and Betfair US LLC	<p>Rule 2087.5(a) (draft for Ad Hoc Committee August 22, 2012 – edits proposed by Staff in single underline)</p> <p>2087.5. Antepost Market.</p> <p>(a) Antepost market wagers are wagers placed <u>in advance of the closing of entries</u> where one single wager is made on an outcome that includes both:</p> <ul style="list-style-type: none"> (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. 	<p>(Edits proposed by TVG and Betfair in strike-through and double underline)</p> <p>2087.5. Antepost Market.</p> <p>(a) Antepost market wagers <u>are authorized on Grade 1/Group 1 or Grade 2/Group 2 stakes races</u> and are wagers placed in advance of the closing of entries where one single wager is made on an outcome that includes both:</p> <ul style="list-style-type: none"> (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. 	<p>During the Ad Hoc Committee meeting on August 22, 2012, the attendees discussed with Vice-Chairman Israel and Commissioner Rosenberg that it may be appropriate to limit the availability of antepost market wagers to significant races where there is more likely to be wide interest in which horses are entered in the field for such races. There appeared to be general acceptance of this concept among the participants at that meeting. The proposed edits would limit antepost markets to being offered only on more significant races (i.e Grade 1/Group 1 or Grade 2/Group 2 stakes races).</p>	<p><u>Modify regulation per recommendation.</u></p>
CDTIC	<p>Section 2087.5 Antepost Market</p> <p>(a) Antepost market wagers are authorized and are wagers where one single wager is made on an outcome that includes both:</p> <ul style="list-style-type: none"> (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. <p>(b) Antepost markets close for wagering at the close of entries.</p>	<p>(a) Antepost market wagers are authorized and are wagers where one single wager is made on an outcome that includes both:</p> <p>(1) That the selected horse will run the race; and</p> <p>(2) That the selected horse will finish the race in the selected position of win, place, or show.</p> <p>(b) Antepost markets close for wagering at the close of entries.</p> <p>[If Antepost wagers are not deemed to be a single wager that violates the pari-mutuel pool concept then as</p>	<p>This section provides that antepost market wagers are authorized and are wagers where one single wager is made on an outcome that includes both that the selected horse will run the race and that the selected horse will finish the race in the selected position of win, place, or show. This section, at best, lacks clarity and, if it means what it says, it is adopted in excess of the Board's authority, and it is inconsistent with specific provisions of SB 1072.</p> <p>This section appears to allow a single wager on an outcome. Is that what is intended? If not, this section should be amended to clarify what is intended. If this is what is intended, it exceeds the Board authority and is inconsistent with the statute.</p> <p>The statute, in section 19604.5(a)(7), defines exchange wagering to mean "a form of pari-mutuel wagering in which two or more persons place identically opposing wagers in a given market."</p>	<p><u>Modify regulation</u> to remove "single wagers" for purposes of clarity. Antepost wagers are not wagers placed by one person. Such wagers require a backer and a person to lay.</p>

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		picked up in our comments on 2086.1, the exchange provider must have specific written approval from the host track to offer this type of wager.]	Nothing in the legislation contemplates a wager placed by one person. This section is an unauthorized expansion of the exchange wagering legislation and is inconsistent with a specific statutory provision, the definition of exchange wagering. This section is invalid for lack of authority and lack of consistency with the underlying statute.	
California Thoroughbred Trainers	<p><u>2087.6. Cancellation of Matched Wagers.</u></p> <p><u>(a) An exchange provider may cancel or void a matched wager if required by law or where, in its sole discretion, it determines:</u></p> <p><u>(1) there is a technological failure and the market must be voided; or</u></p> <p><u>(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;</u></p> <p><u>(3) it is in the interest of maintaining integrity and fairness in a particular market; or</u></p> <p><u>(4) human error by the exchange wagering provider in recording an exchange wager.</u></p> <p><u>(b) If a matched wager is canceled or voided due to situations described in subparagraphs (a)(1), (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.</u></p> <p><u>(c) An account holder who believes a payout was inappropriately disrupted due to the cancellation of a matched wager may submit a claim to the exchange provider in accordance with Rule 2089 of this article.</u></p>	<p>Modify 2087.6(b)</p> <p>(a) An exchange provider may cancel or void a matched wager, <i>including antepost market wagers</i>, if required by law <i>such as where a race is declared a "no contest" or a horse is declared a non-starter</i>; or where, in its sole discretion, it determines:</p> <p>(1) there is a technological failure and the market must be voided; or</p> <p>(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;</p> <p>(3) it is in the interest of maintaining integrity and fairness in a particular market; or</p> <p>(4) human error by the exchange wagering provider in recording an exchange wager.</p> <p>...(b) If a matched wager is canceled or voided due to situations described in <i>subparagraph (a)</i> of this regulation, the exchange provider shall notify the Board in writing of its actions and the circumstances that resulted in such action.</p>	<p>The CTT proposal for subsection (a) attempts to address the concerns raised with the antepost market as set forth above. In the event the CHRB does not strike the antepost regulation in its entirety, this proposed language for 2087.6 attempts to specify that "no contests" or "non-starters" will not be adversely affected in the antepost market. This should not be left to the sole discretion of the provider.</p> <p>As for subsection (b), CTT asked for more inclusive language pursuant to the statute. CHRB agreed although it still left out the reporting of "human error cancellations." [2087.6(a)(4)] CHRB takes a very narrow view of "human error" when dealing with exchange wagering as opposed to pari-mutuel wagering. Because of the almost exclusive usage of computers in exchange wagering, it seems unlikely to have a human error in exchange wagering without also having a technical error. And technical errors must be reported.</p>	<p>No change recommended.</p> <p>Antepost wagers are matched wagers.</p> <p>A non-starter loses an antepost wager.</p> <p>If a race is declared "no contest" the antepost market is voided by the exchange wagering provider.</p>
couto&associates	2087.6. Cancellation of Matched Wagers.	2087.6. Cancellation of Matched Wagers.	Traditional forms of pari-mutuel wagering, including ADW, allow	No change recommended.

