

# AGENDA CALIFORNIA AUTHORITY OF RACING FAIRS BOARD OF DIRECTORS MEETING JOHN ALKIRE, CHAIR 12:30 P.M., TUESDAY, MAY 1, 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, May 1, 2012. The meeting will be held in Sacramento.

# AGENDA

- I. Date, time and location of next meeting: June 5, 2012
- II. Approval of minutes.
- III. Report, discussion and action, if any, on Totalisator Contract Extension.
- IV. Report, discussion and action, if any, on Extension to CA downlink contract (Roberts).
- V. Report, discussion and action, if any, on Legislative program for 2012 and beyond
- VI. Report, discussion and action, if any, on Mini-Satellite Development.
- VII. Financials
- VIII. Executive Director's Report



# NOTICE CALIFORNIA AUTHORITY OF RACING FAIRS BOARD OF DIRECTORS MEETING JOHN ALKIRE, CHAIR 12:30 P.M., TUESDAY, MAY 1, 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, May 1, 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

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

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

California State Fair 1600 Exposition Blvd. Sacramento, CA 95815

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

Kern County Fair 1142 South P Street Bakersfield, CA 93307 National Orange Show 689 South E Street San Bernardino, CA 92408

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

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

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

Shasta District Fair 1890 Briggs Street Anderson, CA 96007

Monterey County Fair 2004 Fairground Road Monterey, CA 93940 Solano County Fair 900 Fairgrounds Drive Vallejo, CA 94589

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

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

Stanislaus County 900 North Broadway Turlock, CA 95380

Tulare County Fair 215 Martin Luther King Tulare, CA 93274

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

# CALIFORNIA AUTHORITY OF RACING FAIRS Board of Directors Tuesday, April 3, 2012

## MINUTES

A teleconference meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, April 3, 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 Norb Bartosik. Joining by conference call: Chris Borovansky, Dan Jacobs, Kelly Violini, and Mike Paluszak.

Staff and Guests joining: Christopher Korby, Larry Swartzlander, Heather Haviland, Tom Doutrich, Raechelle Gibbons, Lisa Drury and Tawny Tesconi.

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

**Agenda Item 2 – Approval of Minutes**. Mr. Pickering approved the minutes. Mr. Jacobs second, unanimously approved.

**Agenda Item 3 – Report, Discussion and Action, if any, on Legislative Program for 2012 and Beyond.** Mr. Korby reported that SB 1227 (Negrete McLeod), the license relief bill for live racing Fairs, has passed out of the Senate G.O. Committee and is headed toward the Senate Appropriations Committee.

SB 1418 (Berryhill), the bill eliminating date restrictions for combined race meets at Fairs, will be heard in the Senate G.O. Committee next week. Mr. Korby reported that the bill language is being modified to respect Cal Expo's interests concerning their harness meet. Mr. Korby reported that the new language will be included in the bill before it is heard in the Senate G.O. Committee.

SB 1463 (Wright), the Internet poker bill, will be heard in the Senate G.O. Committee sometime in April. A group of principals from the racing industry are following the bill carefully and moving on a parallel track to the legislative efforts with respect to possible implementation of Internet poker should it be approved and signed by the Governor. Conversations between the industry group and technical companies that provide wagering type services to global enterprises are in their initial exploratory stages. Mr. Korby will keep the group posted on any developments.

Mr. Borovansky asked if Western Fairs Association (WFA) has been asked to take a position on SB 1227. Mr. Korby stated that staff and members of the CARF Board are meeting with WFA this afternoon to discuss the bill and WFA's position. Mr. Pickering stated that as the WFA representative on the CARF Board, he can confirm that WFA has not taken an official position, but does have

II.

concerns regarding the perception amongst WFA member Fairs in moving funds away from F&E and to horsemen. Mr. Borovansky asked if F&E's appropriation clause was eliminated thereby removing their ability to distribute funds. Ms. Drury responded that F&E is still required to conduct financial audits and other administrative task that are still in statute and ultimately benefit Fairs. Mr. Alkire stated that they would bring up the matter of F&E's funding abilities to Mr. Chambers for discussion.

**Agenda Item 4 – Report, Discussion and Action, if any, on Extension to Totalisator Contract.** Mr. Korby reported that the totalisator contract, which provides wagering terminals to live racing fairs and satellite wagering facilities, is expiring this year. The current contract with Sportech (formally known as Scientific Games and Autotote) has a provision for a 3-year extension. Most of the racing interests in California, including Fairs, would like to extend the existing contract.

The Stronach Group (which operates Santa Anita Park and Golden Gate Fields) owns a rival totalisator company American Tote (Amtote). Principals of the Stronach Group would like to install Amtote machines at their tracks prior to the running of this year's Breeder's Cup at Santa Anita.

NCOTWinc. and SCOTWinc., independently of each other, have each voted to extend the existing Sportech contract and has given the Stronach Group a window of time to decide if they will agree to the extension or implement changing providers. The Sportech contract states that the company requires notification of the contract extension by June.

The meeting packets include documents outlining considerations regarding the simultaneous operation of multiple totalisator systems in California, including the downsides, risks, inefficiencies and cost caused experienced in the early 1990's. The meeting packet also includes historical documents for informational purposes.

**Agenda Item 5 – Report on 2012 Horsemen's Agreements.** Mr. Korby reported that the horsemen's agreements are included in the meeting packet as background information for illustrating the range of activities CARF undertakes on behalf of live racing Fairs.

Agenda Item 6 – Report and Discussion on Preparation of and Deadlines for CHRB Racing License Applications. Mr. Korby reported that the preparation of the CHRB license is part of a suite of services that CARF provides to live racing Fairs. The applications are detailed and complex and each Fair that races has to go through the CHRB application process which is closely scrutinized by the CHRB Board of Directors.

Agenda Item 7 – Report, Discussion and Action, if any, on CARF Track Safety and Maintenance Program. Mr. Korby reported that this item was included on the agenda in light of the national media coverage created by the New York Times article published March 25, 2012 titled "Mangled Horses, Maimed Jockeys."

Mr. Korby reported that CARF has been fortunate in the past 10 years to be able to invest significant time, money and effort into a Race Track Safety and Maintenance Program (RTSM) at

Fairs. Mr. Korby stated that the Fair injury record is on-par, if not better than the major racing associations, which is especially significant when you take into consideration that horses running at Fairs are often at the beginning or approaching the end of their racing careers.

If Board members are contacted by patrons or the media regarding race horse welfare, CARF staff can supply information regarding the programs in place at Fairs.

Mr. Borovansky asked if it might be beneficial to differentiate Fairs from major racetracks by developing an animal welfare policy for Fairs as a whole. Fairs have a strong track record of taking care of animals, which could be beneficial to the racing operation. Mr. Bartosik stated that it is better to be proactive than reactive.

**Agenda Item 8 – Historical Report: Jumbo Tron at Fair Racetracks.** Mr. Korby reported that the meeting packet contains one of the initial proposals drafted by CARF for implementing a Jumbotron at Fairs titled "Jumbo Video Screen Display at California Fair Grandstands. Mr. Korby stated that the addition of the Jumbotron has provided Fairs with a resource to bolster sponsorship opportunities and has provided fans with the type of exciting racing experience they expect to have at any major sporting event.

**Agenda Item 9 – Financials.** Mr. Korby reported that current financials have been distributed and Ms. Gibbons is available to answer any questions.

**Agenda Item 10 – Executive Director's Report.** Mr. Korby reported that 2012 is CARF's 25<sup>th</sup> year as a joint-powers authority (JPA). CARF staff will be developing handle and distribution reports that illustrate the racing industry's contribution to Fairs over that timeframe and the revenues generated to Fairs through CARF activities.

Mr. Korby reported that a mini-satellite wagering facilities license application is scheduled to be heard at the next CHRB meeting for a bowling facility in Santa Clarita. Mr. Jacobs stated that the facility is 28.6 miles from Lancaster as the crow flies.

Ms. Violini reported that the Banker's Casino mini-satellite facility project has been a slow moving, but that the end product will be better than what was originally planned. Ms. Violini hopes to go before the CHRB soon to receive approval for a pilot satellite operation in August.

Ms. Tesconi asked if meeting packets can be received earlier.

Respectfully submitted, Heather Haviland

# EXTENSION OF TOTALISATOR SERVICE AGREEMENT

THIS EXTENSION OF TOTALISATOR SERVICE AGREEMENT (this day of "Extension Agreement") is entered into as of the , 2012, by and OFF-TRACK WAGERING between SOUTHERN CALIFORNIA INC. ("SCOTWINC"), NORTHEBN CALIFORNIA OFF-TRACK WAGERING INC. ("NCOTWINC"), the California Racing Associations and Racing Fairs, which from time to time operate as "HOST TRACKS") as set forth on <u>Exhibit A</u> of the Totalisator Service Agreement (SCOTWINC, NCOTWINC and HOST TRACKS are hereinafter collectively referred to as "TRACKS"), and SPORTECH RACING, LLC (formerly Scientific Games Racing, LLC), a Delaware limited liability company with a principal place of business located at 555 Long Wharf Drive, 11<sup>th</sup> Floor, New Haven, Connecticut 06511 ("SPORTECH") (all parties signatories to this Extension Agreement are hereinafter collectively referred to as the "Parties").

WHEREAS, SCOTWINC is an organization of racing associations and racing fairs that operate an audio visual signal system for the transmission of satellite wagering signals to designated simulcast wagering sites, to protect the security of pari-mutuel pools and to account for wagering proceeds for the Southern and Central Zones of California, and NCOTWINC is the organization formed for the above stated purposes for the Northern Zone of California, and HOST TRACKS operate the California racing venues from which such audio visual signals emanate; and

WHEREAS, SPORTECH is a limited liability company having facilities and capabilities to provide the pari-mutuel totalisator system to record and tabulate wagers made at HOST TRACKS and Simulcast Wagering facilities located throughout the State of California; and

WHEREAS, Scientific Games Racing, LLC ("SGR") and TRACKS are parties to a Totalisator Service Agreement dated June 1, 2007 ("Service Agreement); and

#### WHEREAS, SGR is now known as SPORTECH; and

WHEREAS, TRACKS that are signatories to this Extension Agreement desire to exercise their rights under Paragraph 23.2 of the Service Agreement, and renew and extend the Service Agreement for one (1) three-year period upon expiration of the term of the Service Agreement on the last day of any Thoroughbred race meeting operating in September of 2012 and SPORTECH is willing to so extend the Service Agreement to the TRACKS that are signatories to this Extension Agreement as set forth herein.

WHEREAS, the Parties desire to amend the Service Agreement to extend the term of the Service Agreement as set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants set forth herein, the Parties agree as follows:

1. <u>Scope of Amendment</u>. Except for the changes set forth below, all other terms and conditions of the Service Agreement and any amendments thereto shall remain in full force and effect and shall govern the contractual relationship of the Parties. In the event of any inconsistencies between the terms of this Extension Agreement and the Service Agreement or any amendments thereto not specifically referenced herein, the terms of this Extension Agreement shall prevail.

2. <u>Term</u>. Paragraph 23.1 of the Service Agreement as between SPORTECH and the TRACKS that are signatories to this Extension Agreement is hereby deleted in its entirety and replaced with the following:

23.1 As to the Parties, this Agreement shall be in full force and effect as of the day after the last day of any Thoroughbred race meeting operating in September of 2012, and shall expire on the last day of any Thoroughbred race meeting operating in September of 2015, unless sooner terminated pursuant to the provisions hereof.

IN WITNESS WHEREOF, the Parties hereto have executed this Extension Agreement to be signed by their respective duly authorized officers, as of the day and year first above written.

SPORTECH RACING, LLC

SOUTHERN CALIFORNIA OFF-TRACK WAGERING, INC.

By: ICHAEZ Name: Title: Date: 2012 191

NORTHERN CALIFORNIA OFF-TRACK

WAGERING, INC.

BAY MEADOWS LAND COMPANY AND HOLLYWOOD PARK

By:

Name: Title: Date:

By:

Name:

Title:

Date:

BERNIE THURMAN VICE PRESIDENT 4/15/2012

By:	
Name:	
Title:	
Date:	

# GOLDEN GATE FIELDS AND SANTA ANITA PARK

3

CALIFORNIA AUTHORITY OF RACING FAIRS

By:

Name: CHRESPHER KORB-1 Title: Executive Director Date: April 13, 2012

SACRAMENTO HARNESS ASSOCIATION

By:	
Name:	

Title: Date:

SOUTHERN CALIFORNIA OFF-TRACK WAGERING, INC.

By:\_\_\_\_ Name: Title: Date:

FAIRPLEX PARK

By:\_\_\_\_ Name: Title: Date:

By:\_\_\_\_ Name: Title: Date:

LOS ALAMITOS RACETRACK

By:

Name: Richard Eficiish Title: chairman Date: 4-18-12

OAK TREE RACING ASSOCIATION

By: Name: S.C. hillingwor Title: Divector Date: 4/10/12

DEL MAR THOROUGHBRED CLUB

By Name: HAEL 157 Title: EUP; CFO Date: 4/18/12



(702) 227-7500 Telephone 4175 Cameron Street, Suite B-10 Las Vegas, NV 89103

(702) 227-7501 Telefax

# **CONFIDENTIAL**

February 27, 2012

VIA FAX (858) 794-1007, EMAIL AND FEDERAL EXPRESS

Mr. Jack Liebau, President Southern California Off-Track Wagering, Inc. 4961 East Katella Drive Los Alamitos, CA 90720-2799 Mr. Joe Morris, President Northern California Off-Track Wagering, Inc. 1100 Eastshore Highway Berkley, CA 94710

Dear Jack and Joe,

Roberts Communications Network, LLC ("RCN") agrees to provide simulcast reception service to Southern California Off-Track Betting Wagering, Inc. ("SCOTWINC") and Northern California Off-Track Wagering, Inc. ("NCOTWINC"), on behalf of the locations indicated on Schedule A attached hereto, as follows:

- 1. Annual fee \$1,280,450.00 (includes all 31 locations on Schedule A attached)
  - a. \$796,500.00 invoiced to SCOTWINC
  - b. \$483,950.00 invoiced to NCOTWINC
- 2. Includes up to 16 simultaneous channels of service at each location.
- 3. Includes equipment package at each location consisting of:
  - a. 1.2 meter ku band receive antenna
  - b. Antenna mount
  - c. IRDs capable of MPEG-2, MPEG-4, SD, HD
  - d. Equipment Rack and other associated equipment as determined by RCN
- 4. SCOTWINC and NCOTWINC may allocate the 496 channels (IRDS) (16 x 31) in any manner they choose. However, re-transmissions of simulcasts provided by RCN pursuant to this agreement are strictly prohibited.
- 5. Additional channels of service over and above 496 shall be provided at a rate of \$215.00 per channel (IRD) per month per location. However, in such event, the allocation of the annual fee as indicated in Sections 1a.and 1b. above shall be re-determined by SCOTWINC and NCOTWINC and provided to RCN.
- 6. Additional locations not included on Schedule A may be subject to a one-time installation fee.

IV.

