

CALIFORNIA HORSE RACING BOARD
1010 HURLEY WAY, SUITE 300
SACRAMENTO, CA 95825
(916) 263-6000
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PARI-MUTUEL/ADW AND SIMULCAST COMMITTEE MEETING

of the California Horse Racing Board will be held on Wednesday, June 19, 2013, commencing at **11:30 a.m.**, in the Sunset Room at the Betfair Hollywood Park Race Track, 1050 South Prairie Ave., Inglewood, California. Non-committee Board members attending the committee meeting may not participate in the public discussion, official committee vote, or committee closed session.

AGENDA

Agenda Items

1. Discussion and action regarding the **feasibility of amending CHRB Rule 1865, Altering of Sex of Horse, and possibly CHRB Rule 1974, Wagering Interest**, in recognition of repeated problems in reporting the gelding of horses in the prescribed manner.
2. Discussion and action on the report from **Monarch Content Management, LLC**, that will include a discussion of the distribution of the California racing signals in foreign and domestic markets.
3. Discussion and action regarding **full card simulcasting and the feasibility of allowing full card simulcasting at all California simulcast wagering facilities**.
4. Discussion and action regarding the impact of the **minisatellite wagering facility 20-mile radius restriction, pursuant to Business and Professions Code section 19605.25, has on the development of future minisatellite wagering facilities in California and the feasibility of modifying this restriction**.
5. Discussion and action on the report from **Sportech, Southern California Off Track Wagering, Inc. (SCOTWINC) and Northern California Off Track Wagering Inc. (NOTWINC) regarding the status of future potential minisatellite wagering facility locations**.
6. Discussion and action regarding the **presentation from Sportech regarding its plans to create and market a high end combination restaurant/sports bar/minisatellite brand that would be located in high density populated areas of California**.
7. **General Business:** Communications, reports, requests for future actions of the Committee.

Additional information regarding this meeting may be obtained from Mike Marten at the CHRB Office at Los Alamitos Race Course, 4961 E. Katella Avenue, Los Alamitos, CA, 90720; telephone (714) 820-2748; cell (714) 240-1870; fax (714) 821-6232. A copy of this notice can be located on the CHRB website at www.chrb.ca.gov. *Information for requesting disability related accommodation for persons with a disability who requires aids or services in order to participate in this public meeting, should contact Mike Marten.

PARI-MUTUEL/ADW AND SIMULCAST COMMITTEE

Commissioner Richard Rosenberg, Chairman

Commissioner Jesse H. Choper, Member

Kirk E. Breed, Executive Director

STAFF ANALYSIS
DISCUSSION AND ACTION REGARDING THE FEASIBILITY OF AMENDING CHRB
RULE 1865, ALTERING OF SEX OF HORSE, AND POSSIBLY CHRB RULE 1974,
WAGERING INTEREST, IN RECOGNITION OF REPEATED PROBLEMS IN REPORTING
THE GELDING OF HORSES IN THE PRESCRIBED MANNER.

Pari-Mutuel Operations/Simulcasting/ADW Committee
June 19, 2013

BACKGROUND

Business and Professions Code section 19420 provides that jurisdiction and supervision over meeting in California and over all persons or things having to do with such meetings is vested in the California Horse Racing Board (Board). Business and Professions Code section 19440 states 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. Business and Professions Code section 19460 (b) states that all licenses granted under this chapter are subject to all rules, regulations, and conditions prescribed by the board. Business and Professions Code section 19562 states the Board may prescribe rules, regulations, and conditions under which all horse races with wagering on their results shall be conducted in California. Rule 1865, Altering of Sex of Horse, states in part: (d) A trainer who enters a horse, or who causes a horse to be entered on his behalf, is responsible for ensuring that the true sex of the entered horse is listed on its certificate of registration on file in the racing office. (1) If the true sex of a horse is not correctly identified in the official program for the race in which the horse is entered, the trainer of the horse shall be subject to a minimum fine of \$1,000.

Despite concerted efforts by the CHRB and racing officials, violations of Rule 1865 continue – though at a greatly reduced rate from years past. While the reasons for violations may vary, typically it is because the trainer fails to notify the racing office that a horse has been gelded. In some cases this information is not made public until the horse reaches the receiving barn about 45 minutes before the horse is scheduled to race. By the time the horse identifier at the receiving barn notifies the stewards of the sex change, it is too late to include that horse in multi-race wagers (e.g. the Pick Six) that began with races already run. This was the case in early 2013 at Santa Anita when the public was informed less than 30 minutes before the race that a horse had been gelded. Some fans were angry when the horse won. And there were critical news reports.

When the Board considered this problem in 2008, one option was to increase the penalty to a minimum fine of \$1,000 for a trainer if the true sex of the horse was not listed in the official program. A second option was to scratch the horse. After a discussion of both proposed amendments, the Board opted to increase the fine to \$1,000. The Board also added a provision that allowed the stewards to consider mitigating circumstances when imposing a fine. This provision has enabled the stewards to impose fines of less than \$1,000.

When this matter came before the Board again in late 2011, the California Thoroughbred Trainers (CTT) stated they would commit to working with horsemen to reduce the number of

violations to as close to zero as possible. The CTT has been effective. In 2007, the stewards issued 44 rulings against trainers who had not reported the gelding of horses by entry time for their first race after the operation. Since January 1, 2012, there have been just five violations of Rule 1865.

RECOMMENDATION

This item is presented for Committee discussion and action. The Committee may wish to hear from a CTT representative regarding their continuing efforts to reduce the number of Rule 1865 violations. If additional action is to be taken, the options include further increasing the penalty for violations, scratching the horse, or amending Rule 1974 to allow the horse to run but for purse money only as a non-wagering interest.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 15. VETERINARY PRACTICES
RULE 1865. ALTERING OF SEX OF HORSE

Pari-Mutuel/ADW and Simulcast Committee Meeting
June 19, 2013

1865. Altering of Sex of Horse.

Any alteration to the sex of a horse from the sex as recorded on the certificate of foal registration or the eligibility certificate or other official registration certificate of the horse shall be reported to the racing secretary and the official horse identifier if the horse is entered to race at any race meeting.