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Submitted on behalf of Global Betting Exchange	<p>(a) An exchange provider may cancel or void a matched wager if required by law or where, in its sole discretion, it determines:</p> <p>(1) there is a technological failure and the market must be voided; or</p> <p>(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;</p> <p>(3) it is in the interest of maintaining integrity and fairness in a particular market; or</p> <p>(4) human error by the exchange wagering provider in recording an exchange wager.</p> <p style="text-align: center;">* * *</p>	<p>(a) An exchange provider may cancel or void a matched wager if required by law or where, in its sole discretion, it determines:</p> <p>(1) there is a technological failure and the market must be voided; or</p> <p>(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;</p> <p>(3) it is in the interest of maintaining integrity and fairness in a particular market; or</p> <p>(4) human error by the exchange wagering provider in recording an exchange wager; or</p> <p>(5) <u>the scratch of an entry will result in the price of matched wagers in a corresponding market being materially reduced in an amount equal to or in excess of the proportional reduction factor set forth in the provider's Operating Plan.</u></p>	<p>bettors/account holders to cancel pending wagers, including in the event of a late scratch. The proposed rule would permit the exchange provider to establish a policy in its Operating Plan permitting account holders the election to cancel pending matched wagers when the late scratch of an entry results in a material reduction in the price to be paid as a result of a proportional reduction corresponding to the scratch.</p> <p>Such a policy would be fair to all players/account holders, as well as consistent with existing pari-mutuel wagering cancellation practices.</p>	Rule 2088, Non Starters and Declared or Scratched Entries, has had this principal added. This change would be duplicative.
CDTIC	<p>Section 2087.6 Cancellation of Matched Wagers.</p> <p>(a) An exchange provider may cancel or void a matched wager if required by law or where, in its sole discretion, it determines:</p>	<p>(a) An exchange provider may cancel or void a matched wager <u>or part of a matched wager</u> if required by law or where, in its sole discretion, it determines:</p>	<p>Subdivision (a) provides that "an exchange provider may cancel or void a matched wager if required by law or where, in its sole discretion, it determines" any one of a number circumstances. This regulatory section is inconsistent with the statute that it purports to implement, that is, section 19604.5(k). The statute provides, "the board may prescribe rules governing when an exchange wagering licensee may cancel or void a matched wager <u>or part of a matched wager . . .</u>" The regulatory section is inconsistent with the statute in that it omits the right to cancel or</p>	<p><u>Modify regulation per recommendation.</u></p>

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			void a part of a wager and under what circumstances. This section should be amended to be consistent with the statute.	
CDTIC	<p>Section 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.</p>	<p>An unmatched wager may be cancelled by the exchange provider <u>or the customer who placed such unmatched wager without cause</u> at any time before it is matched by the provider to form one or more identically opposing wagers.</p>	<p>This section provides that, "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." The statutory provision being implemented by this section is subdivision (j) of section 19064.5. Subdivision (j) provides that, "an exchange wagering licensee may cancel or allow to be cancelled any unmatched wagers without cause, at any time." The regulatory provision omits the phrase "without cause." The Board may consider this section to have the same effect as the statutory provision; however, the omission of the phrase "without cause" can give rise to whether the Board intended its regulation to have a different meaning than that contemplated by the Legislature. To avoid potential misinterpretations, the Board is urged to add "without cause" to the regulatory provision.</p>	<p><u>Modify regulation</u> to add "without cause". Regulation was modified in August 2012 to add "customer".</p>
California Thoroughbred Trainers	<p><u>2089. Errors in Payments of Exchange Wagers.</u> <u>If an error occurs in the payment of amounts for exchange wagers, the following shall apply:</u> (a) <u>In the event the error results in an over-payment to the individuals wagering, the exchange provider shall be responsible for such payment.</u> (b) <u>In the event the error results in an under-payment:</u> (1) <u>An account holder must submit a claim for the underpayment within 30 90 calendar days inclusive of the date on which the alleged underpayment occurred. The exchange provider shall investigate such claims</u></p>	<p>Modify 2089(b). In the event the error results in an under payment: (1) <u>The exchange provider shall notify the account holder of such underpayment;</u></p>	<p>This proposed regulation does not contemplate those instances in which only the exchange provider becomes aware of an underpayment. It places the burden of knowing about and filing a claim on an underpayment squarely and entirely on the account holder. Because it is entirely possible that the provider would be the first and only party to know of an underpayment, language should be included that the exchange provider must notify the account holder anytime there is an underpayment. This would be consistent with the Exchange Wagering Law which mandates integrity of the system and protection of the public.</p>	<p><u>Modify regulation per recommendation.</u></p>

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	<p>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.</p> <p>(2) Any claim not filed with the exchange provider within 30 90 calendar days inclusive of the date on which the alleged under-payment occurred shall be deemed waived and the exchange provider shall have no further liability therefore.</p> <p>(3) Any person whose claim is rejected by the exchange provider may, within 15 45 calendar days from the date he received the notice of rejection, request in writing that the Board 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.</p>			
<p>couto&associates</p> <p>Submitted on behalf of Global Betting Exchange</p>	<p>2089. Errors in Payments of Exchange Wagers.</p> <p>If an error occurs in the payment of amounts for exchange wagers, the following shall apply:</p> <p>(a) In the event the error results in an over-payment to the individuals wagering, the exchange provider shall be responsible for such payment.</p>	<p>(a) In the event an error results in the overpayment of funds to an account holder or holders wagering on the exchange, the exchange provider may prohibit the withdrawal of funds equal to the overpayment. Upon discovery of the error, the exchange provider shall immediately notify both the CHRB and account holder of the overpayment. Upon the submission of proof of such overpayment to the CHRB and affected account holder,</p>	<p>GBE respectfully submits that the rule as drafted is flawed for three reasons.</p> <p>First, the CHRB's rationalization of new regulations addressing "overpayments" by exchange wagering/ADW providers based on comparisons to regulations applying to anonymous parimutuel wagers placed at racing associations is anachronistic and short-sighted.</p> <p>The nature of anonymous parimutuel wagering renders the correction of payment errors extremely difficult, if not impossible to rectify. However, in the context of licensed exchange wagering/ADW such wagers may only be placed by disclosed account holders whose wagering activities are documented and maintained for just this purpose; i.e., to ensure the accuracy of such wagering activities and payments.</p> <p>In the context of ADW wagering, it is our understanding that California licensed ADW providers have been permitted to correct</p>	<p><u>Modify regulation to include principal.</u></p>

