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**AGENDA**  
**CALIFORNIA AUTHORITY OF RACING FAIRS**  
**BOARD OF DIRECTORS MEETING**  
**JOHN ALKIRE, CHAIR**  
**12:30 P.M., TUESDAY, MARCH 6, 2012**

Notice is hereby given that a meeting of the California Authority of Racing Fairs' Board of Directors will commence at 12:30 p.m., Tuesday, March 6, 2012. The meeting will be held in Sacramento.

**AGENDA**

- I. Date, time and location of next meeting.
- II. Approval of minutes.
- III. Report, discussion and action, if any, on legislative program for 2012 and beyond.
- IV. Report on CMC Report to CHRB.
- V. Financials
- VI. Executive Director's Report



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**NOTICE**  
**CALIFORNIA AUTHORITY OF RACING FAIRS**  
**BOARD OF DIRECTORS MEETING**  
**JOHN ALKIRE, CHAIR**  
**12:30 P.M., TUESDAY, MARCH 6, 2012**  
**VIA TELECONFERENCE**

Notice is hereby given that a meeting of the California Authority of Racing Fairs' Board of Directors will commence at 12:30 p.m., Tuesday, March 6, 2012. The meeting will be held at the CARF Conference Room located at 1776 Tribute Road, Sacramento, California 95815.

**CARF Board of Directors Meeting**  
**Toll Free Dial In Number: (800) 791-2345**  
**Participant Code: 83711 #**  
**Via Teleconference**

The Public and members of the California Authority of Racing Fairs Board of Directors may participate from the following locations:

Alameda County Fair  
4501 Pleasanton Avenue  
Pleasanton, CA 94566

National Orange Show  
689 South E Street  
San Bernardino, CA 92408

Solano County Fair  
900 Fairgrounds Drive  
Vallejo, CA 94589

Antelope Valley Fair  
2551 West Ave. H, Suite 102  
Lancaster, CA 93536

Riverside National Date Festival  
46-350 Arabia Street  
Indio, CA 92201

Sonoma County Fair  
1350 Bennett Valley Road  
Santa Rosa, CA 95404

The Big Fresno Fair  
1121 S. Chance Avenue  
Fresno, CA 93702

San Bernardino Co. Fair  
14800 Seventh Street  
Victorville, CA 92395

Southern CA Fair  
18700 Lake Perris Dr.  
Perris, CA 92570

California State Fair  
1600 Exposition Blvd.  
Sacramento, CA 95815

San Joaquin Fair  
1658 S. Airport Way  
Stockton, CA 95206

Stanislaus County  
900 North Broadway  
Turlock, CA 95380

Humboldt County Fair  
1250 5<sup>th</sup> Street  
Ferndale, CA 95536

Shasta District Fair  
1890 Briggs Street  
Anderson, CA 96007

Tulare County Fair  
215 Martin Luther King  
Tulare, CA 93274

Kern County Fair  
1142 South P Street  
Bakersfield, CA 93307

Monterey County Fair  
2004 Fairground Road  
Monterey, CA 93940

Ventura County Fair  
10 West Harbor Blvd  
Ventura, CA 93001-2706

## Board of Directors

Tuesday, February 7, 2012

## MINUTES

A teleconference meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, February 7, 2012. The meeting was hosted at the California Authority of Racing Fairs Board Room, 1776 Tribute Road, Sacramento, California, 95815.

CARF Board Members joining: John Alkire, Rick Pickering and Kelly Violini. Joining by conference call: Chris Borovansky, Dan Jacobs and Mike Paluszak.

Staff and Guests joining: Christopher Korby, Larry Swartzlander, Heather Haviland, Amelia White, Raechelle Gibbons, Rebecca Desmond, Richard Lewis, Louie Brown, Tom Doutrich, Kate Phariss and Tom Sawyer. Special Guests: Stephen Chambers and Sandy Woods.

**Agenda Item 1 – Date, Time and Location of Next Meeting.** The next CARF Board of Directors meeting will be held March 6, 2012 in Sacramento.

**Agenda Item 2 – Approval of Minutes.** Ms. Violini approved the minutes as presented. Mr. Jacobs second, unanimously approved.

Mr. Alkire welcomed Chris Borovansky, Chief Executive Officer of the Stanislaus County Fair, to the CARF Board of Directors. Mr. Borovansky was elected to an At-Large position and Mr. Bartosik was reelected to his At-Large position.

Steve Chambers and Sandy Woods presented Mr. Korby, on behalf CARF, with a J. James original watercolor in appreciation for CARF's support of the Huell Howser California Gold television series.

**Agenda Item 3 – Report, Discussion and Action, if any, on Legislative Program for 2012 and Beyond. [Same report as Live Racing Committee Meeting.]** Mr. Brown reported that the deadline for bill introduction is February 24, 2012. Caucuses are meeting today and tomorrow to develop policy priorities for the 2012 session.

Currently, CARF is seeking authors for two bills. Assembly Member Henry Perea (Fresno) is considering authoring the bill to create flexibility for Fairs by extending the calendar dates in which a combined Fair meet can occur. Ideally the bill would completely eliminate calendar restrictions. Mr. Brown thanked Mr. Alkire for contacting Mr. Perea on CARF's behalf.

Senator Gloria Negrete McLeod is considering carrying the bill that would provide license fee relief for racing fairs as long as CARF is flexible in potentially solving the issue as part of a larger funding strategy, if that option becomes available.

Discussions regarding Internet poker are expected to continue throughout the session. It is anticipated that the Chairman of the Senate G.O. Committee will be introducing a bill on deadline day and the racing industry will not receive copies of the language before the bill's introduction. The language will most likely include a concession for unlimited licensees and may be limited to poker or open to all online gaming. The current strategy is for the racing industry to come together to present a set of parameters for inclusion in the language, with the top priority being to limit the number of licenses that are created. Since licenses are expected to cost anywhere between \$10-50 million, plus the cost of developing and marketing a site, the industry may choose to decline the option to run a site and will seek mitigation. To prepare for all eventualities, the racing industry has put out RFP's to companies expressing interest in providing administration and technology while partnering with California horse racing. Any new dollar is an important dollar to the state of California and the legislature is expected to be very active on this issue.

Mr. Jacobs asked if Fairs would receive financial gain from the implementation of Internet poker. Mr. Korby responded that CARF is actively involved in the legislative process, but it is too early to tell how Fairs outside of CARF might be impacted.

Assemblywoman Fiona Ma is working on a California fair funding and governance structure bill which aims to find a stable funding source for the Fair network and a new governance and oversight structure.

Mr. Korby reported that the meeting packet includes a brochure developed by the coalition of horse racing interests that is calling itself "Horse Racing United." The brochure demonstrates the industry's desire to be harmonized and actively involved as Internet poker legislation progresses. Mr. Korby stated that participants of Horse Racing United, himself included, met in Los Angeles yesterday for a presentation by Cantor Gaming. Cantor Gaming, a branch of the global financial service company Cantor Fitzgerald, has established a large presence in Las Vegas through the operation of sports books in premier Las Vegas casinos and the manufacturing and distribution of a mobile gaming system licensed by the Nevada Gaming Commission. They are very interested in entering the California market.

Mr. Korby added, as an update to Mr. Brown's report on the CARF bill regarding a combined Fair meet, that representatives from Golden Gate Fields and the Stronach Group have indicated that they would not oppose the bill.

**Agenda Item 4 – Report, Discussion and Action, if any, on CHRB Notice and Prospective Actions Regarding Exchange Wagering.** Mr. Korby reported that the California Horse Racing Board (CHRB) is considering developing regulations for exchange wagering (exchange wagering, which is a popular form of betting in the United Kingdom, allows customers to post odds and accept wagers on whether a horse will win or lose a race). Industry sectors have begun thinking about official positions

and how the protocols, regulation and implementation of exchange wagering will affect their business.

Mr. Korby expressed concerns regarding the concept of exchange wagering and the potential long-term impact of offering wagering that is not pari-mutuel and does not have a historical precedent in the United States. An Ad Hoc Committee of the CHRB will meet with industry leaders and will make a recommendation to the full board.

Mr. Korby is not recommending an oppose position at this point, but is recommending approaching negotiations with caution and ensuring that regulations include protection for the Fair satellite network.

**Agenda Item 5 – Financials.** Mr. Korby reported that financials are included in the meeting packet. Mr. Korby stated that staff is working to complete financials through year-end 2011 in March.

Mr. Alkire reported that the decrease in CARF dues has been well received by members Fairs.

**Agenda Item 6 – Executive Director’s Report.** Mr. Korby reported that the University of California announced that it has chosen the Richmond Field Station as its preferred site for the proposed consolidation of the biosciences programs of the Lawrence Berkley National Laboratory. The decision ensures that Golden Gate Fields will remain the anchor track in Northern California for the immediate future.

Mr. Korby reported that the CHRB recently released its Annual Report. The introductory letter from Chairman Keith Brackpool included several complimentary comments regarding Fairs.

Mr. Korby asked Mr. Borovansky if his Fair was in Congressman Dennis Cardoza’s district. Mr. Borovansky confirmed that he was. Mr. Korby stated that Congressman Cardoza is on the current TOC Board of Directors and has been active in racing legislation. Mr. Korby encouraged reaching out to Congressman Cardoza to reiterate the importance of the satellite network to California horse racing.

Mr. Alkire asked Ms. Desmond if she would like to share any updates from F&E. Ms. Desmond did not have an update at this time.

Mr. Alkire asked Ms. Violini to report on the status of the mini-satellite in Salinas. Ms. Violini reported that Banker’s Casino is still working on permits to construct the new facility that was intended to house the mini-satellite. Now Banker’s Casino is leaning toward dedicating an existing card room space for a mini-satellite pilot that would be operational for both day and night racing. Ms. Violini hopes to go before the CHRB soon to receive approval for a pilot satellite operation.

Respectfully submitted,  
Heather Haviland

## CA Authority of Racing Fairs Legislative Report - Last 10 Days 2/24/2012

[AB 1591](#) **(Silva) Horse racing: quarter horse races.** (I-02/06/2012 [html](#) [pdf](#))

**Status:** 02/17/2012-Referred to Com. on G.O.

**Current Location:** 02/17/2012-A G.O.

**Digest:** Existing law establishes the California Horse Racing Board, and gives that board specified duties, including authorizing a licensed quarter horse racing association that is conducting a live racing meeting in this state to accept wagers on specified races, including the American Quarter Horse Racing Challenge.

This bill would authorize the board to authorize a licensed quarter horse racing association that is conducting a live racing meeting in this state to accept wagers on a quarter horse stakes race with a purse equal to or greater than \$150,000.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

**Laws:** An act to amend Section 19596 of the Business and Professions Code, relating to horse racing.

**History:**

Feb. 17 Referred to Com. on G.O.

Feb. 7 From printer. May be heard in committee March 8.

Feb. 6 Read first time. To print.

**Organization**

CARF

[AB 1661](#) **(Norby) Horse racing: digital video disc and video replication.** (I-02/14/2012 [html](#) [pdf](#))

**Status:** 02/23/2012-Referred to Com. on G.O.

**Current Location:** 02/23/2012-A G.O.

**Digest:** Existing law governs horse racing in this state and vests in the California Horse Racing Board jurisdiction and supervision over meetings 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 those meetings. Existing law prohibits a person from using for a commercial purpose, and from furnishing to any other person either within or outside of the state for any commercial purpose, an audio or video recording of any quarter horse race occurring in this state without first securing the consent of the racing association conducting or holding the meeting, the organization representing horsemen and horsewomen participating in the meeting, and the board. A person who violates either of these prohibitions is guilty of a misdemeanor.

This bill would expand those prohibitions to additionally apply to a person who uses for a commercial purpose, or who furnishes to any other person either within or outside of the state for any commercial purpose, a digital video disc or any type of video replication of any quarter horse race occurring in this state without first securing consent as described above. By expanding the scope of existing crimes, the bill would create a state-mandated local program. The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

**Laws:** An act to amend Section 19576 of the Business and Professions Code, relating to horse racing.

**History:**

Feb. 23 Referred to Com. on G.O.

Feb. 15 From printer. May be heard in committee March 16.

Feb. 14 Read first time. To print.

**Organization**

CARF

**[AB 1667](#) (Garrick) Horse racing.** (I-02/14/2012 [html](#) [pdf](#))

**Status:** 02/15/2012-From printer. May be heard in committee March 16.

**Current Location:** 02/14/2012-A PRINT

**Digest:** Existing law requires every association that conducts a horse racing meeting to deduct certain percentages of the total amount handled in conventional parimutuel pools and in exotic parimutuel pools, and requires the amounts deducted to be distributed as prescribed in the Horse Racing Law.

This bill would make technical, nonsubstantive changes to that provision.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

**Laws:** An act to amend Section 19610 of the Business and Professions Code, relating to horse racing.

**History:**

Feb. 15 From printer. May be heard in committee March 16.

Feb. 14 Read first time. To print.

**Organization**

CARF

**[AB 1762](#) (Garrick) Horse racing: wagering.** (I-02/17/2012 [html](#) [pdf](#))

**Status:** 02/21/2012-From printer. May be heard in committee March 22.

**Current Location:** 02/17/2012-A PRINT

**Digest:** Existing law provides that a licensed association or fair that is conducting a live horse racing meeting at any racing zone may accept wagers on any race conducted in the state if certain requirements are met, including that the association or fair accepting wagers on an out-of-zone transmitted race distributes the audiovisual signal of the race to, and accepts wagers from, all eligible satellite wagering facilities. Existing law also specifies the dates, times, and other procedures that associations and fairs are required to observe in transmitting and accepting wagering on out-of-zone, out-of-state, and out-of-country races.

This bill would make technical, nonsubstantive changes to these provisions.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

**Laws:** An act to amend Section 19601 of the Business and Professions Code, relating to horse racing.

**History:**

Feb. 21 From printer. May be heard in committee March 22.

Feb. 17 Read first time. To print.

**Organization**

CARF

Total Position Forms: 4



## CA Authority of Racing Fairs 2/24/2012

**[AB 562\(Hall\)](#) Horse racing: Wood Memorial. (I-02/16/2011 [html](#) [pdf](#))**

**Introduced:** 02/16/2011

**Status:** 07/11/2011-Re-referred to Com. on RLS.

	2YR/Dead	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered
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**Summary:** Would add the Wood Memorial to the list of races that are not included for purposes of determining compliance with that prohibition.

**Organization:** CARF

**[AB 1227\(Huber\)](#) Committees and commissions: repeal. (A-01/04/2012 [html](#) [pdf](#))**

**Introduced:** 02/18/2011

**Status:** 01/13/2012-Failed Deadline pursuant to Rule 61(b)(1). (Last location was B.,P. & C.P. on 1/4/2012)

	2YR/Dead	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered
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**Summary:** Would as of January 1, 2014, abolish the Credit Union Advisory Committee and the Boating and Waterways Commission and the duties and responsibilities carried out by each. This bill contains other related provisions and other existing laws.

**Organization:** CARF

**[AB 1421\(Committee on Governmental Organization\)](#) Harness racing organizations. (I-03/21/2011 [html](#) [pdf](#))**

**Introduced:** 03/21/2011

**Status:** 09/08/2011-Ordered to inactive file at the request of Senator Calderon.

	2YR/Dead	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered
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**Summary:** Would additionally require that organization to account to the California Horse Racing Board on or before August 1 of each year with respect to the distribution of funds received pursuant to those provisions during the immediately preceding fiscal year and to obtain an independent audit of those distributions. The bill would also require that a copy of the completed audit be forwarded to the board within 45 days of its receipt by the organization.

**Organization:** CARF

**[AB 1591\(Silva\)](#) Horse racing: quarter horse races. (I-02/06/2012 [html](#) [pdf](#))**

**Introduced:** 02/06/2012

**Status:** 02/17/2012-Referred to Com. on G.O.

	2YR/Dead	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered
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**Summary:** Would authorize the board to authorize a licensed quarter horse racing association that is conducting a live racing meeting in this state to accept wagers on a quarter horse stakes race with a purse equal to or greater than \$150,000.

**Organization:** CARF

**[AB 1661\(Norby\)](#) Horse racing: digital video disc and video replication. (I-02/14/2012 [html](#) [pdf](#))**

**Introduced:** 02/14/2012

**Status:** 02/23/2012-Referred to Com. on G.O.

2YR/Dead	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered
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**Summary:** Would expand those prohibitions to additionally apply to a person who uses for a commercial purpose, or who furnishes to any other person either within or outside of the state for any commercial purpose, a digital video disc or any type of video replication of any quarter horse race occurring in this state without first securing consent as described above. By expanding the scope of existing crimes, the bill would create a state-mandated local program. This bill contains other related provisions and other existing laws.

**Organization:** CARF

**AB 1667(Garrick) Horse racing.** (I-02/14/2012 [html](#) [pdf](#))

**Introduced:** 02/14/2012

**Status:** 02/15/2012-From printer. May be heard in committee March 16.

2YR/Dead	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered
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**Summary:** Existing law requires every association that conducts a horse racing meeting to deduct certain percentages of the total amount handled in conventional parimutuel pools and in exotic parimutuel pools, and requires the amounts deducted to be distributed as prescribed in the Horse Racing Law. This bill would make technical, nonsubstantive changes to that provision.

**Organization:** CARF

**AB 1762(Garrick) Horse racing: wagering.** (I-02/17/2012 [html](#) [pdf](#))

**Introduced:** 02/17/2012

**Status:** 02/21/2012-From printer. May be heard in committee March 22.

2YR/Dead	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered
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**Summary:** Existing law provides that a licensed association or fair that is conducting a live horse racing meeting at any racing zone may accept wagers on any race conducted in the state if certain requirements are met, including that the association or fair accepting wagers on an out-of-zone transmitted race distributes the audiovisual signal of the race to, and accepts wagers from, all eligible satellite wagering facilities. Existing law also specifies the dates, times, and other procedures that associations and fairs are required to observe in transmitting and accepting wagering on out-of-zone, out-of-state, and out-of-country races. This bill would make technical, nonsubstantive changes to these provisions.

**Organization:** CARF

**SB 1(Kehoe) State Race Track Leasing Commission.** (A-01/04/2012 [html](#) [pdf](#))

**Introduced:** 12/06/2010

**Status:** 01/23/2012-In Assembly. Read first time. Held at Desk.

2YR/Dead	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered
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**Summary:** Would delete the repeal date, thereby indefinitely extending the existence of the commission.

**Organization:** CARF

**SB 40(Correa) Internet poker.** (A-07/06/2011 [html](#) [pdf](#))

**Introduced:** 12/06/2010

**Status:** 01/31/2012-Returned to Secretary of Senate pursuant to Joint Rule 56.

2YR/Dead	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered
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**Summary:** Would establish a framework to authorize intrastate Internet poker, as specified. The bill would require the commission to adopt emergency regulations, in consultation with the department, providing for the issuance of licenses to operate intrastate Internet poker Web sites and governing the intrastate play of poker games on the Internet . The bill would make it a misdemeanor for any person or entity to offer or participate in any form of illegal Internet gambling, as defined, or to knowingly process any financial transaction arising out of participation in illegal Internet gambling. The bill would authorize the seizure of any money or property used in or derived from illegal Internet gambling, as specified, and would provide for any money or property that has been seized to be forfeited to the Internet Gambling Fund, as established by this bill. By creating new crimes, this bill would impose a state-mandated local program. This bill contains other related provisions and other existing laws.

**Organization:** CARF

**[SB 45\(Wright\)](#) Internet gambling.** (I-12/08/2010 [html](#) [pdf](#))

**Introduced:** 12/08/2010

**Status:** 01/31/2012-Returned to Secretary of Senate pursuant to Joint Rule 56.

												
2YR/Dead	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered

**Summary:** Would establish a framework to authorize intrastate Internet gambling, as specified. The bill would require the department to issue a request for proposals to enter into contracts with up to 3 hub operators, as defined, to provide lawful Internet gambling games to registered players in California for a period of 20 years, as specified. This bill contains other related provisions and other existing laws.

**Organization:** CARF

Total rows: 10

**Introduced by Senator Negrete McLeod**February 23, 2012

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An act to amend Section 19614 of the Business and Professions Code, relating to horse racing, and making an appropriation therefor.

## LEGISLATIVE COUNSEL'S DIGEST

SB 1227, as introduced, Negrete McLeod. Horse racing: parimutuel pool funds.

Existing law, the Horse Racing Law, generally regulates horse racing and vests the administration and enforcement of the Horse Racing Law in the California Horse Racing Board. A violation of the act, where no other penalty is expressed, is a misdemeanor.

Existing law requires every association that conducts a racing meeting to deduct 15% of the total amount handled in conventional parimutuel pool and 16.75% of the total amount handled in exotic parimutuel pools and to distribute the moneys as specified. Existing law requires any fair racing association to additionally deduct 1% from the total amount handled in its daily conventional and exotic parimutuel pools, and provides for the deposit of the moneys in the Fair and Exposition Fund, a continuously appropriated fund, for expenditure for the construction or operation of recreational and cultural facilities of general public interest.

This bill would instead require that the 1% deducted from the total amount handled in its daily conventional and exotic parimutuel pools be distributed to the fair that conducted the racing meeting and to the horsemen and horsewomen who participated in the racing meeting. The bill would specify that 50% of this amount, would be payable to the fair as commissions, and 50% to the horsemen and horsewomen as

purses. Because a violation of these provisions would be a crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: yes. Fiscal committee: yes. State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 19614 of the Business and Professions  
2 Code is amended to read:

3 19614. (a) Notwithstanding Sections 19611 and 19612, and  
4 except for an association that qualifies pursuant to Section 19612.6,  
5 for a fair conducting a live racing meeting, 1 percent of the total  
6 amount handled on live races, excluding wagering at a satellite  
7 facility, shall be retained by the fair association for payment to the  
8 state as a license fee.

9 (b) Additionally, 0.48 percent of the total amount handled on  
10 live racing, excluding wagering at a satellite facility, shall be  
11 deposited with the official registering agency pursuant to  
12 subdivision (a) of Section 19617.2, and shall thereafter be  
13 distributed in accordance with subdivisions (b), (c), and (d) of  
14 Section 19617.2.

15 (c) After distribution of the applicable amounts as set forth in  
16 subdivisions (a) and (b) and the payments made pursuant to other  
17 relevant sections of this chapter, all funds remaining from the  
18 deductions provided in Section 19610 shall be distributed 47.5  
19 percent as commissions and 52.5 percent as purses. From the  
20 amount distributed as thoroughbred purses, a sum equal to 0.07  
21 percent of the total handle shall be held by the association to be  
22 deposited with the official registering agency pursuant to  
23 subdivision (a) of Section 19617.2, and shall thereafter be  
24 distributed in accordance with subdivisions (b), (c), and (d) of  
25 Section 19617.2.

26 Any additional amount generated for purses and not distributed  
27 during the previous corresponding meeting shall be added to the  
28 purses at the current meeting.

1 (d) In addition to the amounts deducted pursuant to Section  
2 19610, any fair racing association shall deduct 1 percent from the  
3 total amount handled in its daily conventional and exotic  
4 parimutuel pools. The additional 1 percent shall be ~~deposited in~~  
5 ~~the Fair and Exposition Fund and is hereby appropriated for the~~  
6 ~~purposes specified in Section 19630.~~ *distributed to the fair that*  
7 *conducted the racing meeting and to the horsemen and*  
8 *horsewomen who participated in the racing meeting as follows:*

- 9 (1) *Fifty percent to the fair as commissions.*  
10 (2) *Fifty percent to the horsemen and horsewomen as purses.*

11 SEC. 2. No reimbursement is required by this act pursuant to  
12 Section 6 of Article XIII B of the California Constitution because  
13 the only costs that may be incurred by a local agency or school  
14 district will be incurred because this act creates a new crime or  
15 infraction, eliminates a crime or infraction, or changes the penalty  
16 for a crime or infraction, within the meaning of Section 17556 of  
17 the Government Code, or changes the definition of a crime within  
18 the meaning of Section 6 of Article XIII B of the California  
19 Constitution.

**Introduced by Senators Wright and Steinberg**February 24, 2012

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An act to add Chapter 5.2 (commencing with Section 19990.01) to Division 8 of, and to repeal Sections 19990.235 and 19990.96 of, the Business and Professions Code, relating to Internet gambling, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

## LEGISLATIVE COUNSEL'S DIGEST

SB 1463, as introduced, Wright. Internet gambling.

The Gambling Control Act provides for the licensure of certain individuals and establishments that conduct controlled games, as defined, and for the regulation of these gambling activities by the California Gambling Control Commission. The Department of Justice has related investigatory and enforcement duties under the act. Any violation of these provisions is punishable as a misdemeanor, as specified.

This bill would establish a framework to authorize intrastate Internet gambling, as specified. The bill would authorize eligible entities to apply to the department for a 10-year license to operate an intrastate Internet gambling Web site offering the play of authorized gambling games to registered players within California. The bill would prohibit the offer or play of any gambling game provided over the Internet that is not authorized by the state pursuant to this bill. The bill would provide that any violation of its provisions is punishable as a misdemeanor. By creating a new crime, this bill would impose a state-mandated local program.

The bill would require a license applicant to pay an application fee to the department, for deposit into the Internet Gambling Licensing Fund, as created by the bill, to be continuously appropriated to the

department for the reasonably anticipated costs of investigating the applicant. The bill would also create the Internet Gambling Fund, for the deposit of an unspecified regulatory fee, which would be administered by the Controller subject to annual appropriation by the Legislature for the actual costs of license oversight, consumer protection, state regulation, problem gambling programs, and other purposes related to this bill, and which would not be subject to the formulas established by statute directing expenditures from the General Fund. The bill would require each licensee to pay a nonrefundable license fee in the amount of \$30,000,000 for deposit in the General Fund. The license fee would be credited against monthly fees imposed on the licensee's gross gaming revenue proceeds, as specified.

Existing law provides that a statute that imposes a requirement that a state agency submit a periodic report to the Legislature is inoperative on a date 4 years after the date the first report is due.

This bill would require the department, notwithstanding that requirement, in consultation with the commission, the Treasurer, and the Franchise Tax Board, to issue a report to the Legislature describing the state's efforts to meet the policy goals articulated in this bill within one year of the operative date of this bill and, annually, thereafter.

The bill would also require the Bureau of State Audits, 2 years after the issue date of any license by the state, but no later than 3 years after that date, to issue a report to the Legislature detailing the implementation of this bill, as specified.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote:  $\frac{2}{3}$ . Appropriation: yes. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Chapter 5.2 (commencing with Section 19990.01)
- 2 is added to Division 8 of the Business and Professions Code, to
- 3 read:



1           CHAPTER 5.2. THE INTERNET GAMBLING CONSUMER  
2 PROTECTION AND PUBLIC-PRIVATE PARTNERSHIP ACT OF 2012

3  
4           Article 1. Title, Legislative Declarations, and Statement of  
5   Legislative Intent  
6

7           19990.01. This chapter shall be known and may be cited as the  
8 Internet Gambling Consumer Protection and Public-Private  
9 Partnership Act of 2012.

10          19990.02. The Legislature hereby finds and declares all of the  
11 following:

12          (a) Californians participate in illegal online gambling on  
13 unregulated Internet gambling Web sites every week. These  
14 Internet gambling Web sites are operated by offshore operators  
15 that are not regulated by United States authorities. As such, neither  
16 federal nor California laws provide any consumer protections for  
17 California players. California players assume all risks, any negative  
18 social or financial impacts are borne by the citizens of California,  
19 and the revenues generated from online gambling are being realized  
20 by offshore operators and do not provide any benefits to the citizens  
21 of California.

22          (b) The presence, operation, and expansion of offshore,  
23 unlicensed, and unregulated Internet gambling Web sites available  
24 to Californians endanger Californians because the current Internet  
25 gambling Web sites operate illegally and without regulation as  
26 demonstrated by criminal prosecutions of some Internet gambling  
27 purveyors, and questions often arise about the honesty and the  
28 fairness of the games played on these Internet gambling Web sites  
29 as well as about the true purpose for, and use of, proceeds generated  
30 by these unregulated Internet gambling Web sites.

31          (c) In October 2006, Congress passed the SAFE Port Act, to  
32 increase the security of United States ports. Embedded within the  
33 language of that act was a section entitled the Unlawful Internet  
34 Gambling Enforcement Act of 2006 (UIGEA), which prohibits  
35 the use of banking instruments, including credit cards, checks, or  
36 fund transfers, for interstate Internet gambling, essentially  
37 prohibiting online gambling by United States citizens. UIGEA  
38 does include exceptions that permit individual states to create a  
39 regulatory framework to enable intrastate Internet gambling,  
40 provided the bets or wagers are made exclusively within a single

1 state, whose state laws or regulations comply with all of the  
2 following:

3 (1) Contain certain safeguards regarding those transactions,  
4 including both of the following:

5 (A) Age and location verification requirements.  
6 (B) Data security standards designed to prevent access to minors  
7 and persons located outside of that state.

8 (2) Expressly authorize the bet or wager and the method by  
9 which the bet or wager is made.

10 (3) Do not violate any federal gaming statutes, including all of  
11 the following:

12 (A) The Interstate Horseracing Act of 1978.  
13 (B) The Professional and Amateur Sports Protection Act.  
14 (C) The Gambling Devices Transportation Act.  
15 (D) The Indian Gaming Regulatory Act of 1988 (IGRA).

16 (d) State provision of Internet gambling consistent with federal  
17 law provides California with the means to protect its citizens and  
18 consumers under certain conditions by providing a framework to  
19 ensure that, among other things, minors are prevented from  
20 gambling, citizens participating in gambling activities are protected,  
21 and the state is not deprived of income tax revenues to which it  
22 would otherwise be entitled.

23 (e) The state currently maintains and implements substantial  
24 regulatory and law enforcement efforts to protect thousands of  
25 Californians who gamble and play, among other things, real-money  
26 poker in licensed California cardrooms and tribal government  
27 casinos, yet the state provides no licensing requirements, regulatory  
28 structure, or law enforcement tools to protect millions of  
29 Californians who play the same games daily for money on the  
30 Internet.

31 (f) In order to protect Californians who gamble online, allow  
32 state law enforcement to ensure consumer protection, and keep  
33 the revenues generated from Internet gambling in California, it is  
34 in the best interest of the state and its citizens to authorize,  
35 implement, and create a legal system for intrastate Internet  
36 gambling.

37 (g) It is also the interest of the state to provide hundreds of  
38 millions of dollars annually for the public services that have been  
39 cut repeatedly during the state’s budget crisis. It is the intent of  
40 the Legislature in enacting this act to ensure that the state realizes

1 a minimum of two hundred million dollars (\$200,000,000) of  
2 General Fund revenue from licensing fees during the 2012–13  
3 fiscal year.

4 (h) The state’s interests are best met by a public-private  
5 partnership between the state and private entities, the terms of  
6 which would facilitate meeting the important consumer protection  
7 interests of the state while ensuring, through the success of the  
8 private entities, that the state receives the benefits of the licensing  
9 scheme as well as tax revenues that it would otherwise not receive.