- 7. In the event SCOTWINC or NCOTWINC discontinues simulcast reception service at any of the 31 locations or they, jointly and not severally, reduce the number of channels received at each location because RCN is no longer the exclusive vendor for certain tracks, then RCN will reduce the annual fee by \$215.00 per channel (IRD) applicable, times 12 months (prorated for partial years). However, in such event, the allocation of the annual fee as indicated in Sections 1a.and 1b.above shall be re-determined by SCOTWINC and NCOTWINC and provided to RCN.
- 8. Payment Option: \$106,704.17 per month in advance (plus any extra channel billing).
  - a. \$66,375.00 invoiced to SCOTWINC
  - b. \$40,329.17 invoiced to NCOTWINC
- Term Five (5) years (January 1, 2012 through December 31, 2016). However, either RCN or jointly and not severally, SCOTWINC and NCOTWINC, may terminate this agreement effective 11:59 p.m. on December 31, 2014 by providing the other party with written notice of such termination by September 30, 2014.
- 10. SCOTWINC and NCOTWINC shall be responsible for obtaining any and all re-transmission consents, and the payment of any applicable costs or fees, required from host tracks and their vendors for any tracks requested by SCOTWINC and NCOTWINC to be included in this service, but for which RCN is not the exclusive vendor. RCN provides the services described herein on an exclusive basis for only those host tracks for which it is the exclusive vendor.
- 11. SCOTWINC and NCOTWINC shall be responsible for the negotiation and payment of any additional IRD costs or fees imposed by host tracks on SCOTWINC and NCOTWINC pursuant to SCOTWINC's and NCOTWINC's agreements with such host tracks when SCOTWINC and NCOTWINC are acting as a guest or simulcast importer. RCN shall be responsible for the negotiation and payment of historical IRD revenue received by such host tracks from RCN for SCOTWINC and NCOTWINC IRDs prior to the execution of this agreement.
- 12. This agreement shall be replaced by RCN's standard Reception Service Agreement upon execution of such an agreement.

All terms and conditions of this agreement are confidential.

If you are in agreement with the terms and conditions contained herein, please sign in the space provided below and return a copy of this agreement for our records.

Very truly yours.

Todd Roberts President and CEO

Mr. Jack Liebau and Joe Morris February 27, 2012 Page 3

AGREED AND ACCEPTED: SOUTHERN CALIFORNIA OFF-TRACK WAGERING, INC

Date 3/12/12 By: 10 Authorized Signature

F. Hack Liebau, President Print Name and Title

NORTHERN CALIFORNIA OFF-TRACK WAGERING, INC

By:

Date \_\_\_\_\_

Authorized Signature

Print Name and Title

TR: Pb

Mr. Jack Liebau and Joe Morris February 27, 2012 Page 3

AGREED AND ACCEPTED: SOUTHERN CALIFORNIA OFF-TRACK WAGERING, INC

By: \_\_\_\_

Date

Authorized Signature

Print Name and Title NORTHERN CALIFORNIA OFF-TRACK WAGERING, INC

By: Authorized Signature

Date <u>3-8-12</u>

Joseph P. Morris, Chairman Print Name and Title

TR: Pb

Mr. Jack Liebau and Joe Morris February 23, 2012 Page 4

1. Alameda County Fair 4501 Pleasanton Avenue Pleasanton, CA 94566 Jeanie Wasserman Phone: (925) 426-7622 Fax: (925) 426-7621

2. Antelope Valley Fair 2551 West Ave. H Lancaster, CA 93536 Susie Merkler Phone: (661) 948-6060 Fax: (661) 942-2135

3. Barona Valley Ranch Resort 932 Wildcat Canyon Road Lakeside, California 92040 John H. Bucalo Phone: (619) 328-3913 Fax: (619) 390-3529

4. Big Fresno Fair 1121 Chance Avenue Fresno, CA 93702 Dan White Phone: (559) 453-3258 Fax: (559) 255-6864

5. California State Fair & Expo P.O. Box 15649 Sacramento, CA 94566 Dave Elliott Phone: (916) 263-3279 Fax: (916) 263-3198

6. Club One Satellite Wagering 1033 Van Ness Avenue Fresno, CA 93721 Dan White Phone: (559) 497-3011 Fax: (559) 264-1695

7. Del Mar / SurfSide 2260 Jimmy Durante Blvd. Paul A. Porter Del Mar, CA 92014 Phone: (858) 792-4232 Fax: (858) 792-4279

8. Fairplex Park P.O. Box 2250 Pomona, CA 91769 Mike Seder Phone: (909) 865-4630 Fax: (909) 620-8986

## SCHEDULE A

# LIST OF RECEPTION SERVICE LOCATIONS

9. Fantasy Springs Casino 84-245 Indio Springs Drive Indio, CA 92201 Hugh Cotes Phone: (760) 342-5000 X 3059 Fax: (760) 342-7586

**10.** Golden Gate Fields P.O. Box 6027 Albany, CA 94706 Calvin Rainey Phone: (510) 559-7311 Fax: (510) 559-7676

11. Hollywood Park P.O. Box 369 Inglewood, CA 90306 Eual Wyatt Phone: (310) 419-1594 Fax: (310) 672-0451

**12.** Kern County Fair 1142 South P Street Bakersfield, CA 93307 Dian Tootle Phone: (661) 833-4929 Fax: (661) 397-0296

13. Humbolt County Fair (8days) 1250 5<sup>th</sup> Street Ferndale, CA 93702 Stuart Titus Phone: (707)786-9511 Fax: (707)786-9450

14. Los Alamitos Racecourse 4961 Katella avenue Los Alamitos, CA 90720 Melodie Knuchell Phone: (714) 236-4469 Fax: (714) 995-6276

**15.** Monterey County Fair 2004 Fairgrounds Road Monterey, CA 93940 Sarah Cummings Phone: (831) 372-0315 Fax: (831) 372-3840

16. National Orange Show 930 South Arrowhead Ave San Bernardino, CA 92408 Larry Jacobsen Phone: (909) 885-7223 Fax: (909) 885-4087 17. San Bernardino County Fair 14800 Seventh Street Victorville, CA 92392 Debbie Hartzler Phone: (760) 951-7223 Fax: (760) 245-2375

**18.** San Joaquin County Fair 1658 South Airport Way Stockton, CA 95206 Debbie Cook Phone: (209) 466-3589 Fax: (209) 466-5141

**19.** San Mateo Event Center 2495 S. Delaware Street San Mateo, CA 94403 Chris Carpenter Phone: (650) 574-6063 Fax: (650) 574-6064

20. Santa Anita Park P.O. Box 60014 Arcadia, CA 91066-6014 Tom Varela Phone: (626) 574-6394 Fax: (626) 574-5074

21. Santa Clara County Fair 344 Tully Road San Jose, CA 95111 Tony Amantano Phone: (408) 494-3278 Fax: (408) 298-1016

22. Shalimar Sports Center 46-350 Arabia Street Indio, CA 92201 Olivia Perez Phone: (760) 863-8246 Fax: (760) 863-8978

23. Shasta District Fair 1890 Briggs Street Anderson, CA 96007 Lloyd Santos Phone: (530) 378-6787 Fax: (530) 378-6786

24. Solano County Fair 900 Fairgrounds Drive Vallejo, CA 94589 Rene Sanders Phone: (707) 552-9797 Fax: (707) 552-7871 Mr. Jack Liebau January 31, 2012 Page 5

25. Sonoma County Fair 1350 Bennett Valley Road Santa Rosa, CA 95402 Michelle Mustard Phone: (707) 524-6343 Fax: (707) 524-6344

26. Stanislaus County Fair 900 N. Broadway Turlock, CA 95380 Terry Mann Phone: (209) 634-2870 Fax: (209) 634-2969

27. Sycuan Gaming Center 5469 Dehesa Road El Cajon, CA 92019 Tim Briggs Phone: (619) 445-6002 Fax: (619) 659-1026

**28.** The Farmers Fair 18700 Lake Perris Drive Perris, CA 92571 Cindy Caruso Phone: (951) 679-7223 Fax: (951) 943-2691

29. Tulare County Fair 215 Martin Luther King, Jr. Tulare, CA 93274 Heione Tautuaa Phone: (559) 686-7616 Fax: (559) 686-0648

**30.** Ventura County Fair 10 West Harbor Boulevard Ventura, CA 93001 Beth Medeiros Phone: (805) 653-0960 Fax: (805) 653-1192

**31.** Viejas Casino & Turf Club 5000 Willows Road Alpine, CA 91901 Jim Bolda Phone: (619) 659-1770 Fax: (619) 659-1974

#### <u>Mini-Satellites – Billed to</u> Sportech

M1. Commerce Casino 6131 East Telegraph Road Commerce, CA 90040 Phone: (323) 721-2100 Fax: (323) 838-3475 Ralph Wong

M2. OC Tavern 2369 South El Camino Real San Clemente, CA 92672 Micheal Merrigan Phone (949) 542-8877

#### M3. Santa Maria

Original Roadhouse Grill 1423 S. Bradley Rd. Santa Maria, CA 93454 Pat Gorman Phone: (805) 346-2426 Fax: (805) 922-9354

#### Seasonal - Billed Separately

Uplink Truck Humbolt County Fair (8 days) 1250 5<sup>th</sup> Street Ferndale, CA 93702 Stuart Titus Phone: (707)786-9511 Fax: (707)786-9450



a California joint powers agency

1776 Tribute Road, Suite 205 Sacramento, CA 95815 Office: 916.927.7223 Fax: 916.263.3341 www.calfairs.com

April 16, 2012

The Honorable Darrell Steinberg, President Pro Tempore The Honorable Roderick Wright State Capitol, Room 205 Sacramento, CA 95814

RE: SB 1463 (Wright) OPPOSE UNLESS AMENDED

To Senators Steinberg & Wright:

We regretfully must oppose SB 1463 as introduced. We believe Senate Bill 1463 in its current form would devastate California's Horse Racing industry.

As you may be aware, the Horse Racing industry provides - directly or indirectly - over 35,000 jobs in California and is responsible for generating more than \$2.5 billion to the State's economy, annually. Horse Racing is the only form of legal Internet wagering in California (and the nation). This exclusivity was granted to the racing industry by the California Legislature in 2001 following the 1999 compacts and the passage of Proposition 1A in 2000 as a means of mitigating their impacts on racing. It goes without saying, Horse Racing interests would be significantly negatively impacted, and the jobs we provide threatened, should there be an expansion to Internet wagering without a preference provided for the Horse Racing industry. With this being said, Horse Racing industry members are not opposed to the prospects of Internet gaming which are contemplated in SB 1463. However, we are of the strong opinion the bill, in its current form, would be extremely detrimental to the State's Horse Racing industry, our partners and the citizens of the State that rely on our industry for their livelihood. Our specific concerns with Senate Bill 1463 include but are not limited to the following:

- As Horse Racing is the only entity which can legally conduct Internet gaming, we're opposed to the current language which allows for an unlimited number of participants. The Horse Racing industry believes that in order for any licensee to be successful in California and to recoup the initial \$30 + million licensing investment and marketing operations costs, there must be a reasonable limit on the number of licenses granted.
- Per the point above, upon a mutually agreed to number of limited licenses, one (1) license shall be designated for the Horse Racing industry, which would include Fair racing associations and Fair satellite wagering facilities. Furthermore, the only other entities eligible for (limited) licenses should include the State's licensed Native American gaming tribes and its Card Clubs. Given this request to limit the number of licenses granted, our position is that Advance Deposit Wagering (ADW) entities should NOT be eligible for license.
- Term Section 19990.03 specifies a renegotiation to the terms and conditions of licenses with the licensees any time after three (3) years. The section goes on to describe a process that gives the State the "right" to make reasonable modifications to the terms and conditions. We believe that three (3) years is insufficient time to recoup the State's \$30 million "up-front" fee. We must oppose this provision.

Much has been made of the financial impact Senate Bill 1463 would have upon the State's General Fund. Horse Racing industry members are keenly aware of the State's budget short-fall and realize the monetary assistance Senate Bill 1463 could provide for much needed State-supported programs. However, we're of the strong opinion the Legislature must also contemplate how the bill would impact existing California gaming entities and the jobs / economic impact which we provide. We look forward to working with all members of leadership in Sacramento on Internet gaming legislation that is beneficial and fair to all parties and protects the jobs of those Californians who depend on the Horse Racing industry to provide for themselves and their families.

Respectfully submitted,

Christopher Korby ( Executive Director California Authority of Racing Fairs

cc: Louie Brown, Kahn Soares and Conway



#### OFFICERS

MIKE PEGRAM CHAIR PABLO SUAREZ VICE CHAIR, SOUTHERN CA. SECRETARY JACK OWENS VICE CHAIR, NORTHERN CA. PETE PARRELLA TREASURER ED MOGER AT LARGE

#### DIRECTORS

MADELINE AUERBACH MARTIN BACH BOB BAFFERT BRIAN BOUDREAU DENNIS CARDOZA MARK DEDOMENICO RON ELLIS CAL FISCHER BILLY KOCH KEITH PRONSKE

#### **EXECUTIVE STAFF**

LOU RAFFETTO PRESIDENT KELLEE BREEN CHIEF FINANCIAL OFFICER ALISON LADUKE PROJECT COORDINATOR RICHARD SCHEIDT NO. CA. DIRECTOR OF OPERATIONS

#### CHAIRS EMERITUS

ED FRIENDLY (1996-97) ROBERT B. LEWIS (1997-2001) GARY BURKE (2001) JACK B. OWENS (2001-03) RON CHARLES (2003-04) JACK B. OWENS (2004-05) ALAN LANDSBURG (2005-07) MARSHA NAIFY (2007-10) ARNOLD ZETCHER (2010-11) JACK B. OWENS (2011)

#### **CORPORATE OFFICE**

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

#### April 18, 2012

The Honorable Darrell Steinberg, President Pro Tempore The Honorable Roderick Wright State Capitol, Room 205 Sacramento, CA 95814

RE: SB 1463 (Wright) Oppose Unless Amended

To Senators Steinberg & Wright:

On behalf of California's Thoroughbred Horsemen, the Thoroughbred Owners of California (TOC), the California Thoroughbred Breeders Association (CTBA) and the California Association of Racing Fairs (CARF), we regretfully must oppose your bill as introduced. We believe that the bill in its current form would devastate California's racing industry.

As you may be aware, the Horse Racing Industry provides - directly or indirectly - over 50,000 jobs in California and is responsible for generating more than \$2.5 billion to the State's economy, annually. Horse Racing is the only form of legal Internet wagering in California (and the Nation). This exclusivity was granted to the racing industry by the California Legislature in 2001 following the 1999 compacts and the passage of Proposition 1A in 2000 as a means of mitigating their impacts on racing. It goes without saying, horse racing interests would be significantly negatively impacted, and the jobs we provide threatened, should there be an expansion to Internet wagering without a preference provided for horse racing. With this being said, horse racing members are not opposed to the prospects of Internet gaming which are contemplated in SB 1463. However, we are of the strong opinion that the bill, in its current form would be extremely detrimental to the State's Horse Racing industry, our partners and the citizens of the State that rely on our industry for their livelihood. TOC, CTBA, and CARF's specific concerns with Senate Bill 1463 include but are not limited to:

- As Horse Racing is the only entity which can legally conduct Internet gaming, we're opposed to the current language which allows for an unlimited number of participants. TOC, CTBA and CARF believe that in order for any licensee to be successful in California and to recoup the initial \$30 + million licensing investment, marketing operations costs, there must be a reasonable limit on the number of licenses granted.
- Per the point above, upon a mutually agreed to number of limited licenses, one (1) license shall be designated for horse racing. The only other entities eligible for (limited) licenses include the State's licensed Native American gaming tribes and Card Clubs. Given this request to limit the amount of licenses granted, our position is that Advance Deposit Wagering (ADW) entities are NOT eligible for license.
- Term Section 19990.03 specifics a renegotiation to the terms and conditions of licenses with the licensees any time after three (3) years. The section goes on to describe a process that gives the State the "right" to make reasonable modifications to the terms and conditions...We believe three (3) years is insufficient time to recoup the State's \$30 million "up-front" fee. We must oppose this provision.



