

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



REGULAR MEETING

of the **California Horse Racing Board** will be held on, **Thursday, October 26, 2006**, commencing at **9:00 a.m.**, at the **Arcadia City Hall, 240 West Huntington Drive, Arcadia, California.**

AGENDA

Action Items

1. Approval of the **minutes of the regular meeting of September 20, 2006.**
2. Report by representatives of Magna Entertainment Corporation (MEC) on **proposed plans for improvement of its California owned racetracks.**
3. Discussion regarding **racing programs and the feasibility of adjusting entry times at California racetracks.**
4. Report of the **Strategic Planning Committee**
Chairman Richard B. Shapiro, Committee Chairman
Commissioner John Amerman, Member
Vice-Chairman Marie G. Moretti, Member
5. Discussion and action by the Board **on the adoption of the race dates calendar for the 2007 racing year.**
6. Discussion and action by the Board on the matter of: (1) **licensing and setting of ADW hub rates** and the obligations of ADW companies and or racing associations to have agreements with horsemen's or owner's organizations; (2) **TVG and TOC hub fee rate dispute**, relating to imported TB races and the propriety of an ADW company to import races without a contract in place with a racing association or horseman's organization of the same breed as the imported races; (3) **method of determining, calculating and reserving for rates in dispute**; (4) **commitments, understandings and conditions of TVG's current approval/license** as pertains to required TVG agreements with TOC throughout two-year term (2005-2006) of CHRB's approval for TVG to operate as an ADW provider; (5) any other related matter considered part of the dispute between any **ADW company and any racing association or horsemen's or owner's organization.**
7. Discussion and action by the Board on the **Application for License to Conduct Advanced Deposit Wagering (ADW) of XpressBet, Inc., for a California multi-jurisdictional wagering hub**, from January 1, 2007 through December 31, 2007.
8. Discussion and action by the Board on the **Application for approval to Conduct Advanced Deposit Wagering (ADW) of Youbet.Com Inc., for a California multi-jurisdictional wagering hub and approval for an out-of-state multi-jurisdictional wagering hub**, from January 1, 2007 through December 31, 2007.

9. Discussion and action by the Board on the **Application for Approval to Conduct Advanced Deposit Wagering (ADW) of ODS Technologies, L.P., dba TVG, for an out-of-state multi-jurisdictional wagering hub**, from January 1, 2007 to December 31, 2007.
10. Public hearing by the Board on the adoption of the **proposed amendment to CHRB Rule 1536, Stewards Minutes**, to require stewards to report jockey injuries to specified parties, pursuant to AB 1180.
11. Public hearing by the Board on the **proposed amendment to CHRB Rule 1689.1, Safety Vest Required**, to revise the current criteria for safety vests worn by California jockeys.
12. Public hearing by the Board on the **proposed addition of CHRB Rule 1689.2, Safety Reins Required**, to require the use of safety reins, pursuant to AB 1180.
13. Discussion and action by the Board regarding **securing monetary support for retirement farms for horses that have retired from racing**.
14. Discussion and action by the Board on the **feasibility of exempting quarter horse races from the provisions of CHRB Rule 1606, Coupling of Horses**.
15. Discussion and action by the Board on the **proposed Code of Ethical Conduct Policy** for Board Commissioners.
16. Staff report on the following concluded race meets:
 - A. **Sonoma County Fair** at Santa Rosa from July 26 through August 7, 2006.
 - B. **San Mateo County Fair** at Bay Meadows from August 9 through August 23, 2006.
 - C. **Humboldt County Fair** at Ferndale from August 10 through August 20, 2006.
 - D. **Del Mar Thoroughbred Club** at Del Mar from July 19 through September 6, 2006.
 - E. **Los Angeles County Fair** at Pomona from September 8 through September 25, 2006.

Other Business

17. **General Business:** Communications, reports, requests for future actions of the Board.
Note: Persons addressing the Board under this item will be restricted to **five (5) minutes** for their presentation.
18. **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. Personnel
 - B. Board may convene a Closed Session to consider any of the attached pending litigation.
 - C. The Board may also convene a Closed Session to consider any of the attached pending administrative licensing and disciplinary hearings.

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

CALIFORNIA HORSE RACING BOARD

Richard B. Shapiro, Chairman
Marie G. Moretti, Vice Chairman
John Amerman, Member
John Andreini, Member
William A. Bianco, Member
John C. Harris, Member
Jerry Moss, Member
Ingrid Fermin, Executive Director

PROCEEDINGS of the Regular Meeting of the **California Horse Racing Board** held at the **Hind's Pavilion (Barrett's), Fairplex Park, Pomona, California, on September 20, 2006.**

Present: Richard B. Shapiro, Chairman
John Amerman, Member
William A. Bianco, Member
John C. Harris, Member
Jerry Moss, Member
Ingrid J. Fermin, Executive Director
Derry L. Knight, Deputy Attorney General

MINUTES

Chairman Shapiro asked for approval of the minutes of the Regular Meeting of August 17, 2006. Commissioner Amerman **motioned** to approve the minutes. Commissioner Bianco **seconded** the motion, which was **unanimously carried**.

REPORT FROM THE THOROUGHBRED OWNERS OF CALIFORNIA AND THE CALIFORNIA THOROUGHBRED TRAINERS REGARDING STALL APPLICATIONS AND THE ASSURANCE THAT LANGUAGE REQUIRING THE USE OF DETENTION BARNES FOR TCO2 VIOLATIONS IS INCLUDED IN THE APPLICATION.

Drew Couto of Thoroughbred Owners of California (TOC) stated over the past couple of years his organization and California Thoroughbred Trainers (CTT) had the same language regarding TCO2 violations in their contracts with racing associations. TOC and CTT worked with Hollywood Park Racing Association (HPRA) and Bay Meadows Racing Association (BMRA) to develop new language for the contracts. The new language would increase the time a trainer was in detention, or "protection" barns, rather than restrict his ability to enter horses. The second offense would result in 45 days in a protection barn and 60 days surveillance, and the third offense would result in 60 days in the protection barn and 75 days

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surveillance. Ed Halpern of CTT stated there was a change in the proposed TCO2 agreement. The CTT board objected to making second and third TCO2 penalties less stringent than TCO2 penalties already provided for under the horsemen's agreements. So, for the HPRA and BMRA meetings, the contracts would contain provisions for a first period of "protection" of 30 days, without language referring to a second or third offense. Mr. Halpern stated in the near future the CTT board would decide if it wanted to keep the old penalties in place, or adopt the protection barn and surveillance penalties. Chairman Shapiro said he was concerned that relaxing penalties for TCO2 violations would send the wrong signal. He stated his preference was to keep the current language, which provided that racing associations did not have to accept entries from trainers with multiple offenses. Chairman Shapiro commented the Board might not be able to act as quickly as an association, so the best avenue of action was the contractual relation between the parties. It would be a strong deterrent if a trainer had to acknowledge that multiple TCO2 violations could cause his horses to be refused entry. Under the suggested changes, the only consequence would be time in a detention barn. Mr. Couto said the terms were negotiated between the parties, and not everything a party might want ended up in the agreement. He stated he was hearing that after the Board assumed responsibility for the TCO2 program the tracks did not wish to be placed in the position of denying horsemen the opportunity to enter horses. That was not the role the tracks wished to play, or were willing to negotiate. Because the tracks were not willing to impose higher penalties, a common ground had to be found, and that was what TOC and CTT tried to accomplish. Chairman Shapiro said the goal was to impose immediate action to protect the integrity of the sport. However, the reality of the situation was if the Board took action,

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appeals, stays and legal maneuvers, could forestall penalties for a year or longer. Commissioner Harris stated at least the TOC/CTT agreement started the process. He did not understand why a trainer would take the risk of having multiple violations if he was going to be in a detention barn for 30 days, lose his purse and face ultimate sanctions from the Board. The agreement seemed to be such that a reasonable person would try to evade the penalty. Chairman Shapiro said there would be people who would have second offenses and try to push the envelope, so he questioned why it was necessary to change the existing penalties. Jack Liebau of HPRA and BMRA said he believed the problem was that any lawsuits would be against the trainers' and owners' organizations, and the racetracks. The existing third penalty required that a trainer's horses be taken off the track and denied entry; that was a "death penalty" that would go into effect without any due process. What was a trainer to do if he was put out of business? Mr. Liebau stated HPRA would have no problem with the existing sanctions if the Board made them a condition of licensing. The problem was that the Board had the authority to do the testing and to levy penalties; but it did not have the authority to put a horse into a "protection" or detention barn. The Board was asking the tracks to do something it could not. The tracks were willing to impose penalties that were a deterrent, but they were not willing to have the exposure of putting a trainer out of business. Mr. Halpern said he did not want to give the impression CTT was against tough penalties. The CTT board was unanimous when it came to being strongly against behavior that hurt the best interests of the industry. However, the CTT board felt TCO2 was now a matter for the Horse Racing Board to handle. As an attorney, and a representative of the horsemen, Mr. Halpern stated he felt it was a dangerous position to state a trainer could get a third penalty and be put out of

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business without a hearing or any requirement of proof other than a positive test. Dr. Rick Arthur, a veterinarian, said only one trainer had two TCO2 violations since the Board took over the program, which demonstrated surveillance in detention barns was effective. The compromise proposal would give the Board time to develop its cases against multiple violators. He added he believed racing associations had very good justification for refusing entry to trainers with multiple violations. Craig Fravel of Del Mar Thoroughbred Club said he agreed with TOC and the associations. He stated he did not believe the industry was well suited to be in the enforcement business. There was serious concern regarding liability and accomplishing goals if there were escalating penalties imposed by consensual agreements between the parties. Any time there was a civil proceeding and a punitive proceeding by a regulatory body, the courts would invariably stay the civil action so the rights of the defendant would not be prejudiced in the punitive proceeding. For the associations to be involved in quasi-punitive activity, while hearings before the Board were pending, raised serious issues regarding due process and whether the Board would ultimately be prejudiced in its ability to prosecute under its rules. Commissioner Moss said he tended to agree with the industry, but he believed there had to be substantial penalties for TCO2 violations. Perhaps legislation could be sought, so penalties would not be arbitrary. Commissioner Harris stated the program was an educational process, and he hoped trainers understood a TCO2 violation was a Class III violation, which would involve purse monies. He said he hoped the trainers were acknowledging that they understood the program when they got their stalls. Chairman Shapiro stated the Board asked to see examples of the condition books and stall applications to ensure there was sufficient language. He said there should be language in those documents stating as a condition of entry

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there were rules governing TCO2 and possible penalties. Mr. Couto said based on the law and the Board's rules such language was not necessary, as accepting a stall bound trainers to the terms of the horsemen's agreement. However, if the Board wished to remind trainers, the additional language would be fine. Mr. Halpern commented the HPRA stall applications contained such language. Ron Charles of Magna Entertainment Corporation asked what action should be taken for trainers who commit more than three offenses. Chairman Shapiro stated he did not believe California would want such trainers participating in its industry and impugning the integrity of the sport. Mr. Couto said at some point the industry needed to go to the United States Attorney or the Attorney General's office and ask for criminal prosecution. In New York individuals were prosecuted for race fixing and wire fraud violations, which were serious federal felonies. Chairman Shapiro said the Board was going to make more of an effort to issue statements regarding results when there was a positive reading.

DISCUSSION REGARDING RACING PROGRAMS AND EFFORTS TO ADDRESS FIELD SIZE, QUALITY OR QUANTITY OF ENTRANTS, WAYS TO IMPROVE RACING PROGRAMS, TYPES OF RACES AND RESTRICTIONS.

Chairman Shapiro said the issue was a discussion item to look at what could be done to improve racing programs throughout the State. Tom Robbins of Del Mar Thoroughbred Club (DMTC) said all racetracks had agreements with horsemen organizations in which condition book and race program issues were addressed. In addition, the parties met periodically to discuss various issues. Mr. Robbins stated the parties always tried to do what was best for racing programs and the State of California. He added racing secretaries also met once a year with California Thoroughbred Breeders and California Thoroughbred Trainers to discover how

the product could be improved from those organization's points of view. Chairman Shapiro asked if quality fields of five or six horses were being forsaken in favor of increased field sizes. Mr. Robbins said racing secretaries were in favor of promoting better racing. DMTC used five-horse fields at its meeting, and firmly believed in the stakes and allowance programs to move the non-claiming horses out so they could support the program. However, more than half the program was claiming races, so those horses were equally important. Mr. Robbins stated California did not have the number of horses it had in the past, but the recent mandate for synthetic tracks – as evidenced by Hollywood Park – might be the way to improve the situation. The new synthetic track at Hollywood Park had not generated one complaint, and out-of-state trainers were expressing interest. If the quality of non-claiming races could be improved, and there was inventory to fill such races, the entire industry would be better off. Commissioner Harris said one issue was the Board's role. He stated he did not believe the role of the Board was to tell the industry what races to write, but to provide a better racing environment. The racing associations and horsemen should conduct the real negotiations regarding what they collectively thought was best for the industry. Commissioner Harris commented he was concerned that it seemed like claiming purses had not gone up over the last 10 or 20 years and he did not know if the high turn over in claimed horses was a healthy thing. If claiming purses could rise 10 percent or 20 percent the value of horses would rise and the program would remain about the same. From the breeding industry's perspective, the costs of breeding and preparing a horse for racing were out of line with claiming prices. Mr. Robbins said it was a difficult issue, as there was a finite number of dollars for purses, and if the elevated level for claiming horses did not support the program, California could lose horses.

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Commissioner Moss asked why maiden allowances with 14 entries could not be split. Why force owners to wait another 20 to 30 days to run horses that were ready, especially if there was a chance to build two stars at one time? Mr. Robbins stated he did not think mandating a split race under certain conditions was a way to go, as owners and trainers could manipulate entries. If a race was split at 14, the end result could be two five-horse fields. Additionally, another race would have to be called off that under contractual obligations would have to be used and filled. To split such races, the horsemen's agreements would have to be changed. Chairman Shapiro asked what the contractual restrictions were. Mr. Robbins said the agreements contained purse levels; minimum number of entries in a race; requirements that the race be used; the types of races to be run; and California bred information. He stated all of the things he listed affected the program, but the parties continued to talk to fine tune and improve the product. Commissioner Harris said he thought a longer time between entries and the running of the race was something to investigate. He stated there were reasons to increase entry time, such as working the horse and veterinary practices, and asked what the associations might think about the idea. Mr. Robbins stated he thought the answer would vary from track to track. The facilities and conditions were different at each track, and if medication was involved, would it dictate when entries were taken? Commissioner Harris said medication was one issue. Horsemen were frustrated about their ability to plan ahead. If a race did not go, then it came back, it might run in four days or two days; a longer entry time would give horsemen a better feel for when a horse would get back in. Commissioner Harris said when entries went from 48 to 72 hours in Northern California, it was controversial, but it worked. Commissioner Amerman stated he believed the largest issue was the inventory of horses in

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California. However, the reaction to the synthetic track at Hollywood Park demonstrated the industry had a big opportunity. It appeared the industry should be reaching out to bring out-of-state horsemen into California. At a previous meeting, California Marketing Committee (CMC) funds were looked at as a means of creating a program to appeal to horsemen who would like to come to California. Commissioner Amerman said he thought there could be sources of funding other than the CMC; could not the industry chip in and appeal to horsemen across the country? Mr. Robbins said he agreed that the synthetic tracks presented an opportunity to make a difference. He stated he applauded the efforts of Thoroughbred Owners of California and CMC for aggressively recruiting quality horsemen to California. He added if the quality of the program could be improved purses would go up. Chairman Shapiro said he agreed, but when the out-of-state horses arrived, there needed to be racing opportunities. He stated he was concerned the emphasis was too much on field size when there needed to be balance to get the quality of racing up. Commissioner Harris said CMC had some of its funding going to supercharging races. He stated he would like to see some analysis of the program to determine if it was the best use of the money. If the money was going to purses, perhaps CMC could be a little more creative, and not just take regular races where horsemen would enter regardless. Rick Hammerle of Santa Anita said supercharging was a program that had been in effect for approximately two years. Statistics regarding increases in handle, national exposure and increases in attendance were kept, and they demonstrated that the program paid for itself. Advertising was not necessary as the cards were getting national exposure. Commissioner Harris said he agreed good programs were written. He stated he questioned if, in certain categories of races, horses would run regardless of supercharging. He

believed the horse would run anyway. Additionally, Commissioner Harris said he did not think fans attended live meetings based on supercharging. Fans were looking for a large field that was very competitive. Martin Panza of Hollywood Park said supercharging had alleviated the problem of five and six horse fields on days with large stakes races and the handle was up because of the program. Mr. Panza commented the new synthetic track at Hollywood Park was the catalyst for a great deal of interest from out-of-state owners and trainers. In addition, Hollywood Park was contacting East Coast trainers to promote its new racing surface. He predicted that within a short space of time several East Coast stables would announce they were coming to Hollywood Park. Racing secretaries could only write races for the horses in the inventory. If the new track surfaces attracted better horses, more high quality races could be written, which was something all racing secretaries were excited about. Craig Fravel of DMTC said the move to synthetic racing surfaces had unleashed a lot of unused energy. One could go to any racing jurisdiction and people were talking about California. Mr. Fravel stated the industry needed to take advantage of the opportunity presented by synthetic surfaces and work with CMC to get the message out. He commented the best part of the story was that only a few tracks on the East Coast were installing new surfaces. That presented California the chance to move ahead.

DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING OF THE HOLLYWOOD PARK FALL RACING ASSOCIATION (T) AT HOLLYWOOD PARK, COMMENCING NOVEMBER 1, 2006 THROUGH DECEMBER 18, 2006, INCLUSIVE.

Jacqueline Wagner, CHRB staff, said the Hollywood Park Fall Racing Association (HPFRA) proposed to run 36 days, nine more days than in 2005, for a total of 310 races. The dates

HPFRA proposed to run were the dates allocated by the Board. The first post time would be 12:30 p.m. daily; 7:05 p.m. on November 10 and 17; and 11:00 a.m. on November 23. The advance deposit wagering (ADW) providers were TVG, XpressBet, and YouBet. Ms. Wagner stated the horsemen's agreement was missing from the application, and staff recommended the Board approve the application contingent on receipt of the missing information. Euale Wyatt of HPFRA said his organization had two differences with Thoroughbred Owners of California (TOC). The first issue was the minimum number of horses in an overnight stake; a race the association was obligated to run. The previous number was six horses. TOC wished to eliminate that number and require the association to seek its approval before canceling any overnight stake. Mr. Wyatt said HPFRA countered with an offer to lower the minimum number of entrants to five. The second issue was the track covenant. It currently read that during the term of the agreement (race meeting) the association would recognize TOC as the representative of the horsemen. However, TOC wanted to modify the language to read: "during the term of the agreement and thereafter." Mr. Wyatt stated HPFRA took "thereafter" to mean "forever" and it found that a bit onerous. He said HPFRA was willing to submit both questions to the Board for binding arbitration. Chairman Shapiro asked if the parties believed they had exhausted their ability to resolve the issues. Jack Liebau of HPFRA said he believed the parties would not be able to resolve the issues. Chairman Shapiro asked if the parties were willing to let the Board hear the issues and incorporate a decision in its motion. Mr. Liebau stated he thought the parties would allow such an action. Commissioner Harris said the Board should vote on the matter, as the issues would not dramatically change the race meeting. Drew Couto of TOC said he was uncomfortable with the proposition. There was a process in place

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to resolve disputes regarding the horsemen's agreements, which was to go before the Security and Licensing Committee. He stated he disagreed with HPFRA's characterization that the issues could not be resolved. Previous disputes were resolved without resorting to a committee of the Board for arbitration, and Mr. Couto said he believed the parties could resolve the current dispute. Chairman Shapiro stated the item could be carried over to the end of the meeting, which would give the parties time to negotiate. Mr. Liebau and Mr. Couto stated they would agree to Chairman Shapiro's suggestion. Commissioner Harris asked TOC to clarify its position. Mr. Couto said with regards to stakes races, the horsemen's agreements stated there should be no stake canceled without the consent of TOC. The TOC was finding that traditional stakes were shifting to overnight stakes that could be canceled at the time of entry, if there were not enough entries. TOC believed that was unfair to owners and it sent the wrong message. Stakes races they intended to run in could or could not be canceled and it was entirely up to the racing office. The TOC wanted associations to get TOC consent before canceling any stake race, particularly because stakes were advertised well in advance. Mr. Liebau said overnight stakes were just like any other overnight race. If an overnight stake did not fill, it would be canceled. Overnight stakes were clearly treated the same as overnight races, and past agreements specifically stated that. Mr. Couto said when the original language was in place overnight stakes were different. They were largely a classified allowance that carried slightly more, so horses that participated had a chance of getting black typed. Currently, overnight stakes are not what they used to be. They were part of a stakes schedule advertised throughout the year. TOC's position regarding all stakes was the associations had to work in consultation and concurrence with TOC. Mr. Liebau said the associations did not