(a) If a racehorse is gelded or castrated on the premises of a licensed racing association, or other facility under the jurisdiction of the Board, the trainer shall report the alteration within 72 hours.

(b) If a racehorse is gelded or castrated off the premises of a licensed racing association, or other facility under the jurisdiction of the Board, and the horse has been previously entered to race at any race meeting in this State, the owner and/or trainer shall report the alteration at the time the horse is next entered to race.

(c) A report of gelding or castration will include the name of the veterinarian performing the alteration and the date of the alteration, and shall be recorded on the official registration certificate and the official horse identification record of the horse.

(d) A trainer who enters a horse, or who causes a horse to be entered on his behalf, is responsible for ensuring that the true sex of the entered horse is listed on its certificate of registration on file in the racing office.

(1) If the true sex of a horse is not correctly identified in the official program for the race in which the horse is entered, the trainer of the horse shall be subject to a minimum fine of \$1,000.

(2) Deviation from the minimum fine in subsection (d)(1) of this regulation is appropriate if the trainer can demonstrate mitigating circumstances. Mitigating circumstances may include, but are not limited to:

(A) Errors made by other parties in recording information correctly provided by the trainer.

Authority: Sections 19420, 19440, 19460 and 19562,
Business and Professions Code.

Reference: Sections 19420, 19562 and 19661,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 18. PARI-MUTUEL WAGERING
PROPOSED AMENDMENT OF
RULE 1974. WAGERING INTEREST

Pari-Mutuel/ADW and Simulcast Committee Meeting
June 19, 2013

1974. Wagering Interest.

(a) A wagering interest is any one horse in a race.

(b) If a horse is removed from the wagering pool due to a totalizator error, or due to any other error, and neither the trainer nor the owner is at fault, the horse shall start in the race as a non-wagering interest for the purse only and shall be disregarded for pari-mutuel purposes.

(c) If a horse is removed from the wagering pool to start in a race as a non-wagering interest for purse only and is disregarded for pari-mutuel purposes, the circumstances shall be announced over the public address system at the time the action is taken and thereafter to adequately inform the public. The racing association shall also inform off-track wagering outlets at the time such action is taken.

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

Reference: Section 19562,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD

JUNE 19, 2013
PARI-MUTUEL/ADW AND
SIMULCAST COMMITTEE MEETING

There is no package material for Item 2

DISCUSSION AND ACTION REGARDING FULL CARD SIMULCASTING
AND THE FEASIBILITY OF ALLOWING
FULL CARD SIMULCASTING TO SATELLITE WAGERING FACILITIES

Pari-Mutuel/ADW and Simulcast Committee Meeting
June 19, 2013

BACKGROUND

Business and Professions Code section 19596.2 provides that a thoroughbred racing association or fair may distribute the audiovisual signal and accept wagers on the results of out-of-state thoroughbred races conducted in the United States during the calendar period the association or fair is conducting a race meeting, including days on which there is no live racing being conducted by the association or fair, without the consent of the organization that represents horsemen participating in the race meeting and without regard to the amount of purses. The total number of thoroughbred races imported by associations or fairs on a statewide basis under the section shall not exceed 50 per day on days when live thoroughbred or fair racing is being conducted in the state, except as specified. Business and Professions Code section 19596.3 provides that a thoroughbred racing association or fair may distribute the audiovisual signal and accept wagers on the results of out-of-country thoroughbred races during the calendar period the association or fair is conducting a race meeting without the consent of the organization that represents horsemen participating in the race meeting.

ANALYSIS

The issue of allowing full card simulcasting to satellite wagering facilities has been brought to the Board's attention. The specific concern is the Indian casinos' inability to offer full card simulcasting to patrons. Brick and mortar facilities may believe they are at a disadvantage because advance deposit wagering operators can offer California residents early races from eastern tracks while satellites may not. The race-per-day cap under Business and Professions Code section 19596.2 has been raised several times by the Legislature. In 2008 Assembly Bill 3074 (Committee on Governmental Organization), Chapter 510, raised the cap – which had been in effect since 1998 - from 23 races per day to 32 races. In 2011, Assembly Bill 707 (Garrick), Chapter 84, raised the cap from 32 races per day to 50. Further increases to the race-per-day limit imposed by Business and Professions Code section 19596.2 would be an issue decided by the legislative process.

RECOMMENDATION

This item is presented for committee discussion and action.

May, 30th, 2013

CALIFORNIA HORSE RACING BOARD
 1010 Hurley Way, Suite 300
 Sacramento, CA. 95825

Why Full Card Wagering and increasing the number of races should be allowed at California Satellites:

- Increases revenue for Tracks, horseman, State of California and Satellite Facilities.
- Guests have constantly complained that have why they cannot wager on the early races from eastern tracks.
- Sometime ago, a survey was taken at Barona's Off Track Betting (OTB) facility and turned into the CHRB, we asked approximately 580 of our OTB guests if they wanted Full Card racing from other tracks outside of California and all said yes with the exception of two (2) that said no and one (1) that said; he did care one way or the other.
- Adding Full Card's and increasing the number of races would not increase operating expenses. Offering wagering guests the use of self-service wagering machines and the Pari-Mutuel Supervisors staggering their clerks shifts as need would work! If we find out revenue is up and business has increased, this would be positive for us and a time to consider adding Pari-Mutuel clerks (creating jobs) as needed.
- Increasing the number of Races California Satellites can offer to California residents for wagering would definitely be helpful to increase our revenue and should be seriously considered by the CHRB. If this would need to be done through Legislation the Boards support will definitely be helpful.
- Out of California businesses (Advance Deposit Wagering Companies) are allowed to offer these early races from eastern tracks to California residents that California Satellites cannot and this is unfair.
- California Satellites employ California tax paying residents while Advance Deposit Wagering Companies hire very few if any California tax paying employees yet they are given preferential business privileges??
- California Satellites keep their revenues in the State of California while Advance Deposit Companies take their revenues out of our State and some take them out of the Country!
- California Satellites only receive 2% gross commission and this makes it very difficult for them to remain solvent, many have downsized or closed. My understanding is Advance Deposit

Wagering companies receive approximately 12.5% gross commission for excepting wagers from California residents which is the same thing California Satellites do, why such a large unbalance? This higher commission received by the ADW's has allowed them to offer rebates to players that are higher than the California Satellites 2% commission and this has enabled them to cannibalize Satellites business.