10 (i) The state’s interests are best met by encouraging competition  
11 among qualified entities with the technical expertise and systems  
12 that comply with federal law, protect registered players, and ensure  
13 that the state collects consideration under the licensing scheme  
14 with those qualified entities, personal income taxes owed by  
15 registered players, corporate taxes from the earnings of licensed  
16 entities, and property, employment, and sales and use taxes created  
17 from new businesses, jobs, and other economic inducements from  
18 the authorization, regulation, and control of Internet gambling.

19 (j) The Department of Justice, in conjunction with other state  
20 agencies and private partners, has the expertise to evaluate the  
21 qualifications of applicants for a license to conduct intrastate  
22 Internet gambling services, and to license the best qualified and  
23 most responsive applicants to meet the needs of the state and its  
24 citizens.

25 (k) The authorization of intrastate Internet gambling pursuant  
26 to these provisions does not violate the California Constitution or  
27 interfere with any right under any compact between the state and  
28 any federally recognized Indian tribe. Moreover, the authorization  
29 and regulation of intrastate Internet gambling pursuant to these  
30 provisions do not violate the exclusivity provisions of any compact  
31 between the state and any federally recognized Indian tribe. Internet  
32 gambling will take place throughout California on both tribal and  
33 nontribal lands. Moreover, the facilities used in the provision of  
34 Internet gambling are not slot machines or gaming devices as  
35 defined in any of those compacts. While the federal Indian Gaming  
36 Regulatory Act of 1998 balanced the interests of three sovereigns,  
37 the state, the tribes, and the federal government, UIGEA was  
38 designed to balance the federal interest in secure financial  
39 transactions with the state’s power to determine how online  
40 gambling should take place within that state. Finally, application

1 of UIGEA in California does not violate federal Indian law by  
2 impinging upon protected tribal sovereignty.

3 (l) Nothing in this chapter prohibits any federally recognized  
4 Indian tribe within California with a tribal-state gaming compact  
5 with the state pursuant to IGRA from participating in intrastate  
6 Internet gambling pursuant to these provisions subject to the  
7 jurisdiction of the state.

8 (m) It is the intent of the Legislature to encourage the Governor,  
9 immediately following enactment of this chapter, to enter into  
10 meet and confer negotiations with interested tribal governments  
11 that have tribal-state gaming compacts with the state to resolve  
12 the questions related to exclusivity of tribal gaming, and to ensure  
13 that the signatory parties to compacts may exercise their rights  
14 under the compacts in a timely manner and that the state may  
15 commence the authorization of Internet gambling as provided by  
16 this chapter.

17 19990.03. It is the intent of the Legislature to create a licensing  
18 and regulatory framework to:

19 (a) Ensure that authorized games are offered only for play in a  
20 manner that is consistent with federal and state law.

21 (b) Authorize the Department of Justice to issue licenses, with  
22 the consent of the commission, to applicants that meet the  
23 background requirements and demonstrate the technical expertise  
24 to ensure that wagering authorized by this chapter is offered only  
25 to registered players who are physically present within the borders  
26 of California at the time of play and who are 21 years of age or  
27 older.

28 (c) Authorize the Department of Justice, after any licensee has  
29 been providing authorized games for three years, and, at any time  
30 thereafter, to renegotiate the terms and conditions of the licenses  
31 with the licensees, based in large part on the report and  
32 recommendations of the Bureau of State Audits to the Legislature  
33 pursuant to Section 19990.96. The state reserves the right to make  
34 reasonable modifications to the terms and conditions of the license  
35 after a three-year review, and, at any time thereafter, to balance  
36 the relationship between the licensee and the state, and offer  
37 existing licensees the opportunity to agree to these modifications  
38 and continue in partnership with the state, subject to the statutory  
39 approval of those terms and conditions by the Legislature.

- 1 (d) Include all of the provisions in this chapter as terms of the  
2 license between the state and each licensee subject to the  
3 enforcement provisions delineated in this chapter.
- 4 (e) Ensure that each licensee complies with federal and state  
5 laws and regulations.
- 6 (f) Grant power to the state agencies authorized in this chapter  
7 to oversee the operations of each licensee and to enforce the  
8 provisions of this chapter to ensure that the interests of the state  
9 and registered players are protected.
- 10 (g) Establish a process that includes a background check and  
11 requires that each employee of each licensee or subcontractor  
12 receives all necessary licenses and work permits from the state.
- 13 (h) Ensure that the state is able to collect income tax revenues  
14 from registered players.
- 15 (i) Distribute regulatory fees collected by the state from each  
16 licensee to the Internet Gambling Fund, as established in Section  
17 19990.86, which shall be administered by the Controller subject  
18 to annual appropriation by the Legislature, and which shall not be  
19 subject to the formulas established by law directing expenditures  
20 from the General Fund, for the following:
- 21 (1) The actual costs of license oversight, consumer protection,  
22 state regulation, and problem gambling programs.
- 23 (2) Other purposes related to this chapter as the Legislature may  
24 decide.
- 25 (j) Create systems to protect each registered player's private  
26 information and prevent fraud and identity theft.
- 27 (k) Ensure that registered players are able to have their financial  
28 transactions processed in a secure and transparent fashion.
- 29 (l) Ensure that all applicable state agencies will have unrestricted  
30 access to the premises and records of each licensee to ensure strict  
31 compliance with state law concerning credit authorization, account  
32 access, and other security provisions.
- 33 (m) Require that each licensee provide registered players with  
34 accessible customer service.
- 35 (n) Require that each licensee's Internet Web site contain  
36 information relating to problem gambling, including a telephone  
37 number that an individual may call to seek information and  
38 assistance for a potential gambling addiction.
- 39 (o) Require that each licensee and all of its subcontractors be  
40 organized in California. The licensee, its facilities, its bank

1 accounts related to its intrastate online gambling operations, and  
2 its registered players’ bank accounts shall be located entirely within  
3 the state.

4 (p) Ensure that there are no artificial business constraints on the  
5 licensee, such as limits on the percentage of revenues that may be  
6 paid to technology supply contractors. Licensees and suppliers are  
7 free to structure their own desired relationships without interference  
8 from the state.

9 (q) Ensure that all employees of the licensee are physically  
10 present in the state when working on the licensee’s Internet  
11 gambling Web site or in its facilities connected to the play of  
12 Internet gambling in this state, or when in contact with registered  
13 players. However, the licensee shall have discretion to use the  
14 expertise of personnel not physically present in the state when  
15 necessary to protect registered players and state interests, including,  
16 but not limited to, for the purposes of diagnosing and addressing  
17 technological problems, investigating fraud and collusion, and  
18 supervising software and configuration changes.

19 (r) Create an express exemption from disclosure, pursuant to  
20 the California Public Records Act under subdivision (b) of Section  
21 6253 of the Government Code, that exempts from public disclosure  
22 proprietary information of a license applicant or a licensee in order  
23 to permit disclosure of confidential information to state agencies  
24 while achieving the public policy goals of deploying secure systems  
25 that protect the interests of the state and players.

26 (s) Preserve the authority of the state to opt out of, or opt into,  
27 any federal framework for Internet gambling, or to enter into any  
28 agreement with other states to provide Internet gambling.

29 (t) As a matter of statewide concern, preempt any city, county,  
30 or city and county from passing any law or ordinance regulating  
31 or taxing any matter covered in this chapter.

32

33

Article 2. Definitions

34

35 19990.05. For the purpose of this chapter the following words  
36 have the following meanings:

37 (a) “Authorized game” means a game approved by the  
38 department pursuant to Section 19990.14 and played using an  
39 intrastate Internet Web site pursuant to the authority of the state  
40 or offered by a licensee as authorized by the state.

- 1 (b) “Background check” means a criminal history record check
- 2 and the electronic submission of fingerprints to the Department of
- 3 Justice and to the Federal Bureau of Investigation for processing.
- 4 (c) “Bet” means the placement of a wager in a game.
- 5 (d) “Commission” means the California Gambling Control
- 6 Commission.
- 7 (e) “Department” means the Department of Justice.
- 8 (f) “Employee” means any natural person employed in, or
- 9 serving as a consultant or independent contractor with respect to,
- 10 the operation of an intrastate Internet gambling Web site or a
- 11 subcontractor.
- 12 (g) “Employee work permit” means a permit issued to an
- 13 employee of the licensee by the department after a background
- 14 investigation.
- 15 (h) “Finding of suitability” means a finding by the department
- 16 that a person or entity meets the qualification criteria described in
- 17 Section 19990.23, and that the person would not be disqualified
- 18 from being a licensee on any of the grounds specified in Section
- 19 19990.23.
- 20 (i) “Gambling” means to deal, operate, carry on, conduct,
- 21 maintain, or expose for play any game for money.
- 22 (j) “Game” means any gambling game.
- 23 (k) “Gaming system” means the technology, including hardware
- 24 and software, used by a licensee to facilitate the offering of
- 25 authorized games to registered players.
- 26 (l) “Gross revenues” means the total amount of money paid to
- 27 a licensee pursuant to activities authorized under this chapter.
- 28 Gross revenues shall not include player deposits and wagers.
- 29 (m) “Internet Gambling Fund” means the fund established
- 30 pursuant to Section 19990.86 for annual allocation by the
- 31 Legislature.
- 32 (n) “Intrastate” means within the borders of California.
- 33 (o) “Land-based gaming entity” means a card club operated
- 34 pursuant to Chapter 5 (commencing with Section 19800) or a
- 35 casino operated by a federally recognized Indian tribe on Indian
- 36 land in California that provides any game for players on its
- 37 premises that is offered on an intrastate Internet gambling Web
- 38 site.

- 1 (p) “Licensee” means an entity licensed pursuant to this chapter  
2 to offer the play of authorized games to registered players on an  
3 intrastate Internet Web site.
- 4 (q) “Online self-exclusion form” means a form on which an  
5 individual notifies a licensee that he or she must be excluded from  
6 participation in authorized games for a stated period of time.
- 7 (r) “Owner” means any person that has a financial interest in  
8 or control of a licensee, subcontractor, or other entity required to  
9 be found suitable under this chapter.
- 10 (s) “Per hand charge” means the amount charged by the licensee  
11 for registered players to play in a per hand game.
- 12 (t) “Per hand game” means an authorized game for which the  
13 licensee charges the player for each hand played.
- 14 (u) “Person” means an individual, corporation, business trust,  
15 estate, trust, partnership, limited liability company, association,  
16 joint venture, government, governmental subdivision, agency, or  
17 instrumentality, public corporation, or any other legal or  
18 commercial entity.
- 19 (v) “Play settings” means the options and default parameters  
20 made available by a licensee to a registered player in the play of  
21 authorized games.
- 22 (w) “Proprietary information” means and includes all  
23 information that, whether or not patentable or registerable under  
24 patent, copyright, trademark, or similar statutes, (1) can be  
25 protected as a trade secret under California law or any other  
26 applicable state law, federal law, or foreign law, or (2) derives  
27 independent economic value, actual or potential, from not being  
28 generally known to the public or to other persons that can obtain  
29 economic value from its disclosure or use. “Proprietary  
30 information” includes, but is not limited to, computer programs,  
31 databases, data, algorithms, formulae, expertise, improvements,  
32 discoveries, concepts, inventions, developments, methods, designs,  
33 analyses, drawings, techniques, strategies, new products, reports,  
34 unpublished financial statements, budgets, projections, billing  
35 practices, pricing data, contacts, client and supplier lists, business  
36 and marketing records, working papers, files, systems, plans and  
37 data, and all registrations and applications related thereto.
- 38 (x) “Registered player” means a player who has registered with  
39 a licensee to play authorized games.



1 (y) “Registration information” means the information provided  
2 by a person to a licensee in order to become a registered player.

3 (z) “Robotic play” means the use of a machine by a registered  
4 player to take the next action at any point in a game.

5 (aa) “State” means the State of California.

6 (ab) “Subcontractor” means any person providing goods or  
7 services to a licensee in connection with the operation of authorized  
8 games.

9 (ac) “Terms of Use Registered Player’s Agreement” means the  
10 agreement offered by a licensee and accepted by a registered player  
11 delineating, among other things, permissible and impermissible  
12 activities on an intrastate Internet gambling Web site and the  
13 consequences of engaging in impermissible activities.

14 (ad) “Tournament” means a competition in which registered  
15 players play a series of authorized games to decide the winner.

16 (ae) “Tournament charge” means the amount charged by the  
17 licensee for registered players to play in a tournament.

18 (af) “Tournament winnings” means the amount of any prize  
19 awarded to a registered player in a tournament.

20 (ag) “Tribe” means a federally recognized California Indian  
21 tribe, including, but not limited to, the governing body of that tribe  
22 or any entity that is an affiliate of that tribe.

23

24 Article 3. Legal Authorized Games Offered Over the Internet  
25 in California

26

27 19990.10. Under the federal Unlawful Internet Gambling  
28 Enforcement Act of 2006, California is permitted to authorize  
29 games as long as all players and the online wagering activities are  
30 located within the state and the games are not played by minors.

31 19990.11. Notwithstanding any other law, a person in  
32 California 21 years of age or older is hereby permitted to participate  
33 as a registered player in an authorized game provided over the  
34 Internet by a licensee as described in this chapter.

35 19990.12. (a) A person shall not offer any game on the Internet  
36 in this state unless that person holds a valid license issued by the  
37 state to offer the play of authorized games on an intrastate Internet  
38 Web site pursuant to this chapter.

1 (b) It is unlawful for any person to offer or play any gambling  
2 game provided on the Internet that is not authorized by the state  
3 pursuant to this chapter.

4 (c) It is unlawful for any person to aggregate computers or other  
5 access devices in a public setting principally for the purpose of  
6 playing gambling games on the Internet, whether or not otherwise  
7 authorized pursuant to this chapter, or to promote or market such  
8 a facility.

9 (d) Any violation of this chapter is punishable as a misdemeanor.  
10 19990.13. Chapter 5 (commencing with Section 19800) of  
11 Division 8 does not apply to this chapter.

12 19990.14. (a) All games offered for play on an intrastate  
13 Internet Web site pursuant to this chapter shall be approved by the  
14 department.

15 (b) For the first two years following the initial issue date of any  
16 license pursuant to this chapter, only games commonly referred  
17 to as poker, the play of which is permitted as a controlled game  
18 pursuant to Chapter 5 (commencing with Section 19800), shall be  
19 authorized. After that two-year period, the department may phase  
20 in other games allowed under the California Constitution and the  
21 Penal Code.

22 (c) Within 90 days of the department's approval of any new  
23 game, the Legislature may reject, by resolution adopted by majority  
24 vote of either house, any new game approved by the department  
25 after the initial two-year period of poker only games.

26

27 Article 4. Licensing of Intrastate Internet Gambling Web Sites

28

29 19990.20. (a) A license to operate an intrastate Internet  
30 gambling Web site shall be issued for a term of 10 years, with a  
31 review of that license initiated during year three of the initial term.

32 (b) All initial licenses issued pursuant to this chapter shall take  
33 effect on the same date, as determined by the department, but not  
34 later than January 1, 2014.

35 19990.21. (a) Each entity described in subdivision (b) is  
36 eligible for a single intrastate Internet gambling Web site license.  
37 There is no limit on the total number of licenses the state may  
38 issue. Any of the eligible entities may jointly apply for a license.

1 (b) Entities eligible to apply for a license pursuant to this chapter  
2 for the operation of an intrastate Internet gambling Web site include  
3 all of the following:

4 (1) A holder of an owner license issued pursuant to subdivision  
5 (a) of Section 19851 who has been subject to oversight by, and in  
6 good standing with, the commission for the three years immediately  
7 preceding its application for licensure.

8 (2) A federally recognized California Indian tribe operating a  
9 casino pursuant to a tribal-state gaming compact under the federal  
10 Indian Gaming Regulatory Act of 1988, that has been subject to  
11 oversight by, and in good standing with, the commission and the  
12 department for the three years immediately preceding its  
13 application for licensure.

14 (3) A thoroughbred, quarter horse, or harness association  
15 licensed by the California Horse Racing Board that has been subject  
16 to oversight by, and in good standing with, the board for the three  
17 years immediately preceding its application for licensure.

18 (4) An operator of an online advanced deposit wagering site  
19 regulated by the California Horse Racing Board that has been  
20 subject to oversight by, and in good standing with, the board for  
21 the three years immediately preceding its application for licensure.

22 19990.22. (a) Factors to be considered in evaluating a license  
23 applicant shall include, but are not limited to, quality, competence,  
24 experience, past performance, efficiency, reliability, financial  
25 viability, durability, adaptability, timely performance, integrity,  
26 and security.

27 (b) (1) A license applicant, and all subcontractors of the  
28 applicant, shall be a resident of California, or an entity organized  
29 in California, and subject to state taxation, auditing, and  
30 enforcement. All facilities and bank accounts of the license  
31 applicant related to intrastate Internet gambling shall be located  
32 in California.

33 (2) At all times, a license applicant or licensee shall be domiciled  
34 in California and in good standing with the Secretary of State and  
35 the Franchise Tax Board.

36 (3) All subcontractors of a license applicant or licensee, or  
37 persons otherwise providing goods or performing services in  
38 connection with the operation of authorized games for the license  
39 applicant or licensee, or any of its subcontractors, shall be subject  
40 to this subdivision. If a licensee desires to enter into an agreement

1 with a person to provide goods or services in connection with the  
2 operation of authorized games, that person shall be subject to this  
3 subdivision and investigation and a finding of suitability as set  
4 forth in Section 19990.23.

5 (c) In addition to any other confidentiality protections afforded  
6 to license applicants, the state and its agencies shall treat the  
7 proprietary information of any license applicant as confidential to  
8 protect the license applicant and to protect the security of any  
9 prospective intrastate Internet gambling Web site. This chapter  
10 shall not prohibit the exchange of confidential information among  
11 state agencies considering a license application. The confidentiality  
12 provisions in this chapter exempt proprietary information supplied  
13 by a license applicant to a state agency from public disclosure  
14 consistent with subdivision (b) of Section 6253 of the Government  
15 Code.

16 (d) A license applicant that has been deemed suitable and  
17 eligible shall submit to the department, together with its  
18 application, an application fee of no less than one million dollars  
19 (\$1,000,000), and no greater than five million dollars (\$5,000,000),  
20 as determined by the department for the reasonably anticipated  
21 costs to complete necessary background checks and evaluate the  
22 suitability of the applicant. All fees shall be deposited into the  
23 Internet Gambling Licensing Fund, as hereby created, and to be  
24 administered by the department. Notwithstanding Section 13340  
25 of the Government Code, all moneys in the fund are continuously  
26 appropriated to the department, without regard to fiscal years, in  
27 the amounts necessary for the department to perform its duties  
28 under this section and Section 19990.23. Any funds associated  
29 with the license applicant that remain after completion of  
30 background checks and the finding of suitability shall be refunded  
31 to the applicant. If additional moneys are needed to complete the  
32 investigation of the license applicant, the applicant shall pay the  
33 funds necessary to complete the investigation.

34 (e) A federally recognized California Indian tribe, including,  
35 but not limited to, the governing body of that tribe or any entity  
36 that is an affiliate of that tribe, that applies for a license pursuant  
37 to this chapter shall waive its sovereignty for the purpose of  
38 evaluation of its application. The application shall affirmatively  
39 declare that the license applicant is subject to the state's jurisdiction  
40 as set forth in this chapter and in the regulations adopted by state

1 agencies. Any license issued pursuant to this chapter to a federally  
2 recognized California Indian tribe shall include that tribe's  
3 affirmative agreement, in a form acceptable to the department, to  
4 be subject to the jurisdiction of the state for all purposes under this  
5 chapter.

6 19990.23. (a) The department shall review the suitability of  
7 a license applicant to operate an intrastate Internet gambling Web  
8 site.

9 (b) The department may establish a process to conduct a  
10 preliminary determination of suitability based on a partial  
11 investigation of license applicants. The partial investigation is  
12 intended to screen out applicants that do not meet the suitability  
13 requirements of this chapter. The partial investigation shall include  
14 fingerprint-based state and federal criminal history checks, inquiries  
15 into various public databases regarding credit history and any civil  
16 litigation, and a review of the applicant's financial status, which  
17 shall include the required submission of income statements and  
18 balance sheets for the prior 12-month period. A full investigation  
19 shall be conducted of only those persons that pass partial  
20 investigation and that will undergo a full investigation pursuant  
21 to subdivision (c). Those applicants that do not pass the partial  
22 investigation may appeal the decision to the commission.

23 (c) The department shall conduct a full investigation into the  
24 suitability of any license applicant to operate an intrastate Internet  
25 gambling Web site. The investigation shall include all of the  
26 following persons:

- 27 (1) The license applicant and all of its subcontractors.
- 28 (2) All officers of the license applicant.
- 29 (3) The owner or owners of the following:
  - 30 (A) The license applicant.
  - 31 (B) Any affiliate of the license applicant.
  - 32 (C) Any subcontractors of a license applicant, or other persons  
33 otherwise providing goods to, or performing services for, the  
34 license applicant.

35 (d) (1) A department-approved, independent forensic accounting  
36 firm shall prepare a report on each applicant undergoing a full  
37 investigation, on a form developed by the department, and at the  
38 applicant's expense. The report shall include the financial  
39 information necessary for the department to make a determination

1 of suitability, as specified in regulation adopted by the department  
2 for this purpose.

3 (2) The department may, by regulation, specify additional  
4 requirements regarding the contents of the report described in  
5 paragraph (1) and any other financial information or documentation  
6 required to be submitted with the application.

7 (e) The department shall issue a finding of suitability for a  
8 license applicant to operate an intrastate Internet gambling Web  
9 site only if, based on all of the information and documents  
10 submitted, the department is satisfied that each of the persons  
11 subject to investigation pursuant to this section is both of the  
12 following:

13 (1) A person of good character, honesty, and integrity, or, if an  
14 entity, in good standing in its jurisdiction of organization and in  
15 all other jurisdictions in which it is qualified, or should be qualified,  
16 to do business.

17 (2) A person whose prior activities, criminal record, if any,  
18 reputation, habits, and associations do not pose a threat to the  
19 public interest of this state, or to the effective regulation and control  
20 of controlled gambling, or create or enhance the dangers of  
21 unsuitable, unfair, or illegal practices, methods, and activities in  
22 the conduct of controlled gambling or in the carrying on of the  
23 business and financial arrangements incidental thereto.

24 (f) The department shall issue a finding that a license applicant  
25 is not suitable to operate an intrastate Internet gambling Web site  
26 if it finds that any person subject to investigation pursuant to this  
27 section has done any of the following:

28 (1) Failed to clearly establish eligibility and qualifications in  
29 accordance with this chapter.

30 (2) Failed to timely provide information, documentation, and  
31 assurances required by this chapter or requested by the department,  
32 or, with respect to a license applicant, failed to reveal any fact  
33 material to qualification, or supplied information that is untrue or  
34 misleading as to a material fact pertaining to the suitability criteria.

35 (3) Been convicted of a felony, including a conviction by a  
36 federal court or a court in another state or foreign jurisdiction for  
37 a crime that would constitute a felony if committed in California.

38 (4) Been convicted of any misdemeanor involving dishonesty  
39 or moral turpitude within the 10-year period immediately preceding  
40 the submission of the application, unless the applicant has been

1 granted relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of  
2 the Penal Code. However, the granting of relief pursuant to Section  
3 1203.4, 1203.4a, or 1203.45 of the Penal Code shall not constitute  
4 a limitation on the discretion of the department or affect the  
5 applicant's burden.

6 (5) Has associated with criminal profiteering activity or  
7 organized crime, as defined in Section 186.2 of the Penal Code.

8 (6) Has contemptuously defied any legislative investigative  
9 body, or other official investigative body of any state or of the  
10 United States or any foreign jurisdiction, when that body is engaged  
11 in the investigation of crimes relating to gambling, official  
12 corruption related to gambling activities, or criminal profiteering  
13 activity or organized crime, as defined in Section 186.2 of the  
14 Penal Code.

15 (7) Is less than 21 years of age.

16 (8) Has accepted any wager from persons in the United States  
17 on any form of Internet gaming that has not been affirmatively  
18 authorized by law in this state or the United States after December  
19 31, 2006, or has been the holder of a direct or indirect financial  
20 interest in a person or entity that has accepted such a wager.

21 (g) The department shall request that the United States  
22 Department of Justice or any other federal agency or agency of a  
23 state other than California provide any information about any  
24 license applicant or any of its subcontractors as part of its inquiry  
25 as to the suitability of a license applicant to operate an intrastate  
26 Internet gambling Web site.

27 (h) (1) The department shall reject the license application of  
28 any applicant found to be unsuitable to be a licensee.

29 (2) The department shall provide to the applicant a written  
30 explanation listing the reasons for denial of the license application.

31 (3) This section neither requires the department to divulge to  
32 the applicant any confidential information received from any law  
33 enforcement agency or any information received from any person  
34 with assurances that the information would be maintained  
35 confidential, nor to divulge any information that might reveal the  
36 identity of any informant or jeopardize the safety of any person.

37 (4) Denial of an application shall be without prejudice to a new  
38 and different application filed in accordance with any regulations  
39 adopted by the department with respect to the submission of  
40 applications.

1 19990.235. (a) A finding of suitability by a state gaming  
2 agency within the United States with expertise recognized within  
3 the gaming industry, and that is also recognized as meeting this  
4 standard by the department, shall be grounds for a state provisional  
5 finding of suitability with respect to a particular person or entity  
6 until a permanent suitability finding is issued by the department  
7 as to that person or entity.

8 (b) This section shall remain in effect only until January 1, 2016,  
9 and as of that date is repealed, unless a later enacted statute, that  
10 is enacted before January 1, 2016, deletes or extends that date.

11 19990.24. In addition to any other data that the department  
12 shall request from license applicants as a matter of law and to  
13 ensure that any license applicant is legally, technically, and  
14 financially qualified to become a licensee, the department shall  
15 request that any license applicant name, describe, or provide all  
16 of the following:

17 (a) The license applicant's qualifications and the qualifications  
18 of its executives and employees to receive an employee work  
19 permit as set forth in Section 19990.31.

20 (b) The license applicant's experience and qualifications to  
21 provide the services anticipated of a licensee as set forth in Article  
22 5 (commencing with Section 19990.30).

23 (c) The names of all of the license applicant's owners,  
24 executives, and employees, as well as sufficient personally  
25 identifiable information on each of those persons to conduct  
26 background checks as required by the department.

27 (d) The fingerprints of the owners, directors, managers,  
28 executives, and employees of the licensee, its affiliates, and  
29 subcontractors taken using live scan technology.

30 (e) Documentation and information relating to the license  
31 applicant and its direct and indirect owners, including, but not  
32 limited to, all of the following:

33 (1) With respect to the license applicant and any of its  
34 subcontractors, proof of formation in California, including, as  
35 applicable, articles of incorporation, articles of organization,  
36 bylaws, operating agreement, partnership agreement, or other  
37 formation or charter documents.

38 (2) Current and historical audited financial and accounting  
39 records.

40 (3) Any documents relating to legal and regulatory proceedings.



1 (4) Any documents relating to the license applicant’s business  
2 history.

3 (5) Any documents relating to the nature and sources of the  
4 license applicant’s financing, including, but not limited to,  
5 operating agreements, partnership agreements, stock purchase  
6 agreements, pro forma cap tables, pro forma statements of profits  
7 and loss, investor rights agreements, voting agreements, and  
8 shareholder agreements. These materials may be submitted subject  
9 to a request for confidentiality.

10 (6) Any documentation that demonstrates that the license  
11 applicant is financially qualified to perform the obligations of a  
12 licensee as described in this article.

13 (7) An independent financial audit report by a certified public  
14 accountant.

15 (f) Documentation and information relating to all proposed  
16 subcontractors of the license applicant, including, but not limited  
17 to, all of the following:

18 (1) A description of the services to be provided by each  
19 subcontractor.

20 (2) Information for each subcontractor as set forth in  
21 subdivisions (b), (c), and (d).

22 (3) For subcontractors that are not formed in California, a  
23 commitment in writing by the subcontractor to create a California  
24 subsidiary prior to the commencement of authorized games  
25 provided by the licensee. The commitment required pursuant to  
26 this paragraph shall be subject to the cure provisions of Section  
27 19990.61.

28 (g) A description of the games and services the license applicant  
29 proposes to offer to registered players.

30 (h) A description of how the licensee’s facilities will accomplish  
31 the goals of this chapter, including, but not limited to:

32 (1) The licensee’s location within the state.

33 (2) The licensee’s security systems.

34 (i) The license applicant’s proposal for how it will facilitate  
35 compliance with all of the standards set forth in this chapter and  
36 federal law, including, but not limited to, Section 5362(10)(B) of  
37 Title 31 of the United States Code, including, but not limited to,  
38 all of the following:

39 (1) Age and location verification requirements reasonably  
40 designed to block access to minors and persons located out of state.

1 (2) Appropriate data security standards to prevent unauthorized  
2 access by any persons whose age and current location have not  
3 been verified in accordance with this chapter and applicable  
4 regulations.

5 (3) The requirement that the licensee be located in California  
6 and all bets be initiated and received or otherwise made exclusively  
7 within California.

8 (j) The system requirements that the license applicant plans to  
9 implement to achieve the state's goals under this chapter, including,  
10 but not limited to:

11 (1) Connectivity.

12 (2) Hardware.

13 (3) Software.

14 (4) Antifraud systems.

15 (5) Virus prevention.

16 (6) Data protection.

17 (7) Access controls.

18 (8) Firewalls.

19 (9) Disaster recovery.

20 (10) Redundancy.

21 (11) Gaming systems, including, but not limited to, hardware  
22 and software that ensure all of the following:

23 (A) The games are legal.

24 (B) The games are independent and fair and played by live  
25 persons.

26 (C) Game and betting rules are available to all registered players.

27 (D) All data used for the conduct of each game is randomly  
28 generated and unpredictable.

29 (12) Accounting systems, including but not limited to, those for  
30 any of the following:

31 (A) Registered player accounts.

32 (B) Per hand charges.

33 (C) Transparency and reporting to all state agencies.

34 (D) Distribution of funds, pursuant to the license and this  
35 chapter, to the state and registered players.

36 (E) Ongoing auditing.

37 (13) Facility security systems to protect the intrastate Internet  
38 gambling Web site from either internal or external threats.

39 (k) The license applicant's proposal to facilitate the statutory  
40 duties and responsibilities of the state agencies with jurisdiction

1 over aspects of the licensee’s operations, including, but not limited  
2 to, all of the following:

- 3 (1) The department.
- 4 (2) The commission.
- 5 (3) The Treasurer.
- 6 (4) The Franchise Tax Board.

7 (l) An acknowledgment by the license applicant that the terms  
8 and conditions of the license issued by the state may be modified  
9 by the state after three years, and at any time thereafter, at which  
10 point the licensee may either agree to be subject to that  
11 modification or relinquish the license.

12 (m) In addition to demonstrating that the license applicant is  
13 legally, technically, and financially qualified to become a licensee,  
14 a licensee shall describe how it will comply with the requirements  
15 of this chapter.

16 19990.25. (a) A holder of an owner license issued pursuant to  
17 subdivision (a) of Section 19851, and who is in good standing,  
18 shall not be deemed unqualified to operate a land-based gambling  
19 entity by reason of an investment in a license applicant or a  
20 licensee.

21 (b) An official representative of the government of a federally  
22 recognized California Indian tribe with a tribal-state gaming  
23 compact with the state shall not be deemed unqualified to operate  
24 a land-based gambling entity by reason of an investment in a  
25 license applicant or a licensee.