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have the ability to cancel pure stakes races; it needed TOC's permission. He stated he did not demean anyone's desire to run good horses; as such horses deserved every opportunity. However, depending on the quality of the race and the number of horses in the race, the public needed to be protected, as that is where the wagers originated. Mr. Liebau stated the ability to call an overnight race also helped breeders because of the ability to get black typed. Commissioner Harris commented that was one reason he would like to see the overnight stakes expanded. If it were made too restrictive the tracks might not write or advertise them. Mr. Couto stated he agreed the overnight stakes should be expanded because California-Bred horses got bonuses. However, it seemed artificial to state TOC could give consent on all stakes but a particular few. Martin Panza, racing secretary at HPFRA said he had overnight stakes races on his program because he could not afford to write a hundred-thousand-dollar stake for horses that ran in overnight stakes. The overnight stakes gave such horses an opportunity to run. If there was an abundance of horses, additional overnight stakes could be written. However, if restrictions were imposed, Mr. Panza stated his hands would be tied. He would not write the races if overnight stakes with two or three horses had to be run. Commissioner Amerman asked how many times Mr. Panza had canceled an overnight stakes race. Mr. Panza said very few such races were canceled. He added there was a reason he could not own a horse, and it was because he got to choose which races went, not the owners. It would be detrimental to the sport if TOC were put in a position of deciding the fate of an overnight stake race when one of its board members had a horse entered. All owners should be equal, and the decisions should be left to the racing secretary. Commissioner Amerman said he strongly agreed the racing secretaries should be allowed to do their job. A resolution to the issue should be found or the

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problem would persist. Commissioner Bianco stated the new track at Hollywood Park seemed to be attracting more horses. He asked if the same problems might occur under the changed circumstances. Mr. Liebau said he did not have a feeling for how entries would go. He stated, however, the dispute was a racing secretary issue and HPFRA was backing the racing secretaries. Rick Hammerle of Santa Anita said California's overnight stake programs were not unique. Mr. Hammerle stated he worked in other jurisdictions that wrote similar overnight stakes, and it was a big deal if one of them did not go. The change that occurred in California was that instead of waiting for a spot to open in the condition book, the overnight stakes were advertised ahead of time so owners and trainers would be aware, and perhaps the race would be more likely to go. In the last five years, Mr. Hammerle stated he could not think of an overnight stake race that did not go. If one was canceled due to weather it was brought back as the weather allowed. He said he endorsed Mr. Robbins earlier comments about letting racing secretaries do their job. Chairman Shapiro stated the item would be continued after the parties met to negotiate. (The item was continued following a lunch recess.) Mr. Wyatt stated the parties reached an agreement. The overnight stakes would be run if there were five or more wagering interests. If there were fewer than five wagering interests, TOC would be consulted before the race was canceled. Regarding the issue of TOC representing owners – the parties agreed TOC would represent owners during the term of the agreement until the next license application. Chairman Shapiro asked, given HPFRA's new racing surface, what assumptions went into its purse increases. Mr. Wyatt said HPFRA made reasonably conservative estimates regarding the purses the meeting would generate. He stated a few years ago purses were cut for two or three consecutive race meetings due to over estimating purses,

which resulted in overpayment. In subsequent years HPFRA and TOC tried to be reasonable, but were conservative when predicting purses. Chairman Shapiro asked what increases HPFRA expected given the excitement the synthetic racing surfaces generated. What might HPFRA look forward to in 2006 versus 2005? Mr. Wyatt said the purses generated in 2005, on a per-day basis, were similar to 2004 purses. When HPFRA applied for a license, it generally included a \$10,000 per-day increase. The projections in the current license application were made well before the synthetic racing surface was installed. To date, the experience with the track was positive, and all indications were it would do all of the things HPFRA hoped it would do, but Mr. Wyatt stated he could not put a number on the end result. Chairman Shapiro said regardless of the purses, he was trying to get a sense of what HPFRA's expectations were for the meeting based on all the positive feedback from the new racing surface. Mr. Wyatt said HPFRA was more excited about the coming meeting than any past meeting. There was more enthusiasm and optimism, as the new racing surface represented an opportunity for the track. Chairman Shapiro asked how HPFRA would promote the new surface to the general public. Mike Ziegler of HPFRA said the advertising budget would be increased 30 percent over the \$470,000 spent promoting the 2005 fall meeting. He stated HPFRA would make better use of database marketing and direct mail to put the message in front of the fans. Mr. Ziegler explained in detail the various price incentives HPFRA would use to induce the public to attend the live meeting. He stated two Friday nights of the meeting would be called "College Nights" and popular bands would be hired to play. Campus representatives were hired to hand out free passes at the five universities in Southern California. Mr. Ziegler detailed several other promotions, including give-aways, family days

and discounted senior days. He also talked about HPFRA's media buys in television, radio and print media. Commissioner Amerman said the current situation at HPFRA was a marketing dream. He stated his only suggestion was to load all the advertising up front and take a little risk to get the public into the facility. Word of mouth would get it around that HPFRA was a terrific place to go and have fun, entertainment and good sport. Commissioner Amerman asked if Mr. Ziegler had any thoughts on improving HPFRA's consumer and customer relations. Mr. Ziegler said that took a lot of managers being out on the floor to keep an eye on events. It also involved taking customer suggestions and delivering on them. Chairman Shapiro asked who the security officers for graded stakes would be. He stated he previously suggested existing licensed personnel fill the gap, and asked if HPFRA approached the union regarding supplying such personnel. Mr. Wyatt said he did not believe HPFRA could get enough Teamster guards to do the job. The security guards would have to be supplemented. HPFRA was exploring the possibility of requiring the guards to carry a guard card that was issued by the State of California. Commissioner Moss **motioned** to approve the application to conduct a horse racing meeting of HPFRA. Commissioner Amerman **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 BAY MEADOWS RACING ASSOCIATION (T) AT BAY MEADOWS, COMMENCING OCTOBER 18, 2006 THROUGH DECEMBER 18, 2006, INCLUSIVE.

Jacqueline Wagner, CHRB staff, said Bay Meadows Racing Association (BMRA) proposed to run 46 days for a total of 396 races. The first post time would be 12:45 p.m. daily, and 7:20 p.m. October 20 and 27, and November 10 and 17. Ms. Wagner stated staff recommended the

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Board adopt the application as presented. Chairman Shapiro said in 2005 there was an issue with the ambulance getting around the track in wet weather at Golden Gate Fields. He asked how that was done at BMRA. Jack Liebau of BMRA said during wet weather a four-wheel drive vehicle with different tires was used. He added he had never seen a time when the ambulance at BMRA could not make it around the track. Commissioner Harris said the end-of-meeting reports from the previous meetings needed to be examined to ensure any problems were resolved. Mr. Liebau stated the reports were not circulated to track management. If management received the reports they would certainly address any concerns. Chairman Shapiro said the associations would receive the reports and the stewards' minutes. Commissioner Amerman stated he noted BMRA mentioned one reason for the shrinking market was the initial hesitation of horse racing to jump into television. He said the industry ought to turn that around and allocate a little more advertising budget to television. Mike Ziegler of BMRA said the association currently broadcasted on TVG, which appeared on cable in the Bay Area. Commissioner Amerman stated TVG was talking to established fans. He envisioned television as a means of reaching new, young fans. Mr. Liebau said the outreach to new and younger fans occurred on Friday nights with the exciting atmosphere at BMRA. In addition, group sales were up 200 percent due to increased interest from private companies. Commissioner Amerman **motioned** to approve the application for license to conduct a horse racing meeting of BMRA. Commissioner Bianco **seconded** the motion, which was **unanimously carried**.

REPORT OF THE STRATEGIC PLANNING COMMITTEE

Chairman Shapiro said the Strategic Planning Committee (committee) met on September 19, 2006. The committee asked if there were any suggestions from the audience regarding a proposed 2007 racing calendar. There being no suggestions, Chairman Shapiro stated he presented a proposal for a 2007 racing calendar. The idea behind the proposal was to look at reducing certain dates, particularly in the north, where there was an historical shortage of horses. In addition, the fairs were asked to look at creative ways to contribute more to racing by conducting combined meetings. A period of dates was blocked out for the fairs, so they could meet and come forward with a way to utilize those dates. The proposed calendar caused considerable discussion and at the conclusion of the meeting the committee invited the industry to look at the proposal and return at a later date with changes. Chairman Shapiro emphasized it was not the committee's intent to dictate to the fairs; rather, the committee wished the fairs to come forward with a plan. The fair network needed to improve and become a part of the success of California horse racing. Commissioner Amerman said the committee tried to impart the idea that if the industry continued with what it was currently doing, it would continue to drift down. The plan put forward by the committee was an attempt to start the industry thinking about a calendar that was better than the current situation. Commissioner Harris said he was particularly concerned with the Northern California fairs, as they were a vital part of Northern California racing. He stated he would like to see a little experimentation with dates rather than a radical change.

PUBLIC HEARING BY THE BOARD ON THE ADOPTION OF THE PROPOSED AMENDMENT TO CHRB RULE 1582, FORM OF ENTRIES AND DECLARATIONS, TO ALLOW ACCEPTANCE OF ENTRIES IN ANY ELECTRONIC FORM THE TRACK DEEMS APPROPRIATE.

Jacqueline Wagner, CHRB staff, said the proposed amendment to Rule 1582, Form of Entries and Declarations, would provide that as a condition of the race meeting under Rule 1437, Conditions of Race Meeting, the association could accept entries by telephone, facsimile, or any other electronic means it deemed appropriate. The association could also require written confirmation of telephone entries. Ms. Wagner stated no comments were received during the 45-day public comment period, and staff recommended the Board adopt the proposal as presented. Commissioner Amerman **motioned** to adopt the proposed amendment. Commissioner Moss **seconded** the motion, which was **unanimously carried**.

PUBLIC HEARING BY THE BOARD ON THE ADOPTION OF THE PROPOSED AMENDMENT TO CHRB RULE 1544, CALLING OFF RACE, AND CHRB RULE 1658, VESTING OF TITLE TO CLAIMED HORSE, TO PROVIDE THAT ANY CLAIMS SUBMITTED IN A RACE THAT IS CALLED OFF, CANCELED OR DECLARED NO CONTEST SHALL BE VOID.

Jacqueline Wagner, CHRB staff, said the proposed amendment to Rule 1544, Calling off Race, and Rule 1658, Vesting of Title to Claimed Horse, would clarify the disposition of claims submitted in races that were called off, canceled or declared no contest. Ms. Wagner stated under the proposed amendment such claims would be void. She said the proposed amendment was heard at the August 2006 Regular Board Meeting where concerns were expressed regarding retroactive application of the amendment. Such concerns would not apply, as under the Administrative Procedures Act, an amendment to a regulation would not become effective until 30 days after filing with the Secretary of State. Ms. Wagner said no comments were

received during the 45-day public comment period, and staff recommended the Board adopt the regulation as presented. Commissioner Bianco **motioned** to adopt the amendment to Rule 1544 and Rule 1658. Commissioner Amerman **seconded** the motion, which was **unanimously carried**.

DISCUSSION AND ACTION BY THE BOARD ON THE PROPOSED ADDITION OF CHRB RULE 1874.1, BREATH ALCOHOL TESTING, TO REQUIRE JOCKEYS TO SUBMIT TO A BREATH ALCOHOL TEST AT THE BEGINNING OF EACH RACE PROGRAM IN WHICH THEY PARTICIPATE.

Jacqueline Wagner, CHRB staff, said the proposed addition of Rule 1874.1, Breath Alcohol Testing, would require jockeys to submit to a breath alcohol test prior to the beginning of each race program in which they participated. If a test showed a concentration of 0.05 percent or more of alcohol, the jockey would not be allowed to ride and would be referred to the stewards. Ms. Wagner stated staff recommended the Board direct staff to initiate a 45-day public comment period. Commissioner Harris said breath alcohol testing was currently conducted at harness meetings, but he thought if the Board was going to have a rule, harness drivers should be included. Darryl Haire of the Jockey's Guild (Guild) stated his organization was in favor of the proposed amendment. He stated the Guild would suggest that high quality law enforcement equipment be used, with trained personnel. In addition, if a rider tested at 0.05 percent or higher, that jockey should be tested again within a few minutes. Chairman Shapiro **motioned** to direct staff to initiate a 45-day public comment period for the addition of Rule 1874.1. Commissioner Bianco **seconded** the motion, which was **unanimously carried**.

DISCUSSION AND ACTION BY THE BOARD ON THE PROPOSED AMENDMENT TO CHRB RULE 1433, APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING, TO REQUIRE ASSOCIATIONS TO PROVIDE AVERAGE DAILY PURSE ESTIMATES, THE NAMES OF THE ADVANCE DEPOSIT WAGERING PROVIDERS AND INFORMATION DESCRIBING FIRST-AID FACILITIES AT THE RACE TRACK ON THE APPLICATION FOR LICENSE.

Jacqueline Wagner, CHRB staff, said the proposed amendment to Rule 1433, Application to Conduct a Horse Racing Meeting, would add several provisions of Assembly Bill (AB) 1180, Statutes of 2005, to the forms CHRB-17, Application to Conduct a Horse Racing Meeting, and CHRB-18, Application to Conduct a Horse Racing Meeting of a California Fair. Ms. Wagner stated the Board was required by AB 1180 to address certain issues, and including them in the applications accomplished that. She reviewed the changes to the forms, and said staff recommended the Board instruct staff to initiate a 45-day public comment period. Commissioner Amerman **motioned** to instruct staff to initiate a 45-day public comment period regarding the proposed amendment to Rule 1433. Commissioner Bianco **seconded** the motion, which was **unanimously carried**.

REPORT BY REPRESENTATIVES OF THE CALIFORNIA ANIMAL HEALTH AND FOOD SAFETY LABORATORY ON THE POSTMORTEM PROGRAM.

Dr. Alex Ardans of the Animal Health and Food Safety Laboratory System at University of California Davis (UCD) presented a Power Point slide presentation regarding the postmortem program at UCD. Dr. Sue Stover of UCD School of Veterinary Medicine continued the slide presentation by talking about the findings of the postmortem program. Dr. Stover concluded her presentation by stating the program was interested in following racing surfaces, especially with the advent of the new synthetic type racing surfaces. She stated horses were taken to

Keeneland to run on the synthetic training track, and the horses hoofs and joints within the limb were studied, and while the data was still being studied, there was some encouraging information. Chairman Shapiro thanked Dr. Ardans and Dr. Stover for their presentation. He asked if the 27 percent increase in the number of horses submitted for necropsy could represent a statistical error. Dr. Ardans stated the numbers were accurate, as the program received every horse that died on a facility under the jurisdiction of the Board. Chairman Shapiro asked if Dr. Ardans could guess why there was such an increase. Dr. Ardans said the program knew the population that was submitted for necropsy, but did not know the population that was at risk, so it would be difficult to say why there was such an increase. He stated, however, that an attempt would be made to normalize the data from the necropsy program against the number of starts. Chairman Shapiro said it would be useful to conduct seminars at the tracks to impart information from the necropsy program to trainers. Dr. Ardans stated he agreed, and added he and Dr. Stover had other ideas regarding dissemination of such information.

DISCUSSION AND ACTION BY THE BOARD ON THE REQUEST OF THE BAY MEADOWS FOUNDATION TO DISTRIBUTE \$76,500 IN CHARITY DAY RACING PROCEEDS TO 25 BENEFICIARIES.

Ysanne Rarick, CHRB staff, said the Bay Meadows Foundation requested to distribute \$76,500 in charity day racing proceeds to 25 beneficiaries. Fifty percent of the proposed distribution was dedicated to horse racing related charities. Ms. Rarick stated staff recommended the Board approve the request. Commissioner Harris said he noted one of the larger beneficiaries was the California Council on Problem Gambling. He stated that was a worthy cause, but he questioned if it was horse racing related. Commissioner Harris said he believed the intent of

the law was to have a certain portion of the funds go to persons or horses actually working in the industry. He stated he would suggest the item be returned to the Bay Meadows Foundation for further justification of the bequest. Chairman Shapiro said the item would be returned for a reevaluation of the distribution to the California Council on Problem Gambling.

REPORT ON THE STATUS OF THE JOCKEY HEALTH ASSESSMENT STUDY.

Craig Fravel of Del Mar Thoroughbred Club (DMTC) said the protocols for the initial phase of the jockey health study were finalized through Dr. Benardot, a nutritionist and Doctor of Athletic Performance at Georgia State University. The research protocols were submitted to the independent review board at Georgia State University for final review and approval. The National Thoroughbred Racing Association provided approximately \$50,000 and the California Thoroughbred Business League and the Thoroughbred Racing Association also provided funding. Mr. Fravel said after the protocols were approved, the Jockey's Guild would help to ensure participation of California jockeys, as the study would be conducted largely in California. However, the study would attempt to work with other racing states so it would not be limited to California. He stated initially a small group of jockeys might go through the process to see how it worked.

DISCUSSION AND ACTION BY THE BOARD ON THE MATTER OF: (1) LICENSING AND SETTING OF ADW HUB RATES AND THE OBLIGATIONS OF ADW COMPANIES AND OR RACING ASSOCIATIONS TO HAVE AGREEMENTS WITH HORSEMEN'S OR OWNER'S ORGANIZATIONS; (2) TVG AND TOC HUB FEE RATE DISPUTE RELATING TO IMPORTED TB RACES AND THE PROPRIETY OF AN ADW COMPANY TO IMPORT RACES WITHOUT A CONTRACT IN PLACE WITH A RACING ASSOCIATION OR HORSEMEN'S ORGANIZATION OF THE SAME BREED AS THE IMPORTED RACES; (3) METHOD OF DETERMINING, CALCULATING AND RESERVING FOR RATES IN DISPUTE; (4) ANY OTHER RELATED MATTER CONSIDERED PART OF THE DISPUTE BETWEEN ANY ADW COMPANY AND ANY RACING ASSOCIATION OR HORSEMEN'S OR OWNER'S ORGANIZATION.

Chairman Shapiro said the item was first placed on the agenda in January 2006. At that time the parties agreed to defer the item for further discussions. The item was deferred several times, and at the August 2006 Regular Board Meeting the parties agreed to meet to resolve their issues. Drew Couto of Thoroughbred Owners of California (TOC) said the parties were unable to reach an agreement. However, a series of meetings were held, which gave the parties confidence that a resolution could be achieved. Mr. Couto stated three issues were preventing an agreement. They were: 1) Did the CHRB have authority to adjudicate advance deposit wagering (ADW) issues raised by TOC? 2) Would the lack of a contract with a currently operating licensed California thoroughbred association prevent ADW wagering on thoroughbred races? 3) Had the CHRB consistently required a contract with horsemen as a condition of the ADW license/approval? Regarding the first issue, Mr. Couto stated under Business and Professions (B&P) Code Section 19604 the CHRB did have the authority to adjudicate ADW issues raised by TOC. Subsection 19604(k) stated "any dispute concerning the interpretation or application of this section shall be resolved by the Horse Racing Board." Regarding the second issue, Mr. Couto said B&P Code Section 19604 gave the right to conduct ADW not to ADW providers, but to tracks and racing fairs that were conducting live

meetings. This meant ADW was an extension of the racing association or fair's license, and if an association or racing fair was not permitted to accept certain wagers, then ADW providers could not because they did not have rights superior to the racing association. What did the contracting racetracks or fairs have the right to do? Mr. Couto stated TVG claimed B&P Code Section 19596.1 (which related to harness and quarter horses) permitted it to conduct ADW on thoroughbred racing through its license with Los Alamitos. However, B&P Code Section 19596.1 only authorized a harness or quarter horse association to accept wagers on the results of out-of-state or out-of-country harness or quarter horse races. Mr. Couto said B&P Code Section 19596.2 (which related to the thoroughbred industry) stated a thoroughbred racing association or fair may accept wagers on the results of out-of-state or out-of-country thoroughbred races during the time they were licensed to conduct racing. That meant quarter horse and harness associations could take wagers on quarter horse and harness races, and thoroughbred associations could take wagers on thoroughbred races. Mr. Couto stated in January through April 2006, TVG did not have a contract with TOC or any thoroughbred racing association, yet it took wagers on imported thoroughbred races by relying on its contract with Los Alamitos, which the law prevented. Chairman Shapiro asked if TVG could take the imported thoroughbred signal if it had a hub agreement with TOC but not Santa Anita? Mr. Couto said in 2002, the first year of ADW, all the parties stipulated that if the ADW providers had a hub fee agreement with TOC, TOC would ask its track partners to allow the ADW providers to continue working. Chairman Shapiro commented - in the case of Santa Anita - that meant TVG could not accept wagers on Santa Anita because it did not have an agreement with the racetrack, but it could import thoroughbred races because it had a hub agreement with