#### OFFICERS

MIKE PEGRAM CHAIR PABLO SUAREZ VICE CHAIR, SOUTHERN CA. SECRETARY JACK OWENS VICE CHAIR, NORTHERN CA. PETE PARRELLA TREASURER ED MOGER AT LARGE

DIRECTORS

MADELINE AUERBACH MARTIN BACH BOB BAFFERT BRIAN BOUDREAU DENNIS CARDOZA MARK DEDOMENICO RON ELLIS CAL FISCHER BILLY KOCH KEITH PRONSKE

**EXECUTIVE STAFF** 

LOU RAFFETTO PRESIDENT KELLEE BREEN CHIEF FINANCIAL OFFICER

ALISON LADUKE PROJECT COORDINATOR RICHARD SCHEIDT NO. CA. DIRECTOR OF OPERATIONS

#### CHAIRS EMERITUS

ED FRIENDLY (1996-97) ROBERT B. LEWIS (1997-2001) GARY BURKE (2001) JACK B. OWENS (2001-03) RON CHARLES (2003-04) JACK B. OWENS (2004-05) ALAN LANDSBURG (2005-07) MARSHA NAIFY (2007-10) ARNOLD ZETCHER (2010-11) JACK B. OWENS (2011)

**CORPORATE OFFICE** 

285 W. HUNTINGTON DRIVE ARCADIA, CA 91007 T: 626-574-6620 F: 626-821-1515 WWW.TOCONLINE.COM Much has been made of the financial impact Senate Bill 1463 would have upon the State's General Fund. Our members are keenly aware of the State's budget short-fall and realize the monetary assistance Senate Bill 1463 could provide for much needed State-run programs. However, we're of the strong opinion that the Legislature must also contemplate how the bill would impact existing California gaming entities and the jobs / economic impact which we provide. We look forward to working with all members of leadership in Sacramento on Internet gaming legislation that is beneficial and fair to all parties and protects the jobs of those Californians who depend on racing to provide for their families.

Regards,

Mike Pegram

Thoroughbred Owners of California

Dou g Burge

California Thoroughbred Breeders Association

Chris Korby California Association of Racing Fairs



April 16, 2012

The Honorable Rod Wright California State Capitol, Room 5064 Sacramento, CA 95814

Re: SB 1390 (Wright) Sports wagering- SUPPORT IF AMENDED Senate Governmental Organization Committee – April 24, 2012

Dear Senator Wright:

On behalf of California's Thoroughbred Horsemen, the Thoroughbred Owners of California (TOC) and the California Thoroughbred Breeders Association (CTBA), we are pleased to express our support for your SB 1390. This bill would authorize the owner or operator of a horse racing track or a satellite facility to conduct wagering on professional and collegiate sports events.

The Horse Racing Industry has played a significant and important role in California. We continue to employ more than 50,000 people directly and indirectly and generate more than \$2.5 billion annually to the state economy.

The TOC and CTBA appreciate your efforts to include racing in SB 1390, which could have a significant positive impact on the future of racing, help retain important California jobs, and address the underground economy. Passage of SB 1390 could also capture revenue for the State – which we currently export to other states such as Nevada – and could create thousands of new jobs.

The TOC and CTBA would respectfully request that language be added to the bill to codify the legislative intent that any association or satellite wagering facility which conducts thoroughbred racing, that accepts wagers on sports events upon enactment of this legislation do so in accordance with the current purse and incentive award distributions in existing law.

We look forward to working with the author and the committee to assure that the bill reflects the continued equitable distribution of funds generated from wagering facilities. Again, we appreciate the author's recognition of the importance of horse racing and for these reasons we support SB 1390.

Robyn Black

Cc: California Thoroughbred Owners, Mike Pegram Cc: California Thoroughbred Breeders Association, Sue Green

# CA Authority of Racing Fairs Legislative Report - Last 10 Days 4/20/2012

<u>AB 2092</u> (Chesbro) Economic development: federally recognized Indian tribes. (I-02/23/2012 <u>html</u> <u>pdf</u>)

**Status:** 04/18/2012-Do pass as amended and be re-referred to the Committee on Appropriations.

Current Location: 04/18/2012-A APPR.

**Digest:** Existing law encourages and authorizes all state agencies to cooperate with federally recognized California Indian tribes on matters of economic development and improvement for the Indian tribes. Existing law provides that cooperation by state agencies with federally recognized California Indian tribes on those matters may include certain activities, but it may not include activities that promote gambling.

This bill would, instead, require that state agencies cooperate with federally recognized California Indian tribes on matters of economic development and improvement for the Indian tribes. This bill would remove the provision that prohibited state agencies from cooperating with Indian tribes under these provisions on activities that promote gambling. This bill would require the Office of Planning and Research, in consultation with the Governor's Tribal Advisor, to adopt a policy of communication and consultation with all federally recognized California Indian tribes that must meet certain requirements. This bill would require all state agencies to comply with the policy.

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

**Laws:** An act to amend Section 11019.8 of the Government Code, relating to economic development.

#### History:

Mar. 12 Referred to Com. on G.O. Feb. 24 From printer. May be heard in committee March 25. Feb. 23 Read first time. To print.

#### Organization

CARF

#### AB 2515 (Hall) Indian gaming: local agencies. (A-03/29/2012 html pdf)

**Status:** 04/19/2012-From committee: Do pass and re-refer to Com. on APPR. with recommendation: to consent calendar. (Ayes 16. Noes 0.) (April 18). Re-referred to Com. on APPR.

Current Location: 04/19/2012-A APPR.

**Digest:** Existing law creates in the State Treasury the Indian Gaming Special Distribution Fund for the receipt and deposit of moneys received by the state from certain Indian tribes pursuant to the terms of gaming compacts entered into with the state. Existing law authorizes moneys in that fund to be used for specified purposes, including for grants for the support of state and local government agencies impacted by tribal government gaming. Existing law, until January 1, 2021, creates a County Tribal Casino Account in the treasury of each county that contains a tribal casino, which is funded according to specified formulas. Existing law requires the Controller to divide the County Tribal Casino Account for each county that has gaming devices that are subject to an obligation to make contributions to the Indian Gaming Special Distribution Fund into a separate account, known as an Individual Tribal Casino Account, for each tribe that operates a casino within the county. Each Individual Tribal Casino Account is required to be funded in proportion to the amount that each individual tribe paid in the prior fiscal year to the Indian Gaming Special Distribution Fund, and used for grants to local agencies impacted by tribal casinos, as specified.

The bill would make a technical, nonsubstantive change to the above-described provisions. Existing law establishes an Indian Gaming Local Community Benefit Committee in each county in which gaming is conducted, specifies the composition and responsibilities of that committee, and requires that committee to make the selection of grants from the casino accounts. Among other things, the committee is responsible for establishing all application policies and procedures for grants from the casino accounts.

This bill would require each grant application to clearly show how the grant will mitigate the impact of the casino on the grant applicant.

Existing law requires every state agency and local government agency to adopt and promulgate a Conflict of Interest Code applicable to enumerated positions within the agency and designated employees, as specified.

This bill would require each Indian Gaming Local Community Benefit Committee to adopt and approve a Conflict of Interest Code pursuant to these provisions. The bill would require any existing Conflict of Interest Code to be reviewed and amended as necessary to bring it into compliance with these requirements.

By increasing the duties of local government entities, this 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, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

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

Laws: An act to amend Section 12715 of the Government Code, relating to tribalgaming.

#### History:

Apr. 19 From committee: Do pass and re-refer to Com. on APPR. with recommendation: to consent calendar. (Ayes 16. Noes 0.) (April 18). Re-referred to Com. on APPR. Apr. 9 Re-referred to Com. on G.O.

Mar. 29 Referred to Com. on G.O. From committee chair, with author's amendments: Amend, and re-refer to Com. on G.O. Read second time and amended.

Feb. 27 Read first time.

Feb. 26 From printer. May be heard in committee March 27. Feb. 24 Introduced. To print.

#### Organization

CARF

#### AB 2520 (Hall) Horse racing: harness or quarter horses. (I-02/24/2012 html pdf)

Status: 04/19/2012-From committee: Do pass and re-refer to Com. on APPR. (Ayes 15. Noes 0.) (April 18). Re-referred to Com. on APPR. Current Location: 04/19/2012-A APPR.

**Digest:** Under existing law, the California Board of Horse Racing may authorize a harness or quarter horse association conducting a horse race to accept wagers on the results of out-of-state, out-of-country, and other designated harness or quarter horse races, if specified conditions are met, including that the association conducts at least 7 live races and imports not more than 8 races on live racing days.

This bill would revise that provision to instead permit the association to import not more than 10 races on live racing days.

Under existing law, revenues distributed to the state from horse racing are required to be

deposited in the Fair and Exposition Fund and, unless otherwise appropriated are continuously appropriated to the Secretary of Food and Agriculture for various regulatory and general governmental purposes. By providing for the importation of additional out-of-state and out-of-country races, this bill would authorize additional wagering, and would increase the amount of continuously appropriated license fees, thereby making an appropriation. Vote: 2/3. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

**Laws:** An act to amend Section 19596.1 of the Business and Professions Code, relating to horse racing, and making an appropriation therefor.

#### History:

Apr. 19 From committee: Do pass and re-refer to Com. on APPR. (Ayes 15. Noes 0.) (April 18). Re-referred to Com. on APPR. Mar. 19 Referred to Com. on G.O.

Feb. 27 Read first time.

Feb. 26 From printer. May be heard in committee March 27.

Feb. 24 Introduced. To print.

#### Organization

CARF

#### AB 2526 (Hall) Gambling: Gambling Control Act. (I-02/24/2012 html pdf)

**Status:** 04/19/2012-From committee: Do pass and re-refer to Com. on APPR. with recommendation: to consent calendar. (Ayes 16. Noes 0.) (April 18). Re-referred to Com. on APPR.

Current Location: 04/19/2012-A APPR.

**Digest:** The Gambling Control Act provides for the licensure of certain individuals and establishments involved in various gambling activities, and for the regulation of those activities, by the California Gambling Control Commission. For purposes of the act, existing law defines key employee as any natural person employed in the operation of a gambling enterprise in a supervisory capacity or empowered to make discretionary decisions that regulate gambling operations, including, among others, pit bosses, shift bosses, credit executives, cashier operations supervisors, gambling operation managers and assistant managers, and other managers, as specified.

This bill would revise the definition of key employee to mean any natural person employed in the operation of a gambling enterprise in a supervisory capacity or empowered to make discretionary decisions with regard to gambling operations, including, shift managers, credit executives, cashier operations supervisors, gambling operation managers and assistant managers, managers or supervisors of security employees, surveillance managers or supervisors, or any other natural person designated as a key employee, as specified. Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

**Laws:** An act to amend Section 19805 of the Business and Professions Code, relating to gambling.

#### History:

Apr. 19 From committee: Do pass and re-refer to Com. on APPR. with recommendation: to consent calendar. (Ayes 16. Noes 0.) (April 18). Re-referred to Com. on APPR. Mar. 19 Referred to Com. on G.O.

- Feb. 27 Read first time.
- Feb. 26 From printer. May be heard in committee March 27.
- Feb. 24 Introduced. To print.

#### Organization

CARF

# <u>SB 1</u> (Kehoe) State Race Track Leasing Commission. (A-01/04/2012 <u>html pdf</u>) Status: 04/19/2012-Referred to Com. on G.O. Current Location: 04/19/2012-A G.O.

**Digest:** Existing law establishes the State Race Track Leasing Commission and authorizes the commission to enter into leases or other agreements for the use of the Del Mar Race Track and any other property owned or controlled by the 22nd District Agricultural Association that the commission deems necessary to provide horse racing at Del Mar Race Track. Existing law repeals the commission on January 1, 2013.

This bill would delete the repeal date, thereby indefinitely extending the existence of the commission.

Existing law provides that the state is divided into agricultural districts in which 50 or more persons, who are residents of a district, may form a district agricultural association for specified purposes, including holding fairs and constructing, maintaining, and operating recreational facilities. Existing law provides that District 22 is the County of San Diego.

Existing law authorizes the Director of General Services to dispose of surplus state property, subject to specified conditions, including that the net proceeds of the sale be paid into the Deficit Recovery Bond Retirement Sinking Fund Subaccount, which is a continuously appropriated fund.

This bill would create District 22a, which would consist of all of that real property and personal property that is a portion of District 22 that is commonly known as the Del Mar Race Track and Fairgrounds located in the City of Del Mar and certain other property in the City of San Diego, and would prescribe certain matters applicable to officers of the 22nd District Agricultural Association and the District 22a Agricultural Association. The bill would, among other things, authorize the Department of General Services to sell all or any portion of the real property that comprises District 22a and related personal property to the City of Del Mar and require the net sale proceeds to be deposited into the District 22a Disposition Fund, which the bill would create in the State Treasury.

This bill would require, upon sale of all property that comprises District 22a, that District 22a be abolished and that all funds in the District 22a Disposition Fund ultimately be deposited into the Deficit Recovery Bond Retirement Sinking Fund Subaccount, a continuously appropriated fund, thereby resulting in an appropriation.

Vote: majority. Appropriation: <u>yes-no</u>. Fiscal committee: yes. State-mandated local program: no.

**Laws:** An act to amend Section 4351 of the Food and Agricultural Code, relating to the State Race Track Leasing Commission.

#### History:

Apr. 19 Referred to Com. on G.O.

Jan. 23 Read third time. Passed. (Ayes 35. Noes 0. Page 2697.) Ordered to the Assembly.

Jan. 23 In Assembly. Read first time. Held at Desk.

Jan. 18 Read second time. Ordered to third reading.

Jan. 17 From committee: Do pass. (Ayes 7. Noes 0. Page 2668.) (January 17).

Jan. 14 Set for hearing January 17.

Jan. 12 Withdrawn from committee. Re-referred to Com. on APPR.

Jan. 10 From committee: Do pass and re-refer to Com. on RLS. with recommendation: To consent calendar. (Ayes 10. Noes 0. Page 2623.) (January 10). Re-referred to Com. on RLS. Jan. 6 Set for hearing January 10.

Jan. 4 From committee with author's amendments. Read second time and amended. Rereferred to Com. on G.O.

Feb. 10 Referred to Coms. on G.O. and RLS.

Dec. 7 From printer. May be acted upon on or after January 6.

Dec. 6 Introduced. Read first time. To Com. on RLS. for assignment. To print.

#### **Organization** CARF

SB 1227(Negrete McLeod) Horse racing: parimutuel pool funds. (I-02/23/2012 <a href="https://www.https

Digest: 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.

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

#### History:

Mar. 27 From committee: Do pass and re-refer to Com. on APPR. (Ayes 10. Noes 0. Page 3021.) (March 27). Re-referred to Com. on APPR.

Mar. 20 Set for hearing March 27.

Mar. 8 Referred to Com. on G.O.

Feb. 24 From printer. May be acted upon on or after March 25.