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		<p><u>the exchange provider shall be entitled to recover from such account holder the amount of the overpayment. Should an account holder dispute the overpayment, the account holder may request in writing that the Board determine the validity of the overpayment.</u></p>	<p>such errors with account holders since ADW was first enacted, and that their terms and conditions include provisions contractually ensuring such rights. Both Betfair and Betdaq currently include provisions permitting each to correct such error in their own exchange wagering terms and conditions.</p> <p>Were the CHRB to enact this regulation as written, unlike ADW providers, exchange providers will be precluded from doing so. GBE believes this is an unintended oversight that the CHRB should rectify at this time.</p> <p>Second, GBE further, and respectfully, requests the CHRB consider anew how this regulation addresses the issue of "underpayments," as the two are interrelated. For every overpayment there is generally a corresponding underpayment. Rectifying one likely has an impact on the other.</p> <p>Unlike traditional pari-mutuel wagering payout errors made by and/or at a racing association, exchange wagering/ADW errors can and are properly corrected for all account holders, avoiding the inherent inequities some bettor experience when they discard a ticket affected by such errors. The fact that payment errors cannot be fully rectified on-track should not impact the ability of providers and account holders to rectify equitably such errors in the context of account/exchange wagering.</p> <p>Thirdly, GBE believes the regulation as drafted relieves the provider of the obligation to correct a known underpayment not recognized by the account holder. Correction of an underpayment should not be dependent on the account holder initiating a request to the provider, but rather upon recognition of the underpayment by either party.</p>	
CDTIC	<p>Section 2089 Errors in Payments of Exchange Wagers. If an error occurs in the payment of amounts for exchange wagers, the following shall apply:</p> <p>(a) In the event the error results in an over-</p>	<p>If an error occurs in the payment of amounts for exchange wagers, the following shall apply:</p> <p>(a) In the event the error results in an over-payment to the individual's wagering, the exchange provider shall</p>	<p>Subdivision (a) of this section provides that, "in the event the error results in an over-payment to the individuals wagering, the exchange provider shall be responsible for such payment." The statute, section 19064.5(k), provides that the rules may include, "permitting the exchange wagering licensee to place corrective wagers under circumstances approved in the rules adopted by</p>	<p><u>Modification</u> made to regulation per similar comment.</p>

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	payment to the individuals wagering, the exchange provider shall be responsible for such payment.	be responsible for such payment, will notify the account holder and make the corresponding adjustment to the individual's account.	the Board." The statute does not make a distinction between errors that result in overpayments and underpayments. Accordingly, one turns to the Initial Statement of Reasons in an attempt to determine why the Board made a distinction to deny corrective wagers in the event of an overpayment. The Initial Statement of Reasons simply states that that provision is consistent with current practices. No explanation is given as to why the Board concludes that it is necessary. No explanation is given as to why practices in other wagering should be applicable to exchange wagering. In fact, the Initial Statement of Reasons contains no evidence to demonstrate the necessity for this provision.	
couto&associates Submitted on behalf of Global Betting Exchange	2089.5. Requirements to Establish an Exchange Wagering Account. (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.	(6) An affirmative representation that the applicant is not an agent for or otherwise acting on behalf of a third-party. (7) As a requirement to place lay wagers, the applicant must also provide the following information and written representations, executed under penalty of perjury: (A) Board license numbers, if any. (B) That the applicant: (i) Has accurately and truthfully provided all information and will not take steps to conceal the applicant's true identity by using pseudonyms, false addresses, or by employing technical means to conceal one's identity, location, or effort to wager on behalf of a third-party. (ii) Shall not conspire or cooperate with any other individual(s) to ensure the success of an exchange wager to lay a horse.	This proposal includes a requirement that those intending to place lay wagers simply answer six inquires in addition to those required under subsections (b) 1 through 5. As such it is neither burdensome nor unreasonable. Because of stakeholders' perceived integrity concerns, GBE offered for consideration an unobtrusive means to further scrutinize the activities of those making lay wagers. Such reasonable, heightened scrutiny would both impresses upon account holders the need to engage in exchange wagering in an ethical and legal manner, but would provide the CHRB an more effective means to ensure the integrity of the exchange and/or punish those who do so in an illegal fashion. The required representations, made under penalty of perjury, will in fact provide the CHRB a more considered means to address such behavior, specifically crafted for the purpose of monitoring and regulating exchange wagering. The suggested regulation will fortify the CHRB's ability to regulate exchange wagering in ways that pre-existing rules and statutes specifically created to address scenarios more commonly associated with traditional forms of pari-mutuel wagering cannot. Under the proposed regulation, those found to have responded	No change recommended. The proposed modification to Rule 2089.5 would greatly complicate the process to establish an exchange wagering account. Placing a lay wager is essential to exchange wagering. A matched wager requires a lay wager. It makes no sense to require prospective account holders to predetermine if they will make such wagers. If the Board were to adopt the proposed modifications every applicant would be required to fulfill them.