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TOC. Mr Couto said that was an issue in 2002, so the Board determined that for TVG to accept wagers on thoroughbred racing when it did not have an agreement with a thoroughbred track, it had to have an agreement with TOC. Mr. Couto said the third issue dealt with the historical insistence of the Board that ADW providers also have a contract with the horsemen as a condition of ADW licensure. To demonstrate the contention by TOC that the Board did require such contracts, Mr. Couto reviewed a history of Board hearings regarding licensing/approval of ADW providers. He stated in April 2002 Deputy Attorney General (DAG) Tom Blake determined that while the statute and the Board's regulations did not specify TVG needed a horsemen's agreement with TOC, the Board had the discretion under its licensing powers to require such an agreement. In addition, the then Board Chairman, Alan Landsburg, stated: "no further agreement shall be done without a specific horsemen's agreement as required by CHRB license." Mr. Couto said in 2002 Commissioner Harris also stated it was his understanding the intent of the law was for owners to have veto power meeting by meeting. Finally, Mr. Couto said TVG's growth in imported signals, which it brought in at a rate it chose, was costing the horsemen a tremendous amount of money, and that was why TOC sought to adjust the hub fee rate in 2006. TVG's exclusivities, its pricing model and its sublicense agreements made it impossible for other ADW providers who sublicensed to make money on California signals. TVG used the California signal as a loss leader to bring fans to its site, then did what it could to shift play to signals that had a higher yield. Mr. Couto stated TOC was trying to work out hub fee agreements that insured California racing received a fair share, but it was being denied that opportunity by TVG, who was not sitting down to negotiate. David Nathanson of TVG said his organization was actively

involved in exploring ways to build consensus and improve horse racing in California. TVG intended to use its multiple platforms to broaden the appeal of horse racing and to give its partners the broadest possible distribution. Mr. Nathanson stated California racing was important to TVG and he reviewed TVG's distribution, the number of wagers it handled, and the amount of money it paid to the industry in purses, commissions and statutory contributions. He said TVG firmly believed it had acted in accordance with the requirements of the law and the terms of its Board approval. Mr. Nathanson said TVG was required to have an agreement with the association running a live race meeting, and it had such agreements. He stated the law also specified that hub fees were determined by a contractual agreement between the ADW provider and a racing association. TVG's contracts with racing associations complied with that requirement. The initial approval of TVG was granted in January 2002, and at that time TVG did not have a contract with any California thoroughbred racing association, nor did TVG have an agreement with TOC. The Board found that an agreement between TVG and TOC was not required under the statute governing ADW. TVG received approval under the same conditions on two subsequent occasions. Mr. Nathanson stated TOC asserted the Board delegated to TOC the unilateral right to set hub feed for ADW on thoroughbred races. He said the Board never asserted it had the statutory right, and there was no evidence the Board ever took action to delegate such right. If the Board delegated such right, it would be a violation of the California constitution, as TOC did not operate under laws that governed public agencies, and was a competitive party in the process. Mr. Nathanson stated TVG had engaged in discussions with TOC to find common interest, and he believed the conversations were productive and they remained ongoing. He closed his comments by stating as the sunset provision approached

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TVG would work with the industry and the legislature to find ways to improve ADW. Chairman Shapiro said he did not want to lose sight of the contribution TVG made to California's horse racing industry, and he believed TVG and the other ADW providers were critical to the growth of the industry in California. Chairman Shapiro stated a literal reading of the enabling statute would not require an agreement between an ADW entity and a horsemen's association. However, hindsight showed XpressBet was captive to Magna Entertainment Company (MEC), so it did not make sense to entrust MEC to negotiate with itself regarding a hub rate. In addition, they were founding partners for TVG, so it was difficult to ask TVG to negotiate a hub fee with a founding partner. Since the Board was unable to set the hub rates, the parties agreed at one point that the horsemen should negotiate those agreements. Chairman Shapiro stated he did not understand why, after four years of such practice, TVG was opposed to the scheme. He said he would like to know what TVG's objection was to TOC representing the horsemen. John Hindman of TVG said in 2002 TVG did not have an agreement with Santa Anita Race Park, and it still did not have an agreement. TVG studied the enabling statute and the Board's regulations, and followed them as closely as possible. To operate ADW in California a provider needed an agreement with a track that was operating a live meeting, and the hub fees were set by an agreement between the racing association and the ADW provider. The ADW application required compliance with the Interstate Horse Racing Act (IHRA), and the IHRA stated an ADW provider could not use a signal for interstate wagering on horse racing without the consent of the horsemen at the track where the racing was conducted. When TVG was licensed, it began accepting wagers on Los Alamitos and tracks from across the country. All of TVG's applications stated it would operate ADW 364 days a year, and

they gave a complete list of tracks on the TVG menu. None of the applications were accompanied by an agreement with a horsemen's association. When then Chairman Landsburg raised his issues, Hollywood Park had an agreement with TOC for TVG to take its signal, and TVG abided by that agreement. Nothing changed in TVG's operations, and there was nothing in the law or the regulations that contradicted how TVG operated. Chairman Shapiro said he would stipulate that the law said the agreement was between the ADW provider and a racing association. He stated he failed to understand why TVG was not currently willing to negotiate with horsemen if it was past practice to conduct such negotiations. Cathy Christian, representing TVG, said TOC did not discuss the IHRA because it required approval of the horsemen whose signal was being exported. She stated TOC relied on a pastiche of quotes from various Board transcripts, and pieces of agreements, out of context, to argue that California law required the California horsemen's agreement before out-of-state signal could be imported. Ms. Christian noted, too, that DAG Blake stated he did not think anyone believed the law, the Board's regulations or the application for license to conduct ADW required an agreement with TOC. She stated it was outside the Board's authority to say it would influence the relationship or contractual terms by stating such an agreement must be made. That would make it more difficult for the parties to reach an agreement. Chairman Shapiro said he clearly remembered that at the December 2004 Regular Board Meeting, where the ADW licenses were renewed, it was represented that the Board's awarding a two-year agreement meant all the parties would be in agreement as a condition of licensure. He asked if TVG believed it was beyond the Board's reach to require the horsemen's participation in setting hub rates as a condition to issuing an ADW license. Ms. Christian stated that was TVG's position, as the

Board was trying to insert something into ADW law that was the legislature's prerogative. Ms. Christian said the horsemen were not independent parties, as they had a stake in the outcome. The independent party was the Board, but if it inserted itself in the discussions it would interfere with the contractual relationship and make it more difficult to reach an agreement. Commissioner Harris said he understood it was impossible for the horsemen to say "no" to the imported signal, but could not the horsemen object to the export of their signal? Mr. Couto said under the IHRA the horsemen could object to the exporting of the signal, and they could refuse to allow TVG to take wagers by Californians on California races because every wager TVG handled was an interstate wager because it crossed state lines into Oregon. Mr. Couto added the law clearly gave the horsemen a voice on the importation of races. He added that when Ms. Christian was the Board's DAG she often made the argument that while a rule may not be specifically stated, or the law did not specifically cover an issue, the Board, under its primary authority, had the power to make decisions in the best interest of horse racing. Mr. Couto said B&P Code 19604 gave the Board the authority to set whatever conditions for licensing it chose, and the Board chose to set as a condition of license an agreement between the horsemen and ADW providers. Chairman Shapiro asked why TVG could not agree that it and the horsemen should reach an agreement for the betterment of California horse racing. Mr. Nathanson said over the past two weeks TVG and TOC worked to find ways to mutually benefit the industry. TVG recognized the value of the horsemen's organizations and though nothing had been concluded, it was not walking away from the discussions. Chairman Shapiro asked if the parties had a problem with a rate of 5.5 percent for imported races. Mr. Couto stated the 5.5 percent rates were set when the volume was

different. When the volume increased, the rate was adjusted downward. That was why TOC reviewed the rates annually. Chairman Shapiro asked what percentage of TVG's airtime was devoted to California in 2006 versus 2002? Mr. Hindman said 20 percent of TVG's airtime was devoted to California. Commissioner Shapiro said he still did not understand why TVG was unwilling to negotiate a rate with the California horsemen. The horsemen clearly deserved a voice in the process, as it was their livelihood and revenues. Chairman Shapiro stated he was trying to bridge the gap until 2007 when the model would be reworked. Why could not a number be found to put the issue to rest? If TVG really cared about California horse racing, then why not make an agreement that would help the industry? Mr. Hindman said TVG appreciated Chairman Shapiro's sentiments, and it would continue its discussions with TOC. However, what was legally required was an entirely different subject. Chairman Shapiro asked how far the parties were from an agreement. Mr. Couto said TVG was currently deducting 6 percent. Commissioner Amerman asked what TOC felt was fair. Mr. Couto said TOC wanted 2.5 percent for the 10 to 12 week period TVG did not have California product, and the remainder of the year could be 5.5 percent. TVG did not want to agree to those numbers because it felt the rate would benefit its primary competitor, MEC. Mr. Couto stated TOC then offered to lower the rate to 4.25 percent for the year. That way MEC would not benefit, but the same amount of purse revenues would be produced. Chairman Shapiro asked what the rates paid to other ADW providers were. Mr. Couto said when a California wager was placed on a California race YouBet and XpressBet received 5 percent. On imported races YouBet and XpressBet received 4.5 percent. Chairman Shapiro **motioned** to set the hub fee rate for the California product at 5 percent and the hub fee rate for imported races at 4.5

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percent. Commissioner Harris **seconded** the motion. The motion was **not carried**, with Commissioner Moss **abstaining**. Commissioner Harris **motioned** to table the motion and bring it back at the October 2006 Regular Board Meeting. Chairman Shapiro asked if the parties would accept the rates. Mr. Nathanson said TVG would not accept the rates. Commissioner Harris asked if either party would file a lawsuit if the rates were imposed at a later Board meeting. Ron Turovsky, representing TVG, said there would be litigation over such a motion. Chairman Shapiro asked if Mr. Turovsky disputed the Board's statutory duty to resolve industry disputes. Mr. Turovsky said he would dispute that there was sufficient notice the issues would be resolved during the current proceedings. Chairman Shapiro stated the item would be continued at the October 2006 Regular Board Meeting. Mr. Turovsky said TVG disagreed about the right of the Board to resolve the dispute. Commissioner Amerman asked why TVG and MEC could not reach an agreement. Mr. Nathanson said TVG and MEC did hold talks, as they recognized the opportunity that existed, but they were primary competitors in the marketplace and it was not easy to reach an agreement. Scott Daruty of MEC said his organization believed exclusivity was not healthy for the industry. He stated MEC was ready to exchange its California content with TVG's California content on any terms TVG dictated. MEC's only requirement was that such terms be reciprocal. Commissioner Amerman said he thought MEC and TVG held the keys to success, but they were holding the industry back. Mr. Nathanson stated TVG had a copy of an MEC letter that went to every TVG track partner. He stated the letter urged the track partners to go exclusive with MEC. Commissioner Amerman said all he knew was what he had just heard from MEC, and it seemed a door was open, so why not resume talks? He asked if TVG thought it would be hurt

by mutual or dual signals. Mr. Nathanson said TVG was very interested in carrying Santa Anita and Golden Gate Fields, but there was an issue with exclusivity and two channels carrying the same product. TVG was distributed in nearly 100 percent of California households. The reason it could obtain such distribution was because of the substance of its content. Mr. Couto said TVG was going to meet with TOC and MEC within the next two weeks to discuss the exchange of signals. He stated there had never been three party talks, so hopefully it would be the next step. Commissioner Amerman asked if a neutral party that would look at the issues from a business perspective would be helpful. Mr. Nathanson said TVG was willing to sit down with TOC and MEC, and it would be helpful to have an independent facilitator. He added TVG would meet as many times as was necessary to find a resolution.

DISCUSSION AND ACTION BY THE BOARD ON THE REQUEST OF NOTWINC FOR AN ADJUSTMENT TO THE STABLING AND VANNING PERCENTAGE THAT IS WITHHELD FROM THE NORTHERN THOROUGHBRED AND FAIR OFF-TRACK AND OUT-OF-ZONE HANDLE.

Peter Tunney, representing Northern California Offtrack Wagering, Inc. (NOTWINC) said the item was a request for an increase to 1.15 percent in the stabling and vanning percentage withheld from Northern thoroughbred and fair off-track and out-of-zone handle. Mr. Tunney said the requested increase was based on additional costs associated with vanning and stabling. Chairman Shapiro asked if Pleasanton, Stockton, Fresno and Sacramento were getting the same proportion of stabling monies based on the number of horses, and the overhead related to keeping barn areas open. Mr. Tunney said the monies were basically distributed to Golden Gate Fields and Bay Meadows for vanning and stabling on a year-round basis. Most of the

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other facilities only stabled at certain times of the year. He stated Pleasanton was open year-round but it charged day money for stabling. Bay Meadows and Golden Gate Fields reimbursed horses that started out of Pleasanton. Rod Blonien, representing Pleasanton, said his organization was in favor of the proposal. He stated Pleasanton needed the money, and hoped Bay Meadows, Golden Gate Fields and Thoroughbred Owners of California (TOC) would support a greater allocation to that facility. Chairman Shapiro asked if Pleasanton was asking to receive a greater proportion of the monies or was it advocating that the Board increase the rate. Mr. Blonien stated the Board did not have the authority to determine how much money Pleasanton received, as that was done by the organizations with a share in NOTWINC. However, Pleasanton was hoping those shareholders would look kindly upon Pleasanton's future requests. Mr. Tunney said NOTWINC had conversations with Pleasanton and it wanted to look at it as a year-round stabling facility as the parties moved forward. Chris Korby of California Authority of Racing Fairs said his organization supported the request. Guy Lamothe of TOC said his organization proposed a rate increase of 1.25, as opposed to 1.15, but the motion did not pass. Chairman Shapiro **motioned** to approve the request by NOTWINC to increase the percentage withheld for vanning and stabling to 1.15 percent. Commissioner Bianco **seconded** the motion, which was **unanimously carried**.

MEETING ADJOURNED AT 5:00 P.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

OCTOBER 26, 2006 **REGULAR BOARD MEETING**

There is no board package material for item 2.

STAFF ANALYSIS
DISCUSSION REGARDING
RACING PROGRAMS
AND
THE FEASIBILITY OF ADJUSTING ENTRY TIMES

Regular Board Meeting
October 26, 2006

BACKGROUND

Board Rule 1581, Racing Secretary to Establish Conditions, provides that the racing secretary may establish the conditions for any race, including the procedures for acceptance of entries and declarations. The Board's rules and regulations currently do not dictate entry time. The current practice in California regarding entries is 48 hours, and sometimes 72 hours before the running of the race. At the September 2006 Regular Board Meeting a discussion regarding racing programs and efforts to address field size, quality or quantity of entrants, and ways to improve racing programs, types of races and restrictions was held. At that time, the issue of increasing entry time from 48 hours to 72 or 96 hours was raised.

RECOMMENDATION

Staff has requested that the racing secretaries be present to discuss this issue. This item is presented for discussion.

CALIFORNIA HORSE RACING BOARD

OCTOBER 26, 2006 **REGULAR BOARD MEETING**

There is no board package material for item 4.

STAFF ANALYSIS
2007 RACE DATES

REGULAR BOARD MEETING
OCTOBER 26, 2006

Background:

Attached to this item are the proposed racing calendars for 2007. These calendars were approved by the Strategic Planning Committee on October 12, 2006 and will be the basis for the discussion today.

Recommendation:

Staff recommends that the Board hear from the Strategic Planning Committee.

SOUTHERN CALIFORNIA THOROUGHBREDS
PROPOSAL FOR 2007

December

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		26	27	28	29	30
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Legend:

Del Mar (43)

Los Angeles Turf Club (18)

Oak Tree (30)

Hollywood Park (20) (40)

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
	5	6				
	12	13	14			
	19	20				
25	26	27	28			

March

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	5	6				
	12	13				
	19	20				
26	27					

April

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
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July

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August

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September

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October

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November

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December

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****Southern Thoroughbred and Fair – minor change from 2006.**

- > No six-day race weeks except Del Mar
- > Weeks with a Monday Holiday will be dark on the Wednesday prior to the Monday Holiday resulting in a five-day race week.
- > The week following the Monday Holiday will be the standard Wednesday through Sunday five-day week.

Proposed Northern California Calendar for 2007

GGF	97
	<u>102</u>
Thoroughbred Associations	199
Fairs	<u>77</u>
Total	276

Stockton (6/13 - 6/24)	10
Pleasanton (6/27 - 7/8)	11
Vallejo (7/11 - 7/23)	11
Santa Rosa (7/25-8/6)	12
San Mateo (8/8-8/20)	12
Ferndale (8/9 - 8/19)	10
Fresno (10/04 - 10/14)	<u>11</u>
	77

Import Only Days
Ferndale/SMCF Overlap

December						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
		26	27	28	29	30
31						
5						

January						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
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February						
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March						
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April						
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May						
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27	28	29	30	31		
22						

June						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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July						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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August						
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September						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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October						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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November						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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December						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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23	24	25	26	27	28	29
30	31					
13						

Alternate Northern California Calendar for 2007

GGF 97

102

Thoroughbred Associations 199

Fairs **73**

Total 272

Stockton (6/14 - 6/24) 9

Pleasanton (6/27 - 7/8) 10

Vallejo (7/11 - 7/22) 10

Santa Rosa (7/25-8/6) 12

San Mateo (8/8-8/19) 11

Ferndale (8/9 - 8/19) 10

Fresno (10/04 - 10/14) **11**

73

Import Only Days

Ferndale/SMCF Overlap

December

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

5

January

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
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21	22	23	24	25	26	27
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18

May

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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22

September

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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	10	11				
	17	18				
	24	25				

0

February

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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11	12	13				
		20	21			
	26	27				

8

June

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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17	18	19	20	21	22	23
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October

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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March

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July

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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November

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April

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August

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December

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13

**SOUTHERN NIGHT INDUSTRY
PROPOSAL FOR 2007**

Legend:

Los Alamitos Quarter Horse (206)

December

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

January

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
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February

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25	26	27	28			

March

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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18	19	20	21	22	23	24
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April

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May

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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20	21	22	23	24	25	26
27	28	29	30	31		

June

Sun	Mon	Tue	Wed	Thu	Fri	Sat
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July

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August

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September

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October

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November

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December

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23	24					

NORTHERN NIGHT INDUSTRY - HARNESS
PROPOSAL FOR 2007

Legend:



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

January						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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February						
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March						
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April						
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May						
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June						
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July						
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August						
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October						
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November						
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December						
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CALIFORNIA HORSE RACING BOARD

OCTOBER 26, 2006 **REGULAR BOARD MEETING**

There is no board package material for item 6.

STAFF ANALYSIS
October 26, 2006

ISSUE: APPLICATION FOR APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING FOR XPRESSBET, INC., JANUARY 1, 2007 THROUGH DECEMBER 31, 2007.

XpressBet filed its application as an out-of-state multi-jurisdictional wagering hub to provide Advance Deposit Wagering. They are currently licensed through December 31, 2006 as an out-of-state multi-jurisdictional wagering hub to provide Advance Deposit Wagering.

- January 1, 2007 through December 31, 2007, during all times races are run which could be up to twenty-four hours a day. They are applying for a one-year license, as the statutory authority for advance deposit wagering is set to sunset December 2007.
- XpressBet will provide advance deposit wagering services for the following:
 - Bay Meadows Racing Association at Bay Meadows Racecourse
 - California Authority of Racing Fairs
 - Sacramento Harness at Cal Expo
 - Los Angeles Turf Club Incorporated at Santa Anita Park
 - Pacific Racing Association at Golden Gate Fields
 - Del Mar Thoroughbred Club at Del Mar
 - Los Angeles County Fair Association at Fairplex Park

XpressBet's current track contracts and horsemen's approvals extend through December 31, 2006. They are in negotiation with the tracks and horsemen and expect to have the needed contracts and agreements executed before January 1, 2007.

Items still needed to complete this application:

1. Racetrack contracts for 2007.
2. Horsemen's agreement for Thoroughbred Owners of California.
3. Horsemen's agreement for California Harness Horsemen's Association.

RECOMMENDATION:

Staff recommends the Board approve the application conditioned upon the completion of the track contacts and the horsemen's agreements.

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

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

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

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

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

XpressBet, Inc.
200 Race Track Road
Washington, PA 15301
Telephone: (724) 229-6981
Facsimile: (724) 250-4884

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

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

<u>Name</u>	<u>Title</u>	<u>CHRB License No.</u>
Ronald W. Luniewski	President	275875
Blake S. Tohana	Executive Vice-President and Chief Financial Officer	278963
William G. Ford	Secretary	287893
Mary Lyn Seymour	Controller	281811

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

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

CHRB CERTIFICATION

Application received: 10/16/06
Reviewed: JPH

Hearing date: 6/26/06
Approval date:

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

Below is a list of the Race Track licensees with which XpressBet has contracted. Please find attached as Exhibit 1 a copy of each Race Track licensee agreement, along with a copy of XpressBet's agreement with the Thoroughbred Owners of California.

<u>Race Track</u>	<u>Licensee</u>
Santa Anita Park	Los Angeles Turf Club, Incorporated
Bay Meadows Racecourse	Bay Meadows Racing Association
Golden Gate Fields	Pacific Racing Association
California Expo	Sacramento Harness Association
Stockton	San Joaquin Fair
Fresno	Fresno County Fair
Pleasanton	Alameda County Fair
Vallejo	Solano County Fair
Santa Rosa	Sonoma County Fair
Bay Meadows Racecourse	San Mateo Fair
Del Mar	Del Mar Thoroughbred Club
Fairplex Park	Los Angeles County Fair Association
Humboldt	Humboldt County Fair
Sacramento Fairgrounds	California Exposition & Fair

2. DATES OF OPERATION

- A. Dates Advance Deposit Wagering will be conducted:
XpressBet, Inc. will conduct advance deposit wagering as of January 1, 2007 up to and including December 31, 2007.
- B. Hours Advance Deposit Wagering will be conducted:
While races are run, up to twenty-four (24) hours per day

3. BUSINESS STRUCTURE

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

Complete the applicable subsection

B. CORPORATION

- Registered name of the corporation:
XpressBet, Inc.
- State where incorporated:
Delaware

3. Registry or file number for the corporation:
3373240
4. Name of all officers and directors, titles, and number of shares of the corporation held by each;

Name	Title	Number of Shares Owned
Ronald W. Luniewski	President	None
Blake S. Tohana	Executive Vice-President and Chief Financial Officer	None
William G. Ford	Secretary	None
Mary Lyn Seymour	Controller	None

5. Names (true names) of all entities and persons, other than the officers and directors listed above, that hold 5% or more of the outstanding shares in the corporation and the number of shares held by each:

Magna Entertainment Corp. – 100 Shares

6. Number of outstanding shares in the corporation:
100 common shares

7. Are the shares listed for public trading? Yes No **X**

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

Note that Magna Entertainment Corp.’s Class A Subordinate Voting Stock is traded on the Nasdaq National Market under the symbol “MECA” and on the Toronto Stock Exchange under the symbol “MEC.A”.