26 (c) (1) A license applicant whose application is denied may  
27 bring an action to appeal that decision to the Superior Court of the  
28 County of Sacramento. The decision of the Superior Court of the  
29 County of Sacramento is not appealable. No remedy other than an  
30 injunction is available pursuant to this subdivision.

31 (2) The Superior Court of the County of Sacramento shall uphold  
32 the decision by the department if there is any substantial evidence  
33 to support the department’s decision to deny the license application.

34 (3) If the Superior Court of the County of Sacramento finds for  
35 the license applicant, it shall return the application to the  
36 department for action consistent with the decision of the court.

37 19990.26. (a) At least two years after the initial issue date of  
38 any license pursuant to this chapter, but no later than three years  
39 after that date, the Bureau of State Audits shall issue a report to  
40 the Legislature consistent with Section 19990.96.

1 (b) At least three years after the initial issue date of any license  
2 pursuant to this chapter, but no later than four years after that date,  
3 the department, the commission, the Legislature, and licensees  
4 shall meet to review the operation of intrastate Internet gambling  
5 Web sites pursuant to this chapter. The department may renegotiate  
6 the terms and conditions of the licenses with the licensees, based  
7 in large part on the report and recommendations of the Bureau of  
8 State Audits to the Legislature pursuant to Section 19990.96 with  
9 respect to all aspects of the licensees' operations, obligations, and  
10 economics. The state reserves the right to make reasonable  
11 modifications to the terms and conditions of the licenses after that  
12 three-year review, and at any time thereafter, to balance the  
13 relationship between the licensees and the state.

14 (c) If the Legislature statutorily approves new or modified  
15 license terms and conditions relating to the rights and obligations  
16 of the licensees, which modification may include amendment of  
17 this chapter, the department shall notify existing licensees of the  
18 new terms and conditions in accordance with the statutory changes  
19 approved by the Legislature. A licensee shall indicate whether it  
20 accepts the new or modified license terms and conditions within  
21 30 days of receiving notification from the department. A licensee's  
22 acceptance of the new or modified license terms and conditions  
23 shall apply for the remaining term of the license, or until those  
24 terms and conditions are subsequently modified by the Legislature.  
25 The licensee also may decline to accept the new or modified license  
26 terms and conditions, but, pursuant to that declination, shall  
27 relinquish the license to the state without compensation.

28 (d) If the department recommends no changes to the terms and  
29 conditions of the license, or if the Legislature does not approve  
30 any changes to the terms or conditions of the license, the licensees  
31 shall continue to operate under the existing terms and conditions  
32 of the license, and the license shall remain in force for the  
33 remainder of the term of the license, or until those terms and  
34 conditions are subsequently renegotiated and are approved by the  
35 Legislature.

36 (e) No relicensing shall be required upon modification.

1 Article 5. Rights and Obligations of Licensees

2  
3 19990.30. (a) A licensee shall comply with the terms of this  
4 chapter.

5 (b) In the event of commercial infeasibility created by a change  
6 in federal law rendering the provision of intrastate Internet  
7 gambling services illegal, or some other event, a licensee may  
8 abandon its operations after providing the department with 90  
9 days' advance notice of its intent and a statement explaining its  
10 interpretation that continuing to operate the intrastate Internet  
11 gambling Web site is commercially infeasible. In response to that  
12 notice, the state may file an action in the Superior Court of the  
13 County of Sacramento as it deems necessary to protect any state  
14 interests, including, but not limited to, the interests of registered  
15 players.

16 (c) In the event that any dispute arises between the state and the  
17 licensee, either the department or a licensee may file an action in  
18 the superior court of any county in which the department has an  
19 office for an interpretation of the rights and responsibilities of the  
20 state and the licensee pursuant to this chapter.

21 19990.31. (a) Prior to initiating operations and thereafter, a  
22 licensee shall ensure that every employee has been issued an  
23 employee work permit by the department, pursuant to standards  
24 adopted by the department, prior to that person having access to  
25 the licensee's facilities. The permit shall be renewed every two  
26 years.

27 (b) An employee work permit shall not be issued unless, based  
28 on all of the information and documents submitted, the department  
29 is satisfied that the applicant is, at a minimum, all of the following:

30 (1) A person of good character, honesty, and integrity.

31 (2) A person whose prior activities, criminal record, if any,  
32 reputation, habits, and associations do not pose a threat to the  
33 public interest of this state, or to the effective regulation and control  
34 of controlled gambling, or create or enhance the dangers of  
35 unsuitable, unfair, or illegal practices, methods, and activities in  
36 the conduct of controlled gambling or in the carrying on of  
37 incidental business and financial arrangements.

38 (3) A person who is in all other respects qualified to hold an  
39 employee work permit as provided in this chapter.

- 1 (c) The department shall disqualify an applicant for an employee  
2 work permit for any of the following reasons:
- 3 (1) Failure of the applicant to clearly establish eligibility and  
4 qualification in accordance with this chapter.
- 5 (2) Failure of the applicant to provide timely information,  
6 documentation, and assurances required by this chapter or requested  
7 by any state official, or failure of the applicant to reveal any fact  
8 material to the qualification, or the supplying of information that  
9 is untrue or misleading as to a material fact pertaining to the  
10 qualification criteria.
- 11 (3) Conviction of a felony, including a conviction by a federal  
12 court or a court in another state for a crime that would constitute  
13 a felony if committed in California.
- 14 (4) Conviction of the applicant for any misdemeanor involving  
15 dishonesty or moral turpitude within the 10-year period  
16 immediately preceding the submission of the application, unless  
17 the applicant has been granted relief pursuant to Section 1203.4,  
18 1203.4a, or 1203.45 of the Penal Code. However, the granting of  
19 relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the Penal  
20 Code shall not constitute a limitation on the discretion of the  
21 department or affect the applicant's burden under subdivision (b).
- 22 (5) Association of the applicant with criminal profiteering  
23 activity or organized crime, as defined by Section 186.2 of the  
24 Penal Code.
- 25 (6) Contemptuous defiance by the applicant of any legislative  
26 investigative body, or other official investigative body of any state  
27 or of the United States, when that body is engaged in the  
28 investigation of crimes relating to gambling, official corruption  
29 related to gambling activities, or criminal profiteering activity or  
30 organized crime, as defined by Section 186.2 of the Penal Code.
- 31 (7) The applicant is less than 21 years of age.
- 32 (d) A licensee shall apply for an employee work permit on behalf  
33 of each employee.
- 34 (e) A person shall not be issued an employee work permit unless  
35 the person meets the qualification standards adopted by the  
36 department.
- 37 (f) The department shall establish a fee to be paid by a licensee  
38 in submitting applications for employee work permits on behalf  
39 of that licensee's employees. The department shall establish  
40 processes for the revocation or suspension of an intrastate Internet

1 gambling Web site license or employee work permit, and to  
2 withdraw an application for an intrastate Internet gambling Web  
3 site license or employee work permit.

4 (g) (1) A licensee or subcontractor of a licensee shall not enter  
5 into, without prior approval of the department, any contract or  
6 agreement with a person who is denied a gambling license or  
7 employee work permit pursuant to Chapter 5 (commencing with  
8 Section 19800), or whose gambling license or employee work  
9 permit is suspended or revoked by the department, or with any  
10 business enterprise under the control of that person, after the date  
11 of receipt of notice of the department's action.

12 (2) A licensee or subcontractor of a licensee shall not enter into  
13 any contract or agreement with a person or entity that has accepted  
14 any wager from persons in the United States on any form of  
15 Internet gaming that has not been affirmatively authorized by law  
16 in this state or the United States after December 31, 2006, or has  
17 been the holder of a direct or indirect financial interest in a person  
18 or entity that has accepted such a wager.

19 (h) A licensee or subcontractor of a licensee shall not employ,  
20 without prior approval of the department, any person in any  
21 capacity for which he or she is required to have an employee work  
22 permit, if the person has been denied a gambling license or an  
23 employee work permit pursuant to Chapter 5 (commencing with  
24 Section 19800), or if his or her gambling license or employee work  
25 permit has been suspended or revoked after the date of receipt of  
26 notice of the action by the department. A licensee or subcontractor  
27 of a licensee shall not enter into a contract or agreement with a  
28 person whose application for a gambling license or an employee  
29 work permit has been withdrawn with prejudice, or with any  
30 business enterprise under the control of that person, for the period  
31 of time during which the person is prohibited from filing a new  
32 application for a gambling license or an employee work permit.

33 (i) If an employee who is required to hold an employee work  
34 permit pursuant to this chapter is denied an employee work permit,  
35 or has his or her employee work permit revoked by the department,  
36 the employee shall be terminated in all capacities. The employee  
37 shall not be permitted to exercise a significant influence over the  
38 gambling operation, or any part thereof, upon notification of the  
39 licensee of the department's action.

1 (1) If an employee who is required to hold an employee work  
2 permit pursuant to this chapter has his or her employee work permit  
3 suspended, the employee shall be suspended in all capacities. The  
4 employee shall not be permitted to exercise a significant influence  
5 over the gambling operation, or any part thereof, during the period  
6 of suspension, upon notification of the licensee of the department's  
7 action.

8 (2) If a licensee or subcontractor of a licensee designates another  
9 employee to replace the employee whose employment was  
10 terminated or suspended, the licensee or subcontractor shall  
11 promptly notify the department and shall apply for an employee  
12 work permit on behalf of the newly designated employee.

13 (j) A licensee or subcontractor of a licensee shall not pay to a  
14 person whose employment has been terminated or suspended  
15 pursuant to subdivision (i) any remuneration for any service  
16 performed in any capacity in which the person is required to hold  
17 an employee work permit, except for amounts due for services  
18 rendered before the date of receipt of notice of the department's  
19 action of suspension or termination.

20 (k) Except as provided in subdivision (i), a contract or agreement  
21 for the provision of services or property to a licensee or  
22 subcontractor or for the conduct of any activity pertaining to the  
23 operation of an intrastate Internet gambling Web site, which is to  
24 be performed by a person required by this chapter or by regulations  
25 adopted pursuant to this chapter, to hold an employee work permit,  
26 shall be terminated upon a suspension or revocation of the person's  
27 employee work permit.

28 (l) In any case in which a contract or agreement for the provision  
29 of services or property to a licensee or an affiliate thereof, or for  
30 the conduct of any activity at an intrastate Internet gambling Web  
31 site, is to be performed by a person required by this chapter or by  
32 regulations adopted by the department to hold an employee work  
33 permit, the contract shall be deemed to include a provision for its  
34 termination without liability on the part of the licensee, affiliate,  
35 or subcontractor upon a suspension or revocation of the person's  
36 employee work permit. In any action brought by the department  
37 to terminate a contract pursuant to subdivision (k) or this  
38 subdivision, it shall not be a defense that the agreement does not  
39 expressly include the provision described in this subdivision, and  
40 the lack of express inclusion of the provision in the agreement



1 shall not be a basis for enforcement of the contract by a party  
2 thereto.

3 (m) If a licensee does not comply with the requirements of this  
4 section, the department may impose a civil fine of not more than  
5 \_\_\_\_\_ dollars (\$\_\_\_\_\_) per occurrence. In the event that a licensee  
6 negligently, willfully, or wantonly fails to comply with these  
7 requirements, the department may initiate an enforcement action  
8 and subject a licensee to a civil fine of \_\_\_\_\_ dollars (\$\_\_\_\_\_) and  
9 may begin proceedings to suspend or revoke the licensee's license.

10 19990.32. The licensee shall be responsible for providing  
11 current and accurate documentation on a timely basis to all state  
12 agencies as provided in this chapter.

13 (a) In addition to any other confidentiality protections provided  
14 to persons licensed by the state, the state and its agencies shall  
15 treat the proprietary information provided by a licensee as  
16 confidential to protect the licensee and to protect the security of  
17 the intrastate Internet gambling Web site.

18 (b) The confidentiality provisions of this chapter exempt  
19 proprietary information supplied by a licensee to a state agency  
20 from public disclosure consistent with subdivision (b) of Section  
21 6253 of the Government Code.

22 19990.33. (a) Changes in ownership of the licensee shall be  
23 approved by the department prior to the closing of any proposed  
24 transaction.

25 (b) The department shall investigate to ensure that any person  
26 acquiring interest in a licensee is suitable and otherwise financially,  
27 technically, and legally qualified to be a licensee consistent with  
28 the provisions of this chapter. If an acquiring person is found to  
29 be unsuitable to be a licensee or otherwise not financially,  
30 technically, or legally qualified to be a licensee, the licensee or  
31 the acquiring person may challenge that determination consistent  
32 with subdivision (c) of Section 19990.25.

33 19990.34. All facilities, software, including downloadable  
34 programs, and any other property, both tangible and intangible,  
35 used by the licensee in offering authorized games for play on an  
36 intrastate Internet gambling Web site shall be the property of the  
37 licensee or its subcontractors, and shall be approved by the  
38 department.

39 19990.35. (a) A licensee shall ensure that registered players  
40 are eligible to play authorized games and implement appropriate

1 data security standards to prevent access by a person whose age  
2 and location has not been verified in accordance with this chapter.

3 (b) A registered player shall be physically located within the  
4 State of California at the time of gambling.

5 (c) A registered player shall not be less than 21 years of age.

6 (1) Online games shall not be provided, directly or indirectly,  
7 to any person under 21 years of age.

8 (2) Each licensee shall do all of the following:

9 (A) Prior to registering a person as a registered player or  
10 permitting a person to play an authorized game, the licensee shall  
11 verify that the person is 21 years of age or older. The licensee or  
12 seller shall attempt to match the name, address, and date of birth  
13 provided by the person to information contained in records in a  
14 database of individuals who have been verified to be 21 years of  
15 age or older by reference to an appropriate database of government  
16 records. The licensee also shall verify that the billing address on  
17 the check or credit card offered for payment by the person matches  
18 the address listed in the database.

19 (B) If the licensee is unable to verify that the person is 21 years  
20 of age or older pursuant to subparagraph (A), the licensee shall  
21 require the person to submit an age-verification kit consisting of  
22 an attestation signed by the person that he or she is 21 years of age  
23 or older and a copy of a valid form of government identification.  
24 For the purposes of this section, a valid form of government  
25 identification includes a driver's license, state identification card,  
26 passport, official naturalization or immigration document, such as  
27 an alien registration receipt card or an immigrant visa, or United  
28 States military identification. The licensee also shall verify that  
29 the billing address on the check or credit card provided by the  
30 person matches the address listed in the government identification.

31 (C) The licensee shall not permit registered players to make  
32 payments by money order or cash. The licensee shall submit to  
33 each credit card company with which it has credit card sales,  
34 information in an appropriate form and format so that the words  
35 "Internet gambling" may be printed on the purchaser's credit card  
36 statement when a payment to a licensee is made by credit card  
37 payment.

38 (3) If a licensee complies with the requirements of paragraph  
39 (2), and a person under 21 years of age participates in an authorized

1 game provided by the licensee, the licensee is not in violation of  
2 this section.

3 (4) The department may assess civil penalties against a person  
4 that violates this section, according to the following schedule:

5 (A) Not less than one thousand dollars (\$1,000) and not more  
6 than two thousand dollars (\$2,000) for the first violation.

7 (B) Not less than two thousand five hundred dollars (\$2,500)  
8 and not more than three thousand five hundred dollars (\$3,500)  
9 for the second violation.

10 (C) Not less than four thousand dollars (\$4,000) and not more  
11 than five thousand dollars (\$5,000) for the third violation.

12 (D) Not less than five thousand five hundred dollars (\$5,500)  
13 and not more than six thousand five hundred dollars (\$6,500) for  
14 the fourth violation.

15 (E) Ten thousand dollars (\$10,000) for a fifth or subsequent  
16 violation.

17 (d) The department shall, by regulation, provide a process for  
18 a licensee to exclude from play any person who has filled out an  
19 online self-exclusion form.

20 (1) The department shall develop an online self-exclusion form  
21 within six months of the operative date of this chapter.

22 (2) The department shall deliver the form to each licensee.

23 (3) A licensee shall prominently display a link to the  
24 department's Responsible Gambling Internet Web page and the  
25 online self-exclusion form on the Internet Web page that is  
26 displayed when either of the following occurs:

27 (A) A person registers as a registered player.

28 (B) Each time a registered player accesses the intrastate Internet  
29 gambling Web site prior to playing.

30 (4) A licensee shall retain the online self-exclusion form to  
31 identify persons who want to be excluded from play.

32 (5) A licensee that has made commercially reasonable efforts  
33 to comply with this subdivision shall not be held liable in any way  
34 if a person who has filled out an online self-exclusion form plays  
35 despite that person's request to be excluded.

36 19990.36. A licensee shall only offer authorized games and  
37 process bets in accordance with the specified game and betting  
38 rules established by the licensee and approved by the department  
39 pursuant to Section 19990.14.

1 19990.37. (a) In order to propose a game for play, a licensee  
2 shall provide the department with both of the following:

3 (1) Game rules and betting rules it proposes to offer to  
4 registered players.

5 (2) Documentation relating to development and testing of the  
6 game's software.

7 (b) The department shall approve the game rules and betting  
8 rules before a licensee may offer the game to registered players.

9 19990.38. (a) A licensee shall ensure that games are fair.

10 (b) The gaming system shall display for each game the following  
11 information:

12 (1) The name of the game.

13 (2) Any restrictions on play.

14 (3) The rules of the game.

15 (4) All instructions on how to play.

16 (5) The unit and total bets permitted.

17 (6) The registered player's current account balance which shall  
18 be updated in real time.

19 (7) Any other information that a licensee determines is necessary  
20 for the registered player to have in real time to compete fairly in  
21 the game.

22 (c) Data used to create game results shall be unpredictable so  
23 that it is infeasible to predict the next occurrence in a game, given  
24 complete knowledge of the algorithm or hardware generating the  
25 sequence and all previously generated numbers.

26 (d) A licensee shall deploy controls and technology to minimize  
27 fraud or cheating through collusion, including external exchange  
28 of information between different players, robotic play, or any other  
29 means.

30 (1) If a licensee becomes aware that fraud or cheating is taking  
31 place or has taken place, it shall take steps to stop those activities  
32 immediately and inform the department of all relevant facts.

33 (2) The department shall not impose liquidated damages against  
34 a licensee to prevent fraud or cheating if the licensee can  
35 demonstrate that it acted responsibly to prevent those activities as  
36 soon as the licensee became aware of them.

37 (e) In a per hand game, if the gaming server or software does  
38 not allow a game to be completed, the game shall be void and all  
39 funds relating to the incomplete game shall be returned to the  
40 registered player's account.

1 (f) In a tournament, if the gaming server or software does not  
2 allow the tournament to be completed, all prize money shall be  
3 distributed among players in accordance with the procedure  
4 published by the licensee prior to the commencement of the  
5 tournament.

6 19990.39. (a) A licensee shall register players and establish  
7 player accounts prior to play.

8 (b) A person shall not participate in any game provided by a  
9 licensee unless the person is a registered player and holds an  
10 account.

11 (c) Accounts shall be established in person, by mail, telephone,  
12 or by any electronic means.

13 (d) To register and establish an account, a person shall provide  
14 the following registration information:

15 (1) First name and surname.

16 (2) Principal residence address.

17 (3) Telephone number.

18 (4) Social security number.

19 (5) Identification or certification to prove that person is at least  
20 21 years of age.

21 (6) Valid e-mail address.

22 (e) A licensee shall provide registered players with the means  
23 to update the registration information provided to the licensee.

24 (f) Nothing in this section shall prevent a licensee from entering  
25 into a marketing agreement with any third party to recruit people  
26 to become registered players if the registration process described  
27 in this section is under the sole control of the licensee.

28 19990.40. (a) A licensee shall provide a means for registered  
29 players to put funds into a registered player account and transfer  
30 funds out of that account.

31 (b) A registered player shall identify the source of funds to be  
32 used to put money into the account established once the registration  
33 process is complete, and a licensee shall provide a means for a  
34 registered player to transfer money into and out of the player's  
35 intrastate Internet gambling Web site account.

36 (c) At the time of establishing an intrastate Internet gambling  
37 Web site account, a registered player shall designate the bank  
38 account into which funds from the registered player's intrastate  
39 Internet gambling Web site account are to be transferred.

1 (d) A registered player shall establish only one account on any  
2 intrastate Internet gambling Web site.

3 (e) While playing an authorized game, a licensee shall not permit  
4 a registered player to increase the amount of money in that  
5 registered player's account after that hand has started and before  
6 its completion.

7 (f) A licensee shall maintain records on the balance of each  
8 registered player's account.

9 (g) A licensee shall not permit a registered player to place a  
10 wager unless the registered player's account has sufficient funds  
11 to cover the amount of the wager.

12 (h) A licensee shall not provide credit to a registered player's  
13 account or act as agent for a credit provider to facilitate the  
14 provision of funds.

15 (i) No interest shall be paid by a licensee with respect to  
16 registered player accounts.

17 19990.41. (a) A licensee shall segregate funds it holds in all  
18 registered player accounts from all of its other assets.

19 (b) A licensee shall not commingle funds in the segregated  
20 account containing funds paid by registered players with any other  
21 funds held by the licensee, including, but not limited to, operating  
22 funds of the licensee. Both the accounts of the licensee and its  
23 segregated registered player accounts shall be held in financial  
24 institutions located in the state.

25 (c) Funds held in a registered player's account shall only be  
26 used for the following purposes:

27 (1) To pay per hand or tournament charges owed by a registered  
28 player to the licensee for play of authorized games.

29 (2) To transfer funds from one registered player's account to  
30 the account of another registered player to reconcile the result of  
31 a loss in the play of an authorized game.

32 (3) To transfer funds from a registered player's account to a  
33 temporary account to be held by a licensee pending the outcome  
34 of an authorized game.

35 (4) To remit tax proceeds due and owing from a registered player  
36 to the Franchise Tax Board.

37 (5) To transfer funds from a registered player's account with  
38 the licensee to an account specified by a registered player upon  
39 that registered player's request.

1 19990.42. Prior to completing the registration process, a  
2 licensee shall explain to the person who is registering in a  
3 conspicuous fashion the privacy policies of the intrastate Internet  
4 gambling Web site, and a person shall assent to the following  
5 policies:

6 (a) No personally identifiable information shall be shared with  
7 any nongovernment third parties except as provided in subdivision  
8 (j) of Section 19990.47.

9 (b) All personally identifiable information about registered  
10 players shall be shared with state agencies, including, but not  
11 limited to, the department, the commission, and the Franchise Tax  
12 Board, as necessary to assist them in fulfilling their obligations  
13 under this chapter.

14 (c) Personally identifiable information may be shared with  
15 government agencies only as set forth in subdivision (b) or subject  
16 to court order as provided in subdivision (j) of Section 19990.47.

17 19990.43. A licensee may require that a registered player, or  
18 a person registering as a player, agree to a Terms of Use Registered  
19 Player's Agreement.

20 19990.44. A licensee may suspend or revoke the account of a  
21 registered player for any of the following reasons:

22 (a) A person or registered player provided false information to  
23 the licensee, including, but not limited to, in the registration  
24 process.

25 (b) The registered player has not updated registration  
26 information to keep it current.

27 (c) The registered player has violated the intrastate Internet  
28 gambling Web site's Terms of Use Registered Player's Agreement.

29 (d) The person has already been registered.

30 (e) The licensee suspects that the registered player has  
31 participated in an illegal or unauthorized activity on the intrastate  
32 Internet gambling Web site.

33 (f) The licensee is directed by a state agency to suspend or  
34 revoke the registered player's account.

35 19990.45. (a) Upon registration, and each time a registered  
36 player logs into an intrastate Internet gambling Web site, the  
37 licensee shall permit a registered player to adjust his or her play  
38 settings to:

39 (1) Set a limit on the deposits that can be made per day.

1 (2) Set a limit on the aggregate losses in a registered player's  
2 account within a specified period of time.

3 (b) During play, in order to assist a registered player to decide  
4 whether to suspend play, the registered player's screen shall do  
5 all of the following:

6 (1) Indicate how long the player has been playing.

7 (2) Indicate the net change in value to a registered player's  
8 account since the time of last logging in.

9 (3) At least once every six hours require the registered player  
10 to confirm that the player has read the message or give an option  
11 to the player to end the session or return to the game.

12 19990.46. A licensee shall establish a toll-free telephone  
13 customer service hotline that shall be available to registered players  
14 24 hours per day, 365 days a year. All employees shall be  
15 physically present in the state while in contact with registered  
16 players. However, the licensee shall have discretion to use the  
17 expertise of personnel not physically present in the state when  
18 necessary to protect registered players and state interests, including,  
19 but not limited to, for the purposes of diagnosing and addressing  
20 technological problems, investigating fraud and collusion, and  
21 supervising software and configuration changes. The licensee shall  
22 give notice to the department when using personnel who are out  
23 of state.

24 19990.47. (a) A licensee shall protect the privacy of registered  
25 players and their personally identifiable information.

26 (b) A licensee shall comply with all state and federal privacy  
27 and data protection laws.

28 (c) At the time of registration with a licensee as a registered  
29 player, and at least once a year thereafter, a licensee shall provide  
30 notice in the form of a separate, written statement, delivered via  
31 postal service or electronic mail, to the registered player that clearly  
32 and conspicuously informs the registered player of all of the  
33 following:

34 (1) The nature of personally identifiable information collected  
35 or to be collected with respect to the registered player and the  
36 nature of the use of that information.

37 (2) The nature, frequency, and purpose of any disclosure that  
38 may be made of personally identifiable information, including an  
39 identification of the types of persons to whom the disclosure may  
40 be made.



1 (3) The period during which personally identifiable information  
2 will be maintained by the licensee.

3 (4) The times and place at which the registered player may have  
4 access to personally identifiable information in accordance with  
5 subdivision (h).

6 (5) The limitations provided by this section with respect to the  
7 collection and disclosure of personally identifiable information by  
8 a licensee and the right of the registered player under subdivision  
9 (j) or (k) to enforce those limitations.

10 (d) A licensee shall not collect personally identifiable  
11 information concerning any registered player without the prior  
12 written or electronic consent of the registered player concerned.

13 (e) A licensee may collect personally identifiable information  
14 in order to do both of the following:

15 (1) Obtain information necessary to operate the intrastate  
16 Internet gambling Web site and offer authorized games to registered  
17 players pursuant to this chapter.

18 (2) Detect unauthorized play, activities contrary to a licensee's  
19 Terms of Use Registered Player's Agreement, or activities contrary  
20 to state or federal law.

21 (f) Except as provided in subdivision (g), a licensee shall not  
22 disclose personally identifiable information concerning any  
23 registered player without the prior written or electronic consent of  
24 the registered player concerned and shall take actions necessary  
25 to prevent unauthorized access to that information by a person  
26 other than the registered player or licensee.

27 (g) A licensee may disclose personally identifiable information  
28 if the disclosure is any of the following:

29 (1) Necessary to render, or conduct a legitimate business activity  
30 related to, the provision of authorized games to the registered  
31 player by the licensee.

32 (2) Subject to subdivision (k), made pursuant to a court order  
33 authorizing the disclosure, if the registered player is notified of  
34 the order by the person to whom the order is directed.

35 (3) A disclosure of the names and addresses of registered players  
36 to any tournament third party, if both of the following apply:

37 (A) The licensee has provided the registered player the  
38 opportunity to prohibit or limit the disclosure.

1 (B) The disclosure does not reveal, directly or indirectly, the  
2 nature of any transaction made by the registered player over the  
3 intrastate Internet gambling Web site.

4 (4) To the department to fulfill its obligations under this chapter  
5 or a state agency as authorized in this chapter.

6 (h) A registered player shall be provided access to all personally  
7 identifiable information regarding that registered player that is  
8 collected and maintained by a licensee. The information shall be  
9 made available to the registered player at reasonable times and at  
10 a place designated by the licensee. A registered player shall be  
11 provided reasonable opportunity to correct any error in the  
12 information.

13 (i) A licensee shall destroy personally identifiable information  
14 if the information is no longer necessary for the purpose for which  
15 it was collected, and there are no pending requests or orders for  
16 access to the information under subdivision (k).

17 (j) Any person aggrieved by any act of a licensee in violation  
18 of this section may bring a civil action in any superior court. The  
19 court may award:

20 (1) Actual damages but not less than the rate of \_\_\_\_ a day for  
21 each day of violation or \_\_\_\_, whichever is higher.

22 (2) Punitive damages.

23 (3) Reasonable attorney's fees and other litigation costs  
24 reasonably incurred.

25 (k) Except as provided in subdivision (g), a governmental or  
26 nongovernmental third party may obtain personally identifiable  
27 information concerning a registered player pursuant to a court  
28 order only if, in the court proceeding relevant to the court order,  
29 both of the following apply:

30 (1) The third party offers clear and convincing evidence that  
31 the subject of the information is reasonably suspected of engaging  
32 in criminal activity or otherwise relevant to a pending civil action  
33 and that the information sought would be material evidence in the  
34 case.

35 (2) The registered player about whom the information is  
36 requested is afforded the opportunity to appear and contest the  
37 third-party's claim.

38 19990.48. A licensee shall establish a book of accounts and  
39 regularly audit all of its financial records and reports, which shall,  
40 at a minimum, include all of the following:

- 1 (a) Monthly auditable and aggregate financial statements of
- 2 gambling transactions.
- 3 (b) Monthly calculation of all amounts payable to the state.
- 4 (c) The identity of registered players.
- 5 (d) The balance on each registered player's account at the start
- 6 of a session of play, the amount won or lost by each registered
- 7 player during a game, and the balance on the registered player's
- 8 account.
- 9 (e) The wagers placed on each game, time stamped by the games
- 10 server.
- 11 (f) The result of each game, time stamped by the games server.
- 12 (g) The amount, if any, as determined by the registered player,
- 13 withheld from winnings for federal or state income tax purposes.
- 14 19990.49. (a) A licensee shall make all financial records
- 15 established and maintained pursuant to Section 19990.48,
- 16 including, but not limited to, all books, records, documents,
- 17 financial information, and financial reports, available on both an
- 18 electronic basis and in hard copy, as required by the department
- 19 or other state agencies so that those state agencies can fulfill their
- 20 responsibilities under this chapter.
- 21 (b) The licensee's data shall be retained in a manner by which
- 22 it may be accessed by the state agencies online.
- 23 (c) Notwithstanding subdivision (b), data covered by
- 24 subdivisions (d), (e), and (f) of Section 19990.48 shall be accessible
- 25 to the state agencies online for 120 days, and, thereafter, archived
- 26 and retained for one year.
- 27 19990.50. (a) A licensee shall implement technical systems
- 28 that materially aid the department in the protection of registered
- 29 players.
- 30 (b) A licensee shall define and document its methodology for
- 31 developing software and applications and describe the manner in
- 32 which software protects registered players from fraud and other
- 33 risks in the play of authorized games and in the management of
- 34 registered player accounts.
- 35 (c) A licensee shall meet minimum game server connectivity
- 36 requirements to ensure that registered players are protected from
- 37 losses due to connectivity problems.
- 38 (d) A licensee shall ensure that all transactions involving
- 39 registered players' funds shall be recoverable by the system in the
- 40 event of a failure or malfunction.