Feb. 23 Introduced. Read first time. To Com. on RLS. for assignment. To print.

OrganizationPositionCARFSponsorNotes: Letter sent to author on 3/15

# SB 1390 (Wright) Gambling: sports wagering. (A-04/19/2012 <u>html pdf</u>) Status: 04/19/2012-From committee with author's amendments. Read second time and amended. Re-referred to Com. on G.O. Current Location: 04/19/2012-S G.O. Calendar Events: 04/24/12 9:30 a.m. - John L. Burton Hearing Room (4203) SEN GOVERNMENTAL ORGANIZATION

#### Digest: The

(1) The California Constitution prohibits various gaming activities within the state, including casino-style gaming, but authorizes the Governor, subject to ratification by the Legislature, to negotiate and conclude compacts for the operation of slot machines and the conduct of lottery games and banking and percentage card games by federally recognized Indian tribes on Indian lands in California in accordance with federal law. The California Constitution also authorizes the Legislature to provide for the regulation of horse racing, charitable bingo games, the California State Lottery, and charitable raffles.

Existing law prohibits a person, whether or not for gain, hire, or reward, from making a betting pool or placing a bet or wager on the result of any contest or event, including a sporting event, as specified.

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. Existing law provides for the enforcement of those regulations by the Department of Justice. Any violation of these provisions is punishable as a misdemeanor, as specified.

The Horse Racing Law provides for the licensure of every person who participates in, or has anything to do with, the racing of horses, and every employee of a parimutuel department by the California Horse Racing Board. The board is responsible for adopting rules and regulations for the protection of the public, the control of horse racing, and parimutuel wagering, as well as enforcing all laws, rules, and regulations dealing with horse racing and parimutuel wagering. The law permits the board to authorize an association licensed to conduct a racing meeting to also operate a satellite wagering facility at its racetrack inclosure, and for fairs to locate a satellite wagering facility at their fairgrounds, under specified conditions. Any violation of these provisions is punishable as a misdemeanor.

This bill would authorize the owner or operator of a gambling establishment, horse racing track, or satellite wagering facility, with a current license, to conduct wagering on professional and collegiate sports or athletic events by applying to the California Gambling Control Commission or the California Horse Racing Board, as specified, for authorization to conduct sports wagering. The bill would require the commission and the board to adopt regulations to implement these provisions. The bill would require the department to, among other things, investigate any request made by the board or the commission in connection with an application for authorization, and to investigate alleged violations of the above provisions. Any violation of these provisions would be punishable as a crime. By creating a new crime, the bill would impose a state-mandated local program.

#### Existing

(2) Existing federal law, the Indian Gaming Regulatory Act of 1988, provides for the negotiation and execution of tribal-state gaming compacts for the purpose of authorizing certain types of gaming on Indian lands within a state. The California Constitution authorizes the Governor to negotiate and conclude compacts, subject to ratification by the Legislature. Existing law expressly ratifies a number of tribal-state gaming compacts, and amendments of tribal-state gaming compacts, between the State of California and specified Indian tribes. This bill would provide that a federally recognized Indian tribe may conduct sports wagering on Indian lands consistent with the requirements of the federal Indian Gaming Regulatory Act of 1988, and under terms no more stringent than those applicable to any other owner or operator in the state.

(3) The Gambling Control Act requires the Department of Justice to investigate an applicant for a gambling license. Existing law provides that, if denial of the application, or approval of the license with restrictions or conditions on the license, is recommended, the chief of the entity within the department that is responsible for enforcing these provisions shall prepare and file with the commission his or her written reasons upon which the recommendation is based. This bill would require the chief of that entity within the department to file with the commission the written reasons upon which the recommendation is based, together with all relevant documents and information. (4) 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 19868 of, and to add Chapter 4.7 (commencing with Section 19750) to Division 8 of, the Business and Professions Code, and to amend Sections 336.9 and 337a of the Penal Code, relating to gambling.

#### History:

Apr. 19 From committee with author's amendments. Read second time and amended. Rereferred to Com. on G.O.

Apr. 9 From committee with author's amendments. Read second time and amended. Rereferred to Com. on G.O.

Apr. 5 Set for hearing April 24.

Apr. 4 Set, first hearing. Hearing canceled at the request of author.

Mar. 28 From committee with author's amendments. Read second time and amended. Rereferred to Com. on G.O.

Mar. 21 Set for hearing April 10.

Mar. 8 Referred to Com. on G.O.

Feb. 27 Read first time.

Feb. 25 From printer. May be acted upon on or after March 26.

Feb. 24 Introduced. To Com. on RLS. for assignment. To print.

Position

#### Organization

CARF Support

Notes: April 24: S/ Governmental Organization - letter submitted to committee on 4/16

#### SB 1418 (Berryhill) Horse racing: mixed breed meetings. (A-03/26/2012 html pdf)

**Status:** 04/10/2012-From committee: Do pass and re-refer to Com. on APPR. with recommendation: To consent calendar. (Ayes 11. Noes 0.) (April 10). Re-referred to Com. on APPR.

#### Current Location: 04/10/2012-S APPR.

**Calendar Events:** 04/30/12 11 a.m. - John L. Burton Hearing Room (4203) SEN APPROPRIATIONS

**Digest:** Existing law, the Horse Racing Law, vests jurisdiction and supervision over horse racing meetings where wagering is held or conducted on the results of those races in the California Horse Racing Board. Existing law authorizes the board to allocate racing weeks to an applicant and to specify the racing days, dates, and hours for horse racing meetings as will be in the public interest and will serve the purposes of the law. Existing law limits the allocation of dates for mixed breed meetings and combined fair horse racing meetings to between June 1 and October 31. Existing law prohibits the allocation of days for a mixed breed meeting or a combined fair horse racing meeting is being conducted at that facility during that month. Existing law also requires that the mixed breed meetings be conducted by an entity other than the California Exposition and State Fair as specified, and that the meeting encourage the racing of emerging breeds of horses.

This bill would authorize combined fair horse racing meetings throughout the year. The bill would delete the prohibition against the allocation of days for a mixed breed meeting or a combined fair horse racing meeting during the month of June at the California Exposition and State Fair if a standardbred meeting is being conducted at that facility during that month. The bill would also delete the requirement that the mixed breed meetings be conducted by an entity other than the California Exposition and State Fair, as specified, and that the mixed breed

meetings encourage the racing of emerging breeds of horses. Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

**Laws:** An act to amend Section 19549.1 of the Business and Professions Code, relating to horse racing.

#### History:

Apr. 10 From committee: Do pass and re-refer to Com. on APPR. with recommendation: To consent calendar. (Ayes 11. Noes 0.) (April 10). Re-referred to Com. on APPR. Mar. 27 Set for hearing April 10.

Mar. 26 From committee with author's amendments. Read second time and amended. Rereferred to Com. on G.O.

Mar. 22 Referred to Com. on G.O.

Feb. 27 Read first time.

Feb. 25 From printer. May be acted upon on or after March 26.

Feb. 24 Introduced. To Com. on RLS. for assignment. To print.

OrganizationPositionCARFSponsorNotes: Letter submitted to author on 3/20

 SB 1523 (Strickland) Horse racing: fund for retired race horses. (A-04/16/2012 <u>html pdf</u>) Status: 04/16/2012-From committee with author's amendments. Read second time and amended. Re-referred to Com. on G.O. Current Location: 04/16/2012-S G.O.
 Calendar Events: 04/24/12 9:30 a.m. - John L. Burton Hearing Room (4203) SEN GOVERNMENTAL ORGANIZATION

> Digest: 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. Existing law provides that all money representing penalties or fines imposed by the stewards of a horse race meeting shall be collected by the licensee of the meeting and paid to the board within 10 days after its close. Existing law requires the board to deposit the money in the State Treasury to the credit of the General Fund. Existing law also requires that various fees are payable to the state as license fees, such as the fees imposed upon fair associations for every live racing meeting conducted by the associations persons who participate in horse racing, including horse owners, jockeys, drivers, apprentices, grooms, and valets, to be licensed by the board, and to pay license fees pursuant to the rules and regulations adopted by the board . This bill would require the board to deposit all money representing penalties or fines imposed by the stewards of a horse race meeting and all money representing license fees paid to the board for occupational licenses into the Fund for Retired California Race Horses, which would be established by the bill as a continuously appropriated fund, thereby making an appropriation , for purposes of financing a program for the rehabilitation and retraining of retired California race horses in state prisons . The bill would require the program to be developed by the board and implemented in partnership with a nonprofit organization that operates rehabilitation and retirement services in the state for retired Cali fornia race horses. The bill would require the nonprofit organization to be approved by the board and the Department of Corrections and Rehabilitation. The bill would require the board to adopt regulations for the management and distribution of funds deposited in the Fund for Retired California Race Horses that would. The bill would require the regulations to establish a grant request process under which a portion of the funds collected would be allocated to for the distribution of those moneys to the nonprofit organization and for the distribution of moneys received by the nonprofit organizations organization that operate rehabilitation and retirement facilities located in this state for the care of retired California race horses. The bill would also authorize the board to enter into an agreement with to the Department of Corrections and Rehabilitation for the rehabilitation and retraining of retired California race horses for services provided by prisoners for the rehabilit

ation and retraining of retired California race horses pursuant to the program. The bill would require the nonprofit organization and the Department of Corrections and Rehabilitation to submit an annual budget and quarterly financial statements to the board. Vote: 2/3. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

**Laws:** An act to amend Section 19640 of the Business and Professions Code, relating to horse racing, and making an appropriation therefor.

#### **History:**

Apr. 16 From committee with author's amendments. Read second time and amended. Rereferred to Com. on G.O.
Mar. 28 Set for hearing April 24.
Mar. 22 Referred to Com. on G.O.
Feb. 27 Read first time.
Feb. 26 From printer. May be acted upon on or after March 27.
Feb. 24 Introduced. To Com. on RLS. for assignment. To print.

# Organization

CARF

**Total Position Forms: 9** 

#### Introduced by Senator Negrete McLeod

February 23, 2012

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:

SECTION 1. Section 19614 of the Business and Professions
 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 subdivisions (a) and (b) and the payments made pursuant to other 16 relevant sections of this chapter, all funds remaining from the 17 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 percent of the total handle shall be held by the association to be 21 deposited with the official registering agency pursuant to 22 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 purposes specified in Section 19630. distributed to the fair that 6 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 XIIIB 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.

0

#### **Introduced by Senators Wright and Steinberg**

February 24, 2012

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, to3 read:

1 2	Chapter 5.2. The Internet Gambling Consumer Protection and Public-Private Partnership Act of 2012
$\frac{2}{3}$	TROTLETION AND TODLIC TRIVALE TARIALRSHIT ACT OF 2012
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 29	fairness of the games played on these Internet gambling Web sites as well as about the true purpose for, and use of, proceeds generated
29 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
33 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.
- (3) Do not violate any federal gaming statutes, including all ofthe 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.

(e) The state currently maintains and implements substantial 23 regulatory and law enforcement efforts to protect thousands of 24 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

state law enforcement to ensure consumer protection, and keep
the revenues generated from Internet gambling in California, it is
in the best interest of the state and its citizens to authorize,
implement, and create a legal system for intrastate Internet
gambling.

(g) It is also the interest of the state to provide hundreds of
millions of dollars annually for the public services that have been
cut repeatedly during the state's budget crisis. It is the intent of
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 created17 from new businesses, jobs, and other economic inducements from

18 the authorization, regulation, and control of Internet gambling.

(j) The Department of Justice, in conjunction with other state agencies and private partners, has the expertise to evaluate the qualifications of applicants for a license to conduct intrastate Internet gambling services, and to license the best qualified and most responsive applicants to meet the needs of the state and its 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 nontribal lands. Moreover, the facilities used in the provision of 33 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 licensing18 and regulatory framework to:

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

(b) Authorize the Department of Justice to issue licenses, with
the consent of the commission, to applicants that meet the
background requirements and demonstrate the technical expertise
to ensure that wagering authorized by this chapter is offered only

to registered players who are physically present within the borders
of California at the time of play and who are 21 years of age or

older.
(c) Authorize the Department of Justice, after any licensee has
been providing authorized games for three years, and, at any time

thereafter, to renegotiate the terms and conditions of the licenses with the licensees, based in large part on the report and recommendations of the Bureau of State Audits to the Legislature

pursuant to Section 19990.96. The state reserves the right to makereasonable modifications to the terms and conditions of the license

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.

-7-

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.

(h) Ensure that the state is able to collect income tax revenuesfrom registered players.

(i) Distribute regulatory fees collected by the state from each
licensee to the Internet Gambling Fund, as established in Section
19990.86, which shall be administered by the Controller subject
to annual appropriation by the Legislature, and which shall not be
subject to the formulas established by law directing expenditures
from the General Fund, for the following:

from the General Fund, for the following:(1) The actual costs of license oversight, consumer protection,

22 state regulation, and problem gambling programs.

(2) Other purposes related to this chapter as the Legislature maydecide.

(j) Create systems to protect each registered player's privateinformation and prevent fraud and identity theft.

(k) Ensure that registered players are able to have their financialtransactions 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 with34 accessible customer service.

(n) Require that each licensee's Internet Web site contain
information relating to problem gambling, including a telephone
number that an individual may call to seek information and
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 within3 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 gambling Web site or in its facilities connected to the play of 11 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, but not limited to, for the purposes of diagnosing and addressing 16 17 technological problems, investigating fraud and collusion, and 18 supervising software and configuration changes.

19 (r) Create an express exemption from disclosure, pursuant to

the California Public Records Act under subdivision (b) of Section
6253 of the Government Code, that exempts from public disclosure

22 proprietary information of a license applicant or a licensee in order

to permit disclosure of confidential information to state agencies

while achieving the public policy goals of deploying secure systems

25 that protect the interests of the state and players.

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

- (t) As a matter of statewide concern, preempt any city, county,
  or city and county from passing any law or ordinance regulating
  or taxing any matter covered in this chapter.
- 32 33

34

## Article 2. Definitions

35 19990.05. For the purpose of this chapter the following words36 have the following meanings:

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

(b) "Background check" means a criminal history record check
 and the electronic submission of fingerprints to the Department of
 Justice and to the Federal Bureau of Investigation for processing.
 (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.

(g) "Employee work permit" means a permit issued to anemployee of the licensee by the department after a backgroundinvestigation.

(h) "Finding of suitability" means a finding by the department
that a person or entity meets the qualification criteria described in
Section 19990.23, and that the person would not be disqualified

18 from being a licensee on any of the grounds specified in Section19990.23.

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.

(k) "Gaming system" means the technology, including hardware
and software, used by a licensee to facilitate the offering of
authorized games to registered players.

(*l*) "Gross revenues" means the total amount of money paid to
a licensee pursuant to activities authorized under this chapter.
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

2 to offer the play of authorized ga3 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.

(r) "Owner" means any person that has a financial interest in
or control of a licensee, subcontractor, or other entity required to
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.

(u) "Person" means an individual, corporation, business trust,
estate, trust, partnership, limited liability company, association,
joint venture, government, governmental subdivision, agency, or
instrumentality, public corporation, or any other legal or
commercial entity.

(v) "Play settings" means the options and default parameters
made available by a licensee to a registered player in the play of
authorized games.