8. Name of the custodian of the list of shareholders and/or the transfer agent for the share holdings of the corporation:

Not applicable

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:

Magna Entertainment Corp.

10. Attach the most recent annual audited financial statements for the corporation, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the corporation and/or the Securities and Exchange Commission and/or the California Corporations Commission.

Magna Entertainment Corp. reports its financial results on a consolidated basis and therefore separate financials of the Applicant are not available. Attached as Exhibit 2 for your review are the 2005 audited annual financial statements and the unaudited six-month financial statements for the period ending June 30, 2006 of the Applicant’s parent, Magna Entertainment Corp.

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

As per discussions with the CHRB, the XpressBet business plan for 2007 is being provided under separate cover and shall remain confidential at all times to the CHRB.

C. LLC - Not Applicable

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

D. OTHER - Not Applicable

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

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

- A. List the procedures to establish an Account:
Included in the attached Exhibit 3, Plan of Operation, is the Applicant's Account Opening Procedures.
- B. If an application form is used to establish an Account, attach a copy of the form.

Attached as Exhibit 4 is a copy of the application form. Similar forms are used for on-site or in-person applications.

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

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

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

Attached hereto as Exhibit 5 is information about Equifax and a copy of its most recent Form 10-K as filed with the United States Securities and Exchange Commission.

In respect of wagers placed through the Applicant's Horse Wizard™ simplified wagering machines (the "SWMs"), the Applicant will not conduct a third party verification of identification for users of the Applicant's SWMs located at Santa Anita and Golden Gate Fields. As previously stated in the Applicant's amendment to its 2004 ADW license, which the CHRB approved on September 15, 2004, the Applicant respectfully submits that no third party verification of user identification is necessary with respect to the SWMs because all wagers placed through the SWMs will be treated as wagers made by a resident of the jurisdiction where the track offering the SWMs is located.

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

- A. Submit a copy of your plan for operation.
Attached as Exhibit 3 is Applicant's *Plan of Operation*.

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

In respect of accounts opened in connection with wagers placed through the Applicant's SWMs, the Applicant will accept cash, cashiers checks, money orders and any other certified forms of funds for deposit in person at Santa Anita or Golden Gate Fields. Personal checks, wire transfers and credit cards may not be used for deposits to SWM accounts.

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

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

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

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

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

None of the aforementioned fees and/or charges will be charged in respect of accounts opened in connection with wagers placed through the Applicant's SWMs because none of the services set forth above will be offered for funding an account opened in connection with wagering through the Applicant's SWMs.

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

6. SECURITY ACCESS

- A. Attach your security access policy and safeguards pursuant to B&P Section 19604 (c) (2). Policy must include the following:
Please refer to Exhibit 6 for Items 1 – 4.
1. Description of the technology to ensure identity, residence, and age verification when an Account is established.
 2. Description of the technology to ensure confidentiality of the Means of Personal Identification.
 3. Methods and locations available for Account Holders to withdraw funds from their Account.
 4. If the Account Deposit Wagering records will be maintained at a site other than the out-of-state Hub provide the name, address, telephone and fax numbers and the hours of operation.

7. PARI-MUTUEL

- A. Name, address and telephone number of the pari-mutuel audit firm:
Bowen & McBeth
10722 Arrow Route, Suite 110
Rancho Cucamonga, California 91730
Telephone: 909-944-6465

Facsimile: 909-980-4788

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

(i) Types of pari-mutuel or totalizator equipment to be used.
Totalizator equipment and services will be provided to Applicant by AmTote International, Inc.. In addition to standard totalizator equipment and services, Applicant will be utilizing (a) IVR – “interactive voice response technology” (an automated touch-tone betting system), provided by AmTote International, Inc. (b) on-line computer wagering technology (c) IVR – natural language voice recognition system provided by AmTote International, Inc. and (e) Horse Wizard™ self-service account wagering devices (provided by Magna Entertainment Corp.) described in Applicant’s letter to the CHRB dated August 25, 2004 and located at Santa Anita and Golden Gate Fields.

Applicant is currently operating under an agreement with AmTote International, Inc. which expires on March 2, 2008.

Applicant has executed an agreement with Magna Entertainment Corp. (“MEC”) for Horse Wizard™ for self-service account wagering devices with an expiration date of December 31, 2006. XpressBet plans to renew this agreement with MEC prior to the expiration date.

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

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

Equipment to be supplied by:

AmTote International, Inc. expiration date 3/2/2008
11200 Pepper Road
Hunt Valley, MD 21031-1324

Magna Entertainment Corp. expiration date 12/31/2006
337 Magna Drive
Aurora, ON L4G 7K1
Canada

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

Attached as Exhibit 7 is the list of racing venues from which the Applicant currently intends to accept Advance Deposit Wagering. We will update you as racing venues are confirmed or added.

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

California XpressBet Center representatives and SWM tellers are currently members of the Pari-Mutuel Employees Guild – SEIU Local 280.

XpressBet currently offers union shifts in three California locations. At each of these locations the function of these union positions is the same: they service XpressBet customer accounts by depositing and/or withdrawing funds while occasionally opening a new account.

At Santa Anita, XpressBet employs one 6.5 hour shift every simulcast day of the year. Additionally, on live dates, including the Oak Tree meet, we offer two simultaneous 6.5 hour shifts per day.

At Bay Meadows and Golden Gate Fields, XpressBet requests the union to provide either a 5.5 hour shift per day or a 6.5 hour shift per day that each of these tracks is open.

In essence, XpressBet employs 3.5 full time union workers in the state of California.

8. CONTRACTS AND AGREEMENTS

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

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

**Magna Entertainment Corp. (supplier of SWMs)
337 Magna Drive
Aurora, ON L4G 7K1
Canada**

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

9. ADVERTISING

Name and address of the advertising agency you will use:


**Candelaria Advertising
1545 Idlewood Rd.
Glendale, California 91202**

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

10. CERTIFICATION

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

Ron Luniewski
Print Name:


Signature:

President
Print Title:

10-6-06
Date:

STAFF ANALYSIS

October 26, 2006

ISSUE: APPLICATION FOR LICENSE TO CONDUCT ADVANCE DEPOSIT WAGERING (ADW) OF YOUTBET.COM, INC. (Youbet) JANUARY 1, 2007 THROUGH DECEMBER 31, 2008 AS A CALIFORNIA MULTI-JURISDICTIONAL WAGERING HUB.

APPLICATION FOR APPROVAL TO CONDUCT ADW OF YOUTBET JANUARY 1, 2007 THROUGH DECEMBER 31, 2008 AS AN OUT-OF-STATE MULTI-JURISDICTIONAL WAGERING HUB.

Youbet filed applications as a California multi-jurisdictional wagering hub and as an out-of-state multi-jurisdictional wagering hub to provide ADW:

- January 1, 2007 through December 31, 2008, 7 days a week, approximately 8:30 a.m. to 11: 00 p.m. Pacific Time. They have applied for a two-year license. However, the statutory authority for advance deposit wagering is set to sunset December 31, 2007. If a two-year license were granted, the second year would need to be conditioned upon the Legislature's extension of the ADW authorization. It is appropriate for the Board to consider the application for a one-year term.

- Youbet will provide ADW services for the following:
 - Bay Meadows Racing Association (BMRA) at Bay Meadows Racecourse
 - California Authority of Racing Fairs (CARF)
 - Sacramento Harness Association (SHA) at Cal Expo Race Course
 - Hollywood Park Fall Racing Association LLC at Hollywood Park
 - Del Mar Thoroughbred Club at Del Mar
 - Los Alamitos Racing Association at Los Alamitos Race Course
 - Los Angeles County Fair at Fairplex
 - Los Angeles Turf Club Incorporated (LATC) at Santa Anita Park
 - Oak Tree Racing Association at Santa Anita Park
 - Pacific Racing Association (PRA) at Golden Gate Fields

Items **still needed** to complete this application:

1. Horsemen's agreement for Thoroughbred Owners of California.
2. Horsemen's agreement for California Harness Horsemen's Association.
3. Host agreements for BMRA, CARF, SHA, LATC, PRA
4. Director Steven Good needs CHRB license.

RECOMMENDATION:

Staff recommends the Board approve the application for a one- year license to conduct ADW of a California multi-jurisdictional wagering hub conditioned upon receiving the information necessary to complete the application.

Staff recommends the Board approve the application for a one-year approval to conduct ADW of an out-of-state multi-jurisdictional wagering hub upon receiving the information necessary to complete the application.

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

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

1. APPLICANT

- A. Racing Association (Licensee) Racing Fair (Licensee)
 Betting System CA Multi-jurisdictional Wagering Hub (CA Hub)
- B. Name, mailing address, telephone and fax numbers:

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

- C. Names and titles of all management personnel:

David Marshall, Vice Chairman & Co-Founder, CHRB 277543
Charles Champion, Chairman, President and Chief Executive Officer, CHRB 267111
Gary Sproule, Chief Financial Officer, CHRB 280946
Michael Stark, Vice President, Engineering, CHRB 280947
Arcelia Padilla, Vice President of Human Resources and Administration, CHRB 267113
Joe Barletta, Director, CHRB 284548
Robert Brierly, Director, CHRB 282875
James Edgar, Director, CHRB 284545
Douglas Donn, Director, CHRB 282874
Frederick Jack Liebau, Director, CHRB 222157
Steven C. Good, Director, To Be Licensed

NOTICE – All management personnel must be CHRB licensed.

Application received: <i>10/6/06</i>	CHRB CERTIFICATION	Approval date:
Reviewed: <i>[Signature]</i>		License number:
Hearing date: <i>10/26/06</i>		

D. Racing Fairs are not required to complete Section 3, Business Structure.

E. Betting Systems and CA Hubs - attach the contract with the Licensee and the required horsemen’s approval under the Interstate Horseracing Act that permits you to provide Advance Deposit Wagering services and identify the amount of the market access fee to be paid to the Licensee for access to the California market for wagering purposes.

In May 2001 Youbet.com entered in to an agreement with Television Games Network (“TVG”) that gave Youbet.com a license to utilize TVG’s patents. The agreement can be found under ATTACHMENT 1. The systems, software and processes are owned and operated by Youbet.com. In addition to the license for the patents, the agreement grants Youbet.com a license to the right to video stream and accept online pari-mutuel wagers on horse racing from virtually all of TVG’s exclusive partner racetracks. The California race tracks included under this agreement are as follows: Del Mar, Hollywood Park, Los Alamitos, Oak Tree at Santa Anita and Fairplex. The market access fees are defined in the TVG contract with the California racetracks and signed consents can be found under ATTACHMENT 2.

Recent ADW Approvals from the TOC can be found under ATTACHMENT 3.

Letter of consent with PQRA can found under ATTACHMENT 4.

Simulcast Agreement with California non-TVG exclusive thoroughbred tracks can be found under ATTACHMENT 5.

Simulcast Agreements with Cal Expo and California Harness Horsemen’s Association can be found under ATTACHMENT 6.

2. DATES OF OPERATION

A. Dates Advance Deposit Wagering will be conducted:

January 1, 2007 – December 31, 2008

B. Hours Advance Deposit Wagering will be conducted:

The Youbet service is normally available 14.5 hours a day 7 days a week with hours of operation being approximately 8:30 a.m. – 11:00 p.m. PT

3. BUSINESS STRUCTURE

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

Complete the applicable subsection

B. CORPORATION

1. Registered name of the corporation:

Youbet.com, Inc.

2. State where incorporated:

Delaware

3. Registry or file number for the corporation:

95-4627253 – Federal ID Number

4. Name of all officers and directors, titles, and number of shares of the corporation held by each:

Name	Title	# of Shares Owned
David M. Marshall	Vice Chairman, Co-Founder	1,897,887
Charles F. Champion	Chairman, President and Chief Executive Officer	1,477,500
James Edgar	Director	65,000
Gary Adelson	Director	43,750
Guy Chipparoni	Director	71,250
Joseph Barletta	Director	47,500
Steven C. Good	Director	10,000
Douglas Donn	Director	10,000
F. Jack Liebau	Director	10,000
Gary Sproule	Chief Financial Officer	75,000

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:

JP Morgan Asset Management, Inc.
UT Group LLC
New World Opportunity Partners I LLC

6. Number of outstanding shares in the corporation:

35,904,270

7. Are the shares listed for public trading?

Yes No

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

NASDAQ

8. Name of the custodian of the list of shareholders and/or the transfer agent for the share holdings of the corporation:

American Stock Transfer and Trust Company

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:

N/A

10. Attach the most recent annual financial statement for the corporation, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the corporation and/or the Securities and Exchange Commission and/or the California Corporations Commission.

ATTACHMENT 7
ATTACHMENT 8

2005 Annual Report (SEC Form 10K)
Quarterly Report Ending June 30, 2006 (SEC Form 10Q)

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

ATTACHMENT 9 **Annual Operation Plan**

C. LLC

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

D. OTHER

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

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

A. List the procedures to establish an Account:

An interested individual must complete several steps in order to become a Youbet.com subscriber and to open a wagering account. Youbet.com complies with the CHRB Rule 2075.

Verifying the customer's qualifications to become a subscriber is an integral part of the Youbet.com sign-up process. Youbet.com is concerned with two major issues; state of residence and age. To become a Youbet.com Network subscriber, an applicant must be a resident in one of the 40 jurisdictions (ATTACHMENT 10) in which Youbet.com provides service and must be 21 years old or older. Accounts may be established by phone, mail or the Youbet.com website. Youbet.com reserves the right to close or to refuse to open an account.

The account holder must provide the following information:

- Full legal name
- Principal place of residence
- Telephone number
- Social Security Number
- Proper identification or certification the account holder is at least 21 years of age

Youbet.com, using the verification services of Equifax Credit Reporting, validates the information provided by the account holder. This information will be subject to electronic verification through Equifax, and should a discrepancy be found during verification, the account holder will be contacted to provide satisfactory supporting documentation to establish identity and residence. After the validation process is complete a wager account is established and the customer is now permitted to fund the account. At that point, the applicant is considered a "subscriber" to Youbet.

For more operational details see our Operation Plan as ATTACHMENT 11.

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

ATTACHMENT 12

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

**Equifax Credit Information Systems, Inc.
P.O. Box 740006
Atlanta, GA 3037**

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

- A. Submit a copy of your plan for operation.

See ATTACHMENT 11

- B. List the type of deposits you will accept:

Credit card, electronic check, check, money order, wire transfer. See Operation Plan for detail of velocity limits and overall policies for depositing funds into a wagering account (ATTACHMENT 11).

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

Certain customers are charged \$10.95 per month for up to ten hours of live video per month or \$17.95 for unlimited video per month. Monthly subscription fees are waived for customers wagering a monthly average of at least \$350.00.

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

6. SECURITY ACCESS

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

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

Youbet.com uses the services from Equifax Credit Information Services, Inc.

The customer's Social Security number is used to search Equifax's consumer credit database. As a secondary search, the customer's driver's license number is used to search against a nationwide database. Together these searches provide Youbet with a match or no match indication. If a match is returned, Youbet verifies the customer is of a legal age and in a legal state. In addition, if a customer submits a post office box as an address, the customer is contacted for a residential address that is used to verify the customer's residential address. If the customer submits a second address but requests to use the post office box as the mailing address, Youbet stores the residential address as the address of record and the post office box as the mailing address. Further, both addresses must be in the same state.

Customers must supply the following information:

PAGE 8-9

- **First Name**
- **Last Name**
- **Residence Address**
- **Date of Birth**
- **Social Security Number**

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

All sensitive data is stored in an encrypted state in Youbet's database. The data is only decrypted when used by internal secure applications. The customer's Social Security Number, Driver's License Number and password/PIN are encrypted and cannot be viewed by non-authorized Youbet personnel.

The following data is encrypted:

- **Password**
- **Social Security Number**
- **Credit Card Numbers**
- **Checking Account Number**

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

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

The password memory feature of Microsoft's operating system and browser are disabled for all Youbet products and web sites.

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

Youbet customers can request a withdrawal on-line or mail or fax a signed withdrawal slip to Youbet's office. A check in the amount of the withdrawal is mailed to the mailing address listed on file for the customer.

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

All records are maintained at Youbet.com. The following entities also store certain information:

Youbet.com, Inc. – 5901 De Soto Avenue, Woodland Hills, CA 91367

Amtote International, Inc. – 11200 Pepper Road, Huntvalley, MD 21031, Telephone: (410) 771-8700, Fax: (410) 785-5273

Autotote – 750 Lexington Avenue, 25th Floor, New York, NY 10022, Telephone: (212) 754-2233, Fax: (212) 754-2372

7. PARI-MUTUEL

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

**Piercy Bowler Taylor & Kern
Certified Public Accountants & Business Advisors
6100 Elton Avenue, Suite 1000
Las Vegas, Nevada 89107
Phone: (702)384-1120
Fax: (702) 870-2474**

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

Totalizer equipment: Amtote Spectrum System, term through June 30, 2009

Autotote Systems, Inc. d/b/a Scientific Games Racing (“SGR”), 5 year term from date Youbet initiates commercial processing of wagers through SGR System

Simulcast organization: Youbet Inter-Tote Systems Protocol (“ITSP”) is provided by Robertson Communication, term is currently month to month until new terms are finalized.

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

See ATTACHMENT 13

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

8. CONTRACTS AND AGREEMENTS

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

Robertson Communications Network, Inc., 4175 Cameron Street, Suite B-10, Las Vegas, NV 89103

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

N/A

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

9. ADVERTISING

Name and address of the advertising agency you will use:

Youbet.com has an internal advertising group and employs The Ad Barn for advertising campaigns.

**The Ad Barn
3147 Glenmanor Place
Los Angeles, CA 90039
Phone 310-694-4977
Fax 323-665-7305**

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

10. CERTIFICATION

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

Michael A. Robertson
Print Name

Michael A. Robertson \s\
Signature

Manager of Regulatory Affairs
Print Title

October 6, 2006
Date

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

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

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

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

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

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

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

David Marshall, Vice Chairman & Co-Founder, CHRB 277543
Charles Champion, Chairman, President and Chief Executive Officer, CHRB 267111
Gary Sproule, Chief Financial Officer, CHRB 280946
Michael Stark, Vice President, Engineering, CHRB 280947
Arcelia Padilla, Vice President of Human Resources and Administration, CHRB 267113
Joe Barletta, Director, CHRB 284548
Robert Brierly, Director, CHRB 282875
James Edgar, Director, CHRB 284545
Douglas Donn, Director, CHRB 282874
Frederick Jack Liebau, Director, CHRB 222157
Steven C. Good, Director, To Be Licensed

Application received: <i>10/6/06</i>	CHRB CERTIFICATION	Hearing date: <i>10/26/06</i>
Reviewed: <i>Jan</i>		Approval date:

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

**General Counsel
Legal Department
Youbet.com, Inc.
5193 De Soto Avenue
Woodland Hills, California 91367**

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

In May 2001 Youbet.com entered in to an agreement with Television Games Network ("TVG") that gave Youbet.com a license to utilize TVG's patents. The agreement can be found under ATTACHMENT 1. The systems, software and processes are owned and operated by Youbet.com. In addition to the license for the patents, the agreement grants Youbet.com a license to the right to video stream and accept online pari-mutuel wagers on horse racing from virtually all of TVG's exclusive partner racetracks. The California race tracks included under this agreement are as follows: Del Mar, Hollywood Park, Los Alamitos, Oak Tree at Santa Anita and Fairplex. The market access fees are defined in the TVG contract with the California racetracks and signed consents can be found under ATTACHMENT 2.

Recent ADW Approvals from the TOC can be found under ATTACHMENT 3.

Letter of consent with PQRA can found under ATTACHMENT 4.

Simulcast Agreement with California non-TVG exclusive thoroughbred tracks can be found under ATTACHMENT 5.

Simulcast Agreements with Cal Expo and California Harness Horsemen's Association can be found under ATTACHMENT 6.

2. DATES OF OPERATION

- A. Dates Advance Deposit Wagering will be conducted:

January 1, 2007 – December 31, 2008

- B. Hours Advance Deposit Wagering will be conducted:

The Youbet service is normally available 14.5 hours a day 7 days a week with hours of operation being approximately 8:30 a.m. – 11:00 p.m. PT

3. BUSINESS STRUCTURE

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

Complete the applicable subsection

B. CORPORATION

1. Registered name of the corporation:

Youbet.com, Inc.