1 (e) All information required for reviewing a game interrupted  
2 due to loss of connectivity shall be recoverable by the licensee.

3 (f) Preventative and detective controls addressing money  
4 laundering and fraud risks shall be documented and implemented  
5 by the licensee.

6 19990.51. (a) A licensee may charge registered players to play  
7 in authorized games.

8 (b) Per hand charges are permitted.

9 (1) A per hand charge shall be designated and conspicuously  
10 posted on the screen prior to the start of each authorized game.

11 (2) A licensee may vary the per hand charges to registered  
12 players based on betting limits or other factors.

13 (c) Tournament charges shall be permitted.

14 (1) A tournament charge shall be designated and conspicuously  
15 posted on the screen prior to the start of the first authorized game  
16 of any tournament.

17 (2) A licensee may vary tournament charges based on  
18 tournament prizes or other factors.

19 (d) A licensee shall provide notice to the department of the  
20 charges to registered players prior to initiating play.

21 19990.52. A licensee may enter into an agreement with any  
22 third party to sponsor or underwrite prizes for a tournament, subject  
23 to the approval of the department.

24 19990.53. A licensee may enter into an agreement to sell  
25 advertisement space on any Internet Web site it controls, subject  
26 to the approval of the department.

27 19990.535. (a) A licensee may enter into an agreement with  
28 a third party for marketing, or any other purpose consistent with  
29 this chapter, including, but not limited to, displaying the name of  
30 a marketing partner on a screen viewed by a registered player.

31 (b) A licensee shall not utilize any brand or business name, trade  
32 or service mark, software, customer information, or other data  
33 acquired, derived, or developed directly or indirectly from any  
34 operation that has accepted any wager from persons in the United  
35 States on any form of Internet gaming that has not been  
36 affirmatively authorized by law in this state or the United States  
37 after December 31, 2006. To the extent any business relationships  
38 or financial arrangements were utilized or existed to further any  
39 such illegal Internet gambling, those relationships and arrangements  
40 shall be discontinued.

1 19990.54. A licensee may enable a chat function between  
2 registered players if it has in place effective controls against  
3 collusion, subject to the approval of the department.

4 19990.55. A licensee may post Internet Web links on the  
5 Internet Web sites it controls to permit registered players to access  
6 remote Internet Web sites, subject to the approval of the  
7 department.

8 19990.56. A licensee may enter into contractual agreements  
9 with one or more licensees for the purpose of ensuring adequate  
10 player liquidity, subject to the approval of the department.

11 19990.57. A licensee may allow a registered player to  
12 participate simultaneously in multiple games or tournaments, if  
13 the licensee has demonstrated to the department that it has technical  
14 controls that prohibit a registered player from playing multiple  
15 hands simultaneously in the same game, subject to the approval  
16 of the department.

17 19990.58. (a) Any entity licensed to operate an intrastate  
18 Internet gambling Web site shall remit to the Treasurer for deposit  
19 in the General Fund a nonrefundable license fee in the amount of  
20 thirty million dollars (\$30,000,000). This amount shall be credited  
21 against fees imposed pursuant to subdivision (b) on the licensee's  
22 gross gaming revenue proceeds for the first three years of operation.  
23 Upon depletion of the license fee, the department shall notify the  
24 licensee to commence monthly payments to the state in accordance  
25 with subdivision (b).

26 (b) A licensee shall remit to the Treasurer on a monthly basis  
27 for deposit in the General Fund, an amount equal to 10 percent of  
28 its gross revenues.

29 (1) Each monthly payment shall be due on the 10th day of the  
30 following month.

31 (2) A licensee shall make all electronic and written financial  
32 records available to the Treasurer, the commission, and the  
33 department on an electronic basis.

34 (3) For the purposes of determining gross revenues, the licensee  
35 and the Treasurer shall use generally accepted accounting  
36 principles.

37 (c) Each licensee shall pay a regulatory fee, to be deposited in  
38 the Internet Gambling Fund as established by Section 19990.86,  
39 in an amount to be determined by the department for the actual  
40 costs of license oversight, consumer protection, state regulation,

1 problem gambling programs, and other purposes related to this  
2 chapter.

3 19990.59. (a) The licensee shall facilitate the collection of  
4 personal income taxes from registered players by the Franchise  
5 Tax Board.

6 (b) The licensee shall withhold 5 percent of tournament winnings  
7 for state income tax if the winnings less the tournament charge are  
8 more than six hundred dollars (\$600) and are at least 300 times  
9 the tournament charge.

10 (1) The licensee shall transfer that withheld income to the  
11 Franchise Tax Board.

12 (2) Winnings and losses of the registered player from other  
13 tournaments sponsored by the licensee during the year are not  
14 taken into account in arriving at the six-hundred-dollar (\$600)  
15 amount. Required withholding is determined on a  
16 tournament-by-tournament basis.

17 (c) Within six months of the operative date of this chapter, the  
18 Franchise Tax Board shall publish a form to be used annually by  
19 a licensee to ensure that the state is able to collect income tax  
20 revenues from registered players. The Franchise Tax Board shall  
21 provide a date by which the form is required to be filed. The form  
22 shall include, but shall not be limited to, the following information:

23 (1) The registered player's first name and surname.

24 (2) Social security number.

25 (3) The total amount the registered player deposited in his or  
26 her account during the year.

27 (4) The registered player's total winnings, if any, during the  
28 year.

29 (5) The registered player's total losses, if any, during the year.

30 (6) The total amount withheld by the licensee, if any, during  
31 the year for purposes of federal or state income taxes.

32 (7) Whether the registered player opened or closed his or her  
33 account during the year.

34 (d) The licensee shall electronically file a copy of the form with  
35 the Franchise Tax Board for each registered player who held an  
36 account with the licensee for all, or any portion of, the taxable  
37 year. The licensee shall electronically provide each registered  
38 player with a copy of the form.

39 19990.60. (a) A security interest in a licensee shall not be  
40 enforced without the prior approval of the department.

1 (b) It is unlawful for any person to sell, purchase, lease,  
2 hypothecate, borrow, or loan money, or create a voting trust  
3 agreement or any other agreement of any sort with a licensee or  
4 with respect to any portion of the provision of authorized games,  
5 except in accordance with the department.

6 (c) Every licensee that is involved in a transaction for the  
7 extension or redemption of credit by the licensee, or for the  
8 payment, receipt, or transfer of coin, currency, or other monetary  
9 instruments, as specified by the department, in an amount,  
10 denomination, or amount and denomination, or under  
11 circumstances prescribed by regulation, and any other participant  
12 in the transaction, as specified by the department, shall, if required  
13 by regulation, make and retain a record of, or file with the  
14 department a report on, the transaction, at the time and in the  
15 manner prescribed by regulation.

16 19990.61. (a) A licensee shall act expeditiously to cure any  
17 violation of this chapter, or any regulation adopted pursuant to this  
18 chapter, in the offer or administration of authorized games that  
19 interferes with its obligations to the state or registered players  
20 under this chapter.

21 (b) If a licensee becomes aware of any violation, it shall notify  
22 the department immediately and work with the department to  
23 develop a plan to rectify the violation.

24 (c) If the department becomes aware of any violation, or if it  
25 becomes aware of any activities that might lead to a violation, the  
26 department shall provide notice of that violation to the licensee  
27 and a reasonable opportunity to cure the violation.

28 (d) All state agencies with responsibilities under this chapter  
29 shall report any actual or suspected violation of this chapter, or  
30 any regulation adopted pursuant to this chapter, or activities that  
31 may lead to such a violation, to the department immediately so  
32 that the department can assess whether it needs to commence an  
33 investigation or enforcement action.

34 (e) A licensee shall be afforded a reasonable time period to cure  
35 any reported violation. The department may assess penalties for  
36 any violation of this chapter, or any regulation adopted pursuant  
37 to this chapter.

38 (f) The department shall have the subpoena power in an  
39 investigation of any violation of this chapter, or any regulation  
40 adopted pursuant to this chapter.

1 (g) The department may revoke or suspend any license or work  
2 permit under this chapter upon reaching a finding that the licensee  
3 or employee is in violation of any provision of this chapter, or any  
4 regulation adopted pursuant to this chapter.

5 (h) A licensee may appeal any decision of the department  
6 pursuant to this section to the superior court. The superior court  
7 shall hear any appeal de novo.

8 19990.62. The department shall protect the rights and assets  
9 of registered players on an intrastate Internet gambling Web site  
10 if the licensee’s license pursuant to this chapter is revoked or the  
11 licensee becomes bankrupt.

12 19990.63. (a) A licensee shall at all times indemnify, defend,  
13 and hold harmless the state and its agencies from and against any  
14 claims, damages, liabilities, costs, and expenses, including, but  
15 not limited to, reasonable attorney’s fees and expenses arising out  
16 of any third-party claim made against the state or any of its  
17 agencies relating to actions of the licensee and this chapter.  
18 However, the state shall not enter into a settlement agreement  
19 related to any of those claims, damages, liabilities, costs, or  
20 expenses without the prior written approval of the licensee.

21 (b) The state and its agencies shall promptly notify a licensee  
22 of any claim or litigation to which the indemnity set forth in Section  
23 19990.62 applies.

24 (c) At the option of a licensee, it may assume the defense of  
25 any claim or litigation. If a licensee assumes the defense of any  
26 claim or litigation, the licensee’s obligation with respect thereto  
27 shall be limited to the payment of any settlement approved by the  
28 licensee, or any judgment in connection with that claim or  
29 litigation.

30

31 Article 6. Authority of State Agencies

32

33 19990.70. (a) (1) The department, and any other state agency  
34 with a duty pursuant to this chapter, shall adopt regulations, in  
35 consultation with the commission, to implement this chapter and  
36 facilitate the operation of intrastate Internet gambling Web sites  
37 in compliance with this chapter no later than 12 months after the  
38 operative date of this chapter.

39 (2) The regulations adopted by the department shall address  
40 underage gambling and problem gambling.



1 (b) (1) Each state agency with a duty pursuant to this chapter  
2 shall identify a contact person at that agency and describe the  
3 responsibility of the contact with respect to the state agency's duty.

4 (2) Any notice provided by a licensee to a state agency pursuant  
5 to this chapter shall be addressed to the contact identified by the  
6 state agency pursuant to paragraph (1).

7 (3) Unless otherwise provided by this chapter, notice by a  
8 licensee to the state shall be deemed effectively given upon  
9 personal delivery, three days after deposit in the United States mail  
10 by certified or registered mail, return receipt requested, one  
11 business day after its deposit with any return receipt express  
12 courier, prepaid, or one business day after electronically confirmed  
13 transmission by facsimile.

14 19990.71. The Legislature may, by a statute adopted by a  
15 majority vote of both houses, do either of the following:

16 (a) Opt out of, or opt into, any federal framework for Internet  
17 gambling.

18 (b) If the United States Department of Justice notifies the  
19 department in writing that it is permissible under federal law, enter  
20 into any agreement with other states to provide Internet gambling.

21 19990.72. The department may outsource its regulatory  
22 functions under this chapter where optimal to provide efficient,  
23 effective, and robust regulation with access to worldwide expertise  
24 tested and proven in the gambling industry.

25  
26 Article 7. Protection of Registered Players  
27

28 19990.75. A licensee shall use its best efforts to protect  
29 registered players. Subject to the approval of the department, and  
30 consistent with uniform standards established by the department  
31 by regulation, each licensee shall establish administrative  
32 procedures to resolve registered player complaints.

33 19990.76. In the event a registered player has a complaint  
34 against a licensee, the exclusive remedy shall be to register the  
35 complaint with the department, unless an action is brought pursuant  
36 to the remedies described in subdivision (j) of Section 19990.47.

37 19990.77. (a) The department, in consultation with the  
38 commission, shall establish regulations with respect to registered  
39 player complaints.

1 (b) Under the regulations, the department shall do all of the  
2 following:

3 (1) Investigate registered player complaints to determine if a  
4 licensee has failed to meet its obligations to a registered player.

5 (2) Attempt to resolve complaints by registered players if a  
6 licensee fails to meet an obligation to a registered player.

7 (3) Initiate enforcement actions to require specific performance  
8 of any obligation that a licensee has to a registered player and  
9 payment by the licensee of restitution to a registered player for  
10 actual losses and interest thereon.

11 19990.78. A licensee may appeal any action by the department  
12 pursuant to this article to the superior court, which shall review  
13 the appeal de novo.

14

15 Article 8. Disposition of State Regulatory Proceeds

16

17 19990.86. (a) The Treasurer shall transfer all amounts received  
18 from a licensee pursuant to subdivision (c) of Section 19990.58  
19 to the Controller for deposit in the Internet Gambling Fund, which  
20 is created in the State Treasury, to be administered by the  
21 Controller subject to annual appropriation by the Legislature. These  
22 amounts shall not be subject to the formulas established by statute  
23 directing expenditures from the General Fund.

24 (b) The state agencies shall submit revenue needs to fulfill their  
25 obligations under this chapter for the upcoming fiscal year to the  
26 Senate Committee on Budget and Fiscal Review and the Assembly  
27 Committee on Budget, as well as the Senate and Assembly  
28 Committees on Governmental Organization and the Department  
29 of Finance on or before March 31 of the preceding fiscal year. A  
30 justification of those costs shall be provided with each submission  
31 of revenue needs.

32 (c) The State Department of Alcohol and Drug Programs, Office  
33 of Problem Gambling, shall submit revenue needs for programs  
34 to alleviate problem gambling that results from the offering of  
35 authorized games for the upcoming fiscal year to the Senate  
36 Committee on Budget and Fiscal Review and the Assembly  
37 Committee on Budget, as well as the Senate and Assembly  
38 Committees on Governmental Organization, the Senate and  
39 Assembly Committees on Human Services, and the Department  
40 of Finance on or before March 31 of the preceding fiscal year. A

1 justification of those costs shall be provided with each submission  
2 of revenue needs.

3 (d) All remaining proceeds not allocated to subdivisions (b) and  
4 (c) shall remain in the Internet Gambling Fund subject to  
5 appropriation by the Legislature.

6  
7 Article 9. Preemption of Local Regulation

8  
9 19990.90. A city, county, or city and county shall not regulate,  
10 tax, or enter into a contract with respect to any matter related to  
11 this chapter. This section shall not prohibit or limit the investigation  
12 and prosecution of any violation of this chapter.

13  
14 Article 10. Reports to the Legislature

15  
16 19990.95. Notwithstanding Section 10231.5 of the Government  
17 Code, within one year of the operative date of this chapter and,  
18 annually thereafter, the department, in consultation with the  
19 commission, the Treasurer, and the Franchise Tax Board, shall  
20 issue a report to the Legislature describing the state's efforts to  
21 meet the policy goals articulated in this chapter. The report shall  
22 be submitted in compliance with Section 9795 of the Government  
23 Code.

24 19990.96. (a) At least two years after the issue date of any  
25 license pursuant to this chapter, but no later than three years after  
26 that date, the Bureau of State Audits shall issue a report to the  
27 Legislature detailing the implementation of this chapter. The State  
28 Auditor may advise the Legislature on any recommendations  
29 regarding the terms of licensure, including the consideration paid  
30 to the state, the economic and operational impacts upon the licensee  
31 and the state, and any other issues that may be relevant to the state's  
32 decision whether to impose modifications on existing licensees.  
33 The report may also advise the Legislature as to any proposed  
34 changes to Article 5 (commencing with Section 19990.30) of this  
35 chapter. The State Auditor shall advise the Legislature whether  
36 continuation of the moratorium on state gaming contained in  
37 Section 19962 is justified, given statewide competition with  
38 legalized Internet gambling.

1 (b) A report submitted pursuant to subdivision (a) shall be  
2 submitted in compliance with Section 9795 of the Government  
3 Code.

4 (c) Pursuant to Section 10231.5 of the Government Code, this  
5 section is repealed on January 1, 2019.

6 SEC. 2. The Legislature finds and declares that Section 1 of  
7 this act, which adds Chapter 5.2 (commencing with Section  
8 19990.01) to Division 8 of the Business and Professions Code,  
9 imposes a limitation on the public’s right of access to the meetings  
10 of public bodies or the writings of public officials and agencies  
11 within the meaning of Section 3 of Article I of the California  
12 Constitution. Pursuant to that constitutional provision, the  
13 Legislature makes the following findings to demonstrate the interest  
14 protected by this limitation and the need for protecting that interest:

15 The limitations on the people’s rights of access set forth in this  
16 chapter are necessary to protect the privacy and integrity of  
17 information submitted by the registered players as well as the  
18 proprietary information of the license applicants and licensees.

19 SEC. 3. No reimbursement is required by this act pursuant to  
20 Section 6 of Article XIII B of the California Constitution because  
21 the only costs that may be incurred by a local agency or school  
22 district will be incurred because this act creates a new crime or  
23 infraction, eliminates a crime or infraction, or changes the penalty  
24 for a crime or infraction, within the meaning of Section 17556 of  
25 the Government Code, or changes the definition of a crime within  
26 the meaning of Section 6 of Article XIII B of the California  
27 Constitution.

28 SEC. 4. This act is an urgency statute necessary for the  
29 immediate preservation of the public peace, health, or safety within  
30 the meaning of Article IV of the Constitution and shall go into  
31 immediate effect. The facts constituting the necessity are:

32 In order to protect the interests of Californians who play online  
33 gambling games and to ensure that people play fair games, that  
34 the state realizes the revenues, and that suitable persons operate  
35 online gambling Internet Web sites, it is necessary that this act  
36 take effect immediately.

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## CALIFORNIA HORSE RACING BOARD



Los Alamitos Race Course  
 4961 E. Katella Avenue  
 Los Alamitos, CA 90720

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CHRB NEWS RELEASE

FEBRUARY 24, 2012

### SUMMARY OF CHRB ACTIONS AND DISCUSSIONS 2-23-12

ARCADIA, CA – The California Horse Racing Board conducted its regular meeting Thursday, February 23, at Santa Anita Park. Chairman Keith Brackpool presided. Vice Chairman David Israel and Commissioners Jesse Choper, Bo Derek, Jerry Moss, and Richard Rosenberg were in attendance.

The audio of this entire Board meeting is available on the CHRB Website ([www.chrb.ca.gov](http://www.chrb.ca.gov)) under the [Webcast](#) link. In brief:

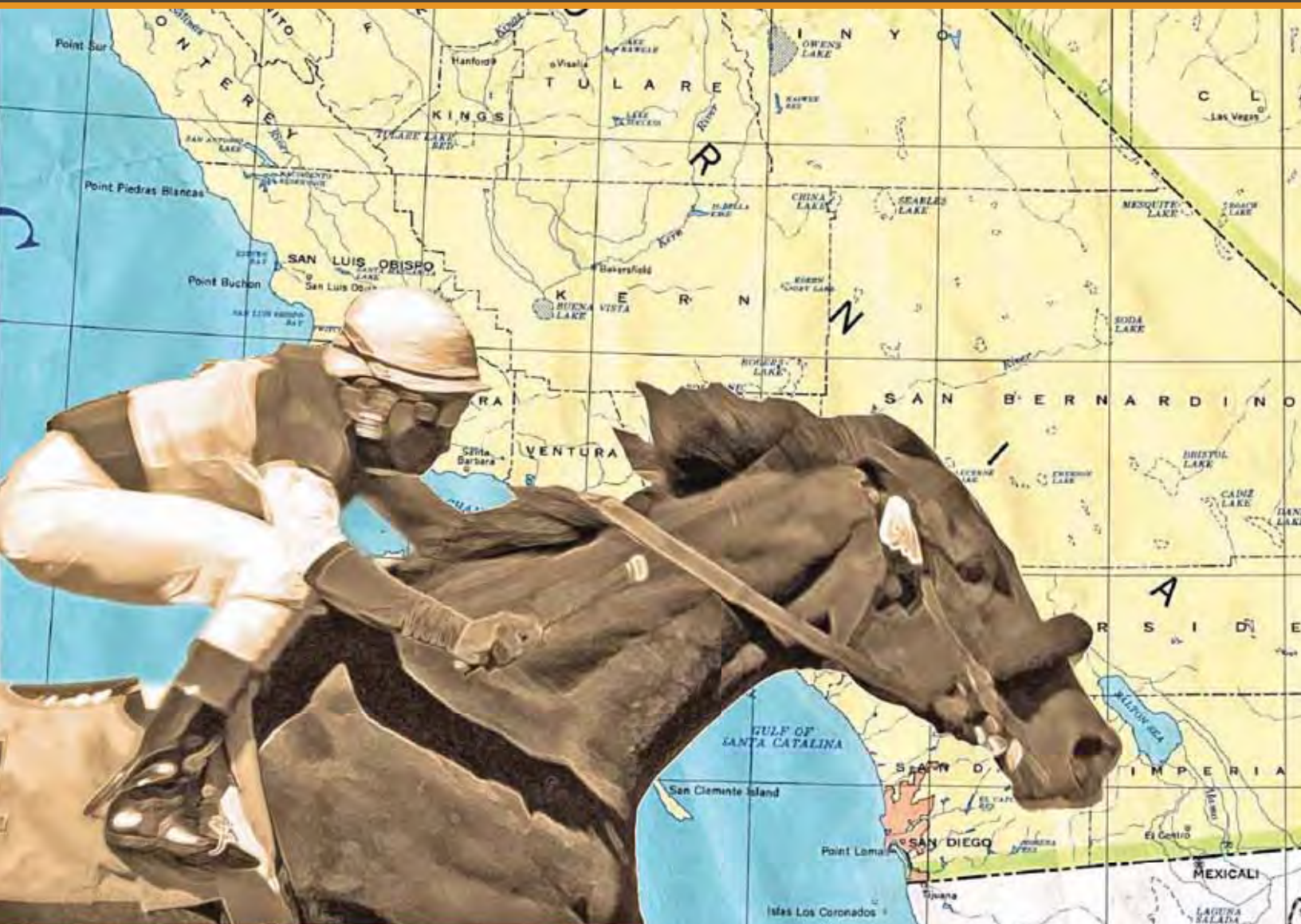
- The Board accepted the 2012 marketing and promotion plan from the California Marketing Committee and praised the thoroughness of the report, which projects expenditures of \$1,654,000 for the year. The entire CMC report is available on the CHRB Website through the links Board/Meeting Packages/February 2012.
- The Board authorized Cal Expo to amend its license application to eliminate Thursday night racing through the end of the current meet (June 16), meaning harness racing will be offered two nights a week, Friday and Saturday. However, Cal Expo will be required to race Thursday nights if the horse inventory reaches a designated level.
- Representatives of the Stronach Group reported on plans to publicly offer shares in six racing companies, each with a stable of horses. The individual companies will be licensed in the states in which they run, including California.
- The Board put over until the March meeting consideration of Hollywood Park's license application to conduct a thoroughbred meet that will open Thursday, April 26.
- Vice Chairman David Israel and Commissioner Richard Rosenberg reported briefly on the February 9 meeting of the Exchange Wagering Ad Hoc Committee. They noted that a complete transcript of the meeting is available on the CHRB Website (through the Board/Meeting Transcripts links) as well as an audio record of the meeting (through the Board/Webcast/Archive links).
- Chairman Brackpool closed the public meeting by thanking Commissioner Moss for his eight years of service on the Board. Commissioner Moss was first appointed to the Board by Governor Arnold Schwarzenegger on February 24, 2004, and then reappointed to a second term through January 1, 2012.

#



# *California Marketing Committee Report to the California Horse Racing Board*

*Programs • Budgets • Financials*



*February 2012*

# Major Participating California Racing Entities

## Associations



## Fair Tracks



## Horsemen's Organizations



## Fair Satellites



## Casino Satellites



## Mini-Satellites





Honorable Keith Brackpool, Chairman  
California Horse Racing Board

Dear Chairman Brackpool,

In accordance with California statute, the California Marketing Committee respectfully offers this report to the Board and to the California racing industry.

CMC continues to provide a forum in which it receives input from all interested industry participants as it considers allocation of available funding for marketing and promotion of Thoroughbred racing. This report describes the CMC plan for 2012, encompassing all geographical zones in California, and the manner in which funds were expended in the implementation of its programs in 2011.

Revenues available for CMC programs have declined in recent years because of economic conditions and changes in legislation. This trend has resulted in fewer, more targeted programs with an emphasis on measurable results. While CMC strives to ensure that its programs achieve the greatest positive impact for dollars spent, on-going industry discussions may include an evaluation of the utility of continuing CMC in its present form.

CMC will continue to fund its popular Calracing.com Website which offers streaming video and replays for CA racing fans. Starting this year, CMC programs will seek to enhance our racing product through targeted stakes supplements for Cal-breds and two-year-olds and, additionally, through structured recruitment programs. A Paddock Sale, planned for Del Mar in July, is intended to offer California racing fans an entertaining and educational insight into the exciting world of Thoroughbred ownership.

It is CMC's desire that this Report contribute to an on-going and constructive discussion of how best to assure a secure and sustainable future for Thoroughbred racing in California.

Respectfully submitted,

California Marketing Committee  
February 2012



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### Appendices & Attachments

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## Overview & Introduction



### Overview & Introduction

Description of the overview and structure of the California Marketing Committee. Includes information on the organization's historical activity and current structure.

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I. Overview & Introduction

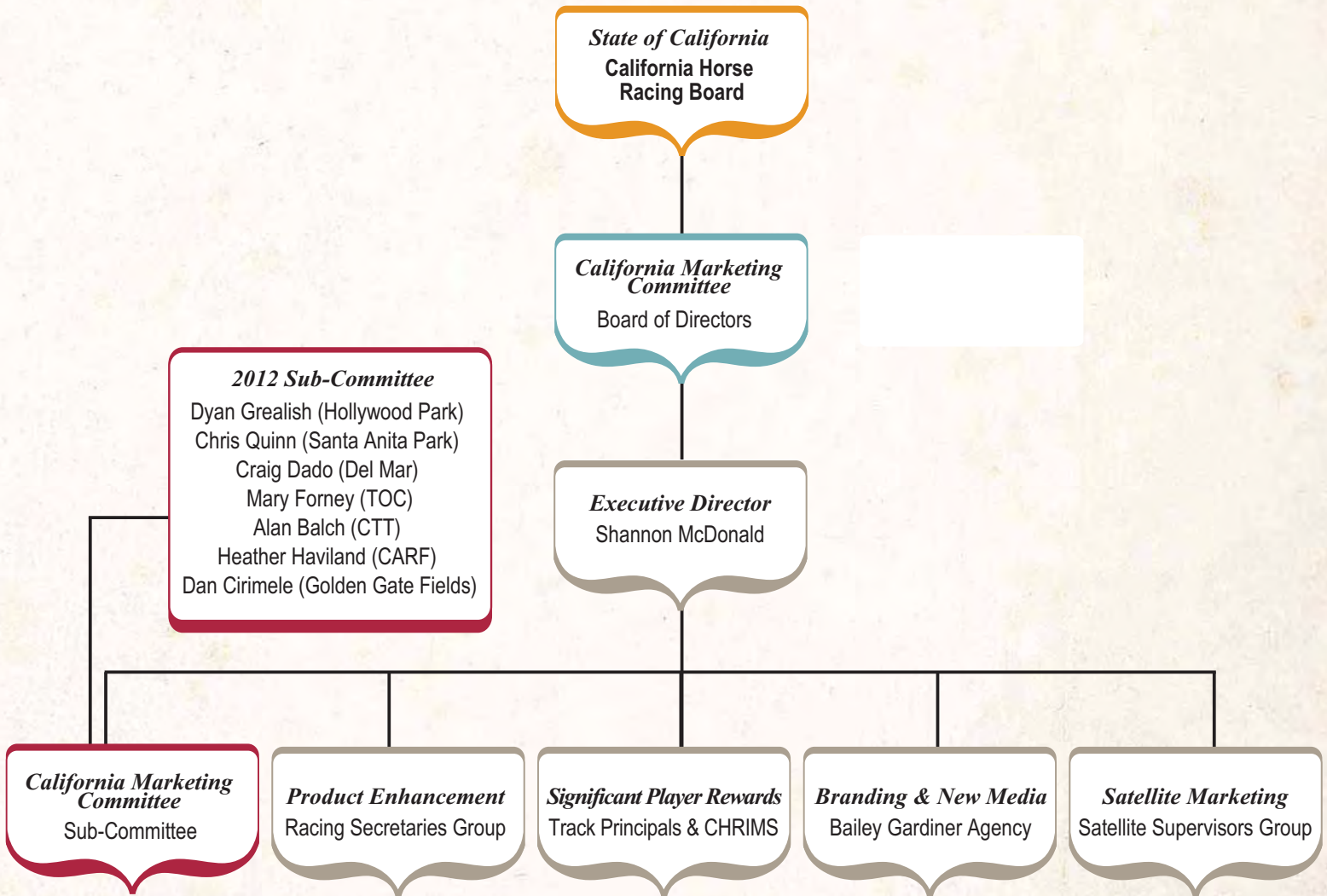
# Board & Committee Structure

**CMC 2012 Co-Chairs: Christopher Korby (CARF) and Dyan Grealish (Hollywood Park)**



**2012 Board of Directors**

- Thoroughbred Racing Associations: Dyan Grealish (Hollywood Park)  
Greg Avioli (Santa Anita Park)
- Thoroughbred Horsemen: Lou Raffetto (TOC)  
Billy Koch (TOC)
- Live Racing & Satellite Fairs: Christopher Korby (CARF)  
Kelly Violini (Monterey County Fair)



# Overview & Structure

## CMC SEES AS ITS PURPOSE THE ALLOCATION OF RESOURCES AT A STATEWIDE LEVEL TO COMPLEMENT AND SUPPLEMENT, NOT SUPPLANT, THE MARKETING EFFORTS UNDERTAKEN BY INDIVIDUAL RACE TRACKS AND FAIRS

The California Marketing Committee (CMC) is a statewide marketing organization formed to market and promote Thoroughbred horse racing pursuant to Business and Professions Code Section 19605.73. Statute requires that CMC voting members include two representatives each from Thoroughbred racing associations, Thoroughbred horsemen and from Fairs.

The CMC Board currently consists of the following members:

- Dyan Grealish and Greg Avioli representing Thoroughbred racing associations
- Lou Raffetto and Billy Koch representing Thoroughbred horsemen
- Kelly Violini and Christopher Korby representing Fairs

Dyan Grealish and Christopher Korby are the current CMC Co-Chairs.

Programs currently funded by CMC include promotion of California Thoroughbred and Fair racing through the establishment and maintenance of an Internet Web site; marketing and promotion of our product using social media sites; enhancement of our racing product through recruitment efforts and purse incentives; promotional funding and support for new mini-satellites; the establishment and administration of players incentive programs for those who wager on Thoroughbred races; and promotional activities at satellite wagering facilities to increase their attendance and handle.

The California Marketing Committee meets not less than four times per year. A Subcommittee of CMC meets monthly and acts as a second, more informal forum to encourage further participation and seek input from key industry participants. Subcommittee members currently include Dyan Grealish (Hollywood Park Marketing Department), Chris Quinn (Santa Anita Marketing Department), Craig Dado (Del Mar Marketing Department), Heather Haviland (CARF Director of Marketing), Mary Forney (TOC), Alan Balch (CTT) and Dan Cirimele (Golden Gate Feilds).