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		<p><u>(iii) Shall not knowingly place an exchange wager to lay an entrant in a horse race where the applicant has obtained information directly or indirectly from that entrant's owner(s) or authorized agent, trainer, substitute or assistant trainer, jockey, jockey's agent, driver, or stable employee, veterinarian or veterinarian's assistant, or any agent, representative, or relative thereof.</u></p> <p><u>(iv) Has not been convicted of race fixing, bookmaking, or any crime involving gambling or moral turpitude in any jurisdiction, foreign or domestic.</u></p> <p><u>(c) Every exchange wagering provider shall obtain from those applicants seeking to engage in exchange wagering the written representations and warranties required under subsection (b) prior to the applicant being permitted to place any exchange wagers, and shall be required to maintain such documents as business records at all times, providing to the Board or its authorized agents true and accurate copies of any such documents and/or access to the original documents upon demand.</u></p>	<p>untruthfully or in an incomplete fashion are not only subject to discipline/prosecution under existing law, but under the law relating to perjury as well. Consequently, the proposed language provides the CHRB a remedy specifically crafted as the result of consideration of stakeholders' perceived concerns unique to the concept of "lay" wagers.</p>	
<p>ODS Technologies LP ("TVG") and Betfair US LLC ("Betfair")</p>	<p>Rule 2089.5(a) (draft for Ad Hoc Committee August 22, 2012 – edits proposed by Staff in single underline)</p> <p>2089.5. Requirements to Establish an Exchange</p>	<p>(Edits proposed by TVG and Betfair in strike-through and double underline)</p> <p>2089.5. Requirements to Establish an</p>	<p>The Los Angeles Turf Club and the Pacific Racing Association (collectively the "Stronach Group") proposed a change to Rule 2089.5(a) to mandate that funds in an exchange wagering account opened by an out-of-state resident could only be used to wager on California races, while an exchange wagering account opened by</p>	<p><u>Modify regulation per recommendation.</u></p>

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	<p>Wagering Account.</p> <p>(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 <u>and such accounts are used for wagering on California races only</u>. An account may be established in person, by mail, telephone, or other electronic media including but not limited to the Internet. <u>Only natural persons may open an account</u>. An account shall not be assignable or otherwise transferable.</p>	<p>Exchange Wagering Account.</p> <p>(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 and such accounts are used for wagering on California races only provided, however, that these rules shall apply only to <u>wagering on California races</u>. An account may be established in person, by mail, telephone, or other electronic media including but not limited to the Internet. Only natural persons may open an account. An account shall not be assignable or otherwise transferable.</p>	<p>California residents could be used to wager on any race wherever the race was run. The Stronach Group argued for this change on the basis that <u>Business & Professions Code § 19604.5(b)</u> only permits exchange wagering between residents of California and residents of another jurisdiction on races conducted in California. The Stronach Group misinterpreted the meaning of § 19604.5(b).</p> <p>In enacting <u>Business & Professions Code § 19604.5(b)</u>, the California Legislature sought to make expressly legal exchange wagering where the wager had anything to do with California (i.e. where (i) the bettor was a resident of California, or (ii) the race is run in California, and declare the conditions under which such exchange wagering may take place). However, the California Legislature made <u>no</u> effort to declare, and would have had no jurisdiction to attempt to declare, what races <i>outside</i> California a bettor living <i>outside</i> California could bet on or the conditions for such a bet – any more so than the California Legislature could attempt to declare the conditions under which a resident of New Jersey could place a bet at a New Jersey satellite wagering facility on a race run in New York. The conditions under which a bettor located in New Jersey is legally able to place a bet on a race run in New York is a question of the application of New Jersey law (and New York law) and something which California law cannot attempt to regulate.</p> <p>Moreover, attempting to restrict the wagers which a California licensee could take from non-California residents on non-California races would put California licensees at a distinct competitive disadvantage to exchange wagering operators who are licensed in another jurisdiction (e.g. New Jersey) and are able to accept exchange wagers from residents of every other state which may choose to legalize exchange wagering.</p> <p>It is appropriate for the Rules, therefore, to provide conditions applicable to exchange wagers placed by persons resident in jurisdictions outside California <i>solely</i> to the extent that such persons seek to place exchange wagers on races run in California.</p>	
Corbett, Steelman & Specter on	"An exchange wagering account is necessary to place exchange wagers."	"An exchange wagering account is necessary to place exchange wagers"	As with 2086 (i) above, the Rule requires clarification that the only requirements imposed by the Rules on accounts used for	<u>No change recommended.</u>

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behalf of LATC		<p><u>over the Internet. A person opening an account with a licensed racing association, at a racetrack, must be 18 years of age and a resident of California, or present in California at the time when the wager is placed."</u></p>	<p>placing exchange wagers in person, with a licensed racing association at a racetrack, is that the person opening the account must be at least 18 years of age, and a resident of California <i>or present in California at the time when the wager is placed.</i> California benefits from wagers placed by out-of-state patrons at our local race tracks. There is no attendee's right to participate in Exchange Wagering based upon the laws of his home state, when these same restrictions are not applied to any other form of wagering. If Exchange Wagering is available at the race tracks to California residents, then it should also be available to all persons visiting California regardless of residency. This is particularly impactful for an event such as the Breeders Cup that attracts many out-of-state residents to California. In addition, it would place an undue burden on the race track personnel to request identification from any person present at the race track seeking to participate in Exchange Wagering, or to research the laws of their home state, before accepting a wager from them. Finally, there may also be constitutional ramifications to refusing to permit one in attendance from wagering based upon their residency.</p>	<p>Business and Professions Code section 19604.5 states:</p> <p>(c) A person shall not be permitted to open an exchange wagering account, or place an exchange wager, except in accordance with federal law, this section, and rules and regulations promulgated by the board. Only natural persons with valid exchange wagering accounts may place wagers through an exchange. <u>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.</u></p> <p>The statute does not provide exemptions simply because one is present in California at the time a wager is made.</p>
CDTIC	<p>Section 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</p>	<p>(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 <u>state</u> may establish exchange wagering accounts provided it is not unlawful under United States federal law or the law of that jurisdiction</p>	<p>Subdivision (a) of this section raises clarity, authority, and workability issues. One of the clarity issues is discussed first because it frames the authority and workability issues. That subdivision provides that "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." The clarity concern is manifested by the question; Does "another jurisdiction" include foreign countries or just other states in the United States?"</p>	<p><u>Modify regulation per recommendation.</u></p>