- Previously promotional monies that were "solely" to be allocated to California Satellites for their promotions are now used for purses, vanning, attracting horses to run at California Tracks, etc., etc., etc.. This type of operating expenses should be absorbed by the tracks and not be paid out of monies that were earmarked for satellite promotions!! This is another issue where California Satellite's and their guests are losing out. It seems when different entities of the racing industry saw these Satellite promotional monies were adding up, everyone wanted to get their hands on it.
- Track executives and horsemen felt they were entitled to the money and the Satellites did not deserve this money and by the way, these track executives have been appointed as the President of the California Marketing Committee and this posed a conflict of interest when deciding where and when these monies would be spent. This Satellite Promotional money was specifically earmarked for the Satellites to offer promotions to their guests so they could build their business bigger and stronger. However, these monies are now being spent elsewhere I suppose; due to the lack of representation of the Satellites Facilities over the years past. Without Satellites having representation or support, the tracks and horsemen have been using the CMC money as though it solely belongs to them and this has not been fair to the Satellite Guests and the California Satellite facilities! The California Marketing Committee is "Totally Funded" by the moneys extracted from each wager made at a California satellite facility! Furthermore, Race Tracks, Horsemen, Advance Deposit Wagering (ADW's) companies do not contribute money to this fund yet they receive funding or benefits from it, while the satellites facilities and their guests see very little if any of these millions of dollars! It would be nice add additional flat screens and big projection screen TV's to the California Satellites and that would have a positive impact on our guest's visits using these monies as well offering promotion events!!
- I am asking the California Horse Racing Board give the California Satellite more consideration, understanding and support we are a large part of this wonderful industry. I believe these out of State Advance Deposit Companies have been given preferential treatment to do business in California. In addition, it appears they will soon be offering a new type of Pari-Mutuel bet "Exchange Wager" to California residents and again, the California Satellites will not be allowed to offer this Pari-Mutuel wager to their Guests????
- California Satellites really need an increase in their 2% gross commission, the model that was created is wrong and does not work and they may not survive without a fair increase! This 2% model has always been unfair and the problem is nobody wants to give up anything, all are looking for more. Because of this, getting Satellites an increase of the 2% commission may be very difficult to get through legislation. The Board, Horsemen must be willing to recognize this wrong and assist in making it right.

Sincerely,

John H. Bucalo
Barona Off Track Betting
(619)328-3913

Cc; Michael Patterson, Nick Dillon Greg Guerrero

June 10, 2013

To: Commissioners Rosenberg and Choper
From: Jack Liebau and Bernie Thurman
Re: PMO Committee Meeting on June 19, 2013

At present, Business & Professions Code Section 19596.2 allows a thoroughbred association or fair to distribute the audiovisual signal and accept wagers on the results of up to 50 out-of-state thoroughbred races conducted in the United States prior to 7 p.m., Pacific time per day. The 50 out-of-state race limitation does not apply to specified races of national importance, nor does it apply to days when there is no live Thoroughbred or Fair racing in either Northern or Southern California.

Section 19596.3 allows a thoroughbred association or fair to distribute the audiovisual signal and accept wagers on the results of out-of-country thoroughbred races that commence before 5:30 p.m., Pacific time. There is no limitation on the number of out-of-country races that can be offered for wagering at brick and mortar facilities.

It should be noted that in other states such as Kentucky, where simulcasting is not limited by law, all available signals are not offered for wagering at brick and mortar sites. For example, on some days Keeneland offers wagering on 8 tracks and on other days it offers wagering on up to 11 tracks. Keeneland's simulcast menu is determined by several factors, including timing (opening and closing of facility), ability to display races, cost of program and past performance production and customer interest. Simply put, the determination of content to be offered for wagering is a business decision.

If California Racing Law was amended to allow unlimited simulcasting, it is likely that the number of races to be imported from out of state racetracks for wagering at California brick and mortar satellite facilities would be determined in a similar manner. California stakeholders would consider the cost effectiveness of the wagering menu to be offered, weighing the possible increase in handle and takeout retention against the increased labor costs for both the satellites themselves and SCOTWINC/NCOTWINC, additional investments in audio/visual equipment, increased costs of programs and past performance information, and perhaps the effect of further cannibalization of California content, content which obviously provides higher retention rates to California stakeholders than out-of-state races. Sometimes more isn't more, and adding unlimited wagering options to the brick and mortar menu does not guarantee additional revenue to California stakeholders. At some point, funds available on any given day for the purpose of wagering are probably finite.

Those who have expressed their desire to implement unlimited simulcasting, usually operators of satellites, argue that they are operating at a disadvantage in the market place because ADW providers have no limit in the number of races they can offer for wagering. When ADW was enacted in California, the anticipated impact it would have

on brick and mortar satellites was considered during the legislative process. CARF, representing most of the brick and mortar satellites, maintained that the brick and mortar satellites needed to be protected from the possible migration of wagering from brick and mortar sites to ADW. Because of the concerns advanced by CARF, brick and mortar satellites that were operational in 2001 receive a new revenue stream in the form of commissions from ADW market access fees that would otherwise be distributed to breeders, tracks and purses. It should be noted that mini satellites do not receive ADW commissions, since mini satellites were not operational in 2001. Section 19604(f)(4) states that with respect to wagers on each breed of racing that originate in California, 2% of the first \$250,000,000 of ADW handle generated in California, 1.5% of the next \$250,000,000 of such handle, 1% of the next \$250,000,000 of such handle and 1% of such handle in excess of \$750,000,000, annually, shall be distributed as satellite wagering commissions. At the time ADW was authorized, brick and mortar satellite facilities, (including tracks when they were not conducting racing), handled \$1,338,552,288 on thoroughbred races during the preceding year.

As further protection, the ADW enabling legislation provided that a brick and mortar satellite facility may enter into an agreement with an ADW Provider to accept and facilitate any wager from a patron at its facility that could be made through a California licensed ADW Provider. Thus, per Section 19604 (5)(g), a brick and mortar facility may enter into an agreement to facilitate any wager on any races that are offered by the ADW Provider.