In addition, the CMC works collaboratively and in tandem with many additional industry groups and representatives to solicit and vet ideas and concepts that will promote California Thoroughbred racing and enhance our product. These groups and representatives include all Thoroughbred racing associations, California Authority of Racing Fairs, (CARF), Thoroughbred Owners of California (TOC), California Thoroughbred Trainers (CTT), California Thoroughbred Breeders' Associations (CTBA), Racing Secretaries and facility marketing personnel, CHRIMS, SCOTWinc, NCOTWinc. and others.



# Overview & Structure

## *HISTORICAL PERSPECTIVE*

Since its inception in 1999, the CMC has served as an industry forum and funding source for a wide variety of statewide marketing initiatives and programs designed to promote and enhance Thoroughbred racing in California. Many of these initiatives and programs would not have been possible to launch or maintain without the CMC. Equally important the CMC has been a strategy incubator and catalyst for marketing and promoting our product. The CMC has facilitated open communication and collaboration, across stakeholder interests, CMC has always worked to support and promote marketing initiatives and programs for the benefit of California Thoroughbred racing, whether conducted private associations or by Fairs. CMC sees as its purpose the allocation of resources at a statewide level to complement and supplement, not supplant, the marketing efforts undertaken by individual race tracks and Fairs.

In this context, it's important to note that recent changes in legislation substantially reduced the funding available to CMC. For example, in 2010, the CMC budgeted revenues of \$3.4 million; the 2012 budget reflects projected revenues of \$1.8 million. The reductions in funding and limited resources have made it increasingly important that CMC use available funds for targeted programs designed to have specific impacts.



## Budget



### Budget

Includes 2011 and 2012 budget with brief program descriptions.

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II. Budget

# 2011 Budget

	BUDGET	PROJECTED YEAR-END
<b>SIGNIFICANT PLAYER PROGRAM</b>		
Same Description as 2012 budget. Incentive payments declined in 2011 leaving a \$350,000 budget surplus.	700,000	349,487.89
<b>SATELLITE MARKETING</b>		
Same Description as 2012 budget.	250,000	250,000.00
<b>PUBLIC RELATIONS &amp; BRANDING CAMPAIGN</b>		
Analysis from the R&D phase will be leveraged to inform the marketing and branding efforts. Comparing perceptions from horsemen and the general public will enable Bailey Gardiner and CMC to further understand the insider vs. outsider differences in opinions about leading issues and potential solutions. This will drive strategy in creating brand positioning, identity, experience, and ongoing brand management for the creation of new Cal Racing campaign. The research and branding will guide the public relations program which will support two goals. One will be to increase awareness with the consumer about Cal Racing and all the positive attributes attached to it. The other will be to monitor, participate and correct the critical and often negative conversation going on in the industry about Cal Racing.	500,000	550,067.00
<b>CALRACING WEBSITE</b>		
Calracing.com appeals to owners, trainers and fans alike and provides a place to host free live video and free replays of California races. Feedback regarding the website continues to be overwhelmingly positive from all segments of the industry. The site also continues to be a strong vehicle for posting positive stories on California racing to combat some negative stereotypes, such as medication issues and workers compensation concerns. On average, there are 7,500 visits to the site each weekend day, with 5,800 on average per weekday. In the last eleven months, over 1.7 million visits to the site have been captured.	88,500	106,888.75
<b>RACE RESULTS LINE</b>		
To provide better service to our customers, a statewide free race results line was launched in 2007. For 2010, on average, the line handles over 55,000 calls per week, with nearly 2.8 million in estimated total annual calls.	200,000	192,619.55
<b>RACING KIOSKS</b>		
Funding toward the creation of two mobile kiosks that will promote California racing. One each will be placed in Northern and Southern California. This is a collaborative project between the tracks and Local 280.	10,000	15,061.80
<b>ADMINISTRATION</b>		
Directors and Officers insurance, accounting audit, office expenses, meeting expenses, business and legal expenses, staff salary and benefits.	160,000	188,129.06
<b>CAL-BRED PROGRAM ACCRUAL</b>		
CMC decided to include an accrual for Cal-bred stakes payable in 2012 and 2013. Please see page 12 for additional information.	0	800,000.00
<b>TOTAL</b>	<b>1,908,500</b>	<b>2,452,254.05</b>
<b>FUND GENERATION - PROJECTED</b>	<b>1,846,529</b>	<b>1,952,695.00</b>
<b>(OVER) / UNDER</b>	<b>(61,971)</b>	<b>(499,559.05)</b>
<b>PRIOR YEAR ACCUMULATED SURPLUS</b>	<b>315,415</b>	<b>315,415.18</b>
<b>FUND BALANCE</b>	<b>253,444</b>	<b>(184,143.87)</b>

# 2012 Budget

## BUDGET

### SIGNIFICANT PLAYER PROGRAM

Significant Player rewards is an incentive program for players who wager a minimum of \$20,000 per month. Players receive a tiered reward based on their play - varying from 1% to 3%. Players participate under a variety of track frequent fan programs by using a designated club card to place their wagers. This program allows us to identify and stay connected with our most valuable players. The program, often in conjunction with local track programs, also helps attract players to our pools who may be wagering elsewhere. Through Oct. 2011, over 72 unique players participated and qualified under the program, wagering over 17 million in California handle.

**500,000.00**

### SATELLITE MARKETING

Satellite Marketing allocation will be used for marketing efforts to promote the California Off-Track Satellite Network, a network of twenty-seven satellite facilities made up of Fairs, tribal casinos and mini-satellites throughout the state. Satellite Marketing programs include the following: CalRacing Club, a card-based satellite customer retention program, which currently consists of 12,500 of California's core horseplayers; statewide giveaways, coordinated closely with tracks; e-mail campaigns and collaborative promotions, such as the current Free Form Fridays during Hollywood Park's Fall meeting. These programs are designed to reward existing customers while generating incremental increases on targeted days at a cost of less than \$10,000 per facility. In 2010, these satellite facilities generated over \$405 million in handle; from that \$405 million in handle, \$1.57 million was distributed to the CMC Promotional Fund and over \$20.7 million was distributed to purses.

**270,000.00**

### BRANDING & NEW MEDIA

Branding and New Media allocation will support calracing.com, Public Relations and Social Media outreach and the Race Results Line. Calracing.com appeals to owners, trainers and fans alike and provides a place to host free live video and free replays of California races. The site also continues to be a vehicle for posting positive stories on California racing to combat some negative stereotypes. Public Relations outreach will focus on lifestyle events at the tracks while Social Media will continue to focus on Facebook and the 'Inner Jockey' micro site. Race Results Line support will continue in 2012 at a marked reduction in operating cost. The line will change from a toll free call to a caller paid call. The objective will be to transition many of those patrons who do have internet access from the race results line to calracing.com for free replays.

**180,000.00**

### PRODUCT ENHANCEMENT

A new program designed to bolster two-year-old stakes races in both Northern and Southern California. Since the Breeders' Cup added several two-year-old championship season-end events, California was lacking in providing necessary preparatory events to support those new races. CMC funding will be used to support existing two-year-old stakes sprints, as well as aid in the creation of several new two-year-old route turf stakes. This new program will encourage the breeding and importation of young horses to California. Additionally, some funding will be allocated to financially assist the importation of other horses to California.

**500,000.00**

### NEW MINI-SATELLITE SUPPORT

A co-op budget, with funds derived from new mini-satellites, Sportech and CMC, has been established for 2012 to advertise and promote new locations. Based on five startups, \$75,000 would be earmarked for advertising and promotion of the new locations through print, outdoor, radio and direct mail media as well as database farming and localized promotions such as handicapping contests, betting vouchers and special events. In addition \$20,000, funded by Sportech and CMC, has been earmarked for mini-satellite awareness advertising, reaching potential new locations primarily through targeted direct mail.

**29,000.00**

### ADMINISTRATION

Directors and Officers insurance, accounting audit, office expenses, meeting expenses, business and legal expenses, staff salary and benefits.

**175,000.00**

\*CMC Board approved \$800,000 accrual on 11/18/2011 for Cal-Bred program disbursements in 2012 (\$400,000) and 2013 (\$400,000). Please see page 12 for additional information.

<b>TOTAL</b>	<b>1,654,000.00</b>
<b>FUND GENERATION - PROJECTED</b>	<b>1,800,000.00</b>
<b>(OVER) / UNDER</b>	<b>146,000.00</b>
<b>PRIOR YEAR ACCUMULATED SURPLUS</b>	<b>(182,910.46)</b>
<b>BALANCE</b>	<b>(36,910.46)*</b>



# Miscellaneous Budget Notes

## ***SIGNIFICANT PLAYER PROGRAM - Annual CMC Budget Allocation to Pre-Fund Potential Liabilities for Incentive Rewards***

During the annual CMC budget preparation, CMC staff formulates projections of the potential financial liabilities that might be paid out for incentive rewards under that year's Significant Player Program. CMC has elected to use a conservative fiscal approach in its projection of potential liabilities in order to ensure that the Significant Player Program remains solvent. In some years, when awards are paid at a lower amount than projected in the budget, this conservative approach results in an unpaid balance ("surplus accrual") at the end of the year. From time to time, and with formal approval from the Committee, this accrual is used to fund other CMC programs, such as the Cal-Bred Stakes Program described below.

## ***CAL-BRED STAKES PROGRAM - 2011 \$800,000 CMC Accrual for 2012 and 2013***

Racing in California is highly dependent on Cal bred horses in that over time Cal bred horses have represented 50% of the horses racing in California. From 2003 to 2011, the California foal crop has declined 53% from 3,867 to an estimated 1,800. This decline must be blunted in order to preserve California racing.

In order to stimulate the breeding of Cal bred horses, the CMC and the CTBA jointly undertook the supplemental funding of purses for 18 Cal bred stakes races for two and three year olds in both 2012 and 2013. Because horses will be nominated for these races early in 2012, yearlings purchased in 2011 and future breeding commitments made in reliance on the existence of these races in 2012 and 2013, the funding of these races had to be in place in 2011 even though their actual funding would be postponed until 2012 and 2013.

When the accrual was authorized, it was estimated the CMC at 2011 year end would have a surplus of \$700,000 and it was recognized that any 2011 shortfall in revenue would have to be covered in 2012 and/or 2013. Section 19605.73 specifically contemplates revenue in a later year being available to cover a shortfall in an earlier year. The \$800,000 accrual in 2011, as required by Section 19605.73, will be formally disclosed in CMC's fourth quarter report to the Board.



## CMC Programs



### CMC Programs

In-depth description of the programs funded, in whole or part, by the 2012 California Marketing Committee Budget.

<u>Significant Player Rewards</u>	<u>14</u>
<u>Satellite Marketing</u>	<u>16</u>
<u>Branding &amp; New Media</u>	<u>20</u>
<u>Product Enhancement</u>	<u>28</u>
<u>Mini-Satellite Facility Support</u>	<u>30</u>

# Significant Player Program

**PROGRAM OBJECTIVE:** Keep big California players betting in California.

**SYNOPSIS:** Significant Player Rewards provides an important marketing incentive to keep California patrons wagering at California locations. The program helps us identify and retain very large players keeping them wagering within our pools. The program also helps attract new large players that may be currently wagering elsewhere.

**PROGRAM DETAILS:** Significant Player rewards is an incentive program for players who wager a minimum of \$20,000 per month. Players receive a tiered reward based on their play - varying from 1% to 3%. Players participate under a variety of track frequent fan programs by using a designated club card to place their wagers. This program allows us to identify and stay connected with our most valuable players. The program, often in conjunction with local track programs, also helps attract players to our pools who may be wagering elsewhere. Through Oct. 2011, over 72 unique players participated and qualified under the program, wagering over \$17 million in California handle.

**SUCSESSES:** DMTC was able to attract a very large player using this program and local incentives combined. This player was not previously wagering in pari-mutuel pools. This new player has wagered more than \$1.2 million in CA handle in August/September.

**OBSERVATIONS:** We are spending 1.72% to keep significant players wagering directly with California host tracks. The distribution on these wagers contribute to all California pari-mutuel wagering funds. If these wagers were made via an ADW rebate site, California would lose more than 12% of the takeout. In most cases, California receives approximately 8% from out-of-state wagering ADW Providers. We are therefore spending 1.72% to receive the benefits of the additional 12% takeout distributed to California stakeholders. [Figures provided by CHRIMS].

# Significant Player Summary By Facility 2010/2011

## 2010

Month/Rewards/ Count	January	February	March	April	May	June	July	August	September	October	November	December	#	Grand Total	Unique 2010 players
<b>Track/Facility</b>															
Del Mar	\$8,664.16	\$7,222.70	\$10,925.34	\$2,157.66	\$1,095.58	\$1,575.80	\$20,656.87	\$91,780.05	\$14,061.71	\$1,481.24	\$863.79	\$750.31	3	\$161,235.21	33
Golden Gate Fields						\$359.89	\$442.43	\$802.32	\$297.43					\$1,902.07	2
Pleasanton					\$278.15		\$291.28	\$440.13	\$856.43					\$1,865.99	1
Shalimar (Indio)	\$323.70	\$239.65	\$358.63	\$348.30	\$263.01	\$257.06	\$575.07	\$544.43	\$285.97	\$249.54		\$248.36	1	\$3,693.72	1
San Bernardino (NOS)							\$206.50							\$206.50	1
San Mateo	\$694.68	\$208.75	\$444.28	\$459.15	\$550.97			\$731.13	\$444.13	\$217.79	\$206.23		1	\$3,957.11	3
Santa Anita	\$10,627.25	\$33,704.34	\$38,540.44	\$40,367.00	\$21,041.78	\$9,525.82	\$10,921.44	\$12,476.99	\$7,260.47	\$5,323.58	\$1,977.15	\$4,812.04	6	\$196,578.30	17
Hollywood Park	\$34,017.83	\$2,515.45	\$4,619.66	\$3,373.17	\$38,555.06	\$3,997.05	\$5,743.95	\$1,779.49	\$372.31	\$3,485.65	\$2,124.54	\$2,043.99	5	\$102,628.13	22
<b>Total 2010</b>	\$54,327.62	\$43,890.89	\$54,888.34	\$46,705.27	\$61,784.55	\$15,715.62	\$38,837.53	\$108,554.53	\$23,578.46	\$10,757.80	\$5,171.71	\$7,854.70	15	\$472,067.03	80

## 2011

Month/Rewards/ Count	January	February	March	April	May	June	July	August	September	October	November	December	#	Grand Total	Unique 2011 players
Del Mar	\$15,782.15	\$2,737.57	\$3,962.91	\$2,171.25	\$2,602.97	\$3,091.22	\$31,892.61	\$72,161.34	\$57,889.23	\$9,714.03	\$1,132.42		5	\$203,137.70	29
Golden Gate Fields				\$657.87	\$865.27	\$957.72	\$882.48	\$403.22		\$333.40	\$238.06		1	\$3,766.56	2
Pleasanton							\$335.21							\$906.67	1
Shalimar (Indio)	\$280.44	\$221.40		\$341.40	\$437.14			\$719.31	\$317.21	\$315.24	\$487.57		1	\$3,119.71	1
San Bernardino (NOS)							\$217.64							\$217.64	1
San Mateo			\$424.37	\$619.04	\$449.71	\$216.73	\$614.97	\$290.48	\$632.56	\$688.56			2	\$3,936.42	2
Santa Anita	\$7,524.65	\$10,259.57	\$13,161.38	\$8,913.24	\$2,923.70	\$2,259.55	\$5,757.32	\$3,786.31	\$2,217.98	\$12,696.11	\$969.32		2	\$70,469.13	16
Hollywood Park	\$5,349.10	\$2,862.83	\$3,137.05	\$9,327.44	\$7,043.95	\$3,080.29	\$3,754.36	\$2,276.71	\$1,275.64	\$2,552.24	\$2,437.73		6	\$43,097.34	19
Los Alamitos	\$234.65	\$296.71	\$213.71											\$745.06	1
<b>Total 2011</b>	\$29,170.99	\$16,378.07	\$20,899.42	\$22,030.24	\$14,322.75	\$9,605.51	\$43,454.59	\$79,637.37	\$62,332.62	\$26,299.57	\$5,265.10		15	\$329,396.22	72

# Satellite Marketing

**PROGRAM OBJECTIVES:** 1) increase overall attendance and participation in the Cal Racing Club (frequent fan program); and 2) increase California satellite handle on key days.

**SYNOPSIS:** Satellite Marketing programs help retain and attract new fans to racing via a variety of marketing and promotional events at existing satellite locations, satellites in California tribal casinos and new mini satellites.

**PROGRAM DETAILS:** 2011 Satellite Marketing programs included giveaways for each major California race meet (Del Mar – T-Shirt, Golden Gate Fields – Fleece Blanket, Hollywood Park – Sweatshirt, Santa Anita – Calendar). To pave the way for future e-promotions, the satellites conducted a month-long e-mail drive in November. Patrons were encouraged to provide a new or updated e-mail address to receive a CalRacing.com baseball cap (featuring the new CalRacing brand). Fridays during the Hollywood Park fall meet are traditionally days when facilities can use extra help in attracting customers. To encourage participation on those six specific Fridays, satellites conducted a promotion called “Free Form Fridays,” giving CalRacing Club patrons a free Friday edition Daily Racing Form. Satellites also conducted handicapping seminars and contests on an experimental level to determine a suitable statewide promotion for 2012.

**SUCCESSES:** John Bucalo (Barona supervisor) stated that Free Form Fridays was very well received by his guests. After the first day of the promotion, a patron stated that he was dining at a San Diego restaurant and overheard some talking about the “free Forms” they received at the Barona OTB.

Lenny Prendusi, a longtime satellite patron and racing fan from Santa Rosa, has expressed his sincere gratitude that the satellite patrons are once again able to participate in track giveaways.

**OBSERVATIONS:** CalRacing Club has 12,433 members (+12% since 2010, +42% since 2008). CalRacing Club members made 219,463 visits to CARF Fair satellites so far in 2011 (does not include casinos, minis or Surfside). We have collected 2,610 valid e-mail addresses (21% of database) through e-promotions. Satellites are currently tracking 27% of their daily attendance through the CalRacing Club.

## Satellite Marketing CalRacing Club Membership Statistics (through December 12, 2011)

The CalRacing Club is a card-based player retention program that was implemented at California Fair satellites on May 1, 2006. At that time, Fair satellites had a database through the Golden State Rewards Network consisting of 1,854 members.

2011 Satellite Marketing programs included giveaways for each major California race meet (Del Mar – T-Shirt, Golden Gate Fields – Fleece Blanket, Hollywood Park – Sweatshirt, Santa Anita – Calendar). To pave the way for future e-promotions, the satellites conducted a month-long e-mail drive in November. Patrons were encouraged to provide a new or updated e-mail address to receive a CalRacing.com baseball cap (featuring the new CalRacing brand). Fridays during the Hollywood Park fall meet are traditionally days when facilities can use extra help in attracting customers. To encourage participation on those six specific Fridays, satellites conducted a promotion called “Free Form Fridays,” giving CalRacing Club patrons a free Friday edition Daily Racing Form. Satellites also conducted handicapping seminars and contests on an experimental level to determine a suitable statewide promotion for 2012.

- CalRacing Club Members\* – 12,433 (+12% since 2010, +42% since 2008).
- CalRacing Club Satellite Visits in 2011 – 219,463
- Results from drive to collect e-mail addresses – 2,610 e-mail addresses (21% of total database)
- Satellites are currently tracking 27% of their daily attendance through the CalRacing Club system.

Below are examples of individual sites:

Bakersfield – 40%  
Lancaster – 51%  
Sacramento – 45%  
San Mateo – 30%  
Vallejo – 37%  
Victorville – 48%

Satellites Participating in 2011 Satellite Marketing (27 sites):

- |                           |                         |
|---------------------------|-------------------------|
| 1. Barona Casino          | 15. Sacramento          |
| 2. Fantasy Springs Casino | 16. San Bernardino      |
| 3. Commerce Casino        | 17. San Jose            |
| 4. Sycuan Casino          | 18. San Mateo           |
| 5. Viejas Casino          | 19. Santa Rosa          |
| 6. Anderson               | 20. Shalimar/Indio      |
| 7. Bakersfield            | 21. Stockton            |
| 8. Fresno                 | 22. Surfside Race Place |
| 9. Fresno Club One        | 23. Tulare              |
| 10. Lake Perris           | 24. Turlock             |
| 11. Lancaster             | 25. Vallejo             |
| 12. Monterey              | 26. Ventura             |
| 13. OC Tavern             | 27. Victorville         |
| 14. Pleasanton            |                         |

\* Figures do NOT include Surfside Race Place Diamond Club and casino satellite databases.

# **FREE\* Ball Cap**

**Starting November 19**



**\* Give us a valid e-mail address and we'll give you a cap. Your e-mail address will be used for future e-mail only giveaways. Visit the admissions area for details.**

**Promotion will run Nov. 19 - Dec. 18, 2011. One cap per patron while supplies last.**



**Cal Racing**

**FUN RUNS HERE.**

**FREE**

# *Form* Fridays



## **Bet with the best on Fridays during the Hollywood Park Fall Meet**



Get a free Friday edition of *Daily Racing Form* at select California off-track betting locations from November 11 – December 16.

Must be a CalRacing Club or Diamond Club member (membership is free). One per week per person while supplies last. Contact your local satellite for details. Diamond Club members may only redeem at Surfside Race Place in Del Mar.



# Branding & New Media - 2012

**PROGRAM OBJECTIVES:** Use current technologies to reach out to the more casual fan.

**PROGRAM DETAILS:** The Branding and New Media Program will continue to support, market and promote fan friendly initiatives such as calracing.com which highlights our unique statewide free replays and live video. Public Relations and Social Media will also continue to be supported under this budget category. Objectives are to continue using current technologies to reach out to the more casual fan who is often younger and more interested in the 'lifestyle' aspect of racing. The Race Results Line program will be restructured at a substantial savings while still providing an important customer service for some of our core players who may not be computer users.

**SUCSESSES:**

- Just under 11 million online impressions have been delivered from the Inner Jockey spots from September 15 through December 1, 2011.
- Facebook fans have increased 220% in just 2 months.
- Transitioned the race results line to a cost-effective option.
- 4,800 Inner Jockey micro-site views.
- 69,000 Twitter impressions.

**2012 AGENCY TACTICS:**

- Shift public relations outreach to be focused primarily on the major lifestyle events at the tracks.
- Incorporate 2-3 larger statewide initiatives per year (ex: pitching the HBO Luck series), photo shoots at the tracks, bigger brand story, etc) as appropriate and as budget allow.
- For social media, the focus will be on Facebook and the microsite/Tumblr. Do away with Twitter. Content will get more focused.
- Client communication will include bi-weekly client calls, monthly public relations and social reports and Bailey Gardiner (BG) will be available to present to the larger CMC or CHRB group once per quarter.
- BG will hold a call with the individual tracks prior to each meet and will work directly with the tracks to get information or to arrange media visits.

## *Branding & New Media - 2011 Results*

### **BRANDING**

In 2011, the San Diego-based agency Bailey Gardiner was retained to conduct brand development workshops for CalRacing in order to develop a logo and tagline that would convey the attributes, aspirations and personality of the product.



The end result is a tip-of-the-hat to a former heyday in a modern, vibrant and progressive way. An iconic snapshot in time captures this horse at the moment its feet are off the ground, and rider and horse are one. The rich, bold color pays tribute to the California state flag. The typeface suggests traditional hand-painted signage.

# Branding & New Media - 2011 Results

## Advertising

The California Marketing Committee advertising campaign consists of a paid digital media strategy, which includes online interactive video and digital displays ads that target the younger audience.

Additionally, the advertising efforts incorporate a campaign specific microsite (InnerJockey.com) and a collection of wild postings being spread throughout designated urban areas around the tracks such as Pasadena, Arcadia, Los Angeles, Berkeley and San Francisco. The campaign has performed very favorably and engagement rates have consistently outperformed industry averages.

- Total Impressions: 10,618,078
- Total Clicks: 29,198
- Average Click-Through-Rate: 0.52%
- Number of Wild Postings Banners: 9,500
- InnerJockey.com Visits: 3,718

**Cal Racing**  
FILM ROLLS HERE

**ARE YOU IN TUNE WITH YOUR INNER JOCKEY?**

**RELEASE YOUR INNER JOCKEY.**

**Who or what's an inner jockey?**

Have you ever gone on a spur-of-the-moment road trip? Struck backstage during a concert? Bungoed jumped? Or screamed wildly as your 20-40-1 long shot crossed the finish line first? If so, nice job. You're in tune with your inner jockey, the part of you that craves excitement and wants to have fun. He, or she, is your inner voice reminding you to have a great time. Your inner jockey lives. He in the home stretch, guiding you on how to "Win".

**WINE IS AND GET FREE CI CONVOLE ALBUSSON**

**RELEASE YOUR INNER JOCKEY AT THE TRACK**  
See what kind of fun is waiting at a track near you

**GOLDEN GATE FIELDS**

**SANTA ANITA PARK**

**This weekend is a BIG one for Cal Racing and Santa Anita Park. Here is a little peek at what's going on Saturday:**

- Sunrize Millions Day means \$1 Million dollars in purses = BIG bet!
- 50 food trucks and California craft beer festival = GOOD food and drinks!
- Opening of the Luck Lounge = HBO Cerebral
- Chair giveaway for Thoroughbred members = FREE stuff!
- Bikini contest = well, BIKINI Contest! Hahah

1/24/12

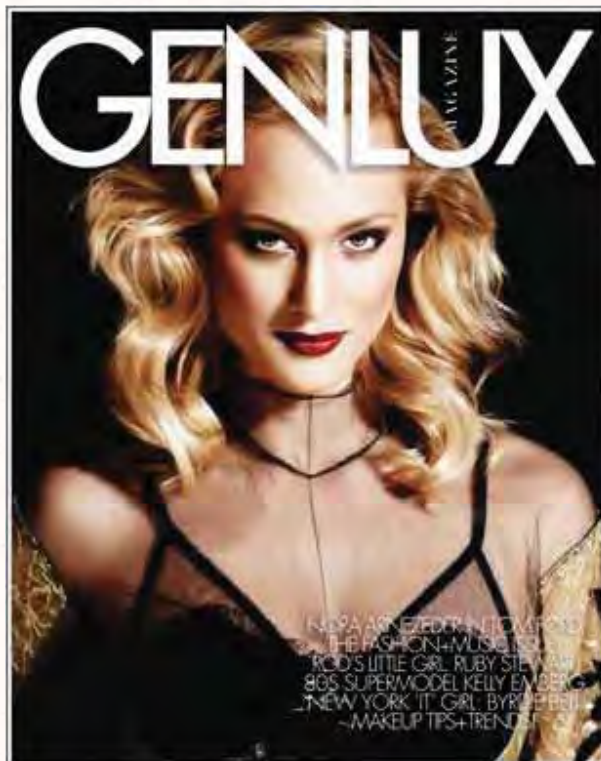
# Branding & New Media - 2011 Results

## Public Relations

Over the course of the year, BG has focused on pitching Cal Racing and each track's main events to print and online lifestyle media as well as bloggers. BG coordinated media to attend the tracks to experience the fun first-hand and posted all major events from each track to online calendars. To creatively insert horse racing into California's lifestyle media, BG pitched fashion photo shoots, staged at the tracks and created the concept for an off-the-menu signature cocktail that can be purchased by showing a losing ticket.

### Results:

- Placements include: Los Angeles Times Travel Section, Forbes Life, 7X7.com, LAist.com, Urban Daddy, The Feast and others
- Multi-page fashion photo shoot confirmed with GenLux Magazine to take place at Santa Anita
- Media visits from Westways, Los Angeles Times, Thrillist, Benicia Herald, Examiner.com and Brentwood Media Group
- 45 online calendar placements for track events



# Branding & New Media - 2011 Results

## Public Relations



**Los Angeles Times**  
**CALIFORNIA**  
**Hot tips for a winning day at the top racetracks**  
 CLASS FINANCIAL  
 California is home to more racetracks than any other state, with four prominent tracks and a dozen lesser-known ones, most at night, where the odds are often in your favor. The major track is in Los Angeles, at Hollywood Park, which has the largest track in the state. Other major tracks are in San Diego, at Golden Gate Fields, and in San Francisco, at Golden Gate Fields. Each of the big four has its own unique character. As these tracks hold its full season, and Hollywood Park and Golden Gate Fields follow suit, here's a look at what makes each unique and how to get the most for your money — of course it comes in getting the tickets.

**Sanita Anita Park, Arcadia**  
 Arcadia is the best location for a hot tip. The track is located in the heart of the San Gabriel Valley, just north of Los Angeles. It's a beautiful track with a rich history. The track is known for its excellent racing and its excellent service. The track is located in the heart of the San Gabriel Valley, just north of Los Angeles. It's a beautiful track with a rich history. The track is known for its excellent racing and its excellent service.

**Del Mar, Del Mar**  
 Del Mar is a beautiful track located in the heart of the San Diego County. It's a beautiful track with a rich history. The track is known for its excellent racing and its excellent service. The track is located in the heart of the San Diego County. It's a beautiful track with a rich history. The track is known for its excellent racing and its excellent service.

**Golden Gate Fields, Berkeley**  
 Golden Gate Fields is a beautiful track located in the heart of the San Francisco Bay Area. It's a beautiful track with a rich history. The track is known for its excellent racing and its excellent service. The track is located in the heart of the San Francisco Bay Area. It's a beautiful track with a rich history. The track is known for its excellent racing and its excellent service.

though significantly less memorable. Movies from 1932, 1934 W. Huntington Drive, Murray, (714) 371-9900, doublets@adfilm.com.

**Hollywood Park, Inglewood**  
 The former Hollywood bungalow burned down in 1949, was rebuilt in 1950 and in 2004 hosted racing's first \$1-million horse, Citation. It's not vibrant, as seen when it hosted Zayat's 19th straight win last year.

**Season:** Nov. 10-Dec. 31.  
**Getting there:** 19-minute cab ride from LAX; 20-30 minutes from downtown.  
**Best tip:** Hollywood Park is popular for its 100% racing, rarely available at other tracks. Concerts follow the races at some nights.  
**Need a post-race beverage?** Panchito in Manhattan Beach is a great place to watch sports and drink margaritas with friends. Or grab brunch before the races. Brunch from 11AM-3PM, 3605 Highland Ave., (310) 545-6879, www.panchitobeach.com.

**Need a snack?** For a classic steak or seafood, try the Biggy Whip. Better cuts of beef start at about \$35, which includes condiment or salad and sides. 1421 La Tijera Blvd., Westchester, (310) 645-7700, www.thebiggywhip.com.

**Other highlights:** Pavo's Tavern in Westchester makes burritos from 10 a.m. until 11 p.m. from \$10-\$12. 3112 W. Marcheater Ave., (310) 645-8888. Coffee Co. serves good affordable breakfast, espresso and house-style food. 2134 La Tijera Blvd., Westchester, (310) 645-7963.

**Lodging choices:** Many of the choices around LAX offer shuttles to the track. For instance, the Cypress Plaza offers weekend rates from \$89.95 (with race discount); 2062 W. Century Blvd., Los Angeles, (323) 842-7000, www.cypressplaza.com.