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	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. An account may not be issued to a bookmaker or used by a bookmaker or for bookmaking.	<u>state</u> 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. An account may not be issued to a bookmaker or used by a bookmaker or for bookmaking.	Logically, the answer to the question is that it refers only to other states in the United States. It is unclear if the Board intends to permit California residents to directly wager with and against offshore residents, if the Board purports to regulate and profit from offshore residents, and how does the Board intend to deal with the potential conflict over such wagers with the regulation in the applicable foreign country. If, however, the Board has another intent, it should declare that intent; although doing so raises substantial authority and workability concerns. In any circumstance, the Board should not leave the meaning of this provision vague and the fundamental question unanswered. The authority issue that arises if the Board contemplates opening up exchange wagering in California to residents from throughout the world occurs by virtue of the statute authorizing exchange wagering. That statute, section 19604(b)(3) provides that "exchange wagering shall be conducted pursuant to and in compliance with the provisions of the Interstate Horseracing Act of 1978 (15 U.S.C. Sec. 3001 et seq.) ("IHA") . . ." The IHA authorizes residents of one state to place bets on horseracing conducted in another state. It specifically is limited to residents of the United States. Hence, the only way exchange wagering can be conducted pursuant to and in compliance with IHA is to construe "another jurisdiction" to be limited to other states within the United States. The Board is urged to amend the regulation to replace the phrase "another jurisdiction" with "another state in the United States." If the Board fails to make the amendment suggested in the preceding paragraph and tries to open exchange wagering in California to residents of other countries, it will be disadvantaging California bettors. As the Board notes in its Initial Statement of Reasons, exchange wagering today is conducted only in other countries. Residents of those countries have significant experience with exchange wagering; they've developed sophisticated wagering strategies. If permitted to establish accounts, they will feast on the naïve California bettors who have had no experience with exchange wagering. Putting California bettors at such a distinct disadvantage could doom exchange wagering to fail. Confusion is highlighted by Betfair's suggestion that commissions (and thus revenues passed along to the California horse racing	

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			<p>industry) are only earned on net winning wagers so that if a foreign (provided that it is unclear whether permitted at this point) customer wins against a California resident, has any commission been earned for California racing interests? For the sake of California bettors and the long-term success of the program, the Board should make clear that only residents of other states in the United States may establish accounts.</p> <p>The second clarity issue revolves around the provision that residents of another jurisdiction may establish wagering accounts "provided it is not unlawful under United States federal law or the law of that jurisdiction." The question is who determines whether it is lawful for a resident of another jurisdiction to establish such an account? Who bears what liability if a resident of a state prohibiting its residents from engaging in interstate gaming establishes such an account? What process does the Board contemplate using to obtain resolution of these issues? Exchange wagering is at substantial risk if the regulation fails to include a mechanism for addressing and determining who may lawfully establish an exchange wagering account.</p> <p>The final issue of concern with respect to subdivision (a) relates to bookies establishing exchange wagering accounts. Recently, it has been reported that bookmakers in England have established accounts with Betfair and routinely place wagers as part of their risk management. This is an issue that the regulations should address. Does the Board intend to allow bookies to place wagers on the exchange? If not, what mechanism does the Board contemplate to ferret out an undesirable use of exchange wagering? If so, how does the Board intend to protect less sophisticated California wagers from being victimized by bookies? The Board is urged to schedule a workshop to solicit comments and ideas about dealing with an aspect of exchange wagering that is very likely to undermine, rather than promote, the economic future of the horseracing industry in California and dampen, rather than foster, increased commerce, employment, and recreational opportunities in California.</p> <p>In England, questions have been raised about whether bookmakers using an exchange should be required to obtain a license to do so. While making book is illegal in the United States, the experience in England highlights two points that California should address.</p>	

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			<p>The first is that bookies will use exchange wagering to manage their risk. The second is that it is a phenomenon that is pervasive enough elsewhere to threaten the intent and purpose of exchange wagering in California.</p> <p>TwinSpires strongly urges the Board to address this issue. The Board has the legal authority to adopt a regulation that seeks to minimize, if not eliminate, bookies using an exchange. Section 19604.5(c) provides that a person shall not be permitted to open an exchange wagering account, or place an exchange wager, except in accordance with federal law, this section, and these regulations, and only natural persons may place wagers. That provision allows the Board to adopt a regulation and establish standards to address the misuse of exchange wagering. Further, the Board is free to define "natural person" to exclude a person who operates a bookmaking business. Doing so furthers the purposes of exchange wagering in California.</p>	
CDTIC	<p>Section 2089.5 Requirements to Establish an Exchange Wagering Account.</p> <p>(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.</p>	<p>(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 <u>finds</u> that any information supplied by the prospective account holder is untrue or incomplete, <u>or for any other reason as determined by the exchange provider.</u></p>	<p>Subdivision (d) of this section raises both a clarity issue and a workability concern.</p> <p>Subdivision (d) provides that an exchange provider may refuse to establish an account or cancel or suspend a previously established account "if it is found that any information supplied by the prospective account holder is untrue or incomplete." The ambiguity of this provision is who makes the finding that the information is untrue or incomplete? Logically, it would be the exchange provider. However, the regulation does not make that explicit. Nothing in the Initial Statement of Reasons adds any clarity to this provision. The Board is urged to amend this provision to provide that if the exchange provider finds that information provided is untrue or incomplete, it may refuse to establish, cancel, or suspend an account. The second concern, relating to workability, is that an exchange provider should be able to refuse to establish an account or cancel or suspend an account for reasons other than the fact that the information supplied is untrue or incomplete. Any number of reasons may arise that would cause an exchange provider to become concerned about establishing an account or maintaining an account. To ensure maximum integrity of the system, the exchange provider should be able to deny or terminate accounts</p>	<p><u>Modify regulation per recommendation.</u></p>