Assuming Saturday, June 1, 2013 was a typical weekend day, the California ADW Providers offered their clientele 198 thoroughbred races running prior to 6 p.m., Pacific time from 25 different domestic racetracks outside of California, plus 9 races from Golden Gate and 9 races from Hollywood. California residents (not just those in Southern California) wagered a total of \$2,186,451 through the three California licensed ADW Providers on those thoroughbred races, of which \$315,414 (14%) was wagered on races that were not offered at brick and mortar satellites. The amounts wagered via ADW on races at the racetracks not offered at the brick and mortar satellites varied from \$994 on 9 races from Ruidoso to \$40,997 on 6 races from Emerald Park.

From time to time, brick and mortar facilities such as Barona have complained that early races from the east coast, such as the first or second race from New York, are not imported for wagering purposes at brick and mortar satellites. Host tracks do not typically include such races in their wagering menu because to do so would require an earlier opening. The decision not to import these early races from the east coast is predicated on the perception that most brick and mortar satellites, for economic reasons including the additional cost of labor, do not want to open prior to 10:00 am. On June 1, 2013, brick and mortar sites in Southern California could wager on 68 out-of-state plus 31 out-of-country thoroughbred races running before 6 p.m. Pacific time. From 10:00 am to 10:29 a.m., the total wagered on all of those races at nineteen Southern California brick and mortar facilities was \$40,232, and from 10:30 a.m. to 10:59 am it was \$87,517. At Barona,

the total amount wagered from 10:00 a.m. to 10:30 a.m. was \$269 on races that were conducted before 10:30 a.m.

SCOTWINC is allocated 2.50% of handle generated to cover the costs associated with the simulcasting of races hosted by California thoroughbred racing associations. Some of the simulcast costs incurred, in addition to pari-mutuel labor which accounts for more than 70% of SCOTWINC's expenses, include expenses such as audio/visual signal, totalizator equipment, data transmission, armored car, and wagering supplies. The combined cost of just labor and totalizator services at Barona exceeds 2.50% of its handle.

It should be noted that the restriction on the number of races that can be imported into California may give California horsemen and tracks added leverage in negotiating host fee rates of imported races. An out of state track is likely to charge a California track less as a host fee for the audio/visual signal of its races because of the size of the California market. If there was no restriction on the number of races that could be imported, this leverage might not exist.

Cc: Kirk Breed
Mike Marten
Jackie Wagner
Mike Ernst
George Haines
Jim Henwood
Joe Morris
Alan Balch
Josh Rubenstein

STAFF ANALYSIS
DISCUSSION AND ACTION REGARDING THE IMPACT THE MINISATELLITE
WAGERING FACILITY 20-MILE RADIUS RESTRICTION, PURSUANT TO
BUSINESS AND PROFESSIONS CODE SECTION 19605.25,
HAS ON THE DEVELOPMENT OF FUTURE MINISATELLITE WAGERING
FACILITIES IN CALIFORNIA AND THE FEASIBILITY OF
MODIFYING THIS RESTRICTION.

Pari-Mutuel/ADW and Simulcast Committee Meeting
June 19, 2013

BACKGROUND

Business and Professions Code section 19605.25 provides that the Board may approve an additional 15 minisatellite wagering sites in each zone if, among other conditions, no site is within 20 miles of a racetrack, a satellite wagering facility, or a tribal casino that has a satellite wagering facility. If the proposed facility is within 20 miles of one of the referenced satellite facilities, then the consent of each facility within a 20-mile radius must be given before the proposed facility may be approved by the Board.

Two minisatellite wagering facilities are currently operating within a 20-mile radius of a racetrack, satellite wagering facility, or a tribal casino that has a satellite facility. The minisatellites are: Bankers Casino, which is within 20-miles of Santa Anita Park Race Track (17.2 miles), Betfair Hollywood Park Race Track (20 miles) and Los Alamitos Race Course (18.4 miles). California Commerce Club, which is run by the Monterey County Fair, is within 20 miles of the Monterey County Fair satellite facility.

ANALYSIS

The Board has expressed concerns that the 20-mile radius restriction may impede the development of additional minisatellite wagering facilities. In an effort to gain insight into the industry's position regarding the restriction, the Pari-Mutuel/ADW and Simulcast Committee (committee) has requested input from existing satellite wagering facilities. Responses were received from: Solano County Fair; Sonoma County Fair; Kern County Fair; The Big Fresno Fair; Stanislaus County Fair; Alameda County Fair; Barona Off Track Betting and Fantasy Spring Resort Casino in Indio, California. Industry representatives are prepared to address the committee concerning their positions on the 20-mile radius restriction.

RECOMMENDATION

This item is presented for committee discussion and action. Staff recommends the committee hear from industry stakeholders.



June 10, 2013

Honorable Richard Rosenberg, Commissioner
 Honorable Jesse Choper, Commissioner
 California Horse Racing Board
 1010 Hurley Way, Suite 300
 Sacramento, CA 95825

Dear Commissioners Rosenberg and Choper,

In response to your request, this letter is to provide our comments regarding reducing the current restriction for establishing additional satellite facilities within twenty miles of an existing facility. As I am unable to attend the Committee's meeting on June 19th, please accept this written response. Additionally, representatives of California Authority of Racing Fairs will be in attendance at that meeting to further speak on our behalf.

Although we are willing to consider proposals for mini-satellites within twenty miles of our facility on a case-by-case basis, we believe it is appropriate and necessary to maintain that radius provided by current law to protect our employees, our investment, and a critical revenue stream. Given shrinking revenues and the elimination of funding to fairs, it is more important than ever that we make wise business decisions regarding proposals that could impact our operations.

The Solano County Fair has demonstrated our willingness to consider and consent to such proposals when determined unlikely to affect our interests, and that are in the best interest of California horse racing. At the request of Golden Gate Fields, the Solano County Fair granted its consent to the proposed facility at Farrington's Sports Bar in Pleasant Hill in June 2010. This consent was granted without remuneration, on the basis that it was outside of our primary market due to the additional cost to patrons of the bridge toll to reach our fairground, and therefore unlikely to attend our facility.