**Del Mar, Del Mar**  
 Sitting on the beautiful coastal town crystal setting, Del Mar boasts the highest daily attendance of all the California tracks, often double that of Santa Anita. It's known as "Where the turf meets the surf." From a Big Credit was played daily at the track. It was the location of the legendary famous maker race against Tiger in 1937.

**Season:** July 18-Sept. 3.  
**Getting there:** The track is about 90 miles south of Los Angeles, a two-hour drive on a good day. Traffic runs from Union Station to downtown Los Angeles and stop in Orange County before arriving at Solana Beach, where free double-deck buses shuttle you to the track.

**Best tip:** Del Mar offers Daybreak at Del Mar, which runs from sunrise to about 8 a.m. and gives you a chance to watch morning workouts and catch some before-the-race information.

**Need a post-race beverage?** Jimmy O's, a jumpier sports bar and restaurant in the heart of downtown Del Mar; 225 W. 10th St., (619) 239-3733.

**Need a snack?** Big Tractor's, across the street from the track, is a popular pre- and post-race destination. Known for its steak and seafood, it's a great spot for a pre-

**INGLEWOOD:** Hollywood Park burned down in 1949 and was rebuilt in 1950.

**ARCADIA:** Sanita Anita Park was the home of the legendary Salsomita.

**WOODY MARY:** A Derby place for in the evening. Simas from about \$25, 205 Via de la Valle, Rancho Beach, (854) 786-6000, www.ranchobeach.com.

**Other highlights:** Try Fidel a Little Beach for happy hour or dinner on the heated patio. 200-200 from less than \$10, 585 Valley Ave., Solana Beach, (858) 739-3392. The Green Flash, twenty good time on the sand with killer music. Dinner starts from about \$12, 712 Tamiami Ave., San Diego, (619) 279-7715, www.greenflashrestaurant.com.

**Lodging choices:** If you're lucky or want to be like a high roller, The Ritz-Carlton Hotel & Spa is the spot. Rooms from \$275, 1240 Camino del Mar, Del Mar, (619) 242-5757, www.ritzcarlton.com. Hampton Inn is nothing fancy but is close to the finish line. Rooms from \$84, 1990 El Camino Real, Del Mar, (619) 792-5207, www.hamptonhotels.com.

**Golden Gate Fields, Berkeley**  
 This 70-year-old track, sixth oldest from

Chickland and 3 miles from San Francisco, is known for its breathtaking view and best views and for hosting the 112th Kentucky Derby last year in 1949. The track crossed the Alameda-Berkeley city line.

**Season:** Oct. 20-Dec. 31.  
**Getting there:** Off Interstate 88, Take Elman Street or Buchanan Street onto to enter the track. To avoid parking traffic, hop on HAFT and take it to the North Berkeley station. From there, the free shuttle will whisk you to the track. The shuttle leaves every half hour and returns patrons to the station at the end of the day. See the schedule at www.goldengatefields.com.

**Best tip:** First the perfect 10 at Berkeley Race Co. This seasonal shop offers an outstanding selection of hats, giving you a fresh look and maybe your good luck charm for a day at the races. 230 Telegraph Ave., Berkeley, (510) 449-2668.

**Need a post-race beverage?** Less than a mile from the track, Wynton Ale House is the place for hand-crafted beer, all made on site. 901 Elman St., Berkeley, (510) 528-6888, www.wyntonale.com.

**Need some seafood?** Dungeness crab, a grilled lamb steak and baby back ribs are among the dishes offered at Torchlight Bar & Grill, a former bookkeeping facility once run by a guy named "Blackie." Entrees from \$14, 1987 Doyle St., Berkeley, (510) 652-0101, www.torchlightbarandgrill.com.

**Other highlights:** Get your drive on at Mission Lounge, a trendy spot with a variety of beers. 2600 San Pablo Ave., Berkeley, (510) 524-2090.

**Lodging choices:** DoubleTree Berkeley, at the Berkeley Marina, is the closest hotel to the track and offers great views of San Francisco Bay. Rooms from \$18, 560 Marina Blvd., Berkeley, (510) 343-7900, doubletree.com. Courtyard Resort & Spa in the Oakland hills is a classy hotel with spectacular views of San Francisco Bay. Rooms from \$164, at Tunnel Road, Berkeley, (510) 643-3300, www.courtyardresort.com.

# Branding & New Media - 2011 Results

## Public Relations



# Branding & New Media - 2011 Results

## Social Media

The social media landscape includes a Facebook Fan Page, Tumblr Blog (Microsite), Twitter handle and YouTube channel. All channels, which launched Sept. 15, effectively work together to bring Cal Racing to life as a brand, drive traffic to calracing.com and track websites, and to virally introduce the racetracks to a new audience and help to increase track attendance.

Our Tumblr Blog (InnerJockey.com) is the first of its kind within the industry, and the space allows us to create unique engaging content to house key racetrack events, and portray the lifestyle of Cal Racing to fans and media.



# Branding & New Media - 2011/2012

## Race Results Line

In an effort to reduce operating costs in mid-January, 2012, the statewide race results line transitioned from a toll-free number to a regular toll number. Since many of the historical calls to the line were made from cellular phones, we believe that the price impact to fans moving to a toll number will be minimal.

Racing fans were notified of the number change via program ads, in-house announcements and notification on calracing.com. In addition, the line itself had a recorded message for several weeks announcing the change and the new number. The line currently has a recorded message letting fans know that free results and replays are available 24 hours-a-day on calracing.com. It is hoped that telecommunications costs can be reduced in 2012 while still providing a service to those racing fans that do not have computer access. Over the next several months, CMC will monitor and review the line usage statistics so that determinations can be made regarding the long term need for a statewide race results line.

## CalRacing.com

CalRacing.com has become California's go-to site for free streaming video, race results and track information. In late January 2012, CalRacing.com launched with a completely re-designed site.





# Product Enhancement

**PROGRAM OBJECTIVES:** Increase California horse population and field size so as to enhance the racing product offered to our fans.

**SYNOPSIS:** The Program adopts a three-part approach which will include the following: 1) a statewide stakes program to enhance racing opportunities for two-year-olds; 2) recruitment of horses to California; and 3) a July horse sale in the paddock at Del Mar. CMC has worked with Northern and Southern associations, Racing Secretaries and with TOC to formulate this program.

**PROGRAM DETAILS:** 1) In the past, California has lacked a significant turf stakes program for two year olds. This has put California at a disadvantage in attracting two year olds to run in our state, particularly in light of the programs now being offered by Kentucky, New York, and Woodbine. It is believed that California's racing product will be enhanced by a CMC program to supplement the stakes program for two-year-olds in this state, particularly because the Breeder's Cup will be augmenting its racing program by several races for two year olds and the 2012 Breeder's Cup will be held at Santa Anita in November. Consequently, CMC, working with Racing Secretaries and TOC, will introduce a new statewide two-year old stakes program designed to bolster two-year-old stakes races statewide. CMC funding will be used to increase purses in existing two-year-old stakes, as well as aid in the creation of several new two-year-old route turf stakes. This new program will encourage the breeding and importation of young horses to California, resulting in enhanced racing opportunities in these classifications which will build a greater interest in California racing. The new stakes program will be named, promoted and marketed to so as to ensure its visibility, viability and hopeful success.

2) This program will also provide allocations to fund programs for recruitment of horses from other jurisdictions. Building on the success of the California Authority of Racing Fairs long-standing recruitment program, the objective will be to increase horse population and field size by providing incentives and/or financial assistance for shipping horses to California. While the actual recruitment programs may vary from track-to-track CMC will require clear program parameters and structure in order for any track's recruitment efforts to be eligible for CMC reimbursement.

3) The final feature of the Product Enhancement Program will be the introduction of a Del Mar paddock sale (auction) after the races on Sunday, July 22. The sale is intended to introduce and educate prospective new owners and racing fans to the age-old method of purchasing Thoroughbred race horses anywhere in the world. The goal will be to sell 30, race-ready Thoroughbreds. Racing Secretaries will work jointly with the Barretts sales team to secure out-of-state Thoroughbreds so as to increase to California horse inventory. CMC funding will allow shipping stipends for these horses and help cover other costs and promotions for the sale. An event plan will be submitted, reviewed and discussed later this spring. Our objective: create a singular, exciting event that will simultaneously entertain and educate racing fans, appeal to horsemen and increase California horse population. Please see below for a breakdown of program funding allocations, both by category (2 YO stakes; recruitment; Paddock Sale) and by region.

---

PRODUCT ENHANCEMENT PROGRAM	
BUDGET ALLOCATION	\$500,000
ALLOCATION BREAKDOWN	
Funding for 2 YO Stakes	\$ 280,000
Funding for Recruitment	\$165,000
Paddock Sale & Promotion	\$ 55,000
REGIONAL BALANCE OF ALLOCATIONS	
Paddock Sale	\$55,000
Northern California	\$140,000
Southern California	\$305,000

## *Mini-Satellite Support*

**PROGRAM OBJECTIVES:** Provide funding and other support to promote new mini-satellites in California.

**PROGRAM DETAILS:** Mini-Satellite support assists with an important new area of expansion for California Racing. CMC will provide funding and other support to promote any new mini-satellites as they open. CMC will work also with the industry on a variety of programs designated to stimulate new venue openings and to bolster attendance at existing mini satellites.

- SUCSESSES:**
- Roadhouse Grill is open and actively marketing simulcast wagering.
  - Two new confirmed locations – Lake Forrest and Corona.
  - Several other locations in Los Angeles and San Francisco in the works.



TO: Chris Korby; Dyan Grealish  
CMC Board

CC: Shannon McDonald  
Terry McWilliams, Sportech

FROM: Rick Baedeker  
Manager, Mini-Satellite Development

DATE: November 8, 2011

RE: Mini-Satellite Budget

- 
1. **2011 Budget Status.** The CMC Board previously approved a 2011 budget of \$10,000 for mini-satellite advertising and promotion during the current period. Here's a list of the expenditures to date:

\$580.00	Web Page
\$1,580.00	Web Page
<u>\$5,185.00</u>	L.A. Times Print Ads
\$7,345.00	Total spent to date

\$5,000.00 Per original proposal but pending approval of additional budget or co-op funds: Direct Mail Post Card via L.A. Times to restaurants and sports bars; 10,000 pieces (limited to stores with gross revenues of more than \$1 million annual sales).

NOTE: The Original Roadhouse Grill in Santa Maria asked the racing industry to pay 50% (\$5,500) of the cost of a billboard on the 101 Fwy just north of their restaurant. Because CMC had already contributed the above budget, Sportech agreed to cover the requested \$5,500. The board, which touts "Play the Races at the Original Roadhouse Grill," went up November 1.

2. **2012 Budget Request.** The effort to build the Mini-Satellite business would achieve better results with two things:
- Awareness Advertising.** CMC allocated a budget for this year which enabled us to do some print and direct mail advertising. In addition to the initiatives described above, both Santa Anita and Hollywood Park have contributed program ads and, hopefully, will add our link to their webpages.  
**Direct Mail:** this is the best and most cost-effective way, in my opinion, to reach prospective sites because we can target the specific zip codes that lie outside the protective 40 mile exclusivity circles. The print pieces will also give us the ability to go into a little greater detail about the business. Target areas will include greater Los Angeles, the South Bay, and the entire city of San Francisco.

**Requested Direct Mail / Awareness Budget: \$20,000.** This will allow us to produce and mail from 10-20,000 pieces.

- b. **New Site Advertising and Promotion.** It is in each party's best interest to build the mini-satellite business as quickly as possible vs. the "build it and they will come" approach. Not everything is costly. In addition to the "free media," i.e., column inches or radio and news reports about the opening, there are inexpensive promotions that help build awareness and bring customers. Here's a sample campaign conducted over 60-90 days:

**Media Handicapping Contests for Charity.** Put up a cash prize for the media person's favorite charity and conduct a contest among print, radio and TV media during the opening week. Estimated cost = \$2,500.

**Free Bets with Purchase.** Offer a \$5 betting voucher with every \$50 of food purchased on a specific day or night. This is a great incentive for regular players to attend and a good way to get newcomers to make their first bets. Plus, it's a great added value for our restaurant partner. Estimated cost = \$2,500.

**Database Farming.** Through our own and third party databases, we can reach a vast majority of the players within a radius of the new location either with a phone call or direct mail piece. Estimated cost: \$5,000.

**Opening Party.** Invite media, racing VIPs, community leaders and players to a hosted kickoff party. Estimated cost = \$2,500.

**Local Print Campaign.** Run a sustained, informational, bi-weekly ad in the local paper. This targets our existing demographic and gets the word out over a prolonged period. It's dull but effective. Estimated cost: \$2,500.

**Requested New Site Budget: \$15,000 per site.** We project five new sites in 2012, or \$75,000

3. **Funding.** The total budget request for the above campaigns is \$95,000 (assumes five new sites). It is suggested the budget be funded cooperatively as follows:
- \$37,500 from five new sites (= 50% of site budget); this amount would be stipulated in the SCOTWinc or NOTWinc contract with each new site.
  - \$28,750 from Sportech (= 25% of site budget and 50% of awareness budget). NOTE: Sportech has participated this year and has expressed a willingness to do so again next year but has not approved this proposal.
  - **\$28,750 from CMC. (= 25% of site budget and 50% of awareness budget).**

-end-



TO: Board Members, SCOTWinc & NCOTWinc  
FROM: Rick Baedeker  
Manager, Mini-Satellite Development  
DATE: October 19, 2011  
RE: Mini-Satellite Development Update

1. SANTA MARIA. Our third mini-satellite opened in Santa Maria on Friday, October 7 at The Original Roadhouse Grill (ORG). The restaurant is located adjacent to Highway 101 at Stowell Road. The Sportech crew worked quickly on TV and tote installation. More than 20 bigscreens were added plus seven mutuel machines.
  - Handle. Through the first 8 days of operation, average handle is \$8,741, but the numbers are getting better, with \$16,980 wagered last Saturday.
  - Marketing. The ORG has purchased outdoor advertising on a billboard three miles north of the store on the southbound side of Hwy 101. The cost is \$1,850 per month. They have asked the racing industry to split the cost with them. Sportech has agreed to split the industry cost and I have asked CMC for the balance, i.e., \$460 per month for 6 months.
2. Fairpark. The Santa Maria Fairpark satellite closed on September 15. ORG provided a closing day complimentary buffet for the players. We created a VIP card for those patrons that entitled them to free programs for the first month at the new location.
3. San Francisco. A zoning study of downtown San Francisco has been completed by attorney Steve Amerikaner. He concluded that mini-satellites could be approved through a zoning interpretation. If not, a zoning amendment, a tedious process, would be required.
  - Jillian's. Terry McWilliams and I inspected several potential sites in the downtown area. Most were too small and none were as conducive to the use as Jillian's, a large sports bar and billiards room, located near the convention center. While no one at the location was interested in speaking with us, Terry was able to connect with an executive at the corporate headquarters in Louisville who expressed serious interest in the opportunity. We are trying to schedule a conference call.

4. Los Angeles. The owners of the restaurants below are funding an initial effort by Steve Amerikaner to educate the City Attorney's Office about mini-satellites, after which we will approach the city Zoning Administrator and, as appropriate, city council persons and the mayor. This effort is critically important to future L.A. sites.
  - Sagebrush Cantina. This large restaurant is the biggest sales tax generator in Los Angeles. It sits on the border of Calabasas and Los Angeles.
  - Lenny's Deli/Oak Room Bar. These adjacent locations in Pacific Palisades are co-owned by horse owner Steve Taub.
  
5. Ongoing projects.
  - Lake Forest. The investors have purchased the Black Angus property, adjacent to the 5 Freeway at Lake Forest Avenue. The city has been re-defining its zoning uses and has added mini-satellites as an approved use. But the process has been slower than expected. The investors may seek conditional licensing from the CHRB in anticipation of city approval.
  - Corona. Terry McWilliams and I revisited the Corona location to view the revised plans. The proposed site is 11,000sf and is located on Main Street near the 91-15 interchange.
  
6. Other Projects.
  - Orange. Michael Ryan, who is pursuing the Corona location, was also interested in a site at the border of Anaheim and Orange behind the Honda Center, about 11 miles from Los Alamitos. But Ed Allred is not willing to give a waiver at this time. He did indicate his support for the mini-satellite business and said he would reconsider the proposal at a later date.
  - WillieBoys Saloon. Although this location sits on a busy highway between Palm Springs and 29 Palms in the Morongo Valley, there wasn't a sufficient population base to justify a mini at this time.
  - Temecula. Horse owner Gary Folgner, owner of the Coach House in San Juan Capistrano, is building a sports bar / concert hall in Temecula and is interested in opening a mini, as are the owner of the ORG as mentioned above.
  
7. Industry.
  - SCOTWinc. Board. Chris Korby suggested that the Victorville satellite may be interested in leasing the facility to SCOTWinc.
  - CMC. The Board has asked for a budget update and outline of any funding that may be requested in 2012.



## Financials

IV.



### Financials

Includes financial information, both historical and current.

<u>2011 Financials</u>	<u>36</u>
<u>CMC Fund Generation</u>	<u>37</u>
<u>CMC Fund Generation Chart</u>	<u>38</u>
<u>2010 CMC Audit</u>	<u>39</u>

IV. Financials



**California Marketing Committee**  
**PROFIT & LOSS STATEMENT Summary**  
For the nine months ended 9/30/2011

	<u>Actual</u>	<u>Annual Budget</u>	<u>Difference (Under)/Over</u>
<b>Revenue</b>			
Commission Income	1,485,648.34	1,846,529.00	(360,880.66)
Investment Income	2,070.72	-	2,070.72
Misc Income	-	-	-
Total Revenues	<u>1,487,719.06</u>	<u>1,846,529.00</u>	<u>(358,809.94)</u>
<b>Expenses</b>			
Significant Player Rewards	102,319.31	700,000.00	(597,680.69)
Public Relations & Branding Campaign	244,697.82	500,000.00	255,302.18
Fair Marketing	22,482.25	250,000.00	(227,517.75)
Statewide Race Results Line	111,137.89	200,000.00	(88,862.11)
Cal Racing Website	80,886.25	88,500.00	(7,613.75)
Racing Kiosks	12,513.68	10,000.00	2,513.68
Administrative	103,811.79	160,000.00	(56,188.21)
Total Expenses	<u>677,848.99</u>	<u>1,908,500.00</u>	<u>(1,230,651.01)</u>
<b>Net Profit (Loss) for the period</b>	<u><u>809,870.07</u></u>	<u><u>(61,971.00)</u></u>	<u><u>871,841.07</u></u>

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**California Marketing Committee**  
**BALANCE SHEET**  
September 30, 2011

<b>Assets</b>	
Cash	546,721.68
Investments (Cash Money Market)	578,563.57
Accounts Receivable	0.00
Accrued Interest Receivable	0.00
PrePaid Exp.	0.00
<b>Total Assets</b>	<u><u>1,125,285.25</u></u>
<b>Liabilities</b>	
Accounts Payable - Vendors	0.00
<b>Equity</b>	
Retained Earnings, Budget Surplus	315,415.18
Net Profit (Loss) for the period	809,870.07
New Retained Earnings	<u>1,125,285.25</u>
<b>Total Liabilities &amp; Equity</b>	<u><u>1,125,285.25</u></u>

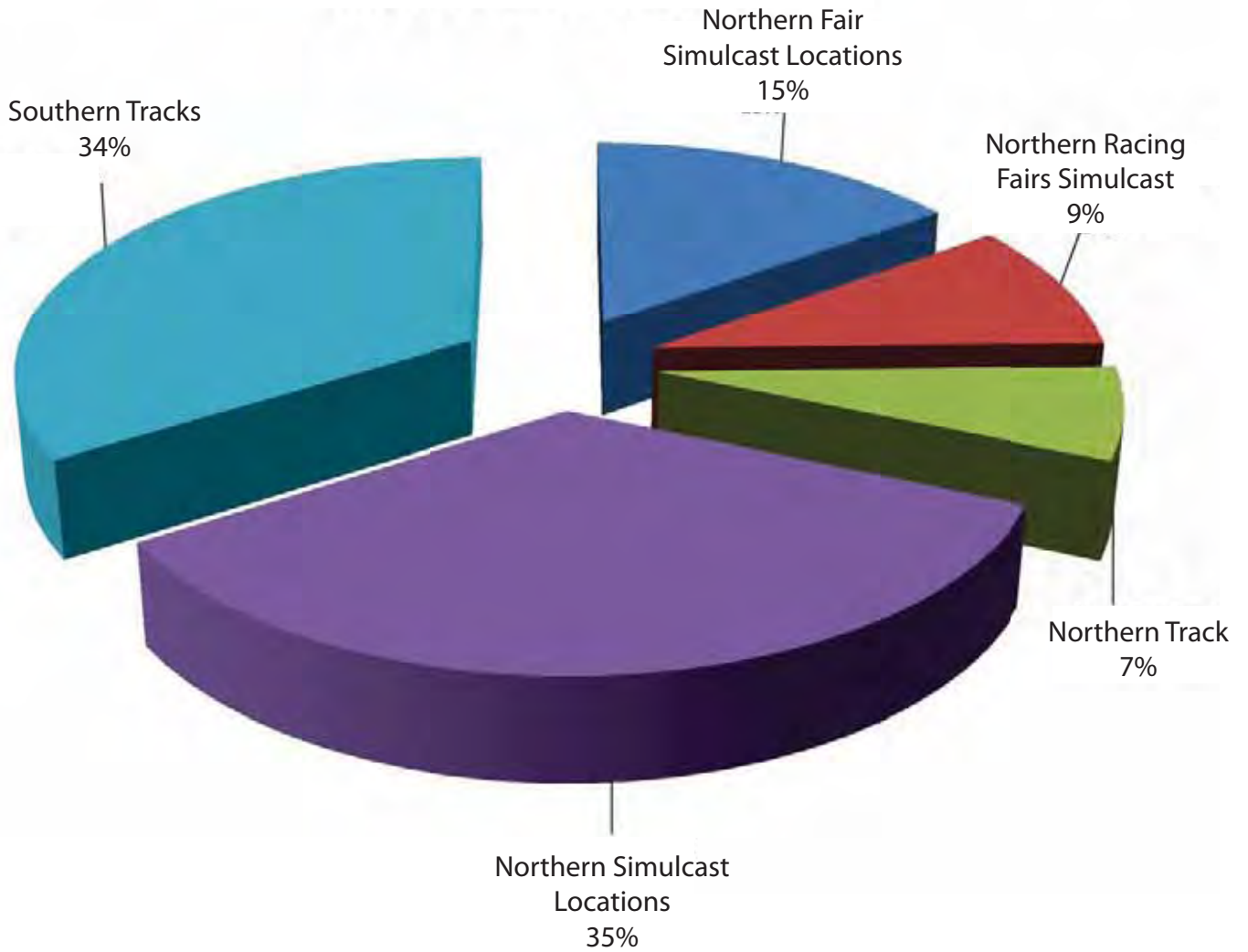
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California Marketing Committee

**FUND GENERATION**

	<b>0.04 2010</b>		<b>0.025 2011 (thru 11/30/11)</b>	
<b>Northern Fair Simulcast Locations</b>				
Anderson	6,431.89	0.19%	3,085.60	0.17%
Bakersfield	20,377.43	0.60%	11,020.90	0.61%
Fresno Club One	11,447.33	0.33%	5,964.10	0.33%
Monterey	20,393.75	0.60%	13,413.58	0.74%
San Jose	109,125.35	3.19%	60,976.50	3.36%
San Mateo County	243,420.13	7.12%	130,718.80	7.20%
Tulare	11,909.92	0.35%	6,060.21	0.33%
Turlock	27,819.43	0.81%	14,534.68	0.80%
Vallejo	50,907.13	1.49%	27,969.17	1.54%
	<u>501,832.36</u>	<u>14.68%</u>	<u>273,743.54</u>	<u>15.09%</u>
<b>Northern Racing Fairs and Simulcast</b>				
Ferndale	790.89	0.02%	421.39	0.02%
Fresno	22,262.22	0.65%	10,320.91	0.57%
Pleasanton	134,428.73	3.93%	68,180.31	3.76%
Sacramento	86,002.36	2.52%	44,219.60	2.44%
Santa Rosa	38,517.74	1.13%	20,582.49	1.13%
Stockton	55,787.61	1.63%	28,693.66	1.58%
	<u>337,789.55</u>	<u>9.88%</u>	<u>172,418.36</u>	<u>9.50%</u>
<b>Total N. Racing Fairs and Simulcast</b>	<b>839,621.91</b>	<b>24.56%</b>	<b>446,161.90</b>	<b>24.59%</b>
<b>Northern Track</b>				
Golden Gate	229,010.57	6.70%	122,931.14	6.78%
	<u>229,010.57</u>	<u>6.70%</u>	<u>122,931.14</u>	<u>6.78%</u>
<b>Total Northern California</b>	<b>1,068,832.48</b>	<b>31.26%</b>	<b>569,093.04</b>	<b>31.37%</b>
<b>Southern California</b>				
<b>Southern Simulcast Locations</b>				
Barona	53,707.26	1.57%	30,200.58	1.66%
Cabazon	43,974.57	1.29%	24,201.48	1.33%
Commerce Casino	77,255.13	2.26%	47,818.82	2.64%
Lake Perris	46,904.67	1.37%	24,791.12	1.37%
Lancaster	46,800.83	1.37%	25,149.38	1.39%
Los Alamitos	418,854.19	12.25%	220,505.75	12.15%
OC Tavern	435.61	0.01%	16,853.15	0.93%
San Bernardino	88,971.47	2.60%	45,829.45	2.53%
Santa Maria	16,621.49	0.49%	7,048.69	0.39%
Santa Maria Orig Rdhouse Grill	0.00	0.00%	833.42	0.05%
Shalimar (Indio)	17,416.82	0.51%	10,448.40	0.58%
Surfside Race Place	172,392.99	5.04%	87,722.77	4.84%
Sycuan	19,696.06	0.58%	11,618.90	0.64%
Ventura	89,201.73	2.61%	46,481.23	2.56%
Victorville	16,815.72	0.49%	10,677.44	0.59%
Viejas	33,727.08	0.99%	18,483.33	1.02%
	<u>1,142,775.62</u>	<u>33.43%</u>	<u>628,663.91</u>	<u>34.65%</u>
<b>Southern Tracks</b>				
Del Mar	38,695.15	1.13%	21,143.58	1.17%
Hollywood Park	450,897.32	13.19%	231,239.43	12.75%
Pomona	186,392.42	5.45%	109,649.76	6.04%
Santa Anita	530,641.11	15.52%	254,502.05	14.03%
	<u>1,206,626.00</u>	<u>35.30%</u>	<u>616,534.82</u>	<u>33.98%</u>
<b>Total Southern Tracks</b>	<b>1,206,626.00</b>	<b>35.30%</b>	<b>616,534.82</b>	<b>33.98%</b>
<b>Total Southern California</b>	<b>2,349,401.62</b>	<b>68.74%</b>	<b>1,245,198.73</b>	<b>68.63%</b>
<b>Total California</b>	<b>3,418,034.10</b>	<b>100.00%</b>	<b>1,814,291.77</b>	<b>100.00%</b>

# CMC FUND GENERATION



All CMC revenues are generated at California brick-and-mortar satellite facilities. This chart shows the CMC fund generation by category of originating sites. Notes that tracks generate revenue to the CMC when they function as simulcast facilities.



## INDEPENDENT AUDITOR'S REPORT

To the Members of  
California Marketing Committee  
(A California Nonprofit Mutual Benefit Corporation)

We have audited the accompanying statements of financial position of California Marketing Committee, a California nonprofit mutual benefit corporation, as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the California Marketing Committee's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Marketing Committee as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Vicenti, Lloyd & Stutzman LLP*  
VICENTI, LLOYD & STUTZMAN LLP

July 6, 2011

**CALIFORNIA MARKETING COMMITTEE**  
**(a California Nonprofit Mutual Benefit Corporation)**

**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2010 and 2009**

**ASSETS**

	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 1,476,177	\$ 2,020,025
Accounts receivable	61,811	98,023
Prepaid Expense	<u>1,825</u>	<u>-</u>
Total current assets	<u>1,539,813</u>	<u>2,118,048</u>
Total assets	<u>\$ 1,539,813</u>	<u>\$ 2,118,048</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable	<u>\$ 1,224,398</u>	<u>\$ 1,430,310</u>
Total current liabilities	<u>1,224,398</u>	<u>1,430,310</u>
Net assets - unrestricted	<u>315,415</u>	<u>687,738</u>
Total liabilities and net assets	<u>\$ 1,539,813</u>	<u>\$ 2,118,048</u>

*The accompanying notes and independent auditor's report should be read with these financial statements.*

**CALIFORNIA MARKETING COMMITTEE**  
**(a California Nonprofit Mutual Benefit Corporation)**

**STATEMENTS OF ACTIVITIES**  
**For the Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Revenues:		
Satellite wagering commissions:		
California Racing Fairs	\$ 248,775	\$ 416,359
Del Mar Thoroughbred Club	414,596	472,206
Golden Gate Fields	819,858	826,000
Hollywood Park Racing Association (Spring)	598,327	663,974
Hollywood Park Racing Association (Fall)	263,194	242,243
Los Angeles County Fair Association	94,931	107,440
Los Angeles Turf Club	789,392	929,345
Oak Tree Racing Association	188,961	291,172
Investment income	8,980	15,525
Workers' Compensation Refund (Note 4)	-	192,024
Video Equipment Rental Fee	400	-
Total revenues	<u>3,427,414</u>	<u>4,156,288</u>
Expenses:		
Program expenses:		
Track Media Match/Purse Enhancement (Note 3)	2,020,889	1,999,544
Racing Fairs Media Match	-	41,000
Database Marketing	597,670	1,287,582
Satellite Marketing	250,000	425,000
California Racing Campaign	119,404	373,069
Cal Bred Program	-	500,000
Special Racing Events	-	372,555
Northern California Replay Show	100,000	226,800
Statewide Race Results Line	50,000	50,000
CHRB Audio Casts	-	26,344
CA Purse PR Campaign	98,879	-
Research & Strategic Planning	349,012	-
Los Alamitos Print	21,051	34,317
General and administrative	192,832	187,028
Total expenses	<u>3,799,737</u>	<u>5,523,239</u>
Change in unrestricted net assets	(372,323)	(1,366,951)
Net assets at beginning of year	<u>687,738</u>	<u>2,054,689</u>
Net assets at end of year	<u>\$ 315,415</u>	<u>\$ 687,738</u>

*The accompanying notes and independent auditor's report should be read with these financial statements.*

**CALIFORNIA MARKETING COMMITTEE**  
**(A California Nonprofit Mutual Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 1 - ORGANIZATION AND OPERATION:**

**Organization** - The California Marketing Committee (the "Company") was incorporated as a California nonprofit mutual benefit corporation on August 11, 2004. Prior to incorporation, the Company operated as an unincorporated association. The Company was formed pursuant to California Business and Professions Code Section 19605.73 (the "Code") for the purpose of marketing and promoting thoroughbred and fair horse racing in California. Prior to the latest amendment of the Code, effective through December 31, 2009, in addition to the purpose of marketing and promoting thoroughbred and fair horse racing in California, the Code also contained a provision to defray the cost of workers' compensation coverage for stable employees and jockeys hired by the thoroughbred trainers.