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			where those issues arise as well. Accordingly, the Board is urged to amend the provision to include "or for any other reason" as grounds for refusing to establish or for cancelling or suspending an account.	
CDTIC	<p>Section 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:</p> <p>(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:</p> <p>(1) cash given to the exchange provider;</p> <p>(2) check, money order, negotiable order of withdrawal, or wire or electronic transfer, payable and remitted to the exchange provider; or</p> <p>(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.</p> <p>(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.</p>	<p>Deposits to an exchange wagering account shall be made, in person, by mail, by telephone, or by other electronic media, as follows:</p> <p>(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 <u>any one of the following as may be accepted by the exchange provider:</u></p> <p>(1) cash given to the exchange provider;</p> <p>(2) check, money order, negotiable order of withdrawal, or wire or electronic transfer, <u>or other recognized method of payment,</u> payable and remitted to the exchange provider; or</p> <p>(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.</p> <p>(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</p>	<p>TwinSpires urges the Board to make two amendments to this section to promote greater workability. Subdivision (a) of this section provides that an account holder shall make deposits to the account in certain specified forms. The Board is urged to add just before the various forms are described the phrase, "as may be accepted by the exchange provider." The purpose of this addition is that an exchange provider may not be set up to accept deposits in all of those forms. It is appropriate that the provider have a voice in the form of the deposit rather than compel the provider to accept any form at the choice of the account holder. Most likely, the Board did not intend the result of the current provision; the proposed amendment will address the concern.</p> <p>The second proposed amendment is to add near the end of paragraph (2) that describes an acceptable form of deposit, (2) check, money order, negotiable order of withdrawal, or wire or electronic transfer, the following phrase, "or other recognized method of payment." The purpose of this addition is to recognize that other forms of payments will no doubt evolve, and by including a more expansive phrase, the regulation will not have to be amended to accommodate the new forms.</p>	<p><u>Modify subsection (a) per recommendation.</u></p> <p>Proposed subsection (a)(2) is not clear. Who recognizes the method? If new methods for depositing funds to an exchange wagering account become available the Board may amend its regulations to include such changes.</p>

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California Thoroughbred Trainers	<p><u>2090. Posting Credits for Winnings from Exchange Wagers.</u></p> <p><u>(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.</u></p> <p><u>(b) Notwithstanding Rule 1955 of this division, where the outcome of a matched antepost 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 antepost wager as soon as that outcome is determined with certainty.</u></p>	<p>account shall be the same as the account holder's registered name and address.</p> <p>Strike 2090 subsection (b).</p> <p>"Notwithstanding Rule 1955 of this division, where the outcome of a matched antepost wager <i>involving a scratched horse, only</i>, 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 antepost wager as soon as the outcome is determined with certainty."</p>	<p>See comments to 2087.5 and 2087.6, above.</p> <p>2090(b) allows the exchange provider to settle wagers before the race is official, contrary to <i>Racing Rule 1955</i>. Pari-mutuel wagers are settled after the race is declared official. This regulation seems incompatible with existing regulations. CHRB modified it to pertain only to antepost wagers but it still did not answer the question as to how a race can be "determined with certainty" before it is or without it being declared official. This is important for horses declared non-starters. The only way a race can be "determined with certainty" is to have it declared official. That is the cornerstone of pari-mutuel wagering. The CTT proposed modification understands that scratched horses would be "determined with certainty" as it pertains to the antepost market. Even with antepost wagers and unlike a scratched horse, however, a horse may be declared a non-starter long after it has crossed the finish line. But, unlike pari-mutuel wagering where the bet would be refunded, a non-starter would be a losing ticket in the antepost market. Only when the race is declared official can the status and finish position of each horse which was not scratched before the start of the race, be determined with certainty. In sum, 2090 cannot be reconciled with <i>Racing Rule 1955</i> using this language.</p>	<p><u>No change recommended.</u></p> <p>Credits for scratched horses have been added.</p> <p>Business and Professions Code section 19604.5(b)(3) provides that exchange wagering shall be conducted pursuant to rules and regulations promulgated pursuant to "this section".</p>
coutho&associates Submitted on behalf of Global Betting Exchange	<p>2090. Posting Credits for Winnings from Exchange Wagers.</p> <p>(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.</p> <p>(b) Notwithstanding Rule 1955 of this division, where the outcome of a matched antepost wager can be determined with certainty by the exchange provider prior to</p>	<p>(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.</p> <p>(b) Credit for any wagers on a scratched entry shall be posted to the account by the exchange provider immediately after the scratch.</p> <p>(bc) Notwithstanding Rule 1955 of this division, where the outcome of a matched antepost wager can be</p>	<p>In rejecting this recommendation – a new subsection(b) – previously, the CHRB reasoned that accommodation requested be extended to account holders was sufficiently addressed in existing subsection (b) language. However, the CHRB then modified subsection (b) language by including an "antepost" reference, which negated the precise accommodation afforded under the proposal; i.e., clarification that credit for any wagers on scratched entries, in addition to antepost wagers, could be posted immediately after such scratch.</p> <p>While some may argue that such accommodation may indirectly exist elsewhere, for the sake of clarity and consistency, this rule should be amended as proposed in direct correlation with the duty</p>	<p><u>Modify regulation per recommendation.</u></p>

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	the time that the race is declared official, the exchange provider may settle such matched antepost wager as soon as that outcome is determined with certainty.	determined with certainty by the exchange provider prior to the time that the race is declared official, the exchange provider may settle such matched antepost wager as soon as that outcome is determined with certainty.	to post such credits.	
California Thoroughbred Trainers	<p><u>2091.6. Powers of the Board to Review and Audit Records.</u></p> <p><u>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.</u></p>	<p>Strike the language:</p> <p><i>"...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."</i></p>	<p>The essence of pari-mutuel wagering is complete public disclosure of wagers, pool, revenues and distributions. On the other hand, this section states that "<i>access to and use of information concerning exchange wagering transactions...shall not be disclosed publicly.</i>" As stated above, it does not appear that any privilege attaches to this information and thus would not be prohibited under the PRA. For industry stakeholders who are planning budgets and would like to review the exchange provider's estimations for past and future wagering, this information seems critical and relevant. On balance, the public would be served by its disclosure as opposed to any potential harm to the exchange provider. To be sure, the provider should be able to protect its trade secrets with regards to software, etc. But the wagering and budgeting information should be disclosed. There is nothing in the Exchange Wagering Law which extends this protection to these records or which ordains these records as "<i>proprietary to the exchange provider.</i>" To that extent, this regulation is inconsistent with Exchange Wagering Law, pari-mutuel wagering and public disclosure laws. See, also, comments to 2086.6, above.</p>	<p><u>No change recommended.</u></p> <p>Exchange wagering providers are not government entities and are not subject to the Public Records Act (PRA).</p> <p>To offer exchange wagering there must exist an agreement between the exchange provider and the applicable racing association or racing fair and the horsemen's organization. If the parties wish to have access to such financial information, they may require its disclosure under the agreements.</p> <p>The proposed Rule 2086.7, Exchange Wagering Data, requires the reporting of such data to the non-profit horse racing data base (CHRIMS). Racing associations have access to CHRIMS data.</p>
California Thoroughbred Trainers	<u>(Old) 2092 has been deleted from the most recent version of the proposed regulations.</u>	<p>Re-insert (Old) 2092 with modified language.</p> <p>"Prior to accepting exchange wagers, an exchange provider shall first enter into an exchange wagering</p>	<p>Whereas other proposed regulations seek to allow the exchange provider to settle markets before the race is declared official, 2092 mandates that total settlement, which includes distribution of the commissions, cannot be completed until the race is declared official. The conflict between the regulations is obvious. Also, by adding the language "via the purse account," the</p>	<p><u>No change recommended.</u></p> <p>This is an item that can be negotiated between the parties.</p>