(w) "Proprietary information" means and includes all 22 23 information that, whether or not patentable or registerable under patent, copyright, trademark, or similar statutes, (1) can be 24 25 protected as a trade secret under California law or any other applicable state law, federal law, or foreign law, or (2) derives 26 independent economic value, actual or potential, from not being 27 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 and marketing records, working papers, files, systems, plans and 36

37 data, and all registrations and applications related thereto.

38 (x) "Registered player" means a player who has registered with39 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. (ab) "Subcontractor" means any person providing goods or 6 services to a licensee in connection with the operation of authorized 7 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. (ae) "Tournament charge" means the amount charged by the 16 17 licensee for registered players to play in a tournament. (af) "Tournament winnings" means the amount of any prize 18 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 Notwithstanding any other law, a person in 19990.11. 32 California 21 years of age or older is hereby permitted to participate as a registered player in an authorized game provided over the 33 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. 19990.13. Chapter 5 (commencing with Section 19800) of 10 Division 8 does not apply to this chapter. 11 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 license pursuant to this chapter, only games commonly referred 16 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 in other games allowed under the California Constitution and the 20 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.

(b) Entities eligible to apply for a license pursuant to this chapter
for the operation of an intrastate Internet gambling Web site include
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.

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

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

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

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

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

(2) At all times, a license applicant or licensee shall be domiciled
in California and in good standing with the Secretary of State and
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 proprietary information of any license applicant as confidential to 7 8 protect the license applicant and to protect the security of any 9 prospective intrastate Internet gambling Web site. This chapter shall not prohibit the exchange of confidential information among 10 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 the amounts necessary for the department to perform its duties 27 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.

(e) A federally recognized California Indian tribe, including,
but not limited to, the governing body of that tribe or any entity
that is an affiliate of that tribe, that applies for a license pursuant
to this chapter shall waive its sovereignty for the purpose of
evaluation of its application. The application shall affirmatively
declare that the license applicant is subject to the state's jurisdiction
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

affirmative agreement, in a form acceptable to the department, tobe 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 investigation of license applicants. The partial investigation is 11 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.

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

otherwise providing goods to, or performing services for, thelicense 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
- 37 investigation, on a form developed by the department, and at the 38 applicant's expense. The report shall include the financial
- 38 applicant's expense. The report shall include the financial39 information necessary for the department to make a determination
  - 99

of suitability, as specified in regulation adopted by the department
 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:

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

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

(1) Failed to clearly establish eligibility and qualifications inaccordance 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

1203.4, 1203.4a, or 1203.45 of the Penal Code shall not constitute
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.

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

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

(h) (1) The department shall reject the license application ofany applicant found to be unsuitable to be a licensee.

(2) The department shall provide to the applicant a writtenexplanation listing the reasons for denial of the license application.

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

(4) Denial of an application shall be without prejudice to a new
and different application filed in accordance with any regulations
adopted by the department with respect to the submission of
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 until a permanent suitability finding is issued by the department 6 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, that10 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:

(a) The license applicant's qualifications and the qualificationsof its executives and employees to receive an employee workpermit as set forth in Section 19990.31.

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

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

(d) The fingerprints of the owners, directors, managers,
executives, and employees of the licensee, its affiliates, and
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:

(1) With respect to the license applicant and any of its
subcontractors, proof of formation in California, including, as
applicable, articles of incorporation, articles of organization,
bylaws, operating agreement, partnership agreement, or other

37 formation or charter documents.

38 (2) Current and historical audited financial and accounting39 records.

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

(4) Any documents relating to the license applicant's business
 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 public14 accountant.

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

18 (1) A description of the services to be provided by each19 subcontractor.

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

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

(g) A description of the games and services the license applicantproposes to offer to registered players.

30 (h) A description of how the licensee's facilities will accomplish31 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

federal law, including, but not limited to, Section 5362(10)(B) of
Title 31 of the United States Code, including, but not limited to,
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 applicable4 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.

23

- 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:
  - (A) The games are legal.
- 24 (B) The games are independent and fair and played by live 25 persons.
  - (C) Game and betting rules are available to all registered players.
- (D) All data used for the conduct of each game is randomlygenerated and unpredictable.
- 29 (12) Accounting systems, including but not limited to, those for30 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
  - 99

- 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,
- 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.
- (b) An official representative of the government of a federally
  recognized California Indian tribe with a tribal-state gaming
  compact with the state shall not be deemed unqualified to operate
  a land-based gambling entity by reason of an investment in a
  license applicant or a licensee.
- (c) (1) A license applicant whose application is denied may
  bring an action to appeal that decision to the Superior Court of the
  County of Sacramento. The decision of the Superior Court of the
  County of Sacramento is not appealable. No remedy other than an
  injunction is available pursuant to this subdivision.
- (2) The Superior Court of the County of Sacramento shall uphold
   the decision by the department if there is any substantial evidence
- to support the department's decision to deny the license application.(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.
- 19990.26. (a) At least two years after the initial issue date of
  any license pursuant to this chapter, but no later than three years
  after that date, the Bureau of State Audits shall issue a report to
- 40 the Legislature consistent with Section 19990.96.
- 99

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 the terms and conditions of the licenses with the licensees, based 6 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 modifications to the terms and conditions of the licenses after that 11 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 of the licensees, which modification may include amendment of 16 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 accepts the new or modified license terms and conditions within 20 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.

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

35 Legislature.

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

## Article 5. Rights and Obligations of Licensees

3 19990.30. (a) A licensee shall comply with the terms of this4 chapter.

5 (b) In the event of commercial infeasibility created by a change 6 in federal law rendering the provision of intrastate Internet gambling services illegal, or some other event, a licensee may 7 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 gambling Web site is commercially infeasible. In response to that 11 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 interests, including, but not limited to, the interests of registered 14 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.

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

26 years.

1

2

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

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

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

38 (3) A person who is in all other respects qualified to hold an39 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 and4 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.

(3) Conviction of a felony, including a conviction by a federal
court or a court in another state for a crime that would constitute
a felony if committed in California.

(4) Conviction of the applicant for any misdemeanor involving 14 15 dishonesty or moral turpitude within the 10-year period immediately preceding the submission of the application, unless 16 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

activity or organized crime, as defined by Section 186.2 of thePenal Code.

(6) Contemptuous defiance by the applicant of any legislative
investigative body, or other official investigative body of any state
or of the United States, when that body is engaged in the
investigation of crimes relating to gambling, official corruption
related to gambling activities, or criminal profiteering activity or
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 behalf33 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.

(f) The department shall establish a fee to be paid by a licensee
in submitting applications for employee work permits on behalf
of that licensee's employees. The department shall establish
processes for the revocation or suspension of an intrastate Internet

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

(2) A licensee or subcontractor of a licensee shall not enter into
any contract or agreement with a person or entity that has accepted
any wager from persons in the United States on any form of
Internet gaming that has not been affirmatively authorized by law
in this state or the United States after December 31, 2006, or has
been the holder of a direct or indirect financial interest in a person
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 notice of the action by the department. A licensee or subcontractor 26 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

permit pursuant to this chapter is denied an employee work permit,
or has his or her employee work permit revoked by the department,
the employee shall be terminated in all capacities. The employee
shall not be permitted to exercise a significant influence over the
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.

(j) A licensee or subcontractor of a licensee shall not pay to a
person whose employment has been terminated or suspended
pursuant to subdivision (i) any remuneration for any service
performed in any capacity in which the person is required to hold
an employee work permit, except for amounts due for services
rendered before the date of receipt of notice of the department's
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 be performed by a person required by this chapter or by regulations 24 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 permit, the contract shall be deemed to include a provision for its 33 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

shall not be a basis for enforcement of the contract by a party
 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. 19990.32. The licensee shall be responsible for providing 10 11 current and accurate documentation on a timely basis to all state

12 agencies as provided in this chapter.

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

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

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

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

39 19990.35. (a) A licensee shall ensure that registered players40 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 records. The licensee also shall verify that the billing address on 16 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

of age or older pursuant to subparagraph (A), the licensee shall require the person to submit an age-verification kit consisting of 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
- person matches the address listed in the government identification.(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 than five thousand dollars (\$5,000) for the third violation. 11 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 shall18 be updated in real time.
- 19 (7) Any other information that a licensee determines is necessary
- for the registered player to have in real time to compete fairly inthe game.
- (c) Data used to create game results shall be unpredictable so
   that it is infeasible to predict the next occurrence in a game, given
   complete knowledge of the algorithm or hardware generating the
- 25 sequence and all previously generated numbers.
- (d) A licensee shall deploy controls and technology to minimize
   fraud or cheating through collusion, including external exchange
   of information between different players, robotic play, or any other
- 29 means.
   20 (1) If a licensee becomes every that froud or sheeting i
- (1) If a licensee becomes aware that fraud or cheating is taking
  place or has taken place, it shall take steps to stop those activities
  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
- not allow a game to be completed, the game shall be void and allfunds 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 establish7 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.

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

- 13 (d) To register and establish an account, a person shall provide14 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.

(e) A licensee shall provide registered players with the meansto 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.

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

30 funds out of that account.

31 (b) A registered player shall identify the source of funds to be

used to put money into the account established once the registrationprocess is complete, and a licensee shall provide a means for a

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.

(d) A registered player shall establish only one account on any
 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.

(h) A licensee shall not provide credit to a registered player'saccount or act as agent for a credit provider to facilitate theprovision 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 all18 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 financial24 institutions located in the state.

(c) Funds held in a registered player's account shall only beused for the following purposes:

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

(2) To transfer funds from one registered player's account tothe account of another registered player to reconcile the result ofa 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 player36 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.

(c) Personally identifiable information may be shared with
government agencies only as set forth in subdivision (b) or subject
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 a21 registered player for any of the following reasons:

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

(b) The registered player has not updated registrationinformation to keep it current.

(c) The registered player has violated the intrastate Internetgambling 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.

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

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

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

6

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:

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

7 (2) Indicate the net change in value to a registered player's8 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 24 hours per day, 365 days a year. All employees shall be 14 15 physically present in the state while in contact with registered players. However, the licensee shall have discretion to use the 16 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.

19990.47. (a) A licensee shall protect the privacy of registeredplayers and their personally identifiable information.

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

(c) At the time of registration with a licensee as a registered
player, and at least once a year thereafter, a licensee shall provide
notice in the form of a separate, written statement, delivered via
postal service or electronic mail, to the registered player that clearly

and conspicuously informs the registered player of all of thefollowing:

(1) The nature of personally identifiable information collectedor to be collected with respect to the registered player and thenature 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

40 be made.

1 (3) The period during which personally identifiable information2 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.

(e) A licensee may collect personally identifiable informationin order to do both of the following:

(1) Obtain information necessary to operate the intrastate
Internet gambling Web site and offer authorized games to registered
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 contrary20 to state or federal law.

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

(g) A licensee may disclose personally identifiable informationif the disclosure is any of the following:

(1) Necessary to render, or conduct a legitimate business activity
related to, the provision of authorized games to the registered
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 players36 to any tournament third party, if both of the following apply:

37 (A) The licensee has provided the registered player the38 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

if the information is no longer necessary for the purpose for whichit was collected, and there are no pending requests or orders for

16 access to the information under subdivision (k).

(j) Any person aggrieved by any act of a licensee in violationof this section may bring a civil action in any superior court. Thecourt 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 costs24 reasonably incurred.

(k) Except as provided in subdivision (g), a governmental or
nongovernmental third party may obtain personally identifiable
information concerning a registered player pursuant to a court
order only if, in the court proceeding relevant to the court order,
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

and that the information sought would be material evidence in thecase.

(2) The registered player about whom the information is
requested is afforded the opportunity to appear and contest the
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.

(c) The identity of registered players.

4

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, including, but not limited to, all books, records, documents, 16 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.

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

13 (c) Tournament charges shall be permitted.

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

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

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

19990.52. A licensee may enter into an agreement with any
third party to sponsor or underwrite prizes for a tournament, subject
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.

19990.535. (a) A licensee may enter into an agreement with
a third party for marketing, or any other purpose consistent with
this chapter, including, but not limited to, displaying the name of
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 acquired, derived, or developed directly or indirectly from any 33 34 operation that has accepted any wager from persons in the United 35 States on any form of Internet gaming that has not been affirmatively authorized by law in this state or the United States 36 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,

problem gambling programs, and other purposes related to this 1 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. (b) The licensee shall withhold 5 percent of tournament winnings 6 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. (1) The licensee shall transfer that withheld income to the 10 Franchise Tax Board. 11 (2) Winnings and losses of the registered player from other 12 13 tournaments sponsored by the licensee during the year are not taken into account in arriving at the six-hundred-dollar (\$600) 14 15 amount. Required withholding is determined on а tournament-by-tournament basis. 16 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 revenues from registered players. The Franchise Tax Board shall 20 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. 99

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.

(b) If a licensee becomes aware of any violation, it shall notifythe department immediately and work with the department todevelop a plan to rectify the violation.

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

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

33 investigation or enforcement action.

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

37 to this chapter.

38 (f) The department shall have the subpoena power in an39 investigation of any violation of this chapter, or any regulation40 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 pursuant to this section to the superior court. The superior court 6 shall hear any appeal de novo. 7 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 licensee becomes bankrupt. 11 19990.63. (a) A licensee shall at all times indemnify, defend, 12 13 and hold harmless the state and its agencies from and against any claims, damages, liabilities, costs, and expenses, including, but 14 15 not limited to, reasonable attorney's fees and expenses arising out of any third-party claim made against the state or any of its 16 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

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

39 (2) The regulations adopted by the department shall address40 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). (3) Unless otherwise provided by this chapter, notice by a 7 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:

(a) Opt out of, or opt into, any federal framework for Internetgambling.

(b) If the United States Department of Justice notifies the
department in writing that it is permissible under federal law, enter
into any agreement with other states to provide Internet gambling.
19990.72. The department may outsource its regulatory
functions under this chapter where optimal to provide efficient,
effective, and robust regulation with access to worldwide expertise
tested and proven in the gambling industry.

- 25
- 26 27

### Article 7. Protection of Registered Players

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

19990.76. In the event a registered player has a complaint
against a licensee, the exclusive remedy shall be to register the
complaint with the department, unless an action is brought pursuant
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 3	following: (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 22	Controller subject to annual appropriation by the Legislature. These
22 23	amounts shall not be subject to the formulas established by statute directing expenditures from the General Fund.
23 24	(b) The state agencies shall submit revenue needs to fulfill their
24 25	obligations under this chapter for the upcoming fiscal year to the
26	Senate Committee on Budget and Fiscal Review and the Assembly
20 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.

SEC. 2. The Legislature finds and declares that Section 1 of 6 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 of public bodies or the writings of public officials and agencies 10 within the meaning of Section 3 of Article I of the California 11 Constitution. Pursuant to that constitutional provision, the 12 13 Legislature makes the following findings to demonstrate the interest protected by this limitation and the need for protecting that interest: 14 The limitations on the people's rights of access set forth in this 15 chapter are necessary to protect the privacy and integrity of 16 17 information submitted by the registered players as well as the proprietary information of the license applicants and licensees. 18 SEC. 3. No reimbursement is required by this act pursuant to 19 20 Section 6 of Article XIIIB of the California Constitution because

21 the only costs that may be incurred by a local agency or school

district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty

for a crime or infraction, within the meaning of Section 17556 of

25 the Government Code, or changes the definition of a crime within

the meaning of Section 6 of Article XIII B of the California
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:

In order to protect the interests of Californians who play online 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.