2. State where incorporated:

Delaware

3. Registry or file number for the corporation:

95-4627253 – Federal ID Number

4. Name of all officers and directors, titles, and number of shares of the corporation held by each:

Name	Title	# of Shares Owned
David M. Marshall	Vice Chairman, Co-Founder	1,897,887
Charles F. Champion	Chairman, President and Chief Executive Officer	1,477,500
James Edgar	Director	65,000
Gary Adelson	Director	43,750
Guy Chipparoni	Director	71,250
Joseph Barletta	Director	47,500
Steven C. Good	Director	10,000
Douglas Donn	Director	10,000
F. Jack Liebau	Director	10,000
Gary Sproule	Chief Financial Officer	75,000

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:

JP Morgan Asset Management, Inc.
UT Group LLC
New World Opportunity Partners I LLC

6. Number of outstanding shares in the corporation:

35,904,270

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

NASDAQ

8. Name of the custodian of the list of shareholders and/or the transfer agent for the share holdings of the corporation:

American Stock Transfer and Trust Company

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:

N/A

10. Attach the most recent annual financial statement for the corporation, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the corporation and/or the Securities and Exchange Commission and/or the corresponding state where you registered your corporation.

ATTACHMENT 7

2005 Annual Report (SEC Form 10K)

ATTACHMENT 8

Quarterly Report Ending June 30, 2006 (SEC Form 10Q)

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

ATTACHMENT 9

Annual Operation Plan

C. LLC

1. Registered name of the LLC:

2. State where articles of organization are filed:

3. Registry or file number for the LLC:

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

5. Names (true names) of all members, **other than the officers and directors listed above**, that hold 5% or more of the outstanding shares in the LLC and the number of shares held by each:

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

7. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity:
8. Attach the most recent annual financial statement for the LLC, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the LLC and/or the Securities and Exchange Commission and/or the corresponding state where you registered your corporation.
9. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the approval.

D. OTHER

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

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

A. List the procedures to establish an Account:

An interested individual must complete several steps in order to become a Youbet.com subscriber and to open a wagering account. Youbet.com complies with the CHRB Rule 2075.

Verifying the customer's qualifications to become a subscriber is an integral part of the Youbet.com sign-up process. Youbet.com is concerned with two major issues; state of residence and age. To become a Youbet.com Network subscriber, an applicant must be a resident in one of the 40 jurisdictions (ATTACHMENT 10) in which Youbet.com provides service and must be 21 years old or older. Accounts may be established by phone, mail or the Youbet.com website. Youbet.com reserves the right to close or to refuse to open an account.

The account holder must provide the following information:

- Full legal name
- Principal place of residence
- Telephone number
- Social Security Number
- Proper identification or certification the account holder is at least 21 years of age

Youbet.com, using the verification services of Equifax Credit Reporting, validates the information provided by the account holder. This information will be subject to electronic verification through Equifax, and should a discrepancy be found during verification, the account holder will be contacted to provide satisfactory supporting documentation to establish identity and residence. After the validation process is complete a wager account is established and the customer is now permitted to fund the account. At that point, the applicant is considered a "subscriber" to Youbet.

For more operational details see our Operation Plan as ATTACHMENT 11.

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

ATTACHMENT 12

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

**Equifax Credit Information Systems, Inc.
P.O. Box 740006
Atlanta, GA 30374**

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

- A. Submit a copy of your plan for operation.

See ATTACHMENT 11

- B. List the type of deposits you will accept:

Credit card, electronic check, check, money order, wire transfer. See Operation Plan for detail of velocity limits and overall policies for depositing funds into a wagering account (ATTACHMENT 11).

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

Certain customers are charged \$10.95 per month for up to ten hours of live video per month or \$17.95 for unlimited video per month. Monthly subscription fees are waived for customers wagering a monthly average of at least \$350.00.

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

6. SECURITY ACCESS

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

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

Youbet.com uses the services from Equifax Credit Information Services, Inc.

The customer's Social Security number is used to search Equifax's consumer credit

database. As a secondary search, the customer's driver's license number is used to search against a nationwide database. Together these searches provide Youbet with a match or no match indication. If a match is returned, Youbet verifies the customer is of a legal age and in a legal state. In addition, if a customer submits a post office box as an address, the customer is contacted for a residential address that is used to verify the customer's residential address. If the customer submits a second address but requests to use the post office box as the mailing address, Youbet stores the residential address as the address of record and the post office box as the mailing address. Further, both addresses must be in the same state.

Customers must supply the following information:

- First Name
- Last Name
- Residence Address
- Date of Birth
- Social Security Number

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

All sensitive data is stored in an encrypted state in Youbet's database. The data is only decrypted when used by internal secure applications. The customer's Social Security Number, Driver's License Number and password/PIN are encrypted and cannot be viewed by non-authorized Youbet personnel.

The following data is encrypted:

- Password
- Social Security Number
- Credit Card Numbers
- Checking Account Number

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

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

The password memory feature of Microsoft's operating system and browser are disabled for all Youbet products and web sites.

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

Youbet customers can request a withdrawal on-line or mail or fax a signed withdrawal slip to Youbet's office. A check in the amount of the withdrawal is mailed to the mailing

address listed on file for the customer.

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

All records are maintained at Youbet.com. The following entities also store certain information:

Youbet.com, Inc. – 5901 De Soto Avenue, Woodland Hills, CA 91367

Amtote International, Inc. – 11200 Pepper Road, Huntvalley, MD 21031, Telephone: (410) 771-8700, Fax: (410) 785-5273

Autotote – 750 Lexington Avenue, 25th Floor, New York, NY 10022, Telephone: (212) 754-2233, Fax: (212) 754-2372

7. PARI-MUTUEL

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

**Piercy Bowler Taylor & Kern
Certified Public Accountants & Business Advisors
6100 Elton Avenue, Suite 1000
Las Vegas, Nevada 89107
Phone: (702)384-1120
Fax: (702) 870-2474**

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

Totalizer equipment: Amtote Spectrum System, term through June 30, 2009

Autotote Systems, Inc. d/b/a Scientific Games Racing (“SGR”), 5 year term from date Youbet initiates commercial processing of wagers through SGR System

Simulcast organization: Youbet Inter-Tote Systems Protocol (“ITSP”) is provided by Robertson Communication, term is currently month to month until new terms are finalized.

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

See ATTACHMENT 13

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

8. CONTRACTS AND AGREEMENTS

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

Robertson Communications Network, Inc., 4175 Cameron Street, Suite B-10, Las Vegas, NV 89103

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

N/A

9. ADVERTISING

Name and address of the advertising agency you will use:

Youbet.com has an internal advertising group and employs The Ad Barn for advertising campaigns.

**The Ad Barn
3147 Glenmanor Place
Los Angeles, CA 90039
Phone 310-694-4977
Fax 323-665-7305**

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

10. CERTIFICATION

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

Michael A. Robertson
Print Name

Michael A. Robertson \s\
Signature

Manager of Regulatory Affairs
Print Title

October 6, 2006
Date

STAFF ANALYSIS
October 26, 2006

ISSUE: APPLICATION FOR APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING OF ODS TECHNOLOGIES, L.P. D/B/A/ TVG JANUARY 1, 2007 THROUGH DECEMBER 31, 2007.

TVG filed its application as an out-of-state multi-jurisdictional wagering hub to provide Advance Deposit Wagering.

- The proposed dates for approval are for the entire term approved by the Board. CHRB Rule 2072(b) provides that the term of approval is “two years from the date the approval is issued.” TVG is aware that the statutory authority for ADW is scheduled to sunset December 31, 2007 and is therefore unsure as to what period of time the CHRB intends to consider for ADW approvals. TVG has proposed that they be given a two-year approval, as is provided in CHRB Rule 2072(b), but that the second year be conditioned upon the Legislature’s extension of the ADW authorization.
- They will operate 365 days a year, 24 hours a day.
- TVG will provide advance deposit wagering services for the following:
 - Hollywood Park Fall Racing Association at Hollywood Park
 - Del Mar Thoroughbred Club at Del Mar
 - Los Alamitos Racing Association at Los Alamitos Race Course
 - Los Angeles County Fair at Fairplex
 - Oak Tree Racing Association at Santa Anita Park

Items **still needed** to complete this application:

1. Horsemen’s agreement for Thoroughbred Owners of California.

RECOMMENDATION:

Staff recommends the Board approve the application for a one-year approval conditioned upon receiving the Horsemen’s agreement.

STATE OF CALIFORNIA
 CALIFORNIA HORSE RACING BOARD (CHRB)
 APPLICATION FOR APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING
 CHRB-133

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

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

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

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

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

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

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

BJ Cosson, Vice President, Operations & Customer Relations, Oregon license # 200820040
 Dean Kokko, Manager, Wager Operations, Oregon license # 200820039
 Amy Jensen, Supervisor, Financial Services, Oregon License # 200820032
 Grace Kenworthy, Manager, Customer Relations, Oregon License # 1460510019

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

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

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

APPENDIX 1 to this document contains an abstract of valid and binding contracts with the following licensed California racing associations or fairs: Del Mar Thoroughbred Club, Fairplex (Los Angeles County Fair Association), Hollywood Park, Los Alamitos and Oak Tree Racing Association that identifies the amount of the market access fee to be paid to the California racing association or fair for access to the California market for wagering purposes.

CHRB CERTIFICATION

Application received: 10/2/06
 Reviewed: JW

Hearing date: 10/26/06
 Approval date:

Pursuant to California Horse Racing Board Rule 1497 and the California Public Records Act, APPENDIX 1 to this document contains personal financial data used to establish TVG's qualifications for licensure/approval and is not subject to public disclosure.

2. DATES OF OPERATION

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

3. BUSINESS STRUCTURE

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

Complete the applicable subsection

B. CORPORATION

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

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

C. LLC

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

D. OTHER

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

TV Guide, Inc., General Partner
6922 Hollywood Blvd., 12th Floor
Hollywood, CA 90028

Limited Partners: TV Guide Interactive, Inc., Churchill Downs Incorporated, Pinnacle Entertainment, Inc.

The management of the business and affairs of TVG are the sole and complete responsibility of the general partner, TV Guide, Inc. The limited partners have no right to take part in, or interfere in any manner with, the management or conduct of the business and affairs of TVG, nor may any limited partner act or bind TVG.

2. If a partnership, attach partnership agreement.

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

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

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

APPENDIX 3 contains the most recent SEC Form 10-Q for Gemstar – TV Guide International, Inc. demonstrating TVG's financial fitness to conduct advance deposit wagering.

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

A. List the procedures to establish an Account:

1. Customers must be at least 21 years of age to establish an advance deposit wagering account.
2. Customers can establish an account by telephone by calling 1-888-PLAY TVG, on the Internet at www.tvg.com, by mail, or in person at a TVG retail outlet or racetrack partner by providing the following information:
 - Name
 - Social Security Number
 - Date of Birth
 - Principal Residence Address Including Postal ZIP Code
 - Telephone Number
3. Each application submitted to TVG is subject to electronic verification by a nationally recognized third party information services provider with respect to name, principal residence address including postal zip code, date of birth and Social Security Number. If there is a discrepancy between the application information submitted to TVG and the information provided by the electronic verification described above, or if no information on the applicant is available from such electronic verification, the applicant will be required to provide identification issued by a recognized government agency (driver's license or government ID) showing his or her date of birth and residence address to complete the application process.
3. Provided that the account applicant's information has been positively identified, each applicant is assigned his or her TVG Personal Wagering Account Number and is asked to establish a Personal Identification Number consisting of four (4) numeric characters.
4. To activate the account for wagering purposes, a minimum initial deposit of \$50.00 is required.
5. TVG provides each new wagering accountholder with a "Guide to Interactive Wagering" containing standard terms and conditions, deposit and withdrawal information (including customized deposit and withdrawal slips and a direct deposit/withdrawal authorization form) as well as comprehensive information about accessing account information, placing wagers and maintaining the account. APPENDIX 4 contains a TVG "Guide to Interactive Wagering."

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

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

document.

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

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

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

- A. Submit a copy of your plan for operation.

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

- B. List the type of deposits you will accept:

Deposits will be accepted in the form of:

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

California account holders shall be permitted access to one credit or debit card deposit each day for wagering purposes. Additional credit or debit card deposits to an account shall be made available for use the next day. California account holders must designate if they want to use a credit card to make deposits to their Account. Changes to the designation require 24 hours' notice to TVG.

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

TVG account holders have the choice of two fee plans.

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

6. SECURITY ACCESS

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

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

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

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

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

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

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

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

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

7. **PARI-MUTUEL**

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

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

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

Totalizator services are provided by contract with AmTote International, Inc. The contract expires December 31, 2006 with provision for an automatic extension of one year. Should our totalizator provider change, TVG will notify the CHRB. Please refer to the Plan of Operation in APPENDIX 6 for more details.

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

Aqueduct Racetrack, Floral Park, NY
Arlington Park, Arlington Heights, IL
Balmoral, Crete, IL
Bay Meadows, San Mateo, CA
Belmont Park, Elmont NY
Beulah Park, Grove City, OH
Calder Race Course, Miami, FL
California Authority of Racing Fairs (CARF)
Canterbury Park, Shakopee, MN
Churchill Downs, Louisville, KY
Colonial Downs, New Kent, VA
Del Mar, Del Mar, CA
Delta Downs, Vinton, LA
Dover Downs, Dover, DE
Dubai Racing, Dubai, UAE
Ellis Park, Henderson, KY
Emerald Downs, Auburn, WA

Evangeline Downs, Lafayette, LA
Fair Grounds, New Orleans, LA
Fair Meadows, Tulsa, OK
Fairmount Park, East St. Louis, IL
Fairplex Park, Pomona, CA
Harrington Raceway, Harrington, DE
Hollywood Park, Inglewood, CA
Hoosier Park, Anderson, IN
Indiana Downs, Shelbyville, IN
Japan Racing, Japan
Keeneland, Lexington, KY
Kentucky Downs, Franklin, KY
Los Alamitos, Los Alamitos, CA
Louisiana Downs, Shreveport, LA
Maywood Park, Maywood, IL
Monticello Raceway, Monticello, NY
Mountaineer Park, Chester, WV
Northfield Park, Northfield, OH

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Philadelphia Park, Bensalem, PA
 Pompano Park, Pompano Beach, FL
 Prairie Meadows, Altoona, IA
 Retama Park, San Antonio, TX
 River Downs, Cincinnati, OH
 Ruidoso Downs, Ruidoso, NM
 Sam Houston Race Park, Houston, TX
 Saratoga Equine Sports Center, Saratoga
 Springs, NY
 Saratoga Race Course, Saratoga Springs,
 NY

Scioto Downs, Columbus, OH
 South Africa Racing, South Africa
 Suffolk Downs, East Boston, MA
 Sunland Park, Sunland Park, NM
 Sacramento Harness, Sacramento, CA
 Turf Paradise, Phoenix, AZ
 Turfway Park, Florence, KY
 The Woodlands, Kansas City, KS
 UK Racing, UK
 Yavapai Downs, Prescott, AZ
 Zia Park, Hobbs, NM

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

8. CONTRACTS AND AGREEMENTS

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

Amtote International, Inc.
 11200 Pepper Road
 Hunt Valley, MD 21031-1324
 (410) 771-8700

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

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

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

9. ADVERTISING

Name and address of the advertising agency you will use:

The Ballpark
 1630 Stewart Street
 Suite 110
 Santa Monica, CA 90404

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

10. CERTIFICATION

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

John Hudman

Print Name

General Counsel

Print Title

[Signature]

Signature

October 2, 2006

Date

STAFF ANALYSIS
PROPOSED AMENDMENT OF
RULE 1536. STEWARDS' MINUTES

Regular Board Meeting
October 26, 2006

BACKGROUND

Business and Professions (B&P) Code Section 19420 provides that jurisdiction and supervision over meetings in this State where horse races with wagering on their results are held or conducted, and over all persons or things having to do with the operation of such meetings, is vested in the California Horse Racing Board. B&P Code Section 19440 states the Board shall have all powers necessary and proper to enable it carry out fully and effectually the purposes of this chapter. Responsibilities of the Board shall include administration and enforcement of all laws, rules, and regulations affecting horse racing and pari-mutuel wagering. B&P Code Section 19432 provides that the executive director shall keep a full and true record of all proceedings of the Board, and preserve at the Board's general office all books, documents, and papers of the Board. Assembly Bill (AB) 1180, Statutes of 2005, added B&P Code Section 19481.3(e), which provides that the stewards shall investigate and prepare a report with respect to all on-track accidents involving jockeys that occur during the performance of their duties. Rule 1536, Stewards' Minutes, provides that the stewards shall maintain minutes and records of all proceedings before the stewards.

ANALYSIS

The proposed amendment to Rule 1536 will bring the Board into compliance with the provisions of B&P Code Section 19481.3(e), which was added by AB 1180. The proposed amendment provides that a report of all on-track accidents involving jockeys shall be forwarded to the Board as an attachment to the stewards' minutes. The accident report shall be made on form Jockey Accident Report CHRB-201 (New 07/06), which is incorporated into the regulation by reference. The Jockey Accident Report requires the names of the jockey; the horse; the owner and the trainer. In addition, the date, time and location of the accident, and a description of the accident are required. The stewards must provide the circumstances of the accident, the likely causes and the extent of injury to the jockey, if any. Besides attaching the Jockey Accident Report to the stewards' minutes, the report is also distributed to the jockey or his representative, the Jockey Guild, the horse owner and the trainer of the horse the jockey was riding at the time of the accident, as required by law.

RECOMMENDATION

No comments were received during the 45-day public comment period. Staff recommends the Board adopt the amendment as presented.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 5. RACING OFFICIALS
PROPOSED AMENDMENT OF
RULE 1536. STEWARDS' MINUTES

Regular Board Meeting
October 26, 2006

1536. Stewards' Minutes.

(a) The stewards shall maintain minutes and records of all proceedings before the stewards ~~which~~ that shall contain:

- (1) the record of votes,
- (2) a record of all actions taken, and
- (3) the penalties imposed along with the reasons for the actions.

A majority vote of the stewards shall govern and, in the event of a split vote, each steward shall file a separate report on the matter. The stewards shall submit their original minutes to the Executive Director weekly, and shall deliver a copy of their minutes to each member of the Board.

(b) A report of all on-track accidents involving jockeys or drivers on form Jockey/Driver Accident Report CHRB-201 (New 07/06), which is hereby incorporated by reference, shall be attached to the stewards' minutes.

Authority: Sections 19420, ~~and~~ 19440 and 19481.3(e),
Business and Professions Code.

Reference: Sections 19432, ~~and~~ 19440 and 19481.3(e),
Business and Professions Code.

State of California
Jockey/Driver Accident Report
CHRB-201 (NEW 07/06)

CALIFORNIA HORSE RACING BOARD

JOCKEY/DRIVER ACCIDENT REPORT

Business and Professions Code Section 19481.3(e) provides that the stewards shall investigate and prepare a report regarding all on-track accidents involving jockeys that occur during the performance of their duties. The investigation shall commence no later than the next live racing day and shall be completed expeditiously. Board Rule 1536, Stewards' Minutes, includes drivers in this requirement. **Upon completion of the report it shall immediately be sent by facsimile or electronic mail to the Jockey's Guild or California Harness Horsemen's Association; the jockey/driver or his representative; the racing association; the owner; and the trainer of the horse the jockey/driver was riding/driving at the time of the accident.**

Name of jockey/driver & CHRB License No.: _____

Name of horse owner & CHRB License No.: _____

Name of trainer & CHRB License No.: _____

Name of horse & Tattoo No.: _____

Date/time/location of accident: _____

DESCRIPTION OF ACCIDENT

Include circumstances of accident, likely causes and the extent of injury to jockey/driver, if any. Complete one Jockey/Driver Accident Report for each jockey/driver involved in an accident. In addition to the distribution described above, a copy of each report shall be attached to the stewards' minutes in accordance with Rule 1536, Stewards' Minutes.

Signature of Steward

Date report completed

STAFF ANALYSIS
PROPOSED AMENDMENT OF
RULE 1689.1. SAFETY VEST REQUIRED

Regular Board Meeting
October 26, 2006

BACKGROUND

Business and Professions (B&P) Code Section 19420 provides that jurisdiction and supervision over meetings in this State where horse races with wagering on their results are held or conducted, and over all persons or things having to do with the operation of such meetings, is vested in the California Horse Racing Board (Board). B&P Code Section 19481 states that in performing its responsibilities, the Board shall establish safety standards governing equipment for horse and rider to improve the safety of horses, riders, and workers in the racing inclosure. Board Rule 1689.1, Safety Vest Required, requires jockeys and apprentice jockeys to wear safety vests when riding in a race. Additionally, the rule provides that jockeys, apprentice jockeys and exercise riders must wear a safety vest when they train or exercise any horse on the grounds of a racing association or racing fair. Rule 1689.1 currently specifies that such safety vests shall meet the British Equestrian Trade Association standard for horse riders' body and shoulder protectors.