As you know, many factors have affected satellite wagering facility operations at fairs, including ours. Fewer racing days, the increase in alternate forms of gaming, Advance Deposit Wagering, and the recession have each had a negative effect, each contributing to the decline in handle and thus in 2% commissions. Some facilities have closed, and others are at, or nearly at, only a break-even position. It is difficult to imagine that more satellites in existing markets won't accelerate an already downward spiral, without changes to the existing business model.

We look forward to continuing our long-standing relationship with California horse racing as operators of a satellite wagering facility for nearly twenty-five years. The Solano County Fair has a track record of making tough business decisions, when deemed to be in the mutual best interest of our fair and California horse racing.

Thank you for providing the opportunity to participate in your discussion in this way, and for your consideration. We look forward to working with the Board and other stakeholders to creating a healthy

June 10, 2013

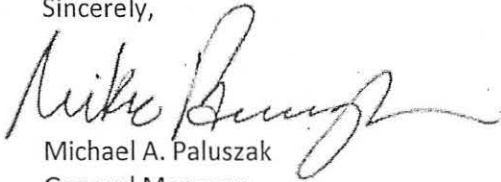
Honorable Richard Rosenberg, Commissioner

Honorable Jesse Choper, Commissioner

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future for horse racing in California. Please contact me directly if you have any questions or need additional comments regarding this, or any other matter, regarding satellite wagering operations at California fairs.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Paluszak", written in a cursive style.

Michael A. Paluszak

General Manager

Solano County Fair Association

Cc: Solano County Fair Association Board of Directors
California Authority of Racing Fairs



June 10, 2013

To: Mike Marten, Staff Analyst
California Horse Racing Board

Re: Request for Input regarding the 20 mile restriction for mini-satellites

Hi Mike,

Thank you for allowing us to provide input on the 20-mile restriction discussion regarding Satellite Wagering.

Let me start by saying that I believe additional satellite facilities in areas with high population density is vital to the California horse racing industry. To accomplish this, a market development plan that identifies these potential new facilities should be developed to ensure that resources are being used most effectively and efficiently. Exceptions to the 20 mile radius clause for these large markets should not be unreasonably withheld for any reason.

For the smaller markets where existing facilities exist, each potential relationship should be examined. Many of our smaller facilities have probably not realized a return on their brick and mortar investment yet, so expecting them to agree to allow another enterprise to share their limited market without some financial consideration is too much to expect. However, these current locations may be underperforming because of their less than ideal location for their targeted market. For the good of the industry, a compromise should be struck and relocation should be considered.

My thoughts on the 20 mile radius based on my opening comments:

- In larger population markets, existing satellite facilities must allow another location to share the market; provided the other location reimburses them for lost revenues for a specific period of time (possibly 24 months). A formula to determine how "lost revenues" are to be defined needs to be developed. After the specific amount of time determined has elapsed, the initial facility will no longer get any compensation and the two facilities would share customers based on their ability to compete with one another and develop their customer base.

SONOMA COUNTY FAIR

1350 Bennett Valley Road

Santa Rosa, CA 95404

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www.sonomacountyfair.com



- In the smaller locations where it can be determined that a better location (not a second location) should be considered, than a formula that replaces the lost profits for the initial facility should be developed and paid to the existing location for a specific period of time (possibly 24 months). In addition, funding should be provided to help that facility (most likely a fair) repurpose the facility that they are currently using as a satellite wagering facility to an event hall or usable space that will further support or develop the mission of that fair or facility.
- In the big picture, the industry has to take a look at the staffing and operational requirements put on a satellite wagering facility. If there was a way to reduce the operational costs associated with a satellite facility and if some specific guidelines on the minimum space and resources required to develop a mini-satellite facility were developed; it could create more of an interest in developing these OTB locations within existing card rooms or casinos.

Thank you for allowing me to express my ideas and opinions about the 20 mile radius clause and satellite wagering. Please let me know if I can be of further assistance.

Sincerely,

Tawny Tesconi
Fair Manager

SONOMA COUNTY FAIR

1350 Bennett Valley Road

Santa Rosa, CA 95404

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info@sonomacountyfair.com

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June 3, 2013

Honorable Richard Rosenberg, Commissioner
Honorable Jesse Choper, Commissioner
California Horse Racing Board
1010 Hurley Way
Sacramento, CA 95825

Dear Commissioners Rosenberg and Choper,

I am writing in response to your inquiry about the law requiring that our Fair must give its consent before building another satellite facility within 20 miles radius. Please accept this as our written response.

We at the 15th District Agricultural Association, Kern County Fair believe in maintaining the current law requiring the consent of existing satellites within a 20-mile radius, although we would be willing to discuss proposals for neighboring satellite facilities on a case-by-case basis, reserving the right under California statute to withhold our consent. We believe the 20-mile radius is in the law for a number of reasons: 1) our Fair has a major investment in the satellite facility; 2) we have employees who rely on the jobs we provide; and 3) satellite wagering is a revenue source for the Kern County Fair that we are obliged to protect.

It's important for the Board to know that satellite operations at the Kern County Fair have really been hurt in recent years by multiple factors outside our control. These factors include 1) Advance Deposit Wagering (ADW); 2) reductions in racing days and cancelled racing days; 3) increased competition from other gaming operations; and 4) the downturn in the economy. Each of these factors has taken a toll on our satellite. When taken in combination they create our biggest problem: the overall decline in 2% satellite commissions. The 2% commission was barely enough to maintain operations in earlier times, but now, with hit after hit on our business, the existing 2% commission may not be enough for satellites to stay financially viable in the long term.

If existing satellites are having a hard time making ends meet with the present business model, I don't think it makes a lot of sense to add more satellites in the same markets unless you change the business model for satellite wagering.