Under the provisions of the Code, applicable beginning January 1, 2010, the Company receives 0.25 percent of the total amount handled by each satellite wagering facility. Through December 31, 2009, the Code provided that the Company received 0.40 percent of the total amount handled by each satellite wagering facility. These proceeds are required to be used for the promotion of thoroughbred and fair horse racing. Any funds not expended in the calendar year in which they are collected may be expended in the following year. If promotion funds expended in any one year exceed the amount collected for that year, the funds expended in the following year shall be reduced by the excess amount.

The Company consists of six members: two members, one member from the northern zone and one from the combined central and southern zones, appointed by the thoroughbred racetracks; two members, one from the northern zone and one from the combined central and southern zones, appointed by the owners' organization responsible for contracting with associations and fairs with respect to the conduct of racing meetings; and two members, one from the northern zone and one from the combined central and southern zones, appointed by the organization representing racing and satellite fairs.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:**

**Basis of Accounting** - The financial statements are prepared on the accrual basis of accounting.

**CALIFORNIA MARKETING COMMITTEE**  
**(A California Nonprofit Mutual Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES: (continued)**

**Use of Estimates in Preparation of Financial Statements** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - Cash and cash equivalents includes all unrestricted operating investments with original maturity dates of three months or less.

**Concentrations of Credit Risk** - The Company maintains cash balances in one financial institution, headquartered in Los Angeles, California. The total amount on deposit periodically exceeds the \$250,000 limit insured by the Federal Deposit Insurance Corporation.

Financial instruments that potentially subject the Company to concentrations of credit risk consist of investments through one financial institution and accounts receivable. The credit risk for accounts receivable is limited since most of the amounts are due from the host racing associations and fairs.

**Income Taxes** - The Company is not subject to income tax, under Section 501(c)(6) of the Internal Revenue Code and under Section 23701e of the California Revenue and Taxation Code. The Company maintains a calendar year end for informational tax return reporting.

The Company has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Company's continued qualification as a tax-exempt organization and whether there is unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not (>50%) of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Company files informational returns in the U.S. federal jurisdiction and the state of California. With few exceptions, the Corporation is no longer subject to U.S. federal and state examinations by tax authorities for years before 2007.



**CALIFORNIA MARKETING COMMITTEE**  
**(A California Nonprofit Mutual Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES: (continued)**

**Subsequent Events** - The Company has evaluated subsequent events through July 6, 2011, which is the date these financial statements were available to be issued. There were no subsequent events requiring recognition.

**Reclassification** - Certain reclassifications were made to the financial statements for the year ended December 31, 2009, in order to conform to the presentation of the year ended December 31, 2010.

**NOTE 3 - TRACK MEDIA MATCH/PURSE ENHANCEMENT:**

In 2010, the program expense category of Track Media Match was expanded to include Purse Enhancement. For 2009, there were no Purse Enhancement expenses included in this category.

**NOTE 4 - WORKERS' COMPENSATION REFUND:**

During 2008 and 2009, the Company received a return of prior years' workers' compensation contributions from American International Group, Inc. The allocation of premium returns is attributable to the period from November 1, 2002 to July 31, 2005. The Company received refunds of \$192,024 in 2009 and \$813,230 in 2008, which were included in the line item entitled other income. No additional refunds were expected or received in 2010.



## Appendices & Attachments

V.



### Appendices & Attachments

Supporting documentation and reports.

Del Mar In to Win Program 46

CARF Recruitment Program 47

CTBA Article - Golden State Series 52

V. Appendices & Attachments

2011 Del Mar Thoroughbred Club  
Ship and Win  
Recap

	2010*	2011	Difference
Total Qualified Horses that Started and Participated	51	107	56
Participation Bonus	\$ -	\$ 107,000	\$ 107,000
20% Purse Bonus (22 Horses in 2010, 46 horses in 2011)	\$ -	\$ 61,516	\$ 61,516
Total Bonused	\$ -	\$ 168,516	\$ 168,516
Liability to Purses	\$ -	\$ 84,258	\$ 84,258
Ownership Interests that Participated	47	91	44
Trainers that Participated	31	51	20
Participating Horses that Never Started in CA	41	92	51
Participating Horses that had Started in CA	10	15	5
<u>Entire Meet</u>			
Total Horses that Started and Participated**	51	107	56
Total Starts by Participants at the Meet	74	168	94
Average Start per Participants	1.45	1.57	0.12
<u>First Four Weeks of Meet</u>			
Total Horses that Started and Participated	25	61	36
Total Starts by those Participants for Entire Meet	46	116	70
Average Start per Participant	1.84	1.90	0.06
<u>Last Three Weeks of Meet</u>			
Total Horses that Started and Participated	26	46	20
Total Starts by those Participants for Entire Meet	28	49	21
Average Start per Participant	1.08	1.07	-0.01

Handle and Purse Revenue Generation (before SB1072)

Average Handle Per Starter at Del Mar Meet	\$ 128,204
Approximate Purse Retention Percentage	4%
Approximate Purse Revenue Generated per Starter	\$ 5,128
Purse Revenue Generated by Total S&W Starts (168)	\$ 861,531
Cost of S&W Program to Purses in 2011	\$ 84,258
Difference Generated to Cost	<u>\$ 777,273</u>
Purse Revenue Generated Difference year-over-year Starts (94)	\$ 482,047
Cost of S&W Program to Purses in 2011	\$ 84,258
Difference year-over-year in total Starts	<u>\$ 397,789</u>

Notes

Handle and Purse Revenue numbers provided by A. Vercruysse from CHRIMS.

\*2010 data based on participants that would have qualified if program were in place

\*\*29 of the 51 horses in 2010 made at least one additional start in CA after Del Mar

18 of the 107 participants (17%) in 2011 were claimed in their first Del Mar start

CALIFORNIA AUTHORITY OF RACING FAIRS

# CARF RECRUITMENT PROGRAM 2011

RACING FAIR PROGRAM TO RECRUIT OUT-OF-STATE HORSE OWNERS  
AND TRAINERS TO COMPETE IN CALIFORNIA



CHRISTOPHER KORBY, EXECUTIVE DIRECTOR  
DECEMBER 2011

## 2011 OUT-OF-STATE RECRUITMENT PROGRAM

### SUMMARY

#### GOALS AND OBJECTIVES

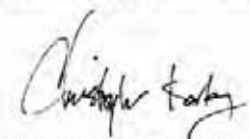
Since 2001, the California Authority of Racing Fairs (CARF) has conducted a program to actively recruit out-of-state owners, trainers and horses to compete on the Northern California Summer Racing Circuit. The goal of the program is simple: increase the field size for summer racing in Northern California. In order to accomplish this goal, CARF has set three objectives for the program: 1) inform and educate horsemen in other jurisdictions to the benefits of racing in California; 2) retain horsemen who have elected to compete in Northern California in previous years; and 3) offer financial incentives to assist horsemen with the cost of shipping horses to Northern California.

#### RECRUITMENT VISITS OUT-OF-STATE

Each spring CARF schedules a series of out-of-state recruitment visits in order to 1) personally meet one-on-one with horsemen in other jurisdictions; 2) explain the benefits of our program; and 3) invite them to compete in Northern California for the summer. In 2011, these visits included two trips to Arizona, a total of four days, with a reception at Turf Paradise and a three-day stay at Portland Meadows and Grant's Pass in Oregon, where we also sponsored a reception. Emerald Downs in Washington has also recently been targeted for recruitment. These visits allow CARF management to respond personally and directly to questions or concerns about such matters as workmen's compensation, backstretch labor inspections and purse structures. In addition to the receptions and the personal visits with horsemen, CARF distributes an extensive packet of information to educate and inform horsemen about current issues of interest in California. By word of mouth, information about the program has also reached horsemen in Iowa, Idaho, West Virginia, New Mexico, Utah and Washington.

#### RELOCATION FEES

In order to financially assist horsemen who choose to ship horses to our circuit, in 2011 CARF paid a \$300 Relocation Fee to the owner of any horse shipping into Northern California from over 600 miles for the horse's first start and \$150 for the horse's second start. A runner making its first start at Ferndale received \$150 for the first start and \$150 for the second start, as well as an additional \$150 for starting again Fresno. The Relocation Fee gives some extra meaning to our invitation to come to California. In some cases, the incentive may create the tipping point as an owner or trainer decides about shipping to our circuit. The Relocation Fee also creates a Paymaster record that allows us to accurately track the results of our program from year to year.



Christopher Korby  
Executive Director



# 2011 THOROUGHBRED RECRUITMENT

## Results of CARF Program to Increase Field Size

The Fair Out-of-State Recruitment Program, administered by the California Authority of Racing Fairs, pays \$300 to every horse that travels 600 or more miles to start on the Northern California Fair Circuit for its first start and an additional \$150 for its second start (\$450 total). A runner making its first start at Ferndale receives \$150 for each of two starts, with another \$150 available if the horse starts again at Fresno.

- **2011 Total Recruitment Costs - \$83,110.47**  
 2011 Recruitment at Tracks - \$17,410.47  
 2011 TB Relocation Fees Paid - \$56,700.00  
 2011 Trainer Incentives - \$9,000.00  
 Number of Horses Paid - 175  
 Number of TB Starts - 328 (15% increase from 2010)  
 Percentage of Total Horse Population - 11%

- **Number of Starts by Recruited TB Horses, by Fair:**

Stockton - 14  
 Pleasanton - 28  
 Sacramento - 36  
 Santa Rosa - 66  
 Ferndale - 105 (15% increase from 2010)  
 Fresno - 79 (44% increase from 2010)

- **Number of TB Starts by State Recruited From:**

Oregon - 95  
 Washington - 83 (315% increase from 2010)  
 Arizona - 75  
 Idaho - 47  
 Canada - 9  
 Minnesota - 7  
 Nebraska - 7  
 Utah - 4  
 Florida - 1

- **Leading Trainers of Recruited Horses (by starts):**

Tim McCanna  
 Nick Lowe  
 Bob Beckner  
 Miguel Silva  
 Charles Essex  
 Michael Talbot  
 Gary Morris  
 Paul Treasure

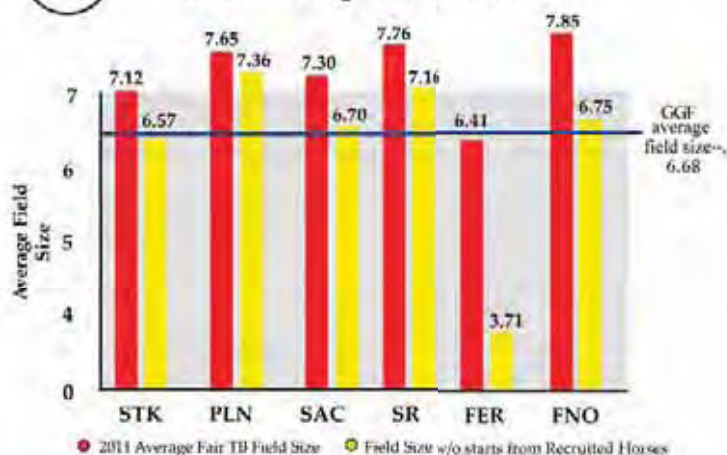
2011 Emerging Breed Relocation Fees - \$750

\*\* During Period 12/26/2010-6/12/2011

\*\*\* Cost of Recruitment at Tracks and TB Relocation Fees divided by number of Thoroughbred Starts.

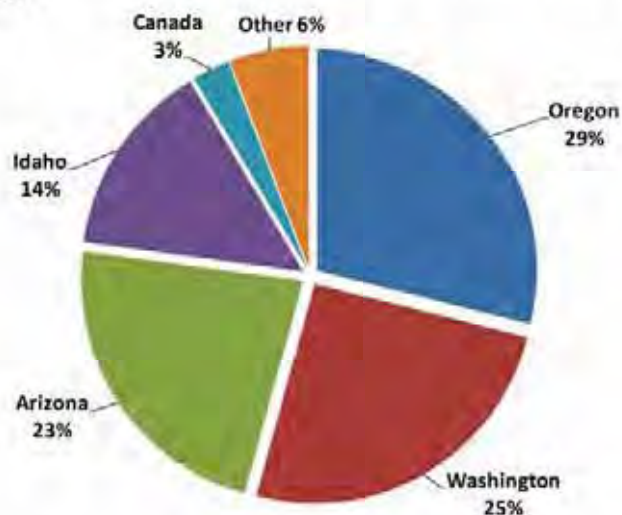
1

### Impact of Recruited Horses on 2011 Average Field Size (TB)



2

### Where did out-of-state horses come from?



3

### What does the Fair Circuit pay on average for each start by an out-of-state horse?

**\$253 per starter\*\*\***

Increased field size is the single largest contributor to increasing ontrack and simulcast handle.

1. Statistics from CHRIMS Runners Report & CARF Out-of-State Starts.  
 2. Statistics from CARF Paymaster Reports & CFSA Relocation Costs.

# 2010 THOROUGHBRED RECRUITMENT

## Results of CARF Program to Increase Field Size

The Fair Out-of-State Recruitment Program, administered by the California Authority of Racing Fairs, pays \$300 to every horse that travels 600 or more miles to start on the Northern California Fair Circuit for its first start and an additional \$150 for its second start (\$450 total). A runner making its first start at Ferndale receives \$150 for each of two starts, with another \$150 available if the horse starts again at Fresno.

- **2010 Total Recruitment Costs - \$86,808.40\***  
 2010 Recruitment at Tracks - \$31,108.40  
 2010 TB Relocation Fees Paid - \$45,150.00  
 2010 Trainer Incentives - \$5,300.00  
 Number of Horses Paid - 143  
 Number of Starts - 331  
 Number of TB Starts - 286  
 Percentage of Total Horse Population - 9%
- **Number of Starts by Recruited TB Horses, by Fair:**  
 Stockton - 19  
 Pleasanton - 35  
 Sacramento - 34  
 Santa Rosa - 52  
 Ferndale - 91  
 Fresno - 55
- **Number of TB Starts by State Recruited From:**  
 Arizona - 115  
 Oregon - 73  
 Idaho - 38  
 Washington - 20  
 Utah - 15  
 New Mexico - 11  
 Nevada - 4  
 Delaware - 4  
 Other - 5
- **Leading Trainers of Recruited Horses (by starts):**  
 Tim McCanna  
 Bob Beckner  
 W.R. Whitehouse  
 Brenda Estes  
 Nick Lowe  
 Phil Oviedo

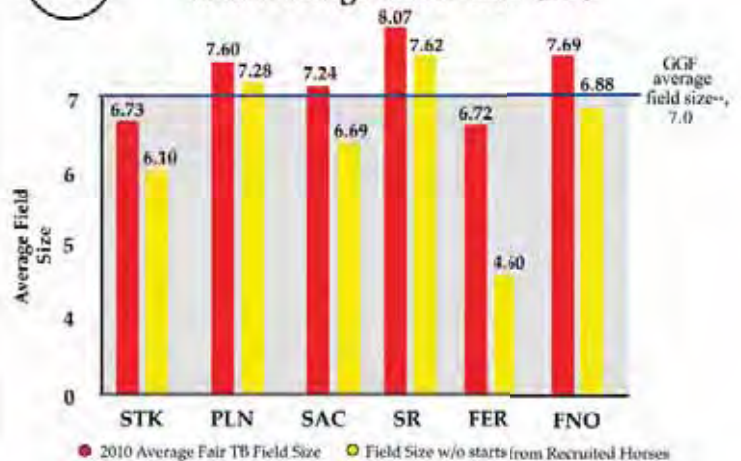
\* Emerging Breed Relocation Fees - \$5,250, Does not include CMC Reimbursement - \$20,000

\*\* During Period 1/1/10-6/20/10

\*\*\* Cost of Recruitment at Tracks and TB Relocation Fees divided by number of Thoroughbred Starts.

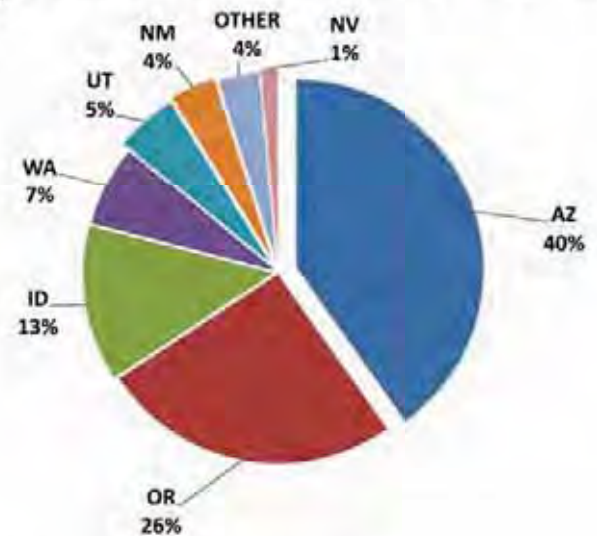
1

### Impact of Recruited Horses on 2010 Average Field Size (TB)



2

### Where did out-of-state horses come from?



3

### What does the Fair Circuit pay on average for each start by an out-of-state horse?

**\$266 per starter\*\*\***

Increased field size is the single largest contributor to increasing ontrack and simulcast handle.

1. Statistics from CHRIMS Runners Report & CARF Out-of-State Starts.  
 2. Statistics from CARF Paymaster Reports & CFSA Relocation Costs.

# 2009 THOROUGHBRED RECRUITMENT

## Results of CARF Program to Increase Field Size

The Fair Out-of-State Recruitment Program, administered by the California Authority of Racing Fairs, pays \$300 to every horse that travels 600 or more miles to start on the Northern California Fair Circuit for its first start and an additional \$150 for its second start (\$450 total). A runner making its first start at Ferndale receives \$150, with another \$300 available if the horse starts again at another Fair facility.

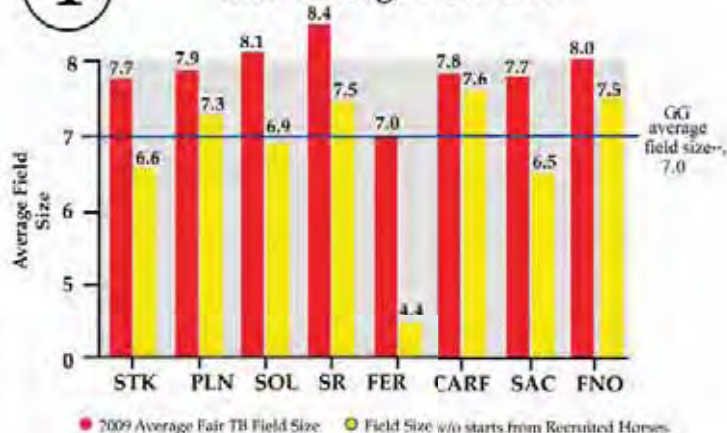
- **2009 Total Recruitment Costs - \$104,776.04\***  
 2009 Recruitment at Tracks - \$22,176.04  
 2009 TB Relocation Fees Paid - \$73,600.00  
 2009 Trainer Incentives - \$4,500  
 Number of Horses Paid - 217  
 Number of Starts - 588  
 Percentage of Total Horse Population - 13%
- **Number of Starts by Recruited Horses, by Fair:**  
 Stockton - 81  
 Pleasanton - 82  
 Vallejo - 51  
 Santa Rosa - 74  
 Ferndale - 111  
 CARF at GGF - 43  
 Sacramento - 104  
 Fresno - 42
- **Number of Starts by State Recruited From:**  
 Arizona - 243  
 Idaho - 94  
 Oregon - 89  
 West Virginia - 42  
 Washington - 27  
 California (Fairplex) - 23  
 New Mexico - 21  
 Nevada - 12  
 Other - 60
- **Leading Trainers of Recruited Horses (by starts):**  
 Don Roberson  
 Keith Bennett  
 Justin Treasure  
 Kelly Bainum  
 Jason Homer  
 W.R. Whitehouse  
 Charles Hiatt

\* Emerging Breed Relocation Fees - \$4,500, Does not include CMC Reimbursement - \$25,000

\*\* During Period 1/1/09-6/18/09

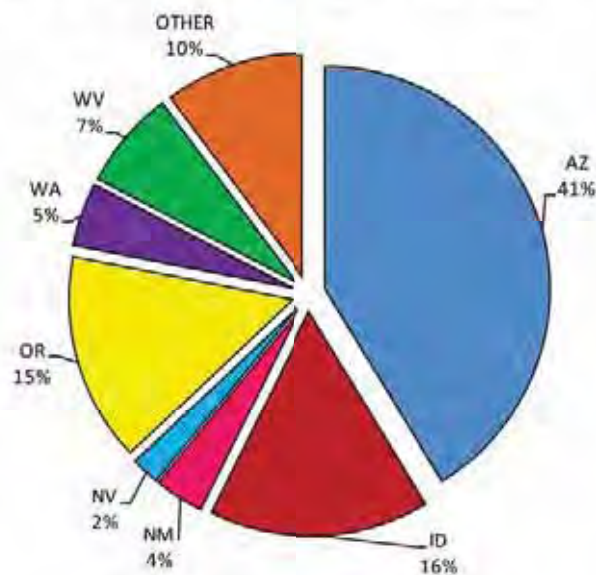
1

### Impact of Recruited Horses on 2009 Average Field Size



2

### Where did out-of-state horses come from?



3

### What does the Fair Circuit pay on average for each start by an out-of-state horse?

**\$178 per starter**

Increased field size is the single largest contributor to increasing ontrack and simulcast handle.

1. Statistics from CHRIMS Runners Report & CARF Out-of-State Starts.  
 2. Statistics from CARF Paymaster Reports & CFSA Relocation Costs.



# A Huge New Incentive



*From the Executive Corner*

by DOUG BURGE

As depicted on the cover of this issue of *California Thoroughbred*, the California Thoroughbred Breeders Association (CTBA) is pleased to announce the Golden State Series. This new 27-race stakes program, scheduled to begin in 2012, provides an additional \$2.325 million in restricted purses for two-year-old and three-year-old horses bred or sired in California.

It was through the financial commitment of the entire racing industry that we are able to provide such lucrative advantages to those breeding and racing California-breds and California-sired runners. Funding has been provided by the Thoroughbred Owners of California (TOC) through the purse account, the California Marketing Committee (CMC) through an annual allocation, and through the nominators of two-year-olds that see the tremendous opportunities that will now exist. A one-time voluntary \$300 nomination fee by owners makes their two-year-olds eligible for all races.

This new series is a great addition to the Cal-bred racing program and a natural extension of the very popular Maiden Bonus Program that has been in place the past two years. Initially, we will provide significant boosts to the purses and number of races available for two and three-year-olds to continue the quick return to owners and breeders. Over time, and with success, it is our goal to also expand the purses and opportunities for older horses as well. The purses for the new stakes series range from \$100,000 to \$300,000 with races at all the major tracks in the state. Two of the new races (and the only additions on the turf) will be held at Golden Gate Fields, providing horsemen in Northern California with more lucrative restricted opportunities.

As mentioned earlier, the idea behind this new program was to build on the success of the maiden bonus offering. Currently, when a Cal-bred or Cal-sired horse breaks their maiden, there is a huge financial return for the owner or owner/breeder. However, in order to create a market for Cal-breds and give breeders more financial justification to breed while providing more incentives to own,

we needed to expand on the maiden success. The new earning potential now provided through the Golden State Series will make it so people cannot afford to not race Cal-breds. These opportunities offered to owners after the maiden bonus win should most definitely put a premium on Cal-breds/Cal-sireds.

The news of this new series in fact had an immediate positive impact on the recent October Yearling Sale at Barretts Equine Ltd. The opening selected night session yielded a 44 percent increase in average with the median doubling last year's first session. At the conclusion of the second day, the sale had an overall average increase of nearly 20 percent.

The joint sale-topper was a son of Unusual Heat, purchased for \$100,000 by trainer Eric Kruljac on behalf of Class Racing Stable. Joe Masino, the manager of Class Racing Stable, stated after bidding, "With the California incentive program changes, it's time to start getting some Cal-breds and supporting Cal-breds." We are optimistic that this trend will continue.

I would be remiss if I did not acknowledge the efforts of Martin Panza, Vice President of Racing at Hollywood Park, the California Marketing Committee and the TOC for all their support and efforts in making this series a reality. With Cal-breds making up over 50 percent of the field sizes in the state, everyone realizes the importance of a strong state-bred program which provides the necessary racing inventory.

Further details of the Golden State Series appear on pages 23 and 24. 🐾



PHOTO BY BOB LANGRISH

# A Cal-Bred Windfall



Golden State Series

by KEN GURNICK

Through the cooperation and shared support of the California racing industry, an additional \$2.325 million will be offered in restricted stakes purses in 2012 to two-year-old and three-year-old horses bred or sired in California.

The 2012 Golden State Series encompasses new stakes and purse enhancements to existing stakes that will be jointly funded by the Thoroughbred Owners of California (TOC), the California Marketing Committee (CMC) and through nominations of two-year-olds in 2012.

"This is a wonderful addition to the Cal-bred racing program and a natural extension of the very successful maiden bonus program," said Doug Burge the Executive Vice President and General Manager of the California Thoroughbred Breeders Association (CTBA).

"Through the financial support once again of the entire racing industry in the state, we are able to provide a very lucrative return for those breeding and racing in California. While this program initially boosts the opportunities for two-year-olds and three-year-olds, and provides a quick reward to successful owners and breeders, it is our goal over time to expand the purses and number of races for older horses as well. We are especially thrilled to have Northern California participation in this new series. There are many



reasons to breed and/or race in California, and the benefits continue to grow."

For foals of 2010, a \$300 eligibility payment must be made by Feb. 15, 2012. Foals not made eligible by that date can become eligible with payment of a one-time supplemental fee of \$25,000 at time of entry. Foals of 2009 and earlier will be grandfathered into the program with no eligibility payment.

"With the current economic climate adversely affecting the breeding industry this is a major step in the right direction for California racing," said Martin Panza, the Racing Secretary and Vice President of Racing at Hollywood Park.

"We know that 50 percent of our field size is made up of California-breds and that this number is likely to increase, therefore any measures that we can take to ensure the future of the California breeding industry should pay dividends down the road. Every racing circuit in the country is going to become more dependent on their state-bred programs as the foal crops in general continue to decline."

"The Cal-bred programs contribute significantly to the horse inventory and to field sizes in California and are an important component in filling cards and supporting handle," said TOC President Lou Raffetto. "We applaud CTBA for their initiatives in this area and are glad to work with them." 🐾

## THERE WILL BE SIX NEW RACES:

- The \$200,000 Echo Eddie for three-year-olds at 6 1/2 furlongs on March 15 at Santa Anita Park;
- The \$200,000 Evening Jewel for three-year-old fillies at 6 1/2 furlongs on March 17 at Santa Anita Park;
- The \$100,000 Campanile Stakes for three-year-old fillies at one mile on the turf on June 2 at Golden Gate Fields;
- The \$100,000 Silky Sullivan Stakes for three-year-olds at one mile on the turf on June 9 at Golden Gate Fields;
- The \$200,000 King Glorious for two-year-olds at seven furlongs on November 15 at Hollywood Park; and
- The \$200,000 Soviet Problem for two-year-old fillies at seven furlongs on November 15 at Hollywood Park.

## THE BOOST IN PURSES FOR TWO-YEAR-OLDS:

- The I'm Smokin Stakes on September 5 at the Del Mar Thoroughbred Club from \$100,000 to \$150,000;
- The California Cup Juvenile Stakes on October 29 at Santa Anita Park from \$100,000 to \$250,000; and
- The California Breeders' Champion Stakes on December 30 at Santa Anita Park from \$100,000 to \$300,000.

## THE BOOST IN PURSES FOR TWO-YEAR-OLD FILLIES:

- The Generous Portion Stakes on August 31 at the Del Mar Thoroughbred Club from \$100,000 to \$150,000;
- The California Cup Juvenile Stakes Fillies on October 29 at Santa Anita Park from \$100,000 to \$250,000; and
- The California Breeders' Champion Stakes on December 30 at Santa Anita Park from \$100,000 to \$300,000.

## THE BOOST IN PURSES FOR THREE-YEAR-OLDS:

- The Snow Chief Stakes on April 28 at Hollywood Park from \$150,000 to \$300,000; and
- The Real Good Deal Stakes on August 10 at the Del Mar Thoroughbred Club from \$100,000 to \$200,000.

## THE BOOST IN PURSES FOR THREE-YEAR-OLD FILLIES:

- The Melair Stakes on April 28 at Hollywood Park from \$125,000 to \$300,000; and
- The Fleet Treat Stakes on July 30 at the Del Mar Thoroughbred Club from \$100,000 to \$200,000.

**To encourage and reward participation, purse money will be distributed through sixth place in races with purses between \$100,000 to \$150,000 and through eighth place in races with purses of \$200,000 to \$300,000.**

Continued on next page



## Golden State Series Cont'd.

# 2012 GOLDEN STATE SERIES - \$4.65 MILLION

(A RESTRICTED STAKES SCHEDULE FOR REGISTERED CALIFORNIA BRED OR SIRED HORSES)

## 6 NEW RACES - \$2.325 MILLION IN NEW PURSES

An Expanded Two & Three-Year-Old Program From 12 Races (\$1.275 Million) to 18 Races (\$3.6 Million)

Sun. Feb. 26 <sup>th</sup>	SA	<b>Sensational Star</b>	Four-Year-Olds & Up	6 1/2 F (Turf)	\$100,000
Sat. Mar. 17 <sup>th</sup>	SA	<b>Irish O'Brien</b>	FM, Four-Year-Olds & Up	6 1/2 F (Turf)	\$100,000
Sat. Mar. 31 <sup>st</sup>	SA	<b>Echo Eddie</b>	Three-Year-Olds	6 1/2 F	\$200,000
Sat. Mar. 31 <sup>st</sup>	SA	<b>Evening Jewel</b>	Fillies, Three-Year-Olds	6 1/2 F	\$200,000
Sat. Apr. 28 <sup>th</sup>	HOL	<b>Snow Chief</b>	Three-Year-Olds	1 1/8 M	\$300,000
Sat., Apr. 28 <sup>th</sup>	HOL	<b>Melair</b>	Fillies, Three-Year-Olds	1 1/8 M	\$300,000
Sat. Apr. 28 <sup>th</sup>	HOL	<b>Tiznow</b>	Four-Year-Olds & Up	7 1/2 F	\$125,000
Sat. Apr. 28 <sup>th</sup>	HOL	<b>B. Thoughtful</b>	FM, Four-Year-Olds & Up	7 1/2 F	\$125,000
Sat., June 2 <sup>nd</sup>	GGF	<b>Campanile</b>	Fillies, Three-Year-Olds	1 M (Turf)	\$100,000
Sat. June 9 <sup>th</sup>	GGF	<b>The Silky Sullivan</b>	Three-Year-Olds	1 M (Turf)	\$100,000
July	DMR	<b>CTBA Stakes</b>	Fillies, Two-Year-Olds	5 1/2 F	\$100,000
July	DMR	<b>California Dreamin</b>	Four Year-Olds & Up	1 1/16 M (Turf)	\$100,000
July	DMR	<b>Fleet Treat</b>	Fillies, Three-Year-Olds	Seven Furlongs	\$200,000
August	DMR	<b>Graduation</b>	Two-Year-Olds	5 1/2 F	\$100,000
August	DMR	<b>Real Good Deal</b>	Three-Year-Olds	Seven Furlongs	\$200,000
August	DMR	<b>Solano Beach</b>	FM, Four-Year-Olds & Up	1 1/16 M (Turf)	\$100,000
August	DMR	<b>Generous Portion</b>	Fillies, Two-Year-Olds	Six Furlongs	\$150,000
September	DMR	<b>I'M Smokin</b>	Two-Year-Olds	Six Furlongs	\$150,000
October	SA	<b>Cal Cup Juvenile</b>	Two-Year-Olds	1 1/16 M	\$250,000
October	SA	<b>Cal Cup Juvenile (F)</b>	Fillies, Two-Year-Olds	1 1/16 M	\$250,000
October	SA	<b>Cal Cup Classic</b>	Three-Year-Olds & Up	1 1/8 M (Turf)	\$175,000
October	SA	<b>Cal Cup Distaff</b>	FM, Three-Year-Olds & Up	6 1/2 F (Turf)	\$125,000
October	SA	<b>Cal Cup Sprint</b>	Three-Year-Olds & Up	Six Furlongs	\$100,000
December	HOL	<b>King Glorious</b>	Two-Year-Olds	Seven Furlongs	\$200,000
December	HOL	<b>Soviet Problem</b>	Fillies, Two-Year-Olds	Seven Furlongs	\$200,000
December	SA	<b>CA Breeders' Champion</b>	Two-Year-Olds	One Mile	\$300,000
December	SA	<b>CA Breeders' Champ.(F)</b>	Fillies, Two-Year-Olds	One Mile	\$300,000

### TO BE ELIGIBLE TO THE GOLDEN STATE SERIES:

- REGISTERED CALIFORNIA BRED OR SIRED FOALS OF 2010 MUST MAKE A \$300 PAYMENT BY WEDNESDAY, FEBRUARY 15, 2012
- 2010 FOALS NOT MAKING THE \$300 PAYMENT MAY SUPPLEMENT TO THE GOLDEN STATE SERIES FOR A ONE-TIME FEE OF \$25,000 AT TIME OF ENTRY
- REGISTERED CALIFORNIA BRED OR SIRED FOALS OF 2009 OR EARLIER ARE GRANDFATHERED INTO THE GOLDEN STATE SERIES AT NO COST

### WHY DOES IT PAY TO BREED AND/OR OWN A CALIFORNIA BRED OR SIRED HORSE?:

- California Bred or Sired Maiden Allowance Bonus - \$20,000 Southern California - \$10,000 Northern California and Fairs.
- All Restricted Overnight Races for California Bred or Sired Horses have the same purses as their open race counterparts.
- California Bred Horses run for a 30 percent premium in open maiden allowance, allowance and overnight stake races.
- California Bred or Sired Restricted Race Wins are not considered for upper level allowance race eligibility.