ANALYSIS

The British Equestrian Trade Association (BETA) has revised its Standards due to the requirements of the European Personnel Protective Equipment Directive. Originally, the BETA Standard was a two-tiered level of shock absorbency on a scale of 10. The most commonly made levels were five and seven. Board Rule 1689.1 provided that jockeys, apprentice jockeys and exercise riders must wear safety vests with a minimum of shock absorbing protection of a five rating as defined by BETA. The revised BETA 2000 Standard for Horse Riders Body and Shoulder Protectors provides three levels of protection. The Level 1 black label is designed for use by licensed jockeys while racing. The proposed amendment to Rule 1689.1 changes the current BETA level 5 standard to the revised BETA level 1 standard. In addition, at the request of the Jockeys Guild, Rule 1689.1 will also provide that a safety vest may meet the American Society for Testing Materials (ASTM) standard F1937-4. The ASTM F1937-4 standard is the equivalent of the BETA 1 standard. By allowing the two standards licensees will have a greater range of choice in the safety vests they wear. During the 45-day public comment period the Jockey's Guild wrote a letter in support of the proposed amendment.

RECOMMENDATION

Staff recommends the Board adopt the proposed amendment as presented

CALIFORNIA HORSE RACING BOARD
 TITLE 4. CALIFORNIA CODE OF REGULATIONS
 ARTICLE 8. RUNNING THE RACE
 PROPOSED AMENDMENT OF
 RULE 1689.1. SAFETY VEST REQUIRED

Regular Board Meeting
 October 26, 2006

1689.1. Safety Vest Required.

(a) No jockey or apprentice jockey shall ride in a race unless wearing a safety vest, nor shall a jockey, apprentice jockey, or exercise rider, train or exercise any horse on the grounds of a racing association or racing fair unless wearing a safety vest. Such safety vest shall:

(1) Provide a minimum of shock absorbing protection to the upper body, as evidenced by a label indicating that the safety vest meets either of the following standards: ~~of a five rating as defined by the British Equestrian Trade Association (BETA);~~

(a) “Level 1” under the British Equestrian Trade Association (BETA) 2000 Standard for Horse Riders’ Body and Shoulder Protectors, or

(b) American Society for Testing Materials (ASTM) standard F1937-04 (Specification for Body Protectors Used in Horse Sports and Horseback Riding”);

(2) Cover the entire torso from the ~~collar bone~~ collarbone to a line level with the hip bone allowing a vee opening in the front neckline;

(3) Weigh no more than 2 pounds.

(b) The weight of a safety vest shall not be included in the weight of a jockey or apprentice jockey when weighing out or weighing in or when adding weight to make up a weight assignment.

Authority: Sections 19420, 19481 and 19562,
 Business and Professions Code.

Reference: Section 19481,
 Business and Professions Code.

LAW OFFICES OF BARRY BROAD

October 13, 2006

Richard Shapiro
Chairperson
California Horse Racing Board
1010 Hurley Way, Suite 300
Sacramento, CA 95825
SENT VIA FACSIMILE: (916) 263-6042

Re: Proposed Regulation Concerning Updating the Safety Vest Rule

Dear Chairperson Shapiro:

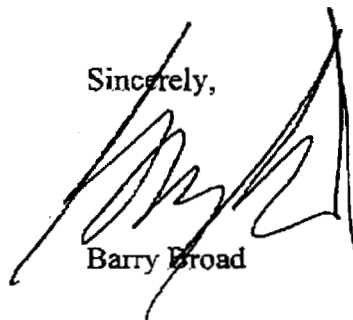
I am writing on behalf of the Jockeys' Guild to provide comments regarding the CHRB's proposed amendment to the regulation regarding safety vests. The Guild supports the proposed regulation.

The Guild has been working diligently over the years to improve the health and safety of Jockeys racing in California. The proposed regulation to move to a Level 1 safety vest under the British Equestrian Trade Association (BETA) 2000 Standard will, if adopted, reduce torso impact injuries for Jockeys. In our view, the BETA 1 vest certainly provides a greater level of shock absorbing protection than the current two tier standard. Moreover, jockeys have already been using the BETA 1 vest and are pleased with it in terms of its safety, flexibility, and weight.

We also support reference to the American Society for Testing Materials (ASTM) standard. Our understanding is that ASTM is still conducting its review of the BETA 1 but that it will in all likelihood adopt it as the ASTM minimum standard.

Thank you for the opportunity to comment.

Sincerely,



Barry Broad

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

STAFF ANALYSIS
PROPOSED ADDITION OF
RULE 1689.2. SAFETY REINS REQUIRED

Regular Board Meeting
October 26, 2006

BACKGROUND

Business and Professions (B&P) Code Section 19440 provides that the Board shall have all powers necessary and proper to carry out fully the purposes of this chapter. Responsibilities of the Board shall include adopting rules and regulations for the protection of the public and the control of horse racing and pari-mutuel wagering. B&P Code section 19504 states that the Board shall conduct an investigation, including at least one public hearing, to determine whether the use of safety reins would provide jockeys and exercise riders greater protection from accidents and injuries than conventional reins. While the Board does not mandate the use of safety reins, there is nothing within the Board's regulations that prohibits their use. Currently, no racing jurisdiction mandates the use of safety reins. The Indiana Racing Commission conducted a hearing on June 7, 2006, regarding a proposed rule to mandate safety rein use. Oral and written testimony presented at the June hearing was overwhelmingly in opposition to the mandate, especially from standardbred horsemen. The objections were largely over the increased cost of safety reins and the lack of scientific research. After hearing the testimony, the Indiana Commission voted against the mandate.

ANALYSIS

If the Board determines that the use of safety reins should be mandated the proposed addition of Rule 1689.2, Safety Reins Required provides that no jockey or apprentice jockey shall ride in a race, nor shall any person be mounted in or riding on a sulky, or exercise, gallop, breeze, work out or ride a horse on the grounds of a facility under the jurisdiction of the Board unless the horse is equipped with safety reins. The use of conventional reins would not be allowed. A safety rein is a rein within a rein. Typical reins are made of leather or nylon that attaches to a ring above the bit. When a conventional rein breaks, control of the horse is lost. With safety reins, a wire or nylon cord is stitched into the traditional leather or nylon reins during the manufacturing process, and this safety cord is attached to the bit with a metal clasp. Should the outer leather or nylon rein break during a workout or race, the jockey or driver should be able to maintain control using the safety cord. At the July 2006 Regular Board Meeting Mr. Arthur Gray, who designed safety reins, represented that he and his partners hold patents under the company name Sure Lines Inc. A patent fee of \$3 to \$5 per unit is charged to manufacturers who incorporate the safety rein design into their reins. Research indicates conventional nylon reins retail for \$28 and \$31 while American leather reins retail between \$71 and \$74, and English leather cost \$180 and more. The added cost of incorporating safety rein design is estimated at \$10 to \$15. The principal concern about mandating the use of safety reins is the fact that one company, Sure Lines, holds the patent on their design. While the

Board currently mandates the use of safety vests and safety helmets, the difference is that several different companies manufacture such products. During the 45-day public comment period the Jockey's Guild wrote a letter in support of the proposed addition of Rule 1689.2

RECOMMENDATION

This item is presented for Board discussion and action.

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

Regular Board Meeting
October 26, 2006

1689.2. Safety Reins Required.

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

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

Authority: Sections 19440 and 19504,
Business and Professions Code.

Reference: Section 19505,
Business and Professions Code.

LAW OFFICES OF BARRY BROAD

October 13, 2006

Richard Shapiro
Chairperson
California Horse Racing Board
1010 Hurley Way, Suite 300
Sacramento, CA 95825
SENT VIA FACSIMILE: (916) 263-6042

Re: Proposed Regulation Concerning Safety Reins

Dear Chairperson Shapiro:

I am writing on behalf of the Jockeys' Guild to provide comments regarding the CHRB's proposed regulations regarding the use of safety reins.

The Guild strongly supports the proposed regulation. Our purpose in introducing legislation on this issue two years ago was to improve the health and safety of jockeys racing in California. We believe that the adoption of this regulation does just that because it will lead to a reduction in injuries for jockeys and exercise riders. Simply put, the use of safety reins will virtually eliminate accidents that occur today when conventional reins break. We also believe that the allowance for a phase in should reduce or eliminate any cost impact of switching to the new rein.

Finally, we would like to thank the Board for its investigation and conclusion that jockey safety would be improved by the use of safety reins. That conclusion was clear in our view but we certainly understand and appreciate that a process of Board review was necessary to move forward.

Thank you for the opportunity to comment.

Sincerely,



Barry Broad

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

STAFF ANALYSIS
DISCUSSION REGARDING
SECURING MONETARY SUPPORT
FOR
RETIREMENT FARMS FOR HORSES THAT HAVE
RETIRED FROM RACING

Regular Board Meeting
October 26, 2006

BACKGROUND

Business and Professions (B&P) Code Section 19551 provides that as a condition of a license to conduct a horse racing meeting, the Board shall require the racing association to conduct charity day racing. B&P Code Section 19556 states at least 20 percent of the distribution of charity race day proceeds shall be made to charities associated with the horse racing industry; 5 percent shall be paid to a welfare fund under B&P Code Section 19641; 5 percent of the distribution shall be paid to a nonprofit corporation which assists horsemen or backstretch personnel who are being affected adversely as a result of alcohol or substance abuse; and a separate 20 percent of the distribution shall be made to a nonprofit corporation or trust which has as its sole purpose the accumulation of endowment funds, the income on which shall be distributed to qualified disabled jockeys. Between January and September 2006 approximately \$719,867.00 in charity race day proceeds were distributed. Of that amount, \$19,600.00, or 2.7 percent of the total charity race day proceeds, was distributed to four equine retirement farms. In a perfect world the equine athlete would be assured a safe and healthy retirement once its racing days are over. Unfortunately, the economic resources of most owners leave few capable of maintaining even a single racehorse once it is unable to earn its keep on the track. This leaves many retired racehorses facing uncertain future. It is also the potential source of unfavorable publicity for the industry.

ANALYSIS

Without the generosity of concerned institutions and individuals, the inhumane treatment of retired racehorses would be greater. The industry has long recognized this and has taken action. In addition to the national horse racing organizations that take an interest in retired racehorses, there are a large number of farms in many states across the nation that are dedicated to the rehabilitation and adoption of retired equine athletes; however, these farms depend on charitable donations. While California's industry may be proud of its record of support for such farms in this State, many feel more could be done to secure increased monetary support.

RECOMMENDATION

This item is presented for Board discussion and action.

STAFF ANALYSIS
DISCUSSION REGARDING EXEMPTING
QUARTER HORSE RACES FROM THE PROVISIONS
OF
RULE 1606. COUPLING OF HORSES

Regular Board Meeting
October 26, 2006

BACKGROUND

Business and Professions (B&P) Code Section 19420 provides that the Board shall have jurisdiction and supervision over meetings in this State where horse races with wagering on their results are held or conducted, and over all persons or things having to do with the operation of such meetings. B&P Code Section 19440 states the Board shall have all powers necessary and proper to enable it to carry out the purposes of this chapter. Responsibilities of the Board shall include adopting rules and regulations for the protection of the public and the control of horse racing and pari-mutuel wagering. B&P Code Section 19562 provides the Board may prescribe rules, regulations, and conditions under which all horse races with wagering on their results shall be conducted in this State.

From December 2005 through August 2006 the Board reviewed the issue of coupling horses owned in whole or in part by the same owner, and in April 2006 the Board decided to conduct an experimental suspension of Rule 1606, Coupling of Horses. The experiment initially involved the thoroughbred race meetings at Hollywood Park and Bay Meadows Race Track. Horses owned in whole or in part by the same person(s) could be uncoupled if there were five or more wagering interests entered to race. At the June 2006 Regular Board Meeting the experiment was expanded to include the Los Alamitos Quarter Horse meeting. At that time a proposal to repeal Rule 1606 was noticed for public comment.

At the August 2006 Regular Board Meeting the Board heard reports from Hollywood Park and Bay Meadows regarding their experience with the temporary suspension of Rule 1606, and Los Alamitos submitted a written report. At the close of the discussion, Rod Blonien, representing Los Alamitos, testified that Los Alamitos' experience with the suspension of Rule 1606 was a success and wagering increased by a "significant" amount. At that time Los Alamitos urged the Board to continue the experiment, but the request was not acted on. Instead, the Board voted to discontinue the experiment and to keep Rule 1606 on the books.

Los Alamitos is requesting the Board reconsider exempting quarter horse races from the coupling requirements of Rule 1606.

RECOMMENDATION

This item is presented for discussion and action by the Board.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 6. ENTRIES AND DECLARATIONS
DISCUSSION REGARDING EXEMPTING
QUARTER HORSE RACES FROM THE PROVISIONS
OF
RULE 1606. COUPLING OF HORSES

Regular Board Meeting
October 26, 2006

1606. Coupling of Horses.

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

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

Reference: Section 19401,
Business and Professions Code.

STAFF ANALYSIS
DISCUSSION AND ACTION REGARDING THE ADOPTION OF A
CODE OF ETHICAL CONDUCT

Regular Board Meeting
October 26, 2006

BACKGROUND

Business and Professions (B&P) Code Section 19420 provides that jurisdiction and supervision over meetings in this State where horse races with wagering on their results are held or conducted, and over all persons or things having to do with the operation of such meetings, is vested in the California Horse Racing Board (Board). B&P Code Section 19426 states the Governor may remove any Board member for incompetence, neglect of duty or corruption upon first giving him a copy of the charges against him and an opportunity to be heard. B&P Code Section 19423 prohibits a person from membership on the Board if the person, the person's spouse or any dependent child thereof holds a financial interest in any horse racing track; a financial interest or any position of management with any entity that conducts pari-mutuel horse racing; or holds a financial interest in a management or concession contract with any entity which conducts pari-mutuel horse racing. B&P Code Section 19424 provides that no Board member is disqualified from receiving a share of any purse awarded him as the result of any horse race as an owner of a horse or as a breeder of a California-bred horse. To maintain public confidence in the Board and the horse racing industry, it is essential that Commissioners conduct themselves and the business of the Board with honesty, integrity and impartiality. Commissioners must avoid conflicts of interest or even the appearance of conflicts of interest by adhering to a standard of ethical conduct. At its July 2006 Regular Meeting the Board discussed implementing an ethics policy for Board members.

ANALYSIS

Board Rule 2000, General Provisions, constitutes the Conflict of Interest Code of the California Horse Racing Board. Rule 2000 incorporates by reference the California Fair Political Practices Commission's (FPPC) Rule 18730, which contains the terms of a standard conflict of interest code. Under Board Rule 2000, Commissioners must file a statement of economic interests with the Board; a copy of which is forwarded to the FPPC. However, the Board currently does not have a complementary policy regarding ethical conduct. The proposed Code of Ethical Conduct (CEC) would fulfill that need. The proposed CEC provides that a Commissioner shall recuse himself in any matter before the Board that relates to persons who have or have had business dealings with the Commissioner, or to relatives or the spouse of the Commissioner. The CEC would also require recusal in matters before the Board involving organizations where a Commissioner served as a board member, committee member or advisor within the past five years. Under the proposed CEC a Commissioner may voluntarily recuse himself in any matter where he believes his participation could reasonably be interpreted as a conflict of interest, and the opinion of the Board's legal counsel shall

prevail in questions regarding recusal. In matters that may result in disciplinary action against the license of a relative, spouse or person employed by a Commissioner, the Commissioner shall recuse himself. This is also the case in matters regarding any horse owned in whole or in part by a Commissioner. The proposed CEC states a Commissioner may wager on the results of a race provided such wagering is conducted in accordance with the Board's rules and regulations.

RECOMMENDATION

This item is presented for discussion and action.

CALIFORNIA HORSE RACING BOARD
DISCUSSION AND ACTION REGARDING THE ADOPTION OF A
CODE OF ETHICAL CONDUCT

Regular Board Meeting
October 26, 2006

In any matter before the Board a Commissioner shall recuse himself if:

- (1) The matter before the Board relates to any person or entity the Commissioner currently has any business dealings with, or has had any business dealings with in the prior 5 years.
- (2) The matter before the Board pertains to any relative or spouse of the Commissioner, or to any person who was previously employed by the Commissioner.
- (3) The matter before the Board relates to any organization to which the Commissioner was a board member, committee member or advisor in the prior 5 years.

If a Commissioner believes his presence in a decision could reasonably be interpreted as a conflict of interest, he may voluntarily recuse himself.

The opinion of the Board's legal counsel shall prevail in questions regarding the recusal of a Commissioner.

A Commissioner who is recused shall not be copied on any materials, reports, investigations, or any information related to the matter before the Board.

A Commissioner shall refrain from any communications with racing officials or Board staff regarding any matters that may result in disciplinary action against the license of a relative, spouse or person employed by said Commissioner, or any horse owned in whole or in part by said Commissioner.

No Commissioner is disqualified from wagering on the result of a race, provided such wagering is conducted in accordance with the provisions of the Board's Rules and Regulations.

STAFF ANALYSIS
STAFF REPORT ON END-OF-MEET RESULTS

REGULAR BOARD MEETING
OCTOBER 26, 2006

Background:

This item contains end-of-meet reports for the recently concluded race meets. Staff is prepared to answer questions regarding the information presented.

Recommendation:

These items are for information and discussion.

END-OF-MEET OUTLINE SUMMARY

For the California Horse Racing Board meeting, October 26, 2006. This report includes a summary for the following racing meetings: SONOMA COUNTY FAIR, SAN MATEO COUNTY FAIR, HUMBOLDT COUNTY FAIR, DEL MAR, and LOS ANGELES COUNTY FAIR.

Sonoma County Fair at Santa Rosa

July 26 – August 7, 2006

Race days: 12 .

AVERAGE DAILY STATISTICS

	PERCENTAGE CHANGE
Ave. Daily Handle	-3.56%
Ave. On-Track	-9.01%
Ave. Off-Track	-9.81%
Ave. Interstate-Exported	-9.31%
Ave. ADW	-2.44%
Ave. Daily Attendance-Calif.	-3.46%
Ave. On-Track	-1.36%
Ave. Off-Track	-6.27%

San Mateo County Fair at San Mateo

August 9 – August 23, 2006

Race days: 12

AVERAGE DAILY STATISTICS

	PERCENTAGE CHANGE
Ave. Daily Handle	-5.97%
Ave. On-Track	-7.70%
Ave. Off-Track	-14.07%
Ave. Interstate-Exported	5.79%
Ave. ADW	-1.49%
Ave. Daily Attendance-Calif.	-3.34%
Ave. On-Track	7.40%
Ave. Off-Track	-10.28%

Humboldt County Fair at Ferndale
 August 10 – August 20, 2006
 Race days: 10

AVERAGE DAILY STATISTICS

	PERCENTAGE CHANGE
Ave. daily handle	-3.94%
Ave. On-track	-6.17%
Ave. Off-track	-15.39%
Ave. Interstate-exported	-56.62%
Ave. ADW	0.84%
Ave. daily attendance-Calif.	-4.30%
Ave. On-track	-3.66%
Ave. Off-track	-4.78%

Del Mar Meet
 July 19 – September 6, 2006
 Race Days: 43

AVERAGE DAILY STATISTICS

	PERCENTAGE CHANGE
Ave. Daily Handle	-6.54%
Ave. On-Track	-7.55%
Ave. Off-Track	-7.12%
Ave. Interstate-Exported	-6.44%
Ave. ADW	-3.79%
Ave. Daily Attendance-Calif.	39.76%
Ave. On-Track	-3.33%
Ave. Off-Track	109.17%

Los Angeles County Fair at Fairplex
 September 8 – September 25, 2006
 Race Days: 16

AVERAGE DAILY STATISTICS

	PERCENTAGE CHANGE
Ave. Daily Handle	0.40%
Ave. On-Track	-4.42%
Ave. Off-Track	0.90%
Ave. Interstate-Exported	0.005%
Ave. ADW	3.76%
Ave. Daily Attendance-Calif.	-0.44%
Ave. On-Track	0.93%
Ave. Off-Track	-1.57%