In addition, we think it's important to note we are a California-based employer with deep roots in our community. Our Fair has been part of the community in Kern County since 1925 for over 88 years. Our satellite has been in operation since approximately 1990. Our employees are all California residents, many of whom are union members. We all pay California taxes. Our expenses and profits are spent in California and our operation has an impact on the local economy in Kern County. Our profits do not go out of the state or out of the country,

We want to thank the Board for opening this discussion and ask the Board to help us work with other sectors of the industry to keep our overall industry healthy, including satellite facilities. We're proud of our contribution to the horse racing industry and want to continue doing our part to keep this great sport alive and well.

CARF representatives will be present at the June 19 meeting to speak on our behalf. Thanks for your consideration in these matters.

Respectfully submitted,



Michael Olcott
Chief Executive Officer
15th District Agricultural Association
Kern County Fair

Cc: California Authority of Racing Fairs



June 7, 2013

Honorable Richard Rosenberg, Commissioner
California Horse Racing Board
1010 Hurley Way, Suite 300
Sacramento, CA 95825

Dear Commissioner Rosenberg,

Thank you for the opportunity to respond to your inquiry about the law requiring that our Fair must give its consent before installation of another satellite facility within 20 miles. Please accept this as our written response.

Our Fair believes in maintaining the current law requiring the consent of existing satellites within a 20-mile radius, although we would be willing to discuss proposals for neighboring satellite facilities on a case-by-case basis, reserving the right under California statute to withhold our consent. We believe the 20-mile radius is in the law for a number of reasons: 1) our Fair has a major investment in the satellite facility; 2) we have employees who rely on the jobs we provide; and 3) satellite wagering is a revenue source we are obliged to protect.

It's important for the Board to know that satellite operations at our Fair have really been hurt in recent years by multiple factors outside our control. These factors include 1) Advance Deposit Wagering (ADW); 2) reductions in racing days and cancelled racing days; 3) increased competition from other gaming operations; 4) the downturn in the economy. Each of these has taken a toll on our satellite. When taken in combination they create our biggest problem: the overall decline in 2% commission may not be enough for satellites to stay financially viable in the long term.

If existing satellites are having a hard time making ends meet with the present business model, we don't think it makes a lot of sense to add more satellites in the same markets unless you change the business model for satellite wagering.

In addition, we think it's important to note we are a California-based employer with deep roots in our community. Our Fair has been part of the community in Fresno County since 1884, for roughly 130 years. Our satellite has been in operation since 1985.

1121 S. Chance Avenue, Fresno, California, 93702-3707
559 650-3247 • FAX 559 650-3226 • www.FresnoFair.com

WFA
MERRILL AWARD WINNER

City of
FRESNO

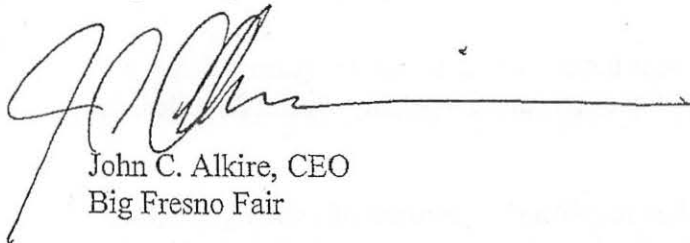


Our employees are all California residents, many of whom are union members. We all pay California taxes. Our expenses and profits are spent in California and our operation has an impact on the local economy in Fresno County. Our profits do not go out of the state or out of the country.

We want to thank the Board for opening this discussion and ask the Board to help us work with other sectors of the industry to keep our overall industry healthy, including satellite facilities. We're proud of our contribution to the horse racing industry and want to continue doing our part to keep this great sport alive and well.

CARF representatives will be present at the June 19th meeting to speak on our behalf. Thanks for your consideration in these matters.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "John C. Alkire", followed by a horizontal line extending to the right.

John C. Alkire, CEO
Big Fresno Fair

cc: Christopher Korby, Executive Director
Mike Martin, CHRB

From: Chris Borovansky [cpboro@stancofair.com]
Sent: Monday, June 03, 2013 5:23 PM
To: Marten, Mike
Cc: Breed, Kirk
Subject: RE: California Horse Racing Board request for information

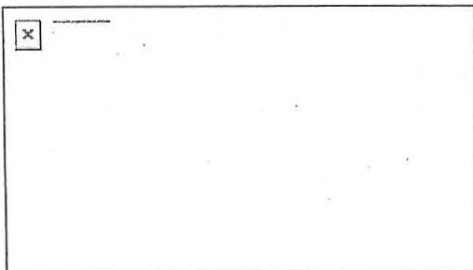
Mike,

I think the issue the PMO Committee is looking at is much more complex than merely reducing the 20 mile limit. Satellite wagering was enacted, in large part, because of strong support from California's fair industry, and the desire to provide funding for fairs. Initially, the model worked; for fairs, for racing and for the state. Over the years, however, profitability diminished as expenses remained constant and revenues steadily declined. Add to that the impact of SB16XX, and the governor's decision to eliminate fair funding, and you've created a scenario where onsite satellite wagering is barely breaking even. Some of us are already looking at partners currently established in the gaming industry, primarily card rooms. Before the CHRB decides to reduce or eliminate the 20 mile limit, I think a larger discussion should take place on the health of satellite wagering in general. Arbitrarily reducing the limit would undoubtedly be harmful to existing sites, particularly fairs. It certainly wouldn't create new patrons, unless there were amenities or opportunities not currently available at existing sites. Which brings us back to the larger discussion. I realize the industry is looking at additional gaming options, and internet poker and sports gaming are all in the mix. However, it doesn't appear that there has ever been a comprehensive "state of satellite" discussion. I heard a farmer years ago say, if you're losing \$.50 a pound hauling watermelons to market, don't buy another wagon. I think for the time being, we shouldn't entertain another wagon. We should, however, look at our product, it's distribution, our existing patrons, patrons who have left us and what we want our product to look like to potential patrons. I think the bigger picture view is absolutely critical if we want to create any stability within the satellite structure. Let me know if I can be of help in any way.