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		<p>agreement allowing those wagers pursuant to the terms of Business and Professions Code section 19604.5.</p> <p>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. 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 <i>via the purse account</i>. 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."</p>	<p>statutory distributions for TOC, CTT and the Backstretch Pension are preserved since these are the only statutorily mandated deductions to come from the purse account, whereas other recipients of funding are specifically provided for elsewhere in the law and regulation.</p>	

California Horse Racing Board

From	Current Rule Number and Text	Proposed Modifications Received	Comments Received	Staff Recommendation
California Thoroughbred Horsemen's Foundation, Inc.	<p><u>(Old Rule 2092)</u></p> <p><u>2092. Distribution of Exchange Revenues.</u></p> <p><u>Prior to accepting exchange wagers 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.</u></p> <p><u>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.</u></p>	<p><u>Each exchange wagering licensee shall distribute, on an annual basis, an amount equal to the greater of (A) one hundred thousand dollars (\$100,000), or (B) an amount equal to 0.0025 multiplied by the total amount of exchange revenues collected by the exchange wagering licensee in that calendar year. The distribution shall be made to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law. This paragraph shall become inoperative on January 7, 2021, and, as of that date, is repealed, unless a later enacted statute that is enacted before January 1, 2021, deletes or extends that date.</u></p>	<p>The suggested addition to Rule 2092 closely mirrors the language for distribution of funds through exchange wagering for the welfare of disabled jockeys in California Business and Professions code section 19604.5. With close to 300 licensed jockeys, fortunately only a small number are disabled. However, CTHF is the only welfare and health care organization for the nearly 5,000 licensed backstretch workers and their family members.</p> <p>The majority of CTHF's income is derived from unclaimed pari-mutuel pool distribution – funds to CTHF have equaled approximately .25 percent of on-track handle over the past 7 years. While the potential impact of exchange wagering on pari-mutuel pools (and unclaimed tickets) is unknown, the implementation of exchange wagering poses great concern for CTHF. Exchange wagering may prove to provide an increase in total handle, but it also has the potential to redirect monies from the pari-mutuel pools.</p> <p>The health and welfare of the backstretch workers are in the best interest of the horse racing industry. The California Horse Racing Board and racing industry have long understood it to be their fundamental responsibility to ensure the provision of health care services to the backstretch community.</p> <p>Again, we request the addition of the language to Rule 2092 for the distribution of funds through exchange wagering for backstretch welfare be adopted to provide critical funding to ensure CTHF is able to fulfill its mission of providing health care to the backstretch community.</p>	<p><u>No change recommended.</u></p> <p>The old Rule 2092 has been removed from Article 27.</p> <p>Any distributions, other than those mandated under Business and Professions Code section 19604.5 must be negotiated by the applicable racing association and the horsemen's organization.</p> <p>Business and Professions Code section 19604.5(g) states: <u>Notwithstanding any other law, rule, or regulation, an exchange wagering licensee shall not be required to include any pools of exchange wagers in the wagering pools at the racing association or racing fair conducting the races, nor shall an exchange wagering licensee be required to retain, withhold, or take out any amounts from any exchange wagers, except as expressly set forth in the applicable exchange wagering agreement.</u></p>
CDTIC	<p><u>Section 2092 Exchange Wagers Placed After the Start of a Race.</u></p> <p><u>(a) As reflected in the exchange provider's operating plan and as approved by the Board,</u></p>	<p><u>(a) As reflected in the exchange provider's operating plan and as approved by the Board, an exchange provider may accept wagers placed</u></p>	<p>Subdivision (a) of this section provides that, "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." This provision raises two concerns, consistency with the</p>	<p><u>No change recommended.</u></p> <p>The current text is objective, clear and commonly</p>