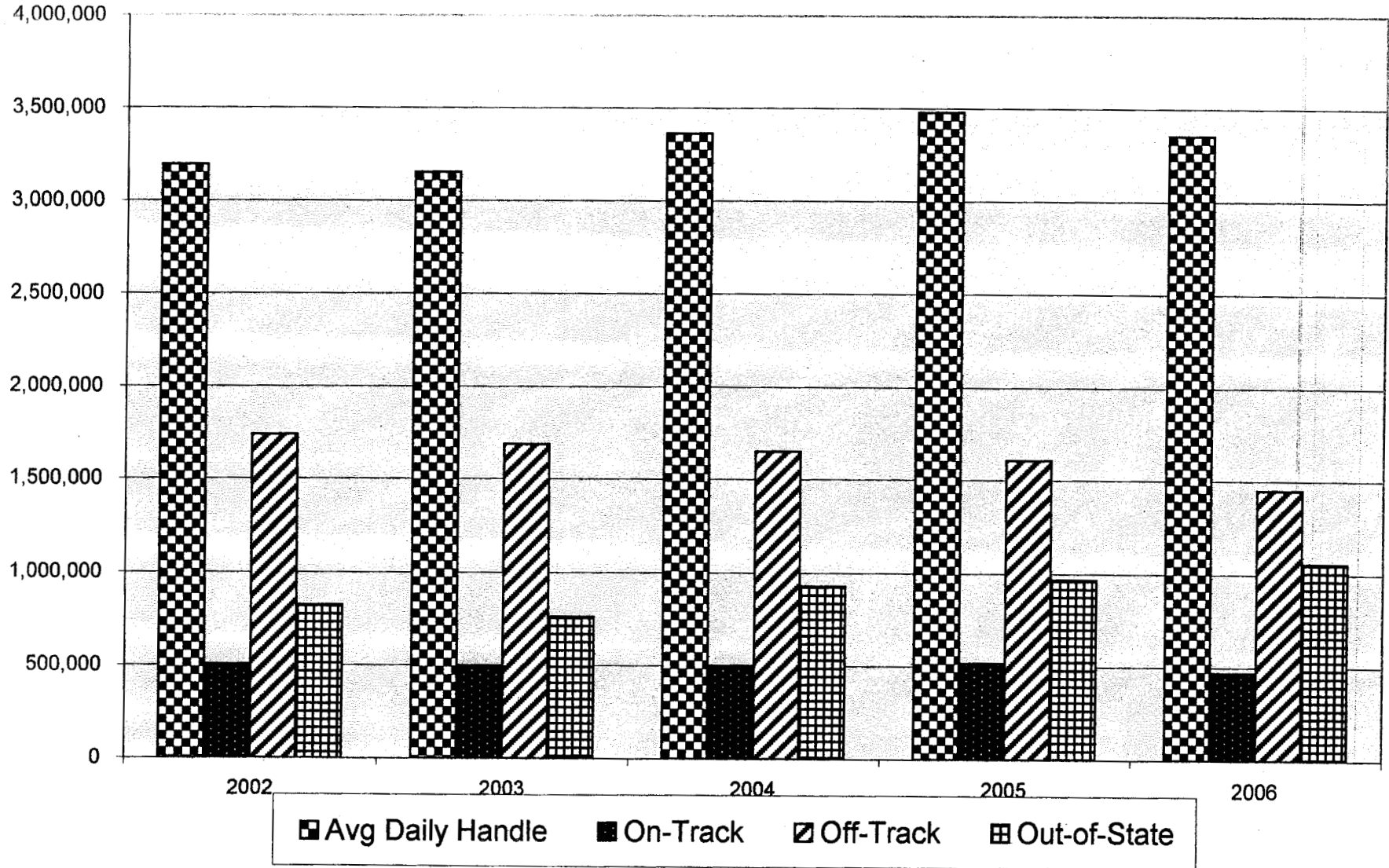
SONOMA COUNTY FAIR

YEAR	2002	2003	2004	2005	2006
TOTAL RACE DAYS	12	12	12	12	12
TOTAL HANDLE	38,294,049	37,806,166	40,331,217	41,717,374	40,232,745
ON-TRACK	6,059,343	5,970,978	5,998,847	6,203,650	5,644,607
OFF-TRACK	20,833,153	20,213,526	19,812,632	19,275,994	17,384,702
OUT-OF-STATE	9,858,839	9,119,985	11,141,527	11,587,839	12,667,115
ADW	1,542,714	2,501,677	3,378,211	4,649,891	4,536,321
LIVE	22,203,325	22,131,376	25,068,211	26,398,349	26,424,537
INTRASTATE IMPORTED	9,265,874	8,817,248	8,111,305	7,776,470	6,732,494
INTERSTATE IMPORTED	6,788,169	6,699,668	7,151,701	5,835,800	5,578,526
INTERNATIONAL IMPORTED	36,681	157,874	0	1,706,755	1,497,187
AVERAGE DAILY HANDLE	3,191,171	3,150,514	3,360,935	3,476,448	3,352,729
ON-TRACK	504,945	497,581	499,904	516,971	470,384
OFF-TRACK	1,736,096	1,684,461	1,651,053	1,606,333	1,448,725
INTERSTATE	821,570	759,999	928,461	965,653	1,055,593
AVERAGE ADW	128,560	208,473	281,518	387,491	378,027
AVERAGE LIVE	1,850,277	1,844,281	2,089,018	2,199,862	2,202,045
INTRASTATE IMPORTED	772,156	734,771	675,942	648,039	561,041
INTERSTATE IMPORTED	565,681	558,306	595,975	486,317	464,877
INTERNATIONAL IMPORTED	3,057	13,156	0	142,230	124,766
TOTAL TAKEOUT	7,531,718	7,536,530	8,210,741	8,481,298	8,211,343
EFFECTIVE TAKEOUT	19.67%	19.93%	20.36%	20.33%	20.41%
STATE LICENSE FEES	402,535	390,410	394,331	390,007	357,734
STATE %	1.05%	1.03%	0.98%	0.93%	0.89%
TRACK COMMISSIONS	1,409,442	1,339,087	1,359,991	1,361,244	1,256,335
ADW COMMISSIONS	72,712	106,871	153,714	206,909	226,833
TOTAL COMMISSIONS	1,482,154	1,445,958	1,513,705	1,568,152	1,483,168
TRACK %	3.87%	3.82%	3.75%	3.76%	3.69%
HORSEMEN'S PURSES	1,425,172	1,355,566	1,376,209	1,378,609	1,272,383
ADW PURSES	69,620	108,145	155,546	209,489	229,921
TOTAL PURSES	1,494,792	1,463,711	1,531,755	1,588,098	1,502,303
HORSEMEN'S %	3.90%	3.87%	3.80%	3.81%	3.73%

SONOMA COUNTY FAIR

YEAR	2002	2003	2004	2005	2006
CALIFORNIA ATTENDANCE	118,201	122,676	115,269	112,548	108,653
ON-TRACK	63,961	67,846	63,556	64,400	63,525
OFF-TRACK	54,240	54,830	51,713	48,148	45,128
DAILY ATTENDANCE	9,850	10,223	9,606	9,379	9,054
AVERAGE DAILY ON - TRACK	5,330	5,654	5,296	5,367	5,294
AVERAGE DAILY OFF - TRACK	4,520	4,569	4,309	4,012	3,761
TOTAL RACE EVENTS	133	134	134	133	132
STARTS	986	1,049	1,011	1,003	979
AVERAGE STARTS PER EVENT	7.4	7.8	7.5	7.5	7.4
AVERAGE HANDLE PER START	22,519	21,098	24,795	26,319	26,991

SONOMA COUNTY FAIR



**Supplemental End of Meet Report
2006 Sonoma County Fair
Wine Country Racing Meet**

PAGE 16-7

Prepared and Submitted by the Sonoma County Fair

INTRODUCTION:

The Wine Country Racing Meet at the Sonoma County Fair (SCF) was held during the annual Sonoma County Fair, July 25 – August 7, 2006. The Fair ran fourteen days while the meet ran 12. 2006 was the second year of Turf racing at the SCF. Over the past several months the CHRB has been interested in details regarding attendance trends, promotions and marketing and other factors that contribute to a successful meet. The Sonoma County Fair is happy to provide the enclosed details as a supplement to the raw financial data provided by CHRB staff.

First, as you know Wine Country Racing has enjoyed tremendous success in terms of handle and attendance over the past several years. Our investment of more than \$3,000,000 to build a turf course and make improvements to the infield, backstretch and RV facilities, has greatly improved our position and facility. The community support of Wine Country Racing is unmatched. Even still it is necessary to be creative in terms of promotions, marketing and planning.

MARKETING, PROMOTIONS AND "NEW FOR '06":

The Sonoma County Fair has one of the oldest and longest running "Daily Racing Seminars" anywhere. The seminar is hosted by Vic Stauffer and Handicapper Danny Holmes. The seminar features prominent daily guests, lively and colorful commentary and daily picks. It is religiously attended by hundreds and is held in the center of the fairgrounds on an entertainment stage to insure greater exposure. This year saw the greatest number of attendees ever, with an average of more than 400 daily.

The Friday post time in 2006 was moved to 2:15 pm to position the Wine Country Racing more in line with Del Mar, whose first post on Fridays is 4:00 pm. The later post was very popular and certainly increased the Out of State handle and the handle for the early emerging breeds races. Overall we deemed the later post a success.

Another change in 2006 that resulted in increased exposure and participation in racing, was moving Free Seniors Day to Wednesday and off of the dark days on Tuesday. This resulted in attendance increases of 14% on the first Wednesday of the meet and 9% on the second. While the handle on those days did not increase, more people were exposed to the product.

During the Wine Country Racing Meet three souvenir giveaways were held to improve attendance and handle on slower days, a Wine Country Racing cap day, a Wine Country 6 pack cooler giveaway and a Classic Tom Chapman Commorative Poster giveaway were all very popular.

The Sonoma County Fair partners with many local businesses to expand outreach and add additional revenue. In 2006, Wine Country Racing was co-sponsored by River Rock Casino. The Casino provided financial support and marketing trade. Wine Country Racing was included in their club member newsletter where a special package was offered. In addition, they sponsored giveaways after each race on both Fridays. A database was generated from the giveaway sign-up that will be used in the future by both companies.

In 2005 the Sonoma County Fair invited TVG to do a live remote on the second Saturday of the meet. The TVG crew alternated with the Del Mar TVG broadcast that day and televised several races,

including the \$100,000 Joseph T. Grace Handicap. That day saw an increase in adw, out of state handle and the overall was up considerably. In 2006 through an arrangement with CARF, HRTV agreed to broadcast one day at each fair meet. This exposure for Wine Country Racing and fairs in general has been very valuable to increase the awareness of our product. In addition on-track fans enjoy it as a happening.

MEET STATISTICS:

CHRB staff has provided financial data to the Board, I want to draw your attention to three factors. First, while the 2006 meet was down it did rank as the seventh largest of all-time. It is important to note that last year was the third largest handle of all-time. The total handle for Wine Country Racing has remained steady with slight variations over the past seven or so years.

Second, day # 10, Saturday, August 5, 2006 was the fifth largest day of all-time in total handle, but was still less than the same day last year. 2005 was a tough year to beat.

Third is the issue of attendance. Reported on-track attendance at Fair race meets is not a true indicator of success, because it is not a real number. The racing grandstand, apron and surrounding areas all provide line of sight to the track, all areas are used by casual fairgoers and hardcore fans. Bets can be placed at areas where attendance is not measured. Fans with box seats or who have purchased grandstand or reserved seats are easy to count. Others who spend their day at the fair and are in and out of the track area or who watch from the lower grandstand, apron or free bleacher seating are not accurately accounted for. The accepted method of reporting on track attendance has been a formula that factors the number of programs sold, but this does not give an accurate representation of true attendance. Racing program information is available in other forms, and comps are not accounted for. The bottom line is that Horse Racing at Fairs is FREE, a seat in the Grandstand is sold for a fee, but the races are part of the overall fair experience. That having been said on track reported attendance at the 2006 Wine Country Racing meet was 63,525 versus 64,400 last year. The average daily attendance was 5,293 in 2006 with two days over 7,000. Total fair attendance was up 14.3% to 370,000 in fourteen days.

As far as numbers related to races and number of runners, we submit the following breakdown for your review.

	2006	2005	'06 AVG.	CHG.
RACES				
Total Number of Races	132	133	11/day	
Total Number of MXD Races	28	32	2.3/day	12.5%↓
Total Number of Turf Races	29	25	2.4/day	13.8%↑
Total Number of Dirt Races	75	76	8.6/ day	
RUNNERS				
Total Number of Runners(all)	990	1014	7.5/race	2.4%↓
Total Number of MXD	190	222	6.8/race (6.9)	14.4%↓
Total Number of Turf	236	202	8.14/race (8.08)	14.4%↑
Total Number of Dirt (TB)	564	590	7.52/race (7.7)	6.1%↓
Total Number All TB	800	792	7.7/race (7.5)	1.0%↑

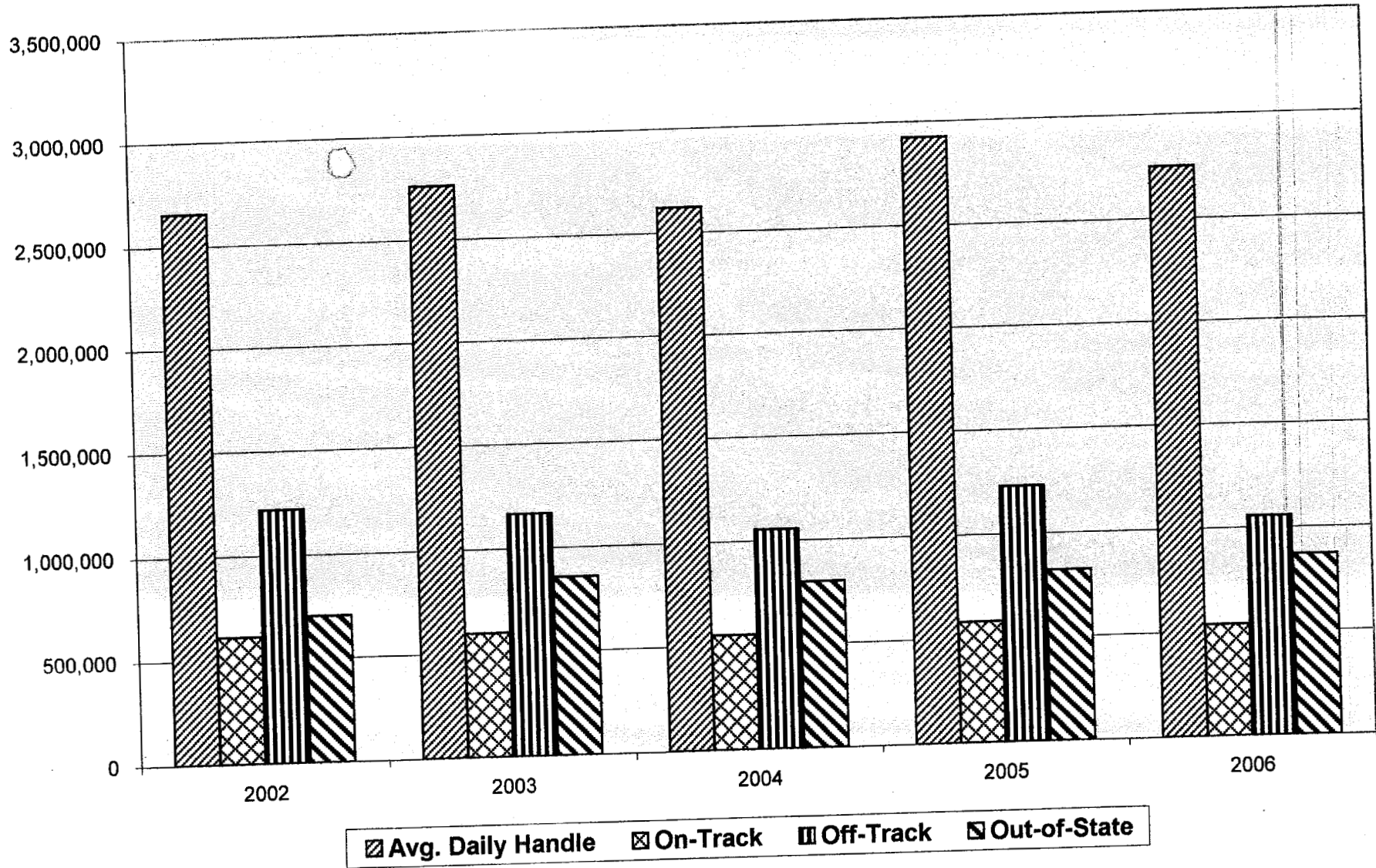
SAN MATEO COUNTY FAIR

YEAR	2002	2003	2004	2005	2006
TOTAL RACE DAYS	12	12	12	12	12
TOTAL HANDLE	31,862,794	33,095,531	31,429,897	35,073,812	32,980,437
ON-TRACK	7,330,295	7,160,665	6,616,631	6,973,546	6,436,307
OFF-TRACK	14,634,282	13,989,697	12,662,765	14,743,259	12,668,775
OUT-OF-STATE	8,456,901	10,296,174	9,602,634	9,851,395	10,421,845
ADW	1,441,316	1,648,996	2,547,867	3,505,612	3,453,511
LIVE	16,657,659	18,984,046	17,822,238	19,233,174	19,057,608
INTRASTATE IMPORTED	8,295,408	7,555,523	6,909,926	7,952,233	6,922,768
INTERSTATE IMPORTED	6,909,727	6,555,963	6,697,733	6,485,633	5,614,615
INTERNATIONAL IMPORTED	0	0	0	1,402,772	1,385,446
AVERAGE DAILY HANDLE	2,655,233	2,757,961	2,619,158	2,922,818	2,748,370
ON-TRACK	610,858	596,722	551,386	581,129	536,359
OFF-TRACK	1,219,524	1,165,808	1,055,230	1,228,605	1,055,731
INTERSTATE	704,742	858,015	800,220	820,950	868,487
AVERAGE ADW	120,110	137,416	212,322	292,134	287,793
AVERAGE LIVE	1,388,138	1,582,004	1,485,186	1,602,764	1,588,134
INTRASTATE IMPORTED	691,284	629,627	575,827	662,686	576,897
INTERSTATE IMPORTED	575,811	546,330	558,144	540,469	467,885
INTERNATIONAL IMPORTED	0	0	0	116,898	115,454
TOTAL TAKEOUT	6,140,693	6,355,874	6,409,255	7,168,798	6,758,863
EFFECTIVE TAKEOUT	19.27%	19.20%	20.39%	20.44%	20.49%
STATE LICENSE FEES	229,371	233,949	204,161	230,433	203,190
STATE %	0.72%	0.71%	0.65%	0.66%	0.62%
TRACK COMMISSIONS	1,182,474	1,155,665	1,054,551	1,158,909	1,054,130
ADW COMMISSIONS	71,778	82,106	113,891	164,036	174,010
TOTAL COMMISSIONS	1,254,252	1,237,771	1,168,442	1,322,944	1,228,140
TRACK %	3.71%	3.49%	3.36%	3.30%	3.20%
HORSEMEN'S PURSES	1,189,927	1,165,836	1,061,645	1,164,261	1,059,757
ADW PURSES	72,210	82,684	114,906	165,216	174,825
TOTAL PURSES	1,262,137	1,248,519	1,176,551	1,329,477	1,234,582
HORSEMEN'S %	3.73%	3.52%	3.38%	3.32%	3.21%

SAN MATEO COUNTY FAIR

YEAR	2002	2003	2004	2005	2006
CALIFORNIA ATTENDANCE	71,538	71,453	61,286	64,845	82,676
ON-TRACK	29,480	30,836	25,818	25,428	27,310
OFF-TRACK	42,058	40,617	35,468	39,417	35,366
DAILY ATTENDANCE	5,962	5,954	5,107	5,404	5,223
AVERAGE DAILY ON - TRACK	2,457	2,570	2,152	2,119	2,276
AVERAGE DAILY OFF - TRACK	3,505	3,385	2,956	3,285	2,947
TOTAL RACE EVENTS	113	112	101	113	111
STARTS	714	760	670	800	761
AVERAGE STARTS PER EVENT	6.3	6.8	6.6	7.1	6.9
AVERAGE HANDLE PER START	23,330	24,979	26,600	24,041	25,043