Chris

Chris Borovansky
CEO
Stanislaus County Fair
209-668-1333
Fax: 209-668-0410

2013 Stanislaus County Fair July 12-21



www.stancofair.com

From: Marten, Mike [mailto:MikeM@chrb.ca.gov]
Sent: Friday, May 31, 2013 6:12 PM
To: (bwayte@chrims.com); Barbara Quaid (bquaid@venturacountyfair.org); Carpenter, Chris; Chris Brovansky

(cpboro@stancofair.com); Chris Korby; Chris Workman (ceo@shastadistrictfair.com); Dan Jacobs (dan@avfair.com); Dan Jimenez (djimenez@nosevents.com); Daryl Shippy (dshippy@rivcoeda.org); davidrexroth@fantasysprings.com; Delana Romero (DRomero@thefair.org); Ed Allred; Elliott, Dave L.; Gael Scott (gscott@socalfair.com); Geoff Hinds (ghinds@tularefair.org); George Haines; James Henwood; Janet Covello (jcovello@sanjoaquinfair.com); Jerome Hoban (jhoban@alamedacountyfair.com); Jim Briggs (JimBriggs@sycuan.com); Joe Harper; Joe Morris (joe.morris@goldengatefields.com); John Alkire (E-mail); John Bucalo; Josh Rubinstein; Kelly Violini (kelly@montereycountyfair.com); Kim Lloyd (lloyd@fairplex.com); Larry A. Swartzlander; Michael Paluszak; Mike Olcott (molcott@kerncountyfair.com); Peter Tunney; rbaedeker@hotmail.com; Richard Conway (humcofair@frontiernet.net); Rick English; Rick Pickering (rpickering@calexpo.com); San Bernardino County Fair (fair@sbcfair.com); Scott Daruty; Terrie Pedroza (ciomunity@viejas.com); Tesconi, Tawny
Cc: Richard Rosenberg (rosenbergltd@yahoo.com); Jesse Choper
Subject: California Horse Racing Board request for information

California Simulcast Facility Operators

A discussion of the 20-mile restriction for mini-satellites will be one of several important matters on the agenda for the June 19 meeting of the Pari-Mutuel Operations Committee of the California Horse Racing Board.

Commissioner Richard Rosenberg, who chairs the PMO Committee, and Commissioner Jesse Choper, the other committee member, would greatly appreciate learning from individual simulcast operators your positions on the concept of reducing the 20-mile limit. If it is inconvenient for you to attend the June 19 meeting at Hollywood Park, please state your positions in writing by e-mail no later than June 10.

With appreciation, on behalf of the PMO Committee,

Mike Marten
Staff Analyst
714-240-1870

ALAMEDA
COUNTY
FAIRGROUNDS
P L E A S A N T O N

June 6, 2013

California Horse Racing Board
Parimutuel Operations Committee
1010 Hurley Way #300
Sacramento, CA 95825

RE: PARIMUTUEL COMMITTEE 20 MILE RADIUS DISCUSSION

Dear Commissioners,

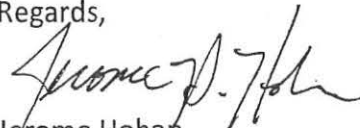
This letter is in response to the Parimutuel Committee's request for the Fairs to comment on the possibility of waiving their rights to the blocking of new wagering outlets within a 20-mile radius.

The Alameda County Fair is certainly open for discussion, should a proposal come our way, however without a defined proposal before us we cannot say if we would waive our rights.

The Alameda County Fair views the 20-mile radius as a safeguard for sound business practices. If a proposed wagering outlet was being targeted for a demographic audience which we already serve in the 20-mile radius we would oppose it. If the outlet addressed an audience we are not serving we would consider proposals. Our satellite as well as all satellites in California continues to experience a downward spiral in revenue. The current 2% revenue stream is not sufficient and any proposed wagering outlet within the 20-mile radius or near it would jeopardize the future operation of our satellite.

With the opening of the Alameda County Fair on June 19th, the same day as the committee meeting, we will be unable to attend in person. CARF will be speaking on behalf of the Fair.

Regards,



Jerome Hoban
C.E.O.

Alameda County Fair Association

cc: Alameda County Fair Board
Delivery via U.S. Postal and E-mail



May, 30th, 2013

CALIFORNIA HORSE RACING BOARD
1010 Hurley Way, Suite 300
Sacramento, CA. 95825

Why the twenty (20) mile law should not be reduced:

I have been opposing the reduction of this 20 mile law practically every time it has come up for discussion at California Horse Racing Board meeting. It seems to me; the California Horse Racing Board would recognize that one of the reasons this law was put into place is for the protection of each Satellite, so they do not cannibalizing each other's business. We must look at what happened in New York, there were too many Off Track Betting facilities (practically, an OTB on every corner) and this created too much competition for a product that isn't as popular as it once was. Therefore, they had very few players at each facility and they all went under and claimed bankruptcy!! California racing does not need this to happen to it satellite facilities!!! I have sent many letters to the California Horse Racing Board members explaining the need for this 20 mile law to remain in place and the CHRB should protect us and not allow this law to be changed! Reducing this law makes as much sense as building other race track in a nearby proximity and having them all race at the same time. This would not be a sensible decision with the current horse shortage there would not be enough horses to run and opening additional satellites closer to each other would not make sense as well, with a racing fan shortage. Adding more Satellite is not a solution for anything, it will only send current players to other facilities. We must come up with better ideas, there have been far too many mistakes made thus far!

Sincerely,

John H. Bucalo
Barona Off Track Betting
(619)328-3913

Cc; Michael Patterson, Nick Dillon Greg Guerrero

From: Rexroth, David [drexroth@fantasysprings.net]
Sent: Thursday, June 06, 2013 10:00 AM
To: Marten, Mike
Subject: RE: California Horse Racing Board request for information

Good Morning Mike,

The consensus of myself, Executive Management and Tribal Legal council at Fantasy Springs Resort Casino is that **we (FSRC) are not in favor of this proposal** of reducing the 20-mile limit for OTB mini-satellites. **Our position is No.** Please accept and use this (No) response as our official Company position and proxy in regards to this matter in lieu of our attendance at this meeting on June 19, 2013.