0

# AMENDED IN SENATE APRIL 19, 2012 AMENDED IN SENATE APRIL 9, 2012 AMENDED IN SENATE MARCH 28, 2012

# **SENATE BILL**

## No. 1390

Introduced by Senator Wright (Coauthor: Senator Anderson)

February 24, 2012

An act *to amend Section 19868 of, and* to add Chapter 4.7 (commencing with Section 19750) to Division 8 of, the Business and Professions Code, and to amend Sections 336.9 and 337a of the Penal Code, relating to sports wagering gambling.

#### LEGISLATIVE COUNSEL'S DIGEST

SB 1390, as amended, Wright. Sports Gambling: sports wagering. The

(1) The California Constitution prohibits various gaming activities within the state, including casino-style gaming, but authorizes the Governor, subject to ratification by the Legislature, to negotiate and conclude compacts for the operation of slot machines and the conduct of lottery games and banking and percentage card games by federally recognized Indian tribes on Indian lands in California in accordance with federal law. The California Constitution also authorizes the Legislature to provide for the regulation of horse racing, charitable bingo games, the California State Lottery, and charitable raffles.

Existing law prohibits a person, whether or not for gain, hire, or reward, from making a betting pool or placing a bet or wager on the result of any contest or event, including a sporting event, as specified.

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. Existing law provides for the enforcement of those regulations by the Department of Justice. Any violation of these provisions is punishable as a misdemeanor, as specified.

The Horse Racing Law provides for the licensure of every person who participates in, or has anything to do with, the racing of horses, and every employee of a parimutuel department by the California Horse Racing Board. The board is responsible for adopting rules and regulations for the protection of the public, the control of horse racing, and parimutuel wagering, as well as enforcing all laws, rules, and regulations dealing with horse racing and parimutuel wagering. The law permits the board to authorize an association licensed to conduct a racing meeting to also operate a satellite wagering facility at its racetrack inclosure, and for fairs to locate a satellite wagering facility at their fairgrounds, under specified conditions. Any violation of these provisions is punishable as a misdemeanor.

This bill would authorize the owner or operator of a gambling establishment, horse racing track, or satellite wagering facility, with a current license, to conduct wagering on professional and collegiate sports or athletic events by applying to the California Gambling Control Commission or the California Horse Racing Board, as specified, for authorization to conduct sports wagering. The bill would require the commission and the board to adopt regulations to implement these provisions. The bill would require the department to, among other things, investigate any request made by the board or the commission in connection with an application for authorization, and to investigate alleged violations of the above provisions. Any violation of these provisions would be punishable as a crime. By creating a new crime, the bill would impose a state-mandated local program.

## Existing

(2) Existing federal law, the Indian Gaming Regulatory Act of 1988, provides for the negotiation and execution of tribal-state gaming compacts for the purpose of authorizing certain types of gaming on Indian lands within a state. The California Constitution authorizes the Governor to negotiate and conclude compacts, subject to ratification by the Legislature. Existing law expressly ratifies a number of

tribal-state gaming compacts, and amendments of tribal-state gaming compacts, between the State of California and specified Indian tribes.

This bill would provide that a federally recognized Indian tribe may conduct sports wagering on Indian lands consistent with the requirements of the federal Indian Gaming Regulatory Act *of 1988*, and under terms no more stringent than those applicable to any other owner or operator in the state.

(3) The Gambling Control Act requires the Department of Justice to investigate an applicant for a gambling license. Existing law provides that, if denial of the application, or approval of the license with restrictions or conditions on the license, is recommended, the chief of the entity within the department that is responsible for enforcing these provisions shall prepare and file with the commission his or her written reasons upon which the recommendation is based.

This bill would require the chief of that entity within the department to file with the commission the written reasons upon which the recommendation is based, together with all relevant documents and information.

The

(4) 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.

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

1 SECTION 1. Chapter 4.7 (commencing with Section 19750)

2 is added to Division 8 of the Business and Professions Code, to 3 read:

4

5

CHAPTER 4.7. SPORTS WAGERING

6

7 19750. The following entities may conduct wagering on
8 professional and collegiate sports or athletic events as authorized
9 pursuant to this chapter:

10 (a) The owner or operator of a gambling establishment with a 11 current license issued by the California Gambling Control

1	Commission pursuant to Chapter 5 (commencing with Section
2	19800).
3	(b) The owner or operator of a horse racing track or satellite
4	wagering facility with a current license issued by the California
5	Horse Racing Board pursuant to Chapter 4 (commencing with
6	Section 19400).
7	19751. A federally recognized Indian tribe may conduct sports
8	wagering on Indian lands consistent with the requirements of the
9	federal Indian Gaming Regulatory Act of 1988 (18 U.S.C. Secs.
10	1166 to 1168, incl., and 25 U.S.C. Sec. 2701 et seq.), and under
11	terms no more stringent than those applicable to any other owner
12	or operator in the state.
13	19752. As used in this chapter, the following definitions shall
14	apply:
15	(a) "Board" means the California Horse Racing Board.
16	(b) "Commission" means the California Gambling Control
17	Commission.
18	(c) "Department" means the Department of Justice.
19	(d) "Licensed operator" means any of the entities listed in
20	Section 19750 that is authorized pursuant to this chapter to conduct
21	sports wagering.
22	(e) "Sports event" shall include any professional sports or
23 24	athletic event, and any collegiate sports or athletic event.
24 25	(f) "Sports wagering" means the business of accepting wagers
23 26	on a sports event by any legal system or method of wagering, including, but not limited to, exchange wagering, parlays, over
20 27	and under, money line, and straight bets.
28	19754. (a) (1) An owner or operator of a gambling
28 29	establishment seeking to conduct sports wagering shall apply to
30	the commission for authorization to conduct sports wagering shall apply to
31	(2) An owner or operator of a horse racing track or satellite
32	wagering facility seeking to conduct sports wagering shall apply
33	to the board for authorization to conduct sports wagering shall appry
34	(b) The board or the commission, as the case may be, shall hear
35	and decide promptly, and in reasonable order, all applications to
36	conduct sports wagering from owners and operators of licensed
37	gambling establishments, licensed horse racing tracks, and satellite
38	wagering facilities. Authorization to conduct sports wagering shall
39	not be unreasonably withheld for any applicant that is in good
40	standing and has a current license issued pursuant to Chapter 4
	96

(commencing with Section 19400) or Chapter 5 (commencing with
 Section 19800).

3 19756. (a) Application for authorization to conduct sports 4 wagering shall be made on forms furnished by the board and the 5 commission.

6 (b) The application for authorization to conduct sports wagering 7 shall include all of the following:

8 (1) The name of the licensee.

9 (2) The name and location of the gambling establishment, horse 10 racing track, or satellite wagering facility.

(3) The names of all persons directly or indirectly interested inthe business and the nature of the interest.

13 (4) A description of the proposed sports wagering operation.

14 (5) Any other information and details the board or the 15 commission may require in order to discharge its duty properly.

16 19758. (a) The board and the commission shall adopt 17 regulations for the administration and enforcement of this chapter.

18 (b) The board and the commission shall consult with each other, 19 and the department, in the adoption of regulations pursuant to this

20 section, and may adopt joint regulations.

21 19760. The regulations adopted by the board and the22 commission shall do all of the following:

(a) Provide for the approval of wagering rules and equipmentby the department to ensure fairness to the public and compliance

25 with state law, including, but not limited to, all of the following:

26 (1) Acceptance of wagers on a series of sports events.

27 (2) Types of wagering tickets that may be used.

28 (3) The method of issuing tickets.

29 (b) Govern all of the following:

30 (1) The extension of credit.

(2) The cashing, deposit, and redemption of checks or othernegotiable instruments.

33 (3) The amount of cash reserves to be maintained by licensed34 operators to cover winning wagers.

(4) The provision of reliable records, accounts, and reports of
transactions, operations, and events, including reports to the
department, the method of accounting to be used by licensed
operators, and the types of records required to be maintained.

39 19762. (a) The sports wagering authorized pursuant to this40 chapter may be conducted only at the gambling establishment,

1 horse racing track, or satellite facility of the licensed operator, or

2 on Indian lands consistent with the federal Indian Gaming
3 Regulatory Act of 1988 (18 U.S.C. Secs. 1166 to 1168, incl., and

4 25 U.S.C. Sec. 2701 et seq.).

5 (b) The licensed operators of horse racing tracks, satellite 6 wagering facilities, and gambling establishments may enter into 7 an agreement to jointly conduct a sports wagering operation. Any 8 joint sports wagering operation authorized pursuant to this

9 subdivision shall be conducted only at a horse racing track.

10 19764. A licensed operator shall not accept a wager on a sports
event from any person who is not physically present at the facility
where the sports wagering is conducted.

13 19766. A licensed operator shall establish the odds it will pay14 on wagers placed on sports events.

15 19768. (a) A licensed operator shall not conduct any sports
wagering in violation of any provision of this chapter, any
regulation adopted pursuant to this chapter, or any governing local
ordinance.

(b) Any person who willfully violates any provision of thischapter is guilty of a misdemeanor.

21 19770. (a) The department shall have all of the following22 responsibilities:

(1) To investigate any request made by the board or the
commission in connection with an application for authorization
pursuant to this chapter. The department may recommend the
denial or the limitation, conditioning, or restriction of any
authorization.

(2) To monitor the conduct of all licensed operators and other
persons having a material involvement, directly or indirectly, with
a sports wagering operation.

31 (3) To investigate suspected violations of this chapter.

32 (4) To investigate complaints that are lodged against licensed
 33 operators, or other persons associated with a sports wagering
 34 operation, by members of the public.

(5) To initiate, where appropriate, disciplinary actions. In
connection with any disciplinary action, the department may seek
restriction, limitation, suspension, or revocation of any license,
permit, authorization, or approval pursuant to this chapter, Chapter
4 (commencing with Section 19400), or Chapter 5 (commencing

40 with Section 19800), or the imposition of any fine upon any person

1 licensed, permitted, authorized, or approved pursuant to those 2 chapters.

3 (6) To adopt regulations reasonably related to its functions and4 duties as specified in this chapter.

5 (b) The department has all powers necessary and proper to 6 enable it to carry out fully and effectually its duties and 7 responsibilities specified in this chapter.

8 19772. (a) The department shall make appropriate 9 investigations as follows:

10 (1) To determine whether there has been any violation of this 11 chapter or any regulations adopted under this chapter.

(2) To determine any facts, conditions, practices, or matters that
it may deem necessary or proper to aid in the enforcement of this
chapter or any regulation adopted under this chapter.

15 (3) To aid in adopting regulations.

(b) If, after any investigation, the department is satisfied that a
license, permit, authorization, or approval pursuant to this chapter,
Chapter 4 (commencing with Section 19400), or Chapter 5
(commencing with Section 19800) should be suspended or revoked,
it shall file an accusation in accordance with Chapter 5
(commencing with Section 11500) of Part 1 of Division 3 of Title
2 of the Government Code.

(c) In addition to any action that the board or commission may
take against a license, permit, finding of suitability, or approval,
the board or commission may also require the payment of fines or
penalties. However, no fine imposed shall exceed twenty thousand
dollars (\$20,000) for each separate violation of any provision of
this chapter or only regulation adopted under this chapter.

28 this chapter or any regulation adopted under this chapter.

SEC. 2. Section 19868 of the Business and Professions Code
is amended to read:

31 19868. (a) Within a reasonable time after the filing of an 32 application and any supplemental information the department may require, and the deposit of any fee required pursuant to Section 33 34 19867, the department shall commence its investigation of the 35 applicant and, for that purpose, may conduct any proceedings it 36 deems necessary. To the extent practicable, all applications shall 37 be acted upon within 180 calendar days of the date of submission 38 of a completed application. If an investigation has not been 39 concluded within 180 days after the date of submission of a 40 completed application, the department shall inform the applicant

1 in writing of the status of the investigation and shall also provide

2 the applicant with an estimated date on which the investigation3 may reasonably be expected to be concluded.

4 (b) If denial of the application, or approval of the license with 5 restrictions or conditions on the license, is recommended, the chief 6 shall prepare and file with the commission his or her written 7 reasons upon which the recommendation is based, *together with* 8 *all relevant documents and information*.

9 (1) Prior to filing his or her recommendation with the 10 commission, the chief shall meet with the applicant, or the 11 applicant's duly authorized representative, and inform him or her 12 generally of the basis for any proposed recommendation that the 13 application be denied, restricted, or conditioned.

(2) Not less than 10 business days prior to the meeting of the
commission at which the application is to be considered, the
department shall deliver to the applicant a summary of the chief's
final report and recommendation.

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

(c) If a restriction or condition on the license is recommended,
the chief shall prepare and file with the commission his or her
written reasons upon which the recommendation is based, *together*with all relevant documents and information.

(1) Prior to filing his or her recommendation with the
commission, and not less than 10 business days prior to the meeting
of the commission at which the application is to be considered,
the chief shall inform the applicant in writing generally of the basis
for any proposed recommendation that the application be restricted
or conditioned, including the legal and factual grounds on which
the recommendation is based.

(2) This section does not require the department to divulge to the applicant any confidential information received from any law enforcement agency or any information received from any person with assurances that the information would be maintained confidential, or to divulge any information that might reveal the identity of any informer or jeopardize the safety of any person.

1 (d) A recommendation of denial of an application shall be 2 without prejudice to a new and different application filed in 3 accordance with applicable regulations.

4 <u>SEC. 2.</u>

5 SEC. 3. Section 336.9 of the Penal Code is amended to read: 6 336.9. (a) Notwithstanding Section 337a, and except as 7 provided in subdivision (b), any person who, not for gain, hire, or 8 reward other than that at stake under conditions available to every 9 participant, knowingly participates in any of the ways specified in 10 paragraph (2), (3), (4), (5), or (6) of subdivision (a) of Section 11 337a in any bet, bets, wager, wagers, or betting pool or pools made 12 between the person and any other person or group of persons who 13 are not acting for gain, hire, or reward, other than that at stake 14 under conditions available to every participant, upon the result of 15 any lawful trial, or purported trial, or contest, or purported contest, 16 of skill, speed, or power of endurance of person or animal, or 17 between persons, animals, or mechanical apparatus, is guilty of 18 an infraction, punishable by a fine not to exceed two hundred fifty 19 dollars (\$250).

20 (b) Subdivision (a) does not apply to any of the following 21 situations:

(1) Any bet, bets, wager, wagers, or betting pool or pools madeonline.

24 (2) Betting pools with more than two thousand five hundred25 dollars (\$2,500) at stake.

(3) Any sports wagering authorized pursuant to Chapter 4.7
(commencing with Section 19750) of Division 8 of the Business
and Professions Code.

29 SEC. 3.

30 *SEC. 4.* Section 337a of the Penal Code is amended to read:

31 337a. (a) Except as provided in Section 336.9 and as authorized

32 pursuant to Chapter 4.7 (commencing with Section 19750) of

33 Division 8 of the Business and Professions Code, every person

34 who engages in one of the following offenses, shall be punished

35 for a first offense by imprisonment in a county jail for a period of

36 not more than one year or in the state prison, or by a fine not to 37 exceed five thousand dollars (\$5,000), or by both imprisonment

38 and fine:

39 (1) Pool selling or bookmaking, with or without writing, at any40 time or place.