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	<p>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.</p> <p>(b) No exchange wagers shall be placed on a market after the conclusion of a live race.</p> <p>(c) Exchange wagering on previously run races is prohibited.</p>	<p>on a market after the start of a live race but before the results conclusion of that race have been declared official.</p> <p>(b) No exchange wagers shall be placed on a market after the conclusion of a live race.</p> <p>(c) Exchange wagering on previously run races is prohibited.</p>	<p>statute and clarity.</p> <p>Section 19064.5(e)(3)(B) of the statute provides that, "No exchange wagers shall be placed on a market after the conclusion of a live race." (Emphasis added.) There is clearly a distinction between the conclusion of a live race and a race having been declared official. In fact, the Board, in section 2090 relating to posting credits or winnings from exchange wagers, notes the distinction. Subdivision (a) of that section provides that, "credit for winnings from matched wagers shall be posted to the account by the exchange provider after the race is declared official." (Emphasis added.) Subdivision (b) provides that, "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 wagers as soon as that outcome is determined with certainty." Hence, there is clear recognition that the outcome of the race may be determined after the race is completed and before it is declared official. Yet, section 2092(a) permits a wager to be placed after the race is concluded, even after the outcome is determined, but before it has been declared official. That portion of the regulation is inconsistent with the statute and should be amended to track the language of the statute.</p> <p>The second concern relates to clarity of the section. Whereas subdivision (a) permits a wager to be placed any time before the race has been declared official, subdivision (b) provides that no exchange wagers shall be placed on a market after the conclusion of a live race. Yet, the conclusion of a live race occurs prior to a race being declared official. It is that time period that renders subdivision (a) as currently written inconsistent with the statute, unclear, and therefore, invalid.</p>	<p>understood. Exchange providers currently allow wagering during photos and inquiries.</p>
<p>Kennedy, Jennik & Murray, P.C. on behalf of the Jockeys' Guild</p>	<p><u>2092.6. Suspension of Occupational License.</u> <u>(a) The Board of Stewards may suspend the license of any person if, after a hearing, it determines there is probable cause to believe that such person may have has 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.</u></p>	<p><u>2092.6. Suspension of Occupational License.</u> <u>(a) The Board of Stewards may suspend the occupational license of any person if, after a preliminary hearing, it determines there is probable cause to believe that such person may have has</u></p>		<p><u>Modify regulation per recommendation.</u></p> <p>This item was discussed at the August 22, 2012 Exchange Wagering Ad Hoc Committee meeting.</p>

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	<p><u>(b) Such suspension of license shall be for a period of time designated by the Board of Stewards, unless otherwise determined by the Board.</u></p> <p><u>(c) The licensee may make an appeal to the Board by complying with the provisions of Rule 1761 of this division.</u></p>	<p><u>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.</u></p> <p><u>(b) Such suspension of license shall be for a period of time designated by the Board of Stewards, unless otherwise determined by the Board provided that any such suspension under this section shall be limited to ten days and, if probable cause that a violation has occurred has been found, a hearing under Business and Professions Code section 19461 to determine whether a licensee has committed a violation of the rules must be held before any further discipline can be imposed.</u></p> <p><u>(c) The licensee may make an appeal to the Board by complying with the provisions of Rule 1761 of this division.</u></p>		
California Thoroughbred Trainers	<p><u>2092.6. Suspension of Occupational License.</u></p> <p><u>(a) The Board of Stewards may suspend the license of any person if, after a hearing, it determines there is probable cause to believe that such person may have has 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.</u></p> <p><u>(b) Such suspension of license shall be for a period of time designated by the Board of Stewards, unless otherwise</u></p>	<p>Modify 2092.6.</p> <p><u>"(a) The Board of Stewards may, after a hearing conducted pursuant to Government Code sections 11340, et seq., suspend the license of any person if it rules that a licensee has committed acts of fraud in connection with exchange wagering or any other action or inaction which is violative of the provisions of this Section.</u></p> <p>(b) Such suspension of</p>	<p>CHRB changed the probable cause standard and included "after a hearing." However, it still does not address that not all Stewards' hearings are APA hearings or force the stewards to make an affirmative ruling. Sometimes stewards dispose of cases at informal hearings. The regulation should specifically safeguard that all hearings in this context are to be APA hearings. Further, the CHRB has, in the past, tried to limit the applicability of the APA by invoking Business and Professions Code 19461 which pertains only to license revocations. Also, the language, "action or inaction which threatens the integrity or fairness of any exchange wagering" is hopelessly vague and susceptible to capricious interpretation. The proposed CTT language is</p>	<p><u>No change recommended.</u></p> <p>Changes to Rule 2092.6 were made per comments at August 22, 2012 Exchange Wagering Ad Hoc Committee meeting and comments submitted by Jockeys' Guild.</p>

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	<p><u>determined by the Board.</u></p> <p><u>(c) The licensee may make an appeal to the Board by complying with the provisions of Rule 1761 of this division.</u></p>	<p>license shall be for a period of time designated by the Board of Stewards, unless otherwise determined by the Board.</p> <p>(c) The licensee may make an appeal to <u>and seek a temporary stay from</u> the Board by complying with the provisions of Rules 1761 <u>and 1762</u> of this division.</p>	<p>straightforward and based in and on the Exchange Wagering Law and the proposed regulations. CHRB does not address the CTT request to include Rule 1762 which would allow the licensee to seek a temporary stay order along with his appeal. As set forth in the racing rules, a licensee is afforded the opportunity to request a stay of any ruling, order or decision of the Stewards. The same should be true for these new regulations.</p>	
CDTIC	<p>Section 2092.6 Suspension of Occupational License.</p> <p>(a)The Board of Stewarts may suspend the license of a person if it determines there is 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.</p>	<p>(a)The Board of Stewarts may suspend the <u>occupational</u> license <u>issued by the Board</u> of a person if it determines there is 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.</p>	<p>Subdivision (a) of this section provides that the Board of Stewards may suspend the license of any person under specified circumstances. While the section is entitled Suspension of Occupational License and the issuance of a license to an exchange provider is not an occupational license, the language of subdivision (a) nevertheless raises a substantial clarity issue. Does this section apply to an exchange wagering licensee? The question is more than academic. The rule of statutory and regulatory construction is that the headings of statutes and regulations are not to be considered, only the substantive provisions of the legislation and regulation. Hence, the heading of this section, Suspension of Occupational License, cannot be considered to narrow the authority granted to the Board of Stewards to apply only to those persons holding licenses who are engaged in horse racing. This section should be amended to make it clear in the body of the regulation that it is limited to certain persons and does not apply to the holder of exchange wagering licensees.</p> <p>It goes without saying that nothing in the statute confers any authority on the Board of Stewards to be involved in any way with granting, denying, or suspending the licenses of exchange providers. The authority problem, of course, can be addressed by addressing the clarity concerns.</p>	<p><u>Modify regulation</u> to include "occupational license":</p>
California Thoroughbred Trainers	2086.7 "...pari-mutual..."	<p>Spelling.</p> <p>"...pari-mutuel..." or "parimutuel"</p>	B&P §19604.5(a)(16).	<p><u>Modify regulation per recommendation.</u></p>