Best Regards,

David Rexroth

Off Track Betting Manager



84-245 Indio Springs Pkwy.
Indio, CA 92203
(800) 827-2946 ext. 84939
drexroth@fantasysprings.net

From: Marten, Mike [mailto:MikeM@chr.ca.gov]
Sent: Saturday, June 01, 2013 3:33 PM
To: Rexroth, David
Subject: FW: California Horse Racing Board request for information

California Simulcast Facility Operators

A discussion of the 20-mile restriction for mini-satellites will be one of several important matters on the agenda for the June 19 meeting of the Pari-Mutuel Operations Committee of the California Horse Racing Board.

Commissioner Richard Rosenberg, who chairs the PMO Committee, and Commissioner Jesse Choper, the other committee member, would greatly appreciate learning from individual simulcast operators your positions on the concept of reducing the 20-mile limit. If it is inconvenient for you to attend the June 19 meeting at Hollywood Park, please state your positions in writing by e-mail no later than June 10.

With appreciation, on behalf of the PMO Committee,

Mike Marten
Staff Analyst
714-240-1870

STAFF ANALYSIS
DISCUSSION AND ACTION ON THE REPORT FROM
SPORTECH, SOUTHERN CALIFORNIA OFF-TRACK WAGERING, INC. (SCOTWINC)
AND
NORTHERN CALIFORNIA OFF TRACK WAGERING INC. (NCOTWINC)
REGARDING THE STATUS OF FUTURE POTENTIAL
MINISATELLITE WAGERING FACILITY LOCATIONS

Pari-Mutuel/ADW and Simulcast Committee Meeting
June 19, 2013

BACKGROUND

Business and Professions Code section 19605.25 provides that the Board may approve an additional 15 minisatellite wagering sites in each zone if, among other requirements, an agreement in accordance with section 19605.3 has been executed and approved by the Board. Business and Professions Code section 19605.3 states that the organization described in section 19608.2 is the party that executes the agreement approved by the Board with the association conducting a racing meeting and the satellite wagering facility. The organization described in 19608.2 is Southern California Off-Track Wagering, Inc. (SCOTWINC) or Northern California Off-Track Wagering, Inc. (NCOTWINC). In addition to executing the minisatellite wagering agreements, SCOTWINC has assumed the task of locating and developing minisatellite wagering sites. SCOTWINC AND NCOTWINC are prepared to update the committee on the development of future minisatellite wagering facility sites. The Board heard from SCOTWINC In May 2011, August 2011, March 2012 and July 2012 regarding its efforts to develop minisatellite wagering sites in California.

In addition to SCOTWINC and NCOTWINC's development of mini satellite wagering facility sites, Sportech has also expressed an interest in developing mini satellite wagering facilities. Sportech is prepared to present its plans to create and market a high end combination restaurant/sports bar minisatellite brand that would be located in high density populated areas of California. Sportech, a British wagering company, bought Scientific Games Corporation's racing and venue management business (including Scientific Games Racing) in October 2010. Scientific Games Racing, which processed pari-mutuel wagers for North American racing interests, including racetracks and wagering sites in California, subsequently changed its name to "Sportech, Inc." The company currently acts as totalizator for California race tracks and wagering facilities.

The California Authority of Racing Fairs (CARF) has expressed interest in the minisatellite wagering facility model. California fairs may currently operate satellite wagering facilities under legislation enacted in 1987 (SB 14) allowing simulcasting and satellite wagering. Business and Professions Code section 19605, 19605.1 and 19605.2 authorize fairs to operate satellite wagering facilities, as specified. CARF has been actively working with its member fairs on the development of additional mini-satellites within the 20-mile radius. CARF represents that it collaborated with Monetary County Fair (MCF) on opening the Bankers Casino minisatellite, which is run by MCF.

There are currently five minisatellite wagering facilities operating: the Commerce Club, OC Tavern, ORG Restaurants, LLC, Bankers Casino in Salinas, and Santa Clarita Lanes in Saugus. In February 2013 the Board approved mini-satellite wagering at Sammy's Restaurant in Lake Forest. The owners are investing nearly \$1 million in the remodeling of the building, a former Black Angus Restaurant, and it is being expressly designed to accommodate wagering. The new facility could be open in time for the start of the Del Mar meet on July 17.

RECOMMENDATION

This item is presented for Board discussion and action.

Representatives of Sportech, SCOTWINC and NCOTWINC are prepared to make a presentation to the committee. The Board may also wish to hear from a CARF representative

STAFF ANALYSIS
DISCUSSION AND ACTION REGARDING THE PRESENTATION FROM
SPORTECH, REGARDING ITS PLANS TO CREATE AND MARKET
A HIGH END COMBINATION RESTAURANT/SPORTS BAR/MINISATELLITE
BRAND THAT WOULD BE LOCATED IN
HIGH DENSITY POPULATED AREAS OF CALIFORNIA

Pari-Mutuel/ADW and Simulcast Committee Meeting
June 19, 2013

BACKGROUND

Business and Professions Code section 19605.25 provides that the Board may approve an additional 15 minisatellite wagering sites in each zone if, among other requirements, an agreement in accordance with section 19605.3 has been executed and approved by the Board. Business and Professions Code section 19605.3 states that the organization described in section 19608.2 is the party that executes the agreement approved by the Board with the association conducting a racing meeting and the satellite wagering facility. The organization described in 19608.2 is Southern California Off-Track Wagering, Inc. (SCOTWINC) or Northern California Off-Track Wagering, Inc. (NCOTWINC). In addition to executing the minisatellite wagering agreements, SCOTWINC has assumed the task of locating and developing minisatellite wagering sites.

SCOTWINC and NCOTWINC's have been the driving force behind development of mini satellite wagering facility sites; however, another California racing industry entity, Sportech, has also expressed an interest in developing mini satellite wagering facilities. Sportech is prepared to present its plans to create and market a high end combination restaurant/sports bar minisatellite brand that would be located in high density populated areas of California. Sportech, a British wagering company, bought Scientific Games Corporation's racing and venue management business (including Scientific Games Racing) in October 2010. Scientific Games Racing, which processed pari-mutuel wagers for North American racing interests, including racetracks and wagering sites in California, subsequently changed its name to "Sportech, Inc." The company currently acts as totalizator for California race tracks and wagering facilities.

RECOMMENDATION

This item is presented for Board discussion and action.

A Representative of Sportech is prepared to make a presentation to the committee.