1 (2) Whether for gain, hire, reward, or gratuitously, or otherwise, 2 keeps or occupies, for any period of time whatsoever, any room, 3 shed, tenement, tent, booth, building, float, vessel, place, stand, 4 or enclosure, of any kind, or any part thereof, with a book or books, 5 paper or papers, apparatus, device, or paraphernalia, for the purpose of recording or registering any bet or bets, any purported bet or 6 bets, wager or wagers, any purported wager or wagers, selling 7 8 pools, or purported pools, upon the result, or purported result, of 9 any trial, purported trial, contest, or purported contest, of skill, speed, or power of endurance of person or animal, or between 10 persons, animals, or mechanical apparatus, or upon the result, or 11 12 purported result, of any lot, chance, casualty, unknown, or 13 contingent event whatsoever. 14 (3) Whether for gain, hire, reward, or gratuitously, or otherwise,

15 receives, holds, or forwards, or purports or pretends to receive, hold, or forward, in any manner whatsoever, any money, thing, or 16 17 consideration of value, or the equivalent or memorandum thereof, 18 staked, pledged, bet, or wagered, or to be staked, pledged, bet, or 19 wagered, or offered for the purpose of being staked, pledged, bet, 20 or wagered, upon the result, or purported result, of any trial, or 21 purported trial, or contest, or purported contest, of skill, speed, or 22 power of endurance of person or animal, or between persons, 23 animals, or mechanical apparatus, or upon the result, or purported 24 result, of any lot, chance, casualty, unknown, or contingent event 25 whatsoever. 26 (4) Whether for gain, hire, reward, or gratuitously, or otherwise,

(4) whether for gain, fille, reward, of gratuitously, of otherwise,
at any time or place, records, or registers any bet or bets, wager
or wagers, upon the result, or purported result, of any trial, or
purported trial, or contest, or purported contest, of skill, speed, or
power of endurance of person or animal, or between persons,
animals, or mechanical apparatus, or upon the result, or purported
result, of any lot, chance, casualty, unknown, or contingent event
whatsoever.

(5) Being the owner, lessee, or occupant of any room, shed,
tenement, tent, booth, building, float, vessel, place, stand,
enclosure, or grounds, or any part thereof, whether for gain, hire,
reward, or gratuitously, or otherwise, permits that space to be used
or occupied for any purpose, or in any manner prohibited by
paragraph (1), (2), (3), or (4).

1 (6) Lays, makes, offers, or accepts any bet or bets, or wager or 2 wagers, upon the result, or purported result, of any trial, or 3 purported trial, or contest, or purported contest, of skill, speed, or 4 power of endurance of person or animal, or between persons, 5 animals, or mechanical apparatus.

(b) In any accusatory pleading charging a violation of this 6 7 section, if the defendant has been once previously convicted of a 8 violation of any subdivision of this section, the previous conviction 9 shall be charged in the accusatory pleading, and, if the previous 10 conviction is found to be true by the jury, upon a jury trial, or by the court, upon a court trial, or is admitted by the defendant, the 11 12 defendant shall, if he or she is not imprisoned in the state prison, 13 be imprisoned in-the *a* county jail for a period of not more than 14 one year and pay a fine of not less than one thousand dollars 15 (\$1,000) and not to exceed ten thousand dollars (\$10,000). Nothing 16 in this paragraph shall prohibit a court from placing a person 17 subject to this subdivision on probation. However, that person 18 shall be required to pay a fine of not less than one thousand dollars 19 (\$1,000) nor more than ten thousand dollars (\$10,000) or be imprisoned in the *a* county jail for a period of not more than one 20 21 year, as a condition thereof. In no event does the court have the 22 power to absolve a person convicted pursuant to this subdivision 23 from either being imprisoned or from paying a fine of not less than 24 one thousand dollars (\$1,000) and not more than ten thousand 25 dollars (\$10,000).

26 (c) In any accusatory pleading charging a violation of this 27 section, if the defendant has been previously convicted two or 28 more times of a violation of any subdivision of this section, each 29 previous conviction shall be charged in the accusatory pleadings. 30 If two or more of the previous convictions are found to be true by 31 the jury, upon a jury trial, or by the court, upon a court trial, or are 32 admitted by the defendant, the defendant shall, if he or she is not 33 imprisoned in the state prison, be imprisoned in the county jail for 34 a period of not more than one year or pay a fine of not less than 35 one thousand dollars (\$1,000) nor more than fifteen thousand 36 dollars (\$15,000), or be punished by both imprisonment and fine. 37 Nothing in this paragraph shall prohibit a court from placing a 38 person subject to this subdivision on probation. However, that 39 person shall be required to pay a fine of not less than one thousand 40 dollars (\$1,000) nor more than fifteen thousand dollars (\$15,000),

1 or be imprisoned in the county jail for a period of not more than

2 one year as a condition thereof. In no event does the court have 3 the power to absolve a person convicted and subject to this

subdivision from either being imprisoned or from paying a fine of

5 not more than fifteen thousand dollars (\$15,000).

6 (d) Except where the existence of a previous conviction of any

subdivision of this section was not admitted or not found to be true
pursuant to this section, or the court finds that a prior conviction
was invalid, the court shall not strike or dismiss any prior

10 convictions alleged in the information or indictment.

(e) This section applies not only to persons who commit any of
the acts designated in paragraphs (1) to (6), inclusive, of
subdivision (a), as a business or occupation, but also applies to
every person who in a single instance engages in any one of the
acts specified in paragraphs (1) to (6), inclusive, of subdivision

16 (a).

17 SEC. 4.

18 SEC. 5. No reimbursement is required by this act pursuant to

19 Section 6 of Article XIIIB of the California Constitution because

20 the only costs that may be incurred by a local agency or school

21 district will be incurred because this act creates a new crime or

22 infraction, eliminates a crime or infraction, or changes the penalty

23 for a crime or infraction, within the meaning of Section 17556 of

24 the Government Code, or changes the definition of a crime within

25 the meaning of Section 6 of Article XIII B of the California

26 Constitution.

0



## PROPOSED MINI-SATELLITE FACT SHEET

Santa Clarita Lanes 21615 Soledad Canyon Road Santa Clarita, CA 91350

Description: Santa Clarita Lanes is a 32-lane bowling center located about 10 minutes from Magic Mountain in the Santa Clarita / Valencia / Saugus area. It sits on a six-lane divided road surrounded by commercial /retail and a mobile home park.



- Owners: The bowling center is owned by three partners. They've owned the location for 11 years and it is one of the top grossing bowling centers in southern California. The managing partner is Tom Cristi, a former horse owner and current fan and player. Like Michael Merrigan at OCTavern, Tom is a very hands-on manager, knows all of his customers and is very passionate about the sport.
- Location: The location is outside all of the 20-mile protective circles. It's 25.6 miles from the Antelope Valley Fair in Lancaster, more than 30 miles from Santa Anita and Hollywood Park and 50 miles from Los Alamitos.
- Population: There are more than 177,000 residents in the city of Santa Clarita and another 90,000 in the neighboring unincorporated areas.

- Parking: 180 spaces with overflow to nearby lots.
- Facility: The main mini-satellite will be located in a large room currently called Vincenzo's Sports Bar & Grill. The area is on two levels with main seating below and the bar and future wagering area above. Square footage is 2,750.

A secondary, smaller area of about 700sf will be used for VIP/overflow seating.

Capacity: About 140 in the main room, with spillover on big days into the lobby area above the lanes. The smaller room will seat another 30 or so. The owners have also discussed adding an outdoor patio if business warrants.



- City Approval: The city of Santa Clarita will require only a "Minor Use Permit. Without objection, the application can be approved over-the-counter within 30 days. With objection, a public hearing will be required.
- Opening Date: If city and CHRB applications are concluded within the normal timeframe, the minisatellite should be open in May.
- Conclusion: This is a very good fit for a mini. The property sits on a six-lane street in a mixed use area. The bowling center is very large with 32 lanes, concession stands and a large room for the mini. The city is very willing and supportive to date. But the most compelling reason to put a mini there is the managing partner who loves the game and, more important, has turned an underperforming bowling center into one of the most successful in southern California with aggressive marketing and an impressive state-ofthe-art facility. We think he'll be a great partner for the racing industry.

# California Authority of Racing Fairs Agency Income Statement December 31, 2011

							-10%
	2009 Year End Actual	2010 Year End Actual	2011 YTD Actual	2011 Annual Budget	2011 Budget Variance	2011 % Budget	2012 Proposed Budget
Revenue:							
Other Revenue	148	(2,326)	981	500	481	196%	0
nterest Income	30,515	18,003	14,756	30,000	(15,244)	49%	15,000
Member Dues	282,532	290,107	288,330	292,913	(4,583)	98%	260,593
CARF South Programs Admin Fee	25,351	21,256	18,333	18,806	(473)	97%	21,038
CARF Projects Admin Fee	66,063	141,872	442,753	195,000	247,753	227%	0
CARF Live Racing Admin Fee	112,869	108,854	157,607	182,611	(25,004)	86%	138,201
CARF @ Leased Facility Revenue	(311,170)	0	0	0	0	0%	0
Fotal Revenue	206,308	577,767	922,760	719,830	202,930	128%	434,832
Expenses:							
Salaries	226,671	241,506	310,701	305,173	(5,528)	102%	222,959
Employee Benefits	23,714	18,890	41,866	30,000	(11,866)	140%	34,90
Post Retirement Benefits	666,317	33,688	31,922	35,000	3,078	91%	35,00
Payroll Taxes	12,487	12,529	14,970	15,000	30	100%	11,50
Accounting Costs	17,209	17,272	23,384	18,750	(4,634)	125%	16,25
Audit Services	7,125	6,375	8,925	6,375	(2,550)	140%	6,37
Automobile Expense	435	10,650	3,251	4,000	749	81%	4,00
Contracted Services	543	10,435	3,574	5,000	1,426	71%	3,00
Depreciation	13,881	11,985	12,634	10,000	(2,634)	126%	11,00
Dues & Subscriptions	36,048	11,952	1,819	1,000	(819)	182%	2,000
nsurance Expense	37,784	37,127	38,772	41,000	2,228	95%	41,00
Legal Expenses	11,413	21,720	8,009	12,500	4,491	64%	12,50
Legislative Expenses	53,508	53,796	56,144	63,000	6,856	89%	55,00
Meetings Expense	5,398	6,852	3,782	5,000	1,218	76%	5,00
Misc. (Ag Day Sponsor)	2,482	2,010	51	2,500	2,449	2%	-,
Office Supplies	23,754	27,882	27,362	25,000	(2,362)	109%	22,50
Postage & Shipping	5,987	3,117	3,960	4,000	40	99%	3,60
Rent (Tribute Road)	38,916	38,265	35,770	45,000	9,230	79%	35,77
Repairs & Maintenance	0	674	328	1,000	672	33%	1,00
Felephone Expense	7,390	9,492	11,451	10,000	(1,451)	115%	10,00
Fraining	0	895	1,139	2,500	1,361	46%	2,50
Fravel Expense	25,280	27,226	23,817	27,500	3,683	87%	22,500
Fotal Expenses	1,216,340	604,340	663,634	669,298	5,664	99%	558,354
Agency Income (Loss)	(1,010,031)	(26,573)	259,126	50,532	208,594		(123,522)
Southern Program Income (Loss)	7,142	8,153	4,160	2,444	770		2,963
	(1,002,890)	(18,420)	263,286	52,976	209,364		(120,559

Balance of CARF Reserves after 2012 Budget

\$852,408

# California Authority of Racing Fairs Southern Region Income Statement December 31, 2011

	2009	2010	2011	2011	2011	2011	2012
	Year End	Year End	YTD	Annual	Budget	% Budget	Proposed
	Actual	Actual	Actual	Budget	Variance		Budget
Program Revenue:							
Program Sales	343,634	285,716	254,468	250,750	3,718	101%	280,500
Other Revenue	0	0	0	0	0	0%	0
Royalties/Fees Due Host	(311,141)	(256,307)	(231,975)	(229,500)	(2,475)	101%	(256,500)
Total Revenue	32,493	29,409	22,493	21,250	1,243	106%	24,000
Expenses:							
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
Total Expenses	0	0	0	0	0	0%	0
Operating Income (Loss)	32,493	29,409	22,493	21,250	1,243	106%	24,000
CARF Admin Fee	25,351	21,256	18,333	18,806	473	97%	21,038
Rebate							
Income (Loss)	7,142	8,153	4,160	2,444	770	170%	2,963

# California Authority of Racing Fairs Project Management Income Statement December 31, 2011

	2009 Year End Actual	2010 Year End Actual	2011 YTD Actual	2011 Annual Budget	2011 Budget Variance	<b>2011</b> % Budget	2012 Proposed Budget
Revenue:				0			0
CARF Admin Fee	66,063	141,872	442,753	195,000	247,753	227%	0
Project Management	79,199	85,559	0	81,935	(81,935)	0%	0
Total Revenue	145,262	227,432	442,753	276,935	165,818	160%	0
Expenses:							
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
Total Expenses	79,199	85,559	0	81,935	81,935	0%	0
CARF Admin Fee	66,063	141,872	442,753	195,000	(247,753)	227%	0

	Live Ra De	Authority of Ra cing Income Sta ccember 31, 201 2010 = 64 days 2	tement 1				2012= days
	2009	2010	2011	2011	2011	2011	2012
			-				
	Year End Actual	Year End Actual	YTD Actual	Annual Budget	Budget Variance	% Budget	Proposed Budget
Revenues:	Actual	Actual	Actual	Duuget	variance		Duuget
Change Fund Admin Fee	17,065	14,074	5,161	15,000	(9,839)	34%	15,000
Racing Fairs Admin Fee	74,561	69,032	69,945	85,111	(15,166)	82%	78,201
Supplemental Purses Admin Fee	22,000	22,000	82,500	82,500	0	100%	45,000
NCOTWINC Reimbursement	29,000	29,000	29,000	29,000	0	100%	29,000
Racing Fairs Reimbursement	1,059,854	1,003,686	932,602	1,082,942	(150,340)	86%	1,042,681
Advertising Revenue	4,100	4,550	2,500	4,000	(1,500)	63%	4,000
Total	1,206,580	1,142,343	1,121,708	1,298,553	(176,845)	86%	1,213,882
	, - ,	7 7	, ,	, ,			7 - 7
Expenses:							
Salaries	230,562	255,146	275,424	251,517	(23,907)	110%	295,750
Employee Benefits	44,792	46,948	48,505	47,000	(1,505)	103%	44,278
Payroll Taxes	11,877	13,103	12,669	13,500	831	94%	10,928
Accounting Costs	52,250	43,035	42,255	48,750	6,495	87%	48,750
Audit Services	16,575	25,323	16,575	16,575	0	100%	19,125
Automobile Expense	1,182	64	0	5,100	5,100	0%	2,000
Depreciation	0	0	0	0	0	0%	0
Dues & Subscriptions, NTRA	12,286	10,109	0	1,000	1,000	0%	1,000
Insurance Expense	0	0	0	0	0	0%	0
Legal Expenses	0	8,734	605	10,000	9,395	6%	5,000
Meetings Expense	1,111	3,440	740	5,000	4,260	15%	2,000
Misc. Exp (Storage, Bank fee)	58	0	0	0	0	0%	0
Telephone Expense	3,363	3,924	3,051	3,000	(51)	102%	3,500
Travel Expense	45,184	29,898	34,340	35,000	660	98%	35,000
Sub-Totals	419,240	439,725	434,164	436,442	2,278	99%	467,331
<b>Racing Support Services:</b>							
Announcer	26,596	23,904	17,850	26,000	8,150	69%	23,850
Condition Bk/Program Cover	22,491	15,245	15,748	20,000	4,252	79%	20,000
Racing Operations Support	79,601	78,325	57,834	90,000	32,166	64%	90,000
TC02 Testing	54,880	7,425	6,940	15,000	8,060	46%	10,000
Marketing	1,783	3,901	160	5,000	4,840	3%	3,000
Network Management	3,321	1,548	2,641	3,000	359	88%	500
Paymaster	20,298	8,106	6,044	11,500	5,456	53%	7,500
Program Production	178,814	179,004	171,503	205,000	33,497	84%	205,000
Racing Office System	53,156	43,739	26,406	55,000	28,594	48%	40,000
Recruitment	22,721	31,108	13,654	10,000	(3,654)	137%	15,000
Jumbo Screen	125,000	126,250	104,550	160,000	55,450	65%	110,000
Supplies	19,158	15,964	11,296	20,000	8,704	56%	15,000
Tattooing	20,469	17,200	18,901	19,000	99	99%	20,000
Timing/Clocker	22,430	22,805	0	0	0	0%	0
Transportation	3,465	2,150	1,711	5,000	3,289	34%	3,500
TV Production/Simulcast	20,288	17,088	74,701	35,000	(39,701)	213%	45,000
Sub-Totals	674,471	593,763	529,938	679,500	149,562	78%	608,350
Total Expenses	1,093,711	1,033,488	964,102	1,115,942	151,840	86%	1,075,681
<b>FFF</b>		-,,		-,0,2	,0.0	00,0	-,,-,
CARF Admin Fee	112,869	108,854	157,607	182,611	25,004	86%	138,201