To nominate your 2010 foal or for more information please contact:



California Thoroughbred Breeders Association

(626) 445-7800 • www.ctba.com

**California Authority of Racing Fairs  
Agency Income Statement  
September 30, 2011**

	2009	2010	2011	2011	2011	2011	2011	-10% 2012
	Year End	Year End	YTD	Estimated	Annual	Budget	% Budget	Proposed
	Actual	Actual	Actual	YearEnd	Budget	Variance		Budget
<b>Revenue:</b>								
Other Revenue	148	(2,326)	0	0	500	(500)	0%	0
Interest Income	30,515	18,003	13,567	15,000	30,000	(16,433)	45%	15,000
Member Dues	282,532	290,107	217,066	288,330	292,913	(75,847)	74%	260,593
CARF South Programs Admin Fee	25,351	21,256	14,236	18,000	18,806	(4,570)	76%	21,038
CARF Projects Admin Fee	66,063	141,872	410,503	410,503	195,000	215,503	211%	0
CARF Live Racing Admin Fee	112,869	108,854	148,815	159,000	182,611	(33,796)	81%	138,201
CARF @ Leased Facility Rev	(311,170)	0	0	0	0	0	0%	0
<b>Total Revenue</b>	<b>206,308</b>	<b>577,767</b>	<b>804,188</b>	<b>890,833</b>	<b>719,830</b>	<b>84,357</b>	<b>112%</b>	<b>434,832</b>
<b>Expenses:</b>								
Salaries	226,671	241,506	212,934	269,934	305,173	92,239	70%	222,959
Employee Benefits	23,714	18,890	30,674	33,000	30,000	(674)	102%	34,900
Post Retirement Benefits	666,317	33,688	26,118	35,000	35,000	8,882	75%	35,000
Payroll Taxes	12,487	12,529	11,827	15,000	15,000	3,173	79%	11,500
Accounting Costs	17,209	17,272	17,697	23,400	18,750	1,053	94%	16,250
Audit Services	7,125	6,375	8,925	8,925	6,375	(2,550)	140%	6,375
Automobile Expense	435	10,650	3,015	4,000	4,000	985	75%	4,000
Contracted Services	543	10,435	1,621	5,000	5,000	3,379	32%	3,000
Depreciation	13,881	11,985	8,906	10,000	10,000	1,094	89%	11,000
Dues & Subscriptions	36,048	11,952	1,819	2,000	1,000	(819)	182%	2,000
Insurance Expense	37,784	37,127	28,035	41,000	41,000	12,965	68%	41,000
Legal Expenses	11,413	21,720	8,009	12,500	12,500	4,491	64%	12,500
Legislative Expenses	53,508	53,796	42,160	54,000	63,000	20,840	67%	55,000
Meetings Expense	5,398	6,852	3,214	5,000	5,000	1,786	64%	5,000
Misc. (Ag Day Sponsor)	2,482	2,010	(885)	0	2,500	3,385	-35%	0
Office Supplies	23,754	27,882	23,605	25,000	25,000	1,395	94%	22,500
Postage & Shipping	5,987	3,117	2,745	4,000	4,000	1,255	69%	3,600
Rent (Tribute Road)	38,916	38,265	26,827	45,000	45,000	18,173	60%	35,770
Repairs & Maintenance	0	674	328	1,000	1,000	672	33%	1,000
Telephone Expense	7,390	9,492	8,200	10,000	10,000	1,800	82%	10,000
Training	0	0	1,139	2,500	2,500	1,361	46%	2,500
Travel Expense	25,280	27,226	15,116	22,500	27,500	12,384	55%	22,500
<b>Total Expenses</b>	<b>1,216,340</b>	<b>603,445</b>	<b>482,030</b>	<b>628,759</b>	<b>669,298</b>	<b>187,268</b>	<b>72%</b>	<b>558,354</b>
<b>Agency Income (Loss)</b>	<b>(1,010,031)</b>	<b>(25,678)</b>	<b>322,158</b>	<b>262,074</b>	<b>50,532</b>	<b>271,625</b>		<b>(123,522)</b>
<b>South Prog Income (Loss)</b>	<b>7,142</b>	<b>8,153</b>	<b>7,389</b>	<b>2,000</b>	<b>2,444</b>	<b>(4,195)</b>		<b>2,963</b>
<b>Total Bal Sheet Net Income (Loss)</b>	<b>(1,002,890)</b>	<b>(17,525)</b>	<b>329,547</b>	<b>264,074</b>	<b>52,976</b>	<b>267,430</b>		<b>(120,559)</b>

CARF Unrestricted Reserves Year End Audited Balance 2010

**709,681**

CARF Reserves after 2011 Year End with Estimates

**\$973,755**

Use of CARF Unrestricted Reserves for 2012

**\$120,559**

Balance of CARF Reserves after 2012 Budget

**\$853,196**

**California Authority of Racing Fairs  
Southern Region Income Statement  
September 30, 2011**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2012</b>
	<b>Year End</b>	<b>Year End</b>	<b>YTD</b>	<b>Estimated</b>	<b>Annual</b>	<b>Budget</b>	<b>% Budget</b>	<b>Proposed</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>YearEnd</b>	<b>Budget</b>	<b>Variance</b>		<b>Budget</b>
<b>Program Revenue:</b>								
Program Sales	343,634	285,716	199,839	250,000	250,750	(50,911)	80%	280,500
Other Revenue	0	0	0		0	0	0%	0
Royalties/Fees Due Host	(311,141)	(256,307)	(178,214)	(230,000)	(229,500)	51,286	78%	(256,500)
<b>Total Revenue</b>	<b>32,493</b>	<b>29,409</b>	<b>21,625</b>	<b>20,000</b>	<b>21,250</b>	<b>375</b>	<b>102%</b>	<b>24,000</b>
<b>Expenses:</b>								
Legal Expenses	0	0	0		0	0	0%	0
Meetings Expense	0	0	0		0	0	0%	0
Misc Exp.(Storage)	0	0	0		0	0	0%	0
Office Supplies	0	0	0		0	0	0%	0
Paper Expense	0	0	0		0	0	0%	0
Postage & Shipping	0	0	0		0	0	0%	0
Printing Supplies	0	0	0		0	0	0%	0
Rent & Utility Expenses	0	0	0		0	0	0%	0
Repairs & Maintenance	0	0	0		0	0	0%	0
Telephone Expense	0	0	0		0	0	0%	0
Travel Expense	0	0	0		0	0	0%	0
<b>Total Expenses</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0%</b>	<b>0</b>
<b>Operating Income (Loss)</b>	<b>32,493</b>	<b>29,409</b>	<b>21,625</b>	<b>20,000</b>	<b>21,250</b>	<b>375</b>	<b>102%</b>	<b>24,000</b>
CARF Admin Fee	25,351	21,256	14,236	18,000	18,806	4,570	76%	21,038
Rebate								
<b>Income (Loss)</b>	<b>7,142</b>	<b>8,153</b>	<b>7,389</b>	<b>2,000</b>	<b>2,444</b>	<b>(4,195)</b>	<b>302%</b>	<b>2,963</b>

**California Authority of Racing Fairs  
Project Management Income Statement  
September 30, 2011**

	<b>2009 Year End Actual</b>	<b>2010 Year End Actual</b>	<b>2011 YTD Actual</b>	<b>2011 Estimated YearEnd</b>	<b>2011 Annual Budget</b>	<b>2011 Budget Variance</b>	<b>2011 % Budget</b>	<b>2012 Proposed Budget</b>
<b>Revenue:</b>								
CARF Admin Fee	66,063	141,872	410,503	410,503	195,000	215,503	211%	0
Project Management	79,199	85,559	0	0	81,935	(81,935)	0%	0
<b>Total Revenue</b>	<b>145,262</b>	<b>227,432</b>	<b>410,503</b>	<b>410,503</b>	<b>276,935</b>	<b>133,568</b>	<b>148%</b>	<b>0</b>
<b>Expenses:</b>								
Salaries Expense	58,723	63,396	0		58,035	58,035	0%	0
Employee Benefits	7,287	8,538	0		9,000	9,000	0%	0
Payroll Taxes	2,832	3,076	0		3,000	3,000	0%	0
Accounting Costs	6,500	6,620	0		7,500	7,500	0%	0
Audit Services	2,550	2,550	0		2,550	2,550	0%	0
Automobile Expense	0	0	0		0	0	0%	0
Contracted Services	0	0	0		0	0	0%	0
Telephone Expense	708	754	0		1,000	1,000	0%	0
Travel Expense	42	68	0		250	250	0%	0
Misc. Storage	558	558	0		600	600	0%	0
<b>Total Expenses</b>	<b>79,199</b>	<b>85,559</b>	<b>0</b>	<b>0</b>	<b>81,935</b>	<b>81,935</b>	<b>0%</b>	<b>0</b>
<b>CARF Admin Fee</b>	<b>66,063</b>	<b>141,872</b>	<b>410,503</b>	<b>410,503</b>	<b>195,000</b>	<b>(215,503)</b>	<b>211%</b>	<b>0</b>

**California Authority of Racing Fairs**

**Live Racing Income Statement**

**September 30, 2011**

2009 = 79dys 2010 = 64 days 2011=58days

2012= days

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2012</b>
	<b>Year End</b>	<b>Year End</b>	<b>YTD</b>	<b>Estimated</b>	<b>Annual</b>	<b>Budget</b>	<b>% Budget</b>	<b>2012</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>YearEnd</b>	<b>Budget</b>	<b>Variance</b>		<b>Proposed</b>
								<b>Budget</b>
<b>Revenues:</b>								
Change Fund Admin Fee	17,065	14,074	2,941	5,000	15,000	(12,059)	20%	15,000
Racing Fairs Admin Fee	74,561	69,032	56,003	71,500	85,111	(29,108)	66%	78,201
Supplemental Purses Admin Fee	22,000	22,000	82,500	82,500	82,500	0	100%	45,000
NCOTWINC Reimbursement	29,000	29,000	0	0	29,000	(29,000)	0%	29,000
Racing Fairs Reimbursement	1,059,854	1,003,686	746,712	946,100	1,082,942	(336,230)	69%	1,042,681
Advertising Revenue	4,100	4,550	4,500	4,500	4,000	500	113%	4,000
<b>Total</b>	<b>1,206,580</b>	<b>1,142,343</b>	<b>892,657</b>	<b>1,109,600</b>	<b>1,298,553</b>	<b>(405,896)</b>	<b>69%</b>	<b>1,213,882</b>
<b>Expenses:</b>								
Salaries	230,562	255,146	181,188	250,000	251,517	70,329	72%	295,750
Employee Benefits	44,792	46,948	35,470	47,000	47,000	11,531	75%	44,278
Payroll Taxes	11,877	13,103	9,143	13,500	13,500	4,357	68%	10,928
Accounting Costs	52,250	43,035	31,692	48,750	48,750	17,058	65%	48,750
Audit Services	16,575	25,323	16,575	16,575	16,575	0	100%	19,125
Automobile Expense	1,182	64	0	1,000	5,100	5,100	0%	2,000
Depreciation	0	0	0	0	0	0	0%	0
Dues & Subscriptions, NTRA	12,286	10,109	0	0	1,000	1,000	0%	1,000
Insurance Expense	0	0	0	0	0	0	0%	0
Legal Expenses	0	8,734	0	2,000	10,000	10,000	0%	5,000
Meetings Expense	1,111	3,440	335	1,000	5,000	4,665	7%	2,000
Misc. Exp (Harness,Storage,Bank f	58	0	0	0	0	0	0%	0
Telephone Expense	3,363	3,924	2,239	3,000	3,000	761	75%	3,500
Travel Expense	45,184	29,898	26,583	32,000	35,000	8,417	76%	35,000
<b>Sub-Totals</b>	<b>419,240</b>	<b>439,725</b>	<b>303,225</b>	<b>414,825</b>	<b>436,442</b>	<b>133,217</b>	<b>69%</b>	<b>467,331</b>
<b>Racing Support Services:</b>								
Announcer	26,596	23,904	13,350	18,075	26,000	12,650	51%	23,850
Condition Bk/Program Cover	22,491	15,245	15,235	20,000	20,000	4,765	76%	20,000
Racing Operations Support	79,601	78,325	53,339	60,000	90,000	36,661	59%	90,000
TC02 Testing	54,880	7,425	5,415	6,500	15,000	9,585	36%	10,000
Marketing	1,783	3,901	130	2,000	5,000	4,870	3%	3,000
Network Management	3,321	1,548	1,558	2,200	3,000	1,442	52%	500
Paymaster	20,298	8,106	3,867	5,000	11,500	7,633	34%	7,500
Program Production	178,814	179,004	136,109	180,000	205,000	68,891	66%	205,000
Racing Office System	53,156	43,739	19,528	35,000	55,000	35,472	36%	40,000
Recruitment	22,721	31,108	9,860	10,000	10,000	140	99%	15,000
Jumbo Screen	125,000	126,250	104,550	105,000	160,000	55,450	65%	110,000
Supplies	19,158	15,964	3,758	10,000	20,000	16,242	19%	15,000
Tattooing	20,469	17,200	14,759	19,000	19,000	4,241	78%	20,000
Timing/Clocker	22,430	22,805	0	0	0	0	0%	0
Transportation	3,465	2,150	1,708	3,000	5,000	3,292	34%	3,500
TV Production/Simulcast	20,288	17,088	57,451	60,000	35,000	(22,451)	164%	45,000
<b>Sub-Totals</b>	<b>674,471</b>	<b>593,763</b>	<b>440,616</b>	<b>535,775</b>	<b>679,500</b>	<b>238,884</b>	<b>65%</b>	<b>608,350</b>
<b>Total Expenses</b>	<b>1,093,711</b>	<b>1,033,488</b>	<b>743,842</b>	<b>950,600</b>	<b>1,115,942</b>	<b>372,100</b>	<b>67%</b>	<b>1,075,681</b>
<b>CARF Admin Fee</b>	<b>112,869</b>	<b>108,854</b>	<b>148,815</b>	<b>159,000</b>	<b>182,611</b>	<b>33,796</b>	<b>81%</b>	<b>138,201</b>

**PROPOSED 2012 MEMBER DUES BASED ON 2011 HANDLE**

Oct 17, 2010 to October 16, 2011

**2011 CARF MEMBER FAIRS TOTAL HANDLE**

Location	run takeout summary report for each host					Total Handle	2011 handle	Actual	Actual	Actual	Draft	Reduced
	Off-Track S/W Handle	On-Track Handle	Out-of-State Handle	Off Track Handle	ADW Handle		% of Total	2009 Dues	2010 Dues	2011 Dues	2012 Dues	10% Dues
Anderson	1,441,509					1,441,509	0.352%	3,367	3,367	3,367	3,367	3,030
Tulare	2,813,451					2,813,451	0.687%	3,367	3,367	3,367	3,367	3,030
Shalimar (Indio)	4,615,728					4,615,728	1.126%	7,856	7,856	7,856	7,856	7,070
Monterey	7,318,699					7,318,699	1.786%	7,856	7,856	7,856	7,856	7,070
Turlock	6,635,310					6,635,310	1.619%	7,856	7,856	7,856	7,856	7,070
Bakersfield	6,283,116					6,283,116	1.533%	7,856	7,856	7,856	7,856	7,070
Victorville	5,931,312					5,931,312	1.447%	7,856	7,856	7,856	7,856	7,070
Ferndale	140,934	686,729	1,422,220	1,801,376	1,602,502	5,653,761	1.380%	3,367	3,367	3,367	7,856	7,070
Lake Perris	12,783,584					12,783,584	3.119%	16,834	16,834	16,834	16,834	15,151
Lancaster	14,130,784					14,130,784	3.448%	7,856	16,834	16,834	16,834	15,151
Vallejo	15,485,307					15,485,307	3.779%	21,042	21,042	21,042	16,834	15,151
Ventura	23,506,420					23,506,420	5.736%	21,042	21,042	21,042	21,042	18,938
San Bernardino	24,252,935					24,252,935	5.918%	21,042	21,042	21,042	21,042	18,938
Fresno	8,630,574	3,456,008	7,326,733	9,569,964	4,422,197	33,405,476	8.151%	16,834	21,042	21,042	21,042	18,938
Stockton	15,881,343	857,545	1,945,850	3,953,320	1,928,582	24,566,640	5.995%	21,042	21,042	21,042	21,042	18,938
Santa Rosa	9,870,494	4,020,279	9,643,909	14,643,352	6,431,046	44,609,080	10.885%	21,042	21,042	21,042	25,252	22,727
Sacramento	22,276,124	1,887,107	4,608,088	8,692,670	4,014,655	41,478,644	10.121%	25,252	25,252	25,252	25,252	22,727
Pleasanton	33,248,610	5,121,553	8,407,404	12,927,246	6,483,264	66,188,078	16.151%	25,252	25,252	25,252	25,252	22,727
San Mateo	68,716,595	0	0	0	0	68,716,595	16.768%	16,834	25,252	25,252	25,252	22,727
Eureka								2,625	0			
Santa Maria								7,856	7,856	3273		
Santa Barbara								5,892	0	0		
<b>Totals</b>	<b>283,962,827</b>	<b>16,029,220</b>	<b>33,354,204</b>	<b>51,587,930</b>	<b>24,882,247</b>	<b>409,816,427</b>	<b>100%</b>	<b>279,826</b>	<b>292,913</b>	<b>288,330</b>	<b>289,548</b>	<b>260,593</b>



**CALIFORNIA AUTHORITY OF RACING FAIRS**  
**BALANCE SHEET**  
September 30, 2011

**ASSETS**

	CURRENT YTD	PRIOR YTD
	9/30/11	9/30/10
<b>Current Assets</b>		
CASH - LAIF & INVESTMENTS	256,608	2,629,994
CASH - OPERATING/MM	2,580,175	995,650
CHECKING - TOC PURSE	142,296	225,052
CHECKING - RACING TRUST	870,302	955,967
MARKETABLE SECURITIES	2,419,230	4,389,318
A/R - DUES	85,223	77,999
A/R - PROGRAMS	33,770	89,785
A/R - RACING FAIRS	313,236	468,251
A/R - ERF/OTHER A/R	905,294	1,924,393
PREPAIDS/DEPOSITS	79,109	74,020
OPEB ASSETS	92,725	91,955
<b>Total Current Assets</b>	<b>7,777,968</b>	<b>11,922,382</b>
<b>Fixed Assets</b>		
AUTOMOBILE	36,139	574
FURNITURE & EQUIPMENT	866	1,879
COMPUTER HARDWARE/SOFTWARE	6,947	7,086
TRACK EQUIPMENT	259,712	59,400
<b>Total Fixed Assets (Net of Depr.)</b>	<b>303,664</b>	<b>68,939</b>
<b>TOTAL ASSETS</b>	<b>8,081,632</b>	<b>11,991,321</b>

**LIABILITIES & NET ASSETS**

<b>Current Liabilities</b>		
A/P & WITHHOLDINGS	519,151	238,085
A/P - PROGRAM ROYALTIES TO HOST	46,117	76,737
RACING DISTRIBUTIONS	1,340,862	1,630,457
PURSES	723,080	854,350
TRACK SAFETY/MAINT.	547,068	474,054
INFOTEXT UPGRADE	0	160,738
MISC PROJECT FUNDS	0	0
LOU-1 - TIMING/TRACK SURFACE/AREA ENHANC	0	0
LOU-2 - SPECIAL EVENT CENTERS	0	0
LOU-3 - SATELLITE SURVEY/TURF STUDY	0	0
EQUIPMENT REPLACEMENT FUND	0	1,154,672
LOU-5 - SYMPOSIUM	3,805	3,805
MINI SATELLITE FUNDS	169,800	520,222
CAPITAL IMPROVEMENT FUND	0	2,999,497
<b>Total Current Liabilities</b>	<b>3,349,883</b>	<b>8,112,618</b>
<b>Non-Current Liabilities</b>		
CHRIMS FUNDS	91,461	90,625
CHANGE FUND	1,014,000	1,014,000
FAIRS - EQUIP REPLACEMENT FUNDS	2,552,267	2,016,741
<b>Total Non-Current Liabilities</b>	<b>3,657,728</b>	<b>3,121,365</b>
<b>TOTAL LIABILITIES</b>	<b>7,007,611</b>	<b>11,233,983</b>
<b>Net Assets</b>		
FUND EQUITY	709,681	728,101
F&E Net Assets	34,794	22,275
CARF@GG	0	0
RETIREMENT CONTINGENCY	0	0
NET INCOME/LOSS	329,547	6,962
<b>Total Net Assets</b>	<b>1,074,021</b>	<b>757,338</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>8,081,632</b>	<b>11,991,321</b>

# Highlights 2010



Total Conventional & ADW Handle

**\$131 million**

Revenue Distributed by CARF

**\$26.6 million**

Total Commissions Paid to Fairs

**\$6.3 million**

Total Purses Paid to Horsemen

**\$7.1 million**



	Total	STK	PLN	SAC	SR	FER	FNO
<b>Revenue</b>							
Takeout & Other Revenue	26,648,201	1,624,911	7,169,081	3,744,028	7,744,874	2,065,581	4,299,726
<b>Commissions</b>							
Total Commissions	6,305,269	417,674	1,643,151	941,514	1,739,034	544,072	1,019,823
<b>Purses</b>							
Total Purses	7,110,991	342,652	2,050,906	887,503	2,195,755	508,184	1,125,992
<b>Distributions</b>							
F&E Fund 19614d/License Fees	237,966	13,649	64,265	28,561	66,749	17,559	47,183
F&E Recapture	29,680	1,803	7,725	4,593	7,921	2,593	5,044
CHRB Support	390,316	23,274	101,238	60,589	104,475	34,209	66,532
Commingle Guest O/S	5,717,452	316,345	1,519,216	727,763	1,870,029	308,986	975,113
Interstate Host	824,033	62,424	216,691	127,610	204,807	80,293	132,209
Location Fee	1,552,634	116,230	387,737	253,877	417,613	150,536	226,641
Promotion	248,775	17,069	62,759	40,276	68,504	23,220	36,946
City/County	242,244	15,980	62,517	36,555	66,361	21,408	39,421
Stabling/Vanning	746,325	51,209	188,278	120,829	205,511	69,661	110,837
Equine Lab	73,409	4,843	18,945	11,078	20,110	6,488	11,946
Owners	54,285	3,619	13,878	8,258	14,573	4,812	9,145
Breeders	511,746	36,219	133,155	79,177	138,745	43,765	80,685
Exchange Wagering Breeders	4,563	339	1,331	496	1,043	205	1,149
Other ADW Distributions	205,549	12,858	45,935	27,607	53,179	27,604	38,366

**CALIFORNIA AUTHORITY OF RACING FAIRS**  
*Management Services and Contract Administration*  
*for*  
*Live Horse Racing Operations*

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**Racing Operations**

- CARF works with Racing Fairs on preparation, submission and presentation of CHRB License Applications
- Provides Racing Office computer system (all computer hardware/peripherals) and application software (Equibase) and manages service, technical support and transportation
- Provides and manages Paymaster services, including Paymaster (CARF employee) bank accounts, audits, payment of all purse moneys to owners and all other distributions of payment to various recipients
- Telecommunications: provision of voice, fax and data lines necessary to support racing, totalisator and simulcast operations
- Provides accounting, reconciliation and distribution of all parimutuel commissions, purse, license fees and other distributions
- Coordinates development and management of purse schedule through Fair Circuit in cooperation with Fair Racing Secretaries and Thoroughbred Owners of California
- Provides Supplemental Purse Fund management and accounting
- Provides marketing coordination through circuit
- Manages contracts for daily racing program production, printing and distribution
- Manages Condition Book production and distribution
- Manages contracts and logistics for provision of Jumbo Video Screen

**CALIFORNIA AUTHORITY OF RACING FAIRS**  
*Management Services and Contract Administration*  
*for*  
*Live Horse Racing Operations*

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**Racing Operations (cont'd)**

- Manages contract for Starting Gate
- Manages contract for Photo Finish
- Total Carbon Dioxide (TCO<sub>2</sub>) testing
- Furnishes electronic timing system with operator
- Oversees TV Replay System for Officials
- Manages provision of Temporary stalls
- Coordinates provision of Mobile offices for racing operations
- Daily, on-site management and oversight of all operations above, along with management, coordination and disposition of other matters that may arise from time to time in the course of conducting racing at Fairs
- Active liaison, representation and advocacy with on-track Stewards and with senior CHRB officials
- Manages consolidated purses' program.

**Contracts with Horsemen's Associations**

- Negotiate contracts with horsemen's associations, as required by statute.
- Thoroughbred Owners of California
- Cal Western Appaloosa
- Pacific Coast Quarter Horse Association
- Arabian Racing Association of California
- Racing Mule Association
- California Thoroughbred Trainers

**CALIFORNIA AUTHORITY OF RACING FAIRS**  
*Management Services and Contract Administration*  
*for*  
*Live Horse Racing Operations*

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**Labor Agreements**

- Maintains membership in Federation of California Racing Associations to provide representation in racing industry employer group for labor union negotiations.
- Local 280 Pari-Mutuel Employees Guild
- Local 1877 (formerly Local 399) AFL-CIO Service Employees International Union Valets and rec. barn personnel
- Local 495 International Brotherhood of Teamsters, Chauffeurs, Warehousemen and helpers of America
- Note: Assist Starters now with Teamsters Local 495 but under separate agreement

**Racetrack Safety and Maintenance Program**

- CARF developed this program and provides management oversight throughout Fair circuit.
- Works with Division of Fairs and Expositions to maintain funding support
- Contracts with Steve Wood, Trackmaster, Inc., to provide expert consultation and oversight of Fair track maintenance
- Carries lease agreements for specialized tractors used for maintaining track surfaces
- Owns and provides custom-built water truck (2001 Sterling).
- Owns and provides rock-picker (added 2003).
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**CALIFORNIA AUTHORITY OF RACING FAIRS**  
*Management Services and Contract Administration*  
*for*  
*Live Horse Racing Operations*

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**Racetrack Safety and Maintenance Program (cont'd)**

- Owns or provides harrows, floats, and other miscellaneous equipment required for track maintenance.
- Manages all planning, heavy equipment transportation and logistics
- Provides daily, on-site management, key personnel and oversight
- No direct cost to Racing Fairs.
- Administers Jockey Club Equine Industry Database for CARF member Fairs

**Recruitment Program for Out-of-State Horses**

- Organizes and conducts out-of-state recruitment of horses to run at Northern California Fairs
- Manage payment of incentives
- Track and report on results of Recruitment Program

**Parimutuel Wagering Operations**

- Maintains totalisator contract
- Parimutuel labor contract
- NOTWInc agreement for Northern California simulcast network
- You Bet.com Advanced Deposit Wagering
- TVG Advanced Deposit Wagering
- Xpress Bet Advanced Deposit Wagering
- TwinSpires Advanced Deposit Wagering
- Provides all accounting, reconciliation, banking for ADW wagering operations

**CALIFORNIA AUTHORITY OF RACING FAIRS**  
*Management Services and Contract Administration*  
*for*  
*Live Horse Racing Operations*

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**Personnel**

- Racing Secretary
- Track Safety and Maintenance Manager
- Morning Fitness Vet
- Veterinarian
- TCO2 Technician
- Track Maintenance Crew Chief
- Horse Ambulance Driver
- Clocker and Timer
- Paymaster
- Program Manager
- Track Announcer
- Stewards' Aide
- Jocks' Room

**Web Site Operation**

- Manages racing Website [www.calfairs.net](http://www.calfairs.net) on behalf of Fairs which conduct live racing
- Contracts with information service providers
- Daily management and administration of racing information provided to racing fans on Website

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**Simulcast Operations**

- Manages Satellite Transmission and Encryption Services
- Manages TV Production for simulcast coverage
- Manages telecommunications support: provision of voice, fax and data lines necessary to support simulcast operations
- Furnishes back up electrical generators
- Provides accounting, reconciliation, banking for simulcast operations
- NOTWInc contract for Northern California simulcast network
- Manages contracts for out-of-state simulcast sites and distribution of daily racing programs and other simulcast information
- Payment of commissions, purses, license fees and all other distributions from simulcast operations

CK - January 2011



# 2012

## January

Su	Mo	Tu	We	Th	Fr	Sa
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

Su	Mo	Tu	We	Th	Fr	Sa
			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			

## March

Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

## April

Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

## May

Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

## June

Su	Mo	Tu	We	Th	Fr	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

## July

Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

## August

Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

## September

Su	Mo	Tu	We	Th	Fr	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

## October

Su	Mo	Tu	We	Th	Fr	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

## November

Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

## December

Su	Mo	Tu	We	Th	Fr	Sa
						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					