SAN MATEO COUNTY FAIR



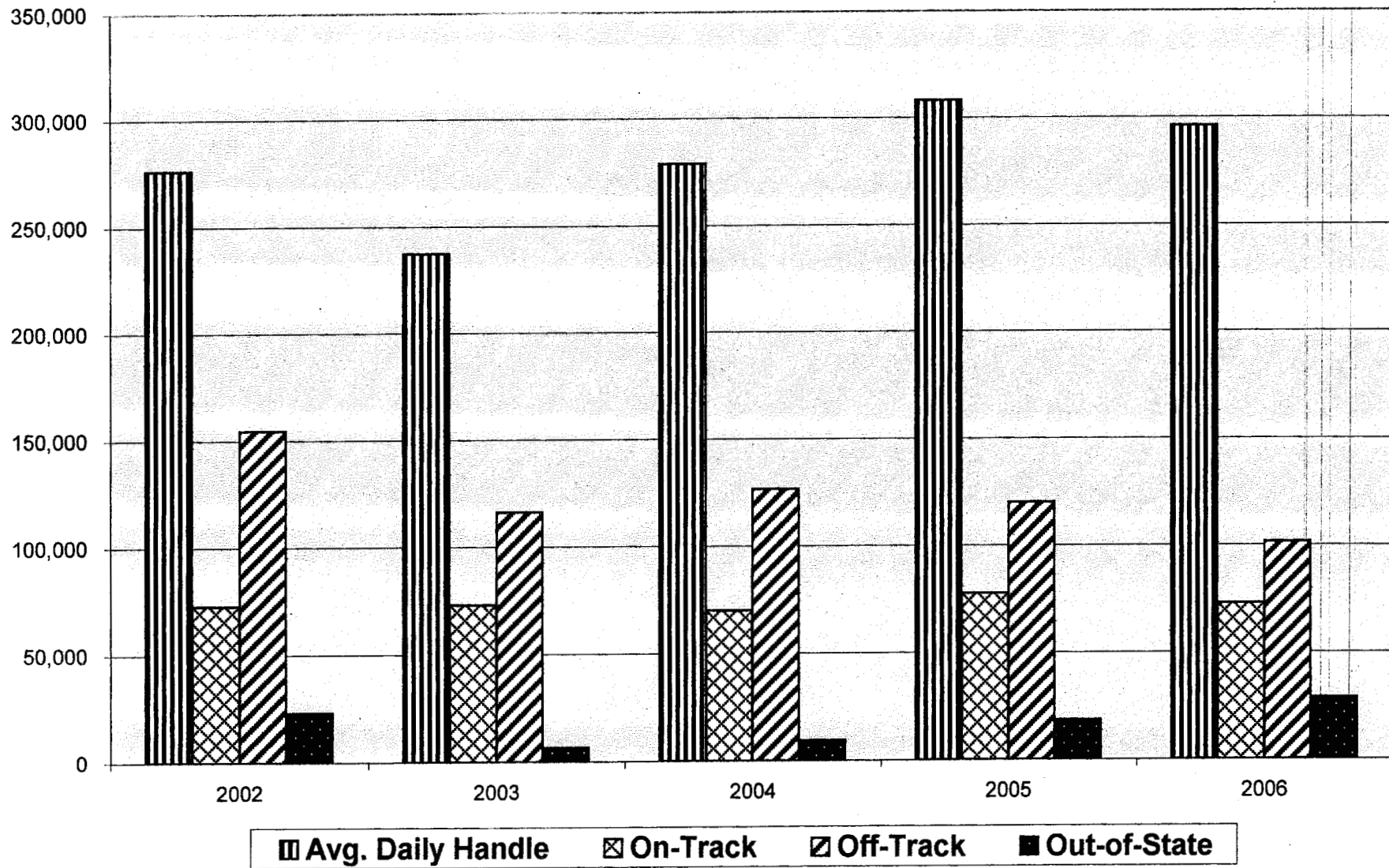
HUMBOLDT COUNTY FAIR

YEAR	2002	2003	2004	2005	2006
TOTAL RACE DAYS	10	10	10	10	10
TOTAL HANDLE	2,760,071	2,369,492	2,787,149	3,080,934	2,959,549
ON-TRACK	728,705	731,046	699,081	775,170	727,308
OFF-TRACK	1,545,617	1,163,479	1,264,637	1,200,644	1,015,848
OUT-OF-STATE	228,581	65,262	91,763	182,915	286,480
ADW	257,168	409,705	731,669	922,205	929,913
LIVE	2,760,071	2,369,492	2,787,149	3,080,934	2,959,549
INTRASTATE IMPORTED	0	0	0	0	0
INTERSTATE IMPORTED	0	0	0	0	0
INTERNATIONAL IMPORTED	0	0	0	0	0
AVERAGE DAILY HANDLE	276,007	236,949	278,715	308,093	295,955
ON-TRACK	72,871	73,105	69,908	77,517	72,731
OFF-TRACK	154,562	116,348	126,464	120,064	101,585
INTERSTATE	22,858	6,526	9,176	18,292	28,648
AVERAGE ADW	25,717	40,971	73,167	92,220	92,991
AVERAGE LIVE	276,007	236,949	278,715	308,093	295,955
INTRASTATE IMPORTED	0	0	0	0	0
INTERSTATE IMPORTED	0	0	0	0	0
INTERNATIONAL IMPORTED	0	0	0	0	0
TOTAL TAKEOUT	528,364	479,314	566,834	626,069	599,750
EFFECTIVE TAKEOUT	19.14%	20.23%	20.34%	20.32%	20.26%
STATE LICENSE FEES	32,663	26,769	28,050	28,682	25,764
STATE %	1.18%	1.13%	1.01%	0.93%	0.87%
TRACK COMMISSIONS	138,186	115,380	118,212	122,852	112,792
ADW COMMISSIONS	12,859	20,179	34,561	43,675	48,837
TOTAL COMMISSIONS	151,045	135,559	152,773	166,527	161,629
TRACK %	5.47%	5.72%	5.48%	5.41%	5.46%
HORSEMEN'S PURSES	142,076	119,605	122,188	127,540	117,310
ADW PURSES	13,234	21,083	35,780	45,104	50,668
TOTAL PURSES	155,309	140,688	157,968	172,644	167,977
HORSEMEN'S %	5.15%	5.94%	5.67%	5.60%	5.68%

HUMBOLDT COUNTY FAIR

YEAR	2002	2003	2004	2005	2006
CALIFORNIA ATTENDANCE	59,320	58,433	52,587	53,112	50,829
ON-TRACK	22,919	22,442	21,759	22,811	21,975
OFF-TRACK	36,401	35,991	30,828	30,301	28,854
DAILY ATTENDANCE	5,932	5,843	5,259	5,311	5,083
AVERAGE DAILY ON - TRACK	2,292	2,244	2,176	2,281	2,198
AVERAGE DAILY OFF - TRACK	3,640	3,599	3,083	3,030	2,885
TOTAL RACE EVENTS	74	71	73	75	77
STARTS	482	416	421	483	484
AVERAGE STARTS PER EVENT	6.5	5.9	5.8	6.4	6.3
AVERAGE HANDLE PER START	5,726	5,696	6,620	6,379	6,115

HUMBOLT COUNTY FAIR



DEL MAR THOROUGHBRED CLUB

YEAR	2002	2003	2004	2005	2006
TOTAL RACE DAYS	43	43	43	43	43
TOTAL HANDLE	464,707,784.40	510,968,914.60	521,113,745.33	546,971,288.85	511,215,852.60
ON-TRACK	98,830,070	102,961,640	102,242,996	108,907,840	100,685,048
OFF-TRACK	166,274,621	163,303,386	156,275,504	153,435,395	142,506,515
OUT-OF-STATE	180,417,144	206,549,861	213,128,960	219,543,395	205,406,734
ADW	19,185,950	38,154,028	49,466,286	65,084,660	62,617,556
LIVE	379,324,724	425,274,411	439,615,212	464,253,682	431,523,299
INTRASTATE IMPORTED	36,844,860	37,152,703	34,190,989	31,488,617	30,933,530
INTERSTATE IMPORTED	48,245,564	48,223,773	47,307,544	43,587,871	41,153,304
INTERNATIONAL IMPORTED	292,636	318,027	0	7,641,119	7,605,719
AVERAGE DAILY HANDLE	10,807,158	11,882,998	12,118,924	12,720,263	11,888,741
ON-TRACK	2,298,374	2,394,457	2,377,744	2,532,740	2,341,513
OFF-TRACK	3,866,852	3,797,753	3,634,314	3,568,265	3,314,105
INTERSTATE	4,195,748	4,803,485	4,956,487	5,105,660	4,776,901
AVE. ADW	446,185	887,303	1,150,379	1,513,597	1,456,222
AVERAGE LIVE	8,828,311	9,897,499	10,223,610	10,974,298	10,212,303
INTRASTATE IMPORTED	856,857	864,016	795,139	732,293	719,384
INTERSTATE IMPORTED	1,121,990	1,121,483	1,100,175	1,013,671	957,054
INTERNATIONAL IMPORTED	6,805	7,396	0	177,700	176,877
TOTAL TAKEOUT	89,937,452	96,899,391	102,211,988	107,017,562	100,196,471
EFFECTIVE TAKEOUT	19.35%	18.96%	19.61%	19.57%	19.60%
STATE LICENSE FEES	6,139,301	6,284,789	6,230,514	6,170,609	5,736,023
STATE %	1.32%	1.23%	1.20%	1.13%	1.12%
TRACK COMMISSIONS	19,074,174	19,395,550	19,483,346	19,919,590	17,291,141
ADW COMMISSIONS	1,082,820	1,639,819	2,118,562	2,787,835	2,822,669
TOTAL COMMISSIONS	20,156,994	21,035,369	21,601,908	22,707,426	20,113,810
TRACK %	4.34%	4.12%	4.15%	4.15%	3.93%
HORSEMEN'S PURSES	18,743,217	19,099,761	19,219,732	19,648,143	18,221,899
ADW PURSES	1,061,175	1,609,388	2,083,484	2,745,893	2,780,261
TOTAL PURSES	19,804,392	20,709,150	21,303,216	22,394,036	21,002,160
HORSEMEN'S %	4.26%	4.05%	4.09%	4.09%	4.11%
CAIFORNIA ATTENDANCE	1,227,464	1,268,228	1,232,763	1,185,297	1,656,579
ON-TRACK	667,280	725,922	733,237	731,287	706,911

DEL MAR THOROUGHBRED CLUB

YEAR	2002	2003	2004	2005	2006
OFF-TRACK	560,184	542,306	499,526	454,010	949,668
DAILY ATTENDANCE	28,546	29,494	28,669	27,565	38,525
AVERAGE DAILY ON - TRACK	15,518	16,882	17,052	17,007	16,440
AVERAGE DAILY OFF - TRACK	13,028	12,612	11,617	10,558	22,085
TOTAL RACE EVENTS	371	372	371	372	371
STARTS	3,034	3,048	3,064	3,128	3,139
AVERAGE STARTS PER EVENT	8.2	8.2	8.3	8.4	8.5
AVERAGE HANDLE PER START	125,025	139,526	143,478	148,419	137,472

LOS ANGELES COUNTY FAIR

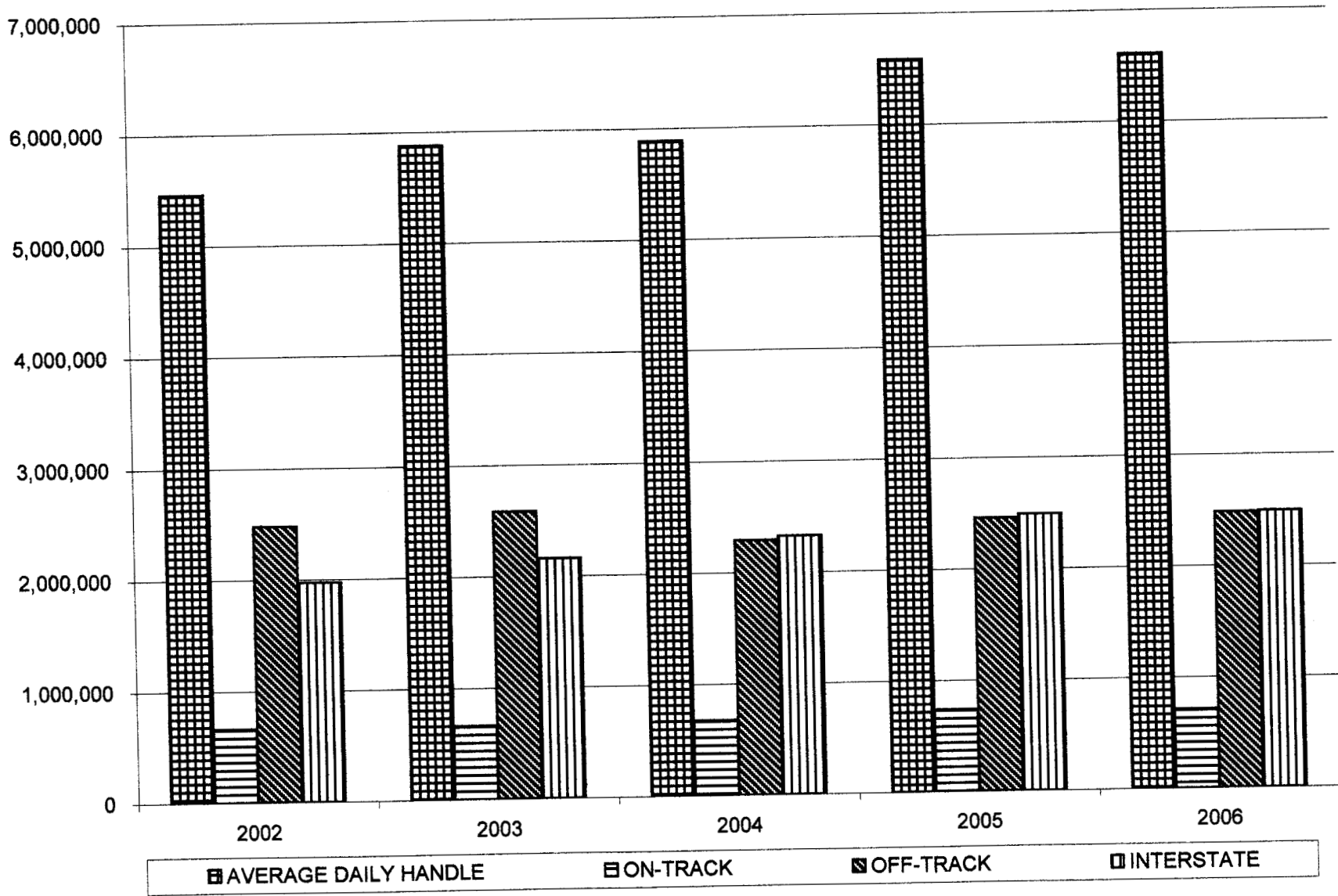
<u>YEAR</u>	2002	2003	2004	2005	2006
TOTAL RACE DAYS	17	17	17	16	16
TOTAL HANDLE	\$92,828,630	\$99,915,178	\$100,085,726	\$105,308,618	\$105,729,325
ON-TRACK	11,239,788	11,253,410	11,435,087	11,814,889	11,339,530
OFF-TRACK	42,161,572	43,861,731	38,915,821	39,296,731	39,650,079
OUT-OF-STATE	33,527,741	36,634,196	39,512,164	39,810,968	39,812,708
ADW	5,899,529	8,165,841	10,222,655	14,386,030	14,927,009
LIVE	68,908,826	75,287,217	77,217,016	82,471,596	83,960,568
INTRASTATE IMPORTED	8,994,784	9,219,108	8,119,819	7,248,591	7,337,850
INTERSTATE IMPORTED	14,697,399	15,408,853	13,930,515	12,628,164	11,030,022
INTERNATIONAL IMPORTED	227,620	0	818,376	2,960,267	3,400,885
AVERAGE DAILY HANDLE	5,460,508	5,877,363	5,887,396	6,581,789	6,608,083
ON-TRACK	661,164	661,965	672,652	738,431	708,721
OFF-TRACK	2,480,092	2,580,102	2,289,166	2,456,046	2,478,130
INTERSTATE	1,972,220	2,154,953	2,324,245	2,488,186	2,488,294
AVE. ADW	347,031	480,344	601,333	899,127	932,938
AVERAGE CALIFORNIA HANDLE	3,141,256	3,242,067	2,961,818	3,194,476	3,186,851
AVERAGE LIVE	4,066,850	4,428,660	4,590,317	5,339,491	5,460,091
INTRASTATE IMPORTED	529,105	542,300	477,636	453,037	458,616
INTERSTATE IMPORTED	864,553	906,403	819,442	789,260	689,376
INTERNATIONAL IMPORTED	13,389	0	48,140	185,017	212,555
TOTAL TAKEOUT	17,675,454	18,504,823	20,624,141	21,701,650	21,986,890
EFFECTIVE TAKEOUT	19.04%	18.52%	20.61%	20.61%	20.80%
STATE LICENSE FEES	948,852	991,746	927,161	935,056	952,140
STATE %	1.02%	0.99%	0.93%	0.89%	0.90%
TRACK COMMISSIONS	2,918,445	2,903,231	2,877,898	2,906,569	2,959,734
ADW COMMISSIONS	271,456	369,531	468,057	680,593	733,876
TOTAL COMMISSIONS	3,189,901	3,272,762	3,345,955	3,587,162	3,693,610
TRACK %	3.44%	3.28%	3.34%	3.41%	3.49%
HORSEMEN'S PURSES	2,954,357	2,938,180	2,915,205	2,946,658	3,000,009
ADW PURSES	275,711	374,640	474,538	691,124	745,379
TOTAL PURSES	3,230,068	3,312,820	3,389,742	3,637,782	3,745,388
HORSEMEN'S %	3.48%	3.32%	3.39%	3.45%	3.54%

LOS ANGELES COUNTY FAIR

<u>YEAR</u>	2002	2003	2004	2005	2006
CAIIFORNIA ATTENDANCE	265,963	258,527	233,095	206,852	205,940
ON-TRACK	118,199	114,648	102,255	88,494	89,446
OFF-TRACK	147,764	143,879	130,840	118,358	116,494
DAILY ATTENDANCE	15,645	15,207	13,711	12,928	12,871
AVERAGE DAILY ON - TRACK	6,953	6,744	6,015	5,531	5,590
AVERAGE DAILY OFF - TRACK	8,692	8,463	7,696	7,397	7,281
TOTAL RACE EVENTS	194	197	196	195	195
STARTS	1,416	1,549	1,513	1,524	1,579
AVERAGE STARTS PER EVENT	7.3	7.9	7.7	7.8	8.1
AVERAGE HANDLE PER START	48,664	48,604	51,036	54,115	53,173

Chart1

LOS ANGELES COUNTY FAIR



AVERAGE DAILY HANDLE



Memo

To: **CHRB**
From: **Richard B. Shapiro – Chair, Strategic Planning & Dates Committee**
CC:
Date: **October 25, 2006**
Re: **Summary of Strategic Planning Committee Meetings**

Strategic Planning Committee Report – October 26 2007

Race Dates 2007

This year unlike past years, the Strategic Planning and Race Dates Committee met on numerous occasions with the vision of pushing the stakeholders in the industry to accept change in the traditional racing calendar. As expected, with change comes uncertainty and difficulty to some.

NORTHERN CALIFORNIA

In Northern California, the primary goal was to reduce the number of days during the inclement time of the year, and also to try and create a combined racing fair program that would result in less racing events and larger field sizes. Recognizing that 2007 is likely the last year of operation for Bay Meadows, we accepted that the process of change will be a series of steps and 2007 is the first step in the process.

A total of 8 racing days were eliminated in Northern California at Golden Gate and Bay Meadows. Additionally, either 4 days will be eliminated from the combined racing fairs, or 45 less thoroughbred events will be conducted. We also eliminated more of the overlap during the fair racing period.

Those fairs that were previously overlapped for portions of their meetings and which have proved to be the weakest performers in the past have been told, and have acknowledged and accepted that if they do not significantly improve in 2007 they will not be awarded dates thereafter. Further, the fairs understand that they need to make an invigorated effort to improve their facilities, adjust their racing dates, all to benefit racing. Racing cannot be dictated by fair activities, they need to produce for the benefit of racing.

SOUTHERN CALIFORNIA

Essentially the same calendar that exists in 2006 has been adopted in 2007 albeit with a few less days in the winter months. Again, a conscious effort was made to try some 4 day weeks to see if that would provide larger fields and better racing during the inclement periods.

All stakeholders and entities were fine with the calendar except for Bay Meadows Operating Company on behalf of Hollywood Park. Hollywood Park felt that they should have the 17 week of the Santa Anita season.

Essentially, Hollywood Park has taken the position that since they installed Cushion Track first they deserve to be rewarded with what they call the "swing" week. The Race Dates Committee voted unanimously that Santa Anita should continue to operate with the traditional 17 weeks and weekends they have had since 1980 with only two exceptions.

As you will recall, Santa Anita had a record breaking year in 2006 and has demonstrated a commitment to racing long into the future. Unfortunately, Hollywood Park will not commit to race beyond 2008. While it is wonderful that they installed Cushion Track pursuant to the Boards mandate, that in itself was not convincing enough to take away dates that have been historically Santa Anita's.

Hollywood Park is upset that their summer meeting will be only 60 days long, which is the fewest by one day compared to 2006. On the other hand, if the days they wanted were granted to them, it would result in the same problem and circumstance for Santa Anita as they would have the fewest, 79 dating back to before 1980.

It is important to understand the nuances of the racing calendar:

*Santa Anita has historically been granted, by law, 17 weeks of racing. They cannot conduct any more than that by law.

*In 1980 when the calendar was expanded, Hollywood Park was granted more weeks than Santa Anita as they would split their meeting and the fall Hollywood Park racing season was born.

*Del Mar is limited as to when they can open, and they historically close right after Labor Day. Thus, their 43 day racing season is locked in by dates in the calendar.

*The racing calendar begins with the Santa Anita historical opening day, December 26th. Therefore depending on what day of the week that falls on, begins the number of weeks that Santa Anita runs, and again the number of weekends.

Again, It is important to understand that the number of weeks to be divided between Santa Anita and Hollywood Park Summer are determined by the number of weeks that exist between December 26th and Labor Day. Depending on what day of the week December 26th occurs and when Labor Day occurs alters the calendar each year. The Board in years past determined that Del Mar should not operate beyond Labor Day weekend due to a significant fall of in business. It was the decision to create a Christmas break and stop Del Mar immediately after Labor Day that has resulted in the "squeeze" week problem this year. There are only 29 weekends rather than 30 to allocate between Santa Anita and Hollywood Park.

As Chairman of the Strategic Planning and Race Dates Committee I believe that we deliberated over all of the issues to come to the fairest recommendations as possible. We felt that it is critical to the success of racing to put racing dates at venues that are most desired by live fans and will attract the most wagering and highest purses. Santa Anita clearly demonstrated that in 2006 and earlier. While we are hopeful that Cushion Track will rejuvenate racing interest at Hollywood Park, that has yet to be seen and should not come at the expense of Santa Anita. The committee voted unanimously to recommend these calendars for adoption to the full board.

While not considered by the Strategic Planning Committee but in light of the out pouring of conflict over the Southern California Dates allocation, I have asked that staff email and send to all Commissioners a financial comparison of the last two weeks of the Santa Anita season, compared to the first two weeks of the Hollywood Park season. From that comparison each Commissioner can judge the financial impact of the "Squeeze" week based on how much Purse Revenues, Commissions and Handle are generated at the different venues.

Personally, I am willing to consider the addition of a few more dates to the Hollywood Park schedule to mitigate their upset. Those dates that I would be willing to add to the schedule are: May 23, July 2, July 16, December 17.