California Authority of Racing Fairs											
	CARF @ Leased Facility										
	Decem	ber 31, 2011									
	2009	2010	2011	2011	2011	2011					
Year End Year End YTD Annual Budget % Budge											
	Actual	Actual	Actual	Budget	Variance						
Revenues:											
Commissions - CARF@GG	2,859,642	0	0	0	0	0%					
Non Wagering Revenue - CARF@GG	0	0	0	0	0	0%					
Total	2,859,642	0	0	0	0	0%					
Expenses:											
PRA - Labor (Sal,Bene,Tax)	96,106	0	0	0	0	0%					
PRA - COGS	0	0	0	0	0	0%					
PRA - Financial Dept. Allocation	0	0	0	0	0	0%					
PRA - Direct Invoices	2,998,791	0	0	0	0	0%					
CARF Direct Invoices	18,531	0	0	0	0	0%					
CARF Billback Allocation	57,383	0	0	0	0	0%					
Sub-Totals	3,170,811	0	0	0	0	0%					
CARF @ Leased Facility Net Income	-311,170	0	0	0	0	0%					

#### CALIFORNIA AUTHORITY OF RACING FAIRS BALANCE SHEET December 31, 2011

ASSETS		
	CURRENT YTD	PRIOR YTD
Current Assets	12/31/11	12/31/10
CASH - LAIF & INVESTMENTS	267,402	1,734,210
CASH - OPERATING/MM	2,405,913	49,755
CASH - TRUST & TOC	1,206,283	381,341
MARKETABLE SECURITIES	2,420,128	4,367,720
A/R - DUES	31,354	28,618
A/R - PROGRAMS	25,604	67,097
A/R - RACING FAIRS	126,322	293,737
A/R - ERF/OTHER A/R	540,968	2,170,002
PREPAIDS/DEPOSITS	62,773	59,290
OPEB ASSETS	92,725	92,725
Total Current Assets	7,179,471	9,244,496
Fixed Assets		
AUTOMOBILE	34,040	37,967
FURNITURE & EQUIPMENT	979	1,646
COMPUTER HARDWARE/SOFTWARE	6,262	7,050
TRACK EQUIPMENT	259,712	259,712
Total Fixed Assets (Net of Depr.)	300,993	306,374
TOTAL ASSETS	7,480,464	9,550,870
LIABILITIES & NET ASSETS		
Current Liabilities		
A/P & WITHHOLDINGS	1,492,609	1,921,515
A/P - PROGRAM ROYALTIES TO HOST	54,471	56,837
RACING DISTRIBUTIONS	64,407	158,167
PURSES	926,950	1,518,189
TRACK SAFETY/MAINT.	463,289	212,520
INFOTEXT UPGRADE	0	0
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	522,227
LOU-5 - SYMPOSIUM	3,805	3,805
MINI SATELLITE FUNDS	164,269	88,455
CAPITAL IMPROVEMENT FUND	75,164	1,212,751
Total Current Liabilities	3,244,964	5,694,467
Non-Current Liabilities		
CHRIMS FUNDS	91,661	90,558
CHANGE FUND	1,014,000	1,014,000
FAIRS - EQUIP REPLACEMENT FUNDS	2,122,079	2,007,372
Total Non-Current Liabilities	3,227,739	3,111,929
TOTAL LIABILITIES	6,472,704	8,806,396
Net Assets		
FUND EQUITY	709,681	728,101
F&E Net Assets	34,794	34,794
CARF@GG	0	0
RETIREMENT CONTINGENCY	0	0
NET INCOME/LOSS	263,286	(18,420)
Total Net Assets		744,475
TOTAL LIABILITIES & NET ASSETS	7,480,464	9,550,870
		- , 0,0.0

# Racing Fair Financial \_\_\_\_\_



# Highlights 2011

Total Conventional & ADW Handle \$123 million Revenue Distributed by CARF \$26 million Total Commissions \$5.8 million Total Purses \$7.4 million



	Total	STK	PLN	SAC	SR	FER	FNO
Revenue							100
Takeout & Other Revenue	26,068,691	1,957,306	6,915,616	4,116,207	7,292,091	1,099,223	4,688,247
Commissions							
Total Commissions	5,822,216	411,663	1,563,929	898,481	1,634,977	283,209	1,029,958
Purses							
Total Purses	7,425,905	645,256	1,983,372	1,232,362	1,989,750	246,953	1,328,213
Distributions							
F&E Fund 19614d/License Fees	212,065	12,724	56,585	25,999	58,771	13,440	44,546
F&E Recapture	32,515	2,004	8,687	5,411	8,920	1,360	6,134
CHRB Support	417,922	26,430	112,245	69,231	114,130	17,403	78,482
Commingle Guest O/S	5,753,952	348,636	1,465,555	803,616	1,731,396	244,866	1,159,882
Interstate Host	818,562	71,889	231,799	134,864	225,751	20,590	133,669
Location Fee	1,435,829	118,078	380,971	247,776	403,238	59,381	226,385
Promotion	138,186	10,549	37,523	23,908	39,274	4,574	22,358
City/County	218,317	15,876	59,561	34,913	61,590	8,211	38,166
Stabling/Vanning	663,281	50,634	180,106	114,757	188,513	21,954	107,319
Equine Lab	66,158	4,811	18,049	10,580	18,664	2,488	11,566
Owners	48,404	3,555	13,140	7,770	13,454	1,926	8,560
Breeders	483,533	36,312	129,869	78,034	133,895	22,949	82,473
CHRIMS	27,637	2,110	7,504	4,782	7,855	915	4,471
Other ADW Distributions	201,488	13,481	47,104	29,628	49,411	17,355	44,509
NCOTW Simulcast Expense Fund	2,302,720	183,299	619,615	394,097	612,504	131,652	361,553



# CALIFORNIA FAIRS SATELLITE NETWORK PARI-MUTUEL HANDLE & DISTRIBUTIONS (LIVE & SIMULCAST) 1987-2011

Handle & Distributions Figures Do Not Include Adavanced Deposit Wagering (ADW).

Detailed Distributio	on Report 01/01/1987 -																		
Date Range:	12/31/2011																		
Race Type:	All Races																		
Hosts:	All Hosts																		
Locations:	All Locations																		
Tracks:	All Tracks																		
Report By:	Location																		
Location Types: Ca																			
Location	Handle	License	CHRB	F & E	City	Equine	Workers	Satellite	Expense Fund	Promotion	Chrims	Van	Proxy Fees	Track	Purses	SB1072	Owners	Breeders	To Out of
		Fee	Support		Тах		Comp	Location				Stable						Sires	State Tracks
			Fee																
Anderson	80,326,332	1,735,350	21,782	107,492	259,350	79,876	35 <i>,</i> 889	1,561,052	2,590,031	375,187	665	477,976	5	3,573,453	3,554,070	11,720	73,688	353,553	485,662
Bakersfield	332,889,862	7,195,451	80,071	286,427	1,078,953	324,000	144,536	6,521,346	11,585,888	1,898,923	3,119	1,870,351	27,400	14,786,473	14,721,231	46,641	253,305	1,432,857	1,560,638
Eureka	50,441,318	1,136,636	1,498	64,349	162,942	49,268	19,097	963,000	1,530,973	239,657	0	282,824	0	2,210,479	2,202,696	0	45,955	221,303	309,455
Ferndale	24,253,924	237,130	12,174	216,928	57,407	17,122	17,917	88,856	270,195	17,584	84	34,457	16	1,811,479	1,933,428	9,984	22,310	102,365	21,031
Fresno	538,571,201	11,525,428	119,225	1,627,752	1,750,322	468,796	207,180	8,371,971	14,577,681	2,180,333	2,722	2,092,976	19,666	27,777,158	28,296,042	71,522	464,513	2,248,679	1,919,004
Fresno Club One	57,316,755	536,659	42,092	40,307	187,477	57,332	62,799	1,139,563	2,208,314	230,978	1,612	422,308	11,622	2,887,194	2,897,736	23,633	34,404	287,018	593,630
Imperial	63,558	1,310	0	0	2	64	0	1,084	1,355	217	0	303	0	2,631	2,593	0	38	293	1,915
Lake Perris	427,495,310	8,809,745	280,714	299,350	1,392,429	427,509	349,298	8,443,556	12,964,749	2,143,619	6,266	2,969,499	32,690	20,302,762	20,177,793	126,913	325,512	2,051,114	2,747,504
Lakeport	100,835	1,281	0	33	0	101	0	1,737	2,522	347	0	608	0	4,258	4,304	0	61	462	2,680
Lancaster	449,439,696	10,276,825	287,994	284,420	1,469,915	449,030	302,550	8,907,423	14,124,713	2,793,460	6,872	3,177,612	51,612	20,600,824	20,448,357	117,243	330,302	2,070,048	2,524,441
Merced	131,242	1,623	0	41	0	131	0	2,309	3,535	462	0	808	0	5,700	5,721	0	81	611	3,377
Mobile Unit	2,578,629	81,157	0	2,675	2,952	2,518	0	50,882	73,558	19,517	0	17,032	0	92,785	90,371	0	2,414	9,890	4,888
Monterey	321,483,483	6,086,931	86,724	293,002	1,043,884	320,172	154,657	6,300,773	11,719,882	1,582,997	3,680	1,602,658	39,355	15,075,852	15,035,434	50,941	257,078	1,412,750	2,171,679
Paso Robles	790,507	16,733	0	108	176	791	0	14,170	17,078	3,045	0	4,087	0	34,178	33,705	0	535	3,652	18,335
Pleasanton	1,439,548,074	26,266,464	532,315	2,927,869	4,676,666	1,338,988	825,038	24,304,043	45,181,546	5,527,227	17,198	7,617,220	158,214	72,998,837	73,974,704	307,418	1,192,543	6,401,708	8,207,819
Pomona	1,715,548,666		1,259,981	4,527,320	5,612,065	1,511,154	1,220,104	25,793,425	39,541,328	6,195,668	27,963	9,659,712	215,284	93,034,165	94,470,984	518,753	1,449,127	7,788,438	8,650,237
Sacramento	1,324,635,197	23,159,271	357,089	1,862,194	2,312,092	1,212,454	704,952	20,763,303	38,722,144	4,802,672	11,743	5,873,365	71,154	71,752,423	71,419,207	183,177	900,007	7,183,355	6,833,502
San Bernardino	1,386,571,292	35,601,264	532,143	819,773	4,534,633	1,384,410	652,918	27,436,466	42,104,794	9,723,308	11,960	9,938,707	65,693	61,023,804	60,350,493	233,765	1,094,863	6,116,804	5,850,656
San Jose	1,100,491,878		418,399	1,063,714	3,580,078	1,097,416	650,709	21,638,622	41,552,108	5,066,391	16,574	6,029,697	207,780	52,105,055	52,182,653	242,133	849,580	4,966,150	7,703,544
San Mateo	256,109,303	837,529	908,765	217,438	840,638	256,111	472,980	5,165,625	9,929,623	954,813	33,624	2,563,299	271,320	12,819,269	12,867,715	528,458	152,083	1,360,120	3,437,649
Santa Barbara	305,518,466	8,556,013	17,756	273,058	495,865	295,272	103,208	6,028,195	8,689,892	1,980,057	0	1,925,164	1,101	13,325,353	13,090,997	0	264,746	1,315,830	1,330,918
Santa Maria	241,413,382	6,252,744	87,383	210,121	787,001	236,904	103,347	4,758,888	6,885,375	1,490,336	1,493	1,611,461	3,326	10,690,951	10,530,839	27,883	203,092	1,072,886	1,140,910
Santa Rosa	661,991,173	13,118,803	186,913	1,961,396	2,153,748	584,091	322,581	9,754,458	18,336,772	2,337,627	5,188	2,798,135	49,600	35,146,399	35,900,668	113,906	560,017	2,841,800	3,024,369
Shalimar (Indio)	296,321,883	7,984,659	107,392	162,512	967,720	295,810	134,188	5,844,043	8,452,383	2,119,676	2,263	2,214,636	1,905	12,914,178	12,730,672	54,849	243,544	1,301,389	1,276,367
Sonora	151,478	2,191	0	19	0	151	0	2,636	3,394	558	0	903	0	6,581	6,671	0	116	680	3,659
Stockton	745,344,897	14,059,003	215,688	1,347,579	2,425,929	695,804	392,985	13,406,071	24,846,497	3,124,640	7,767	3,664,931	89,256	36,579,378	36,825,755	122,654	602,297	3,270,737	4,146,346
Surfside Race Place			942,197	988,188	7,427,714	2,273,020	1,073,728	44,893,519	63,720,400	15,498,650	21,001	17,328,335	120,507	99,418,199	97,987,455	403,728	1,897,237	10,185,620	11,833,875
Tulare	125,718,798		40,135	148,980	405,778	125,313	56,532	2,447,118	4,211,680	601,268	1,348	784,119	2,193	5,593,650	5,569,079	24,303	109,921	556,833	778,061
Turlock	177,509,805		95,868	193,246	572,104	177,425	122,780	3,453,798	5,917,010	682,901	3,185	1,331,506	1,785	8,463,774	8,476,923	56,466	151,962	838,700	1,577,598
Vallejo	617,363,414		197,832	1,396,380	1,259,100	561,746	345,063	10,267,781	20,092,206	2,396,382	7,412	3,001,104	99,222	32,261,765	32,731,278	119,662	497,708	2,721,119	3,546,622
Ventura	1,040,507,473		522,770	739,757	3,396,556	1,039,373	529,195	20,559,521	30,709,799	6,600,249		7,522,199	46,630	47,117,735	46,548,065	205,571	848,722	4,694,887	5,577,424
Victorville	305,484,368		122,268	190,910	998,379	305,229	185,341	6,044,453	9,693,570	1,897,966	2,929	1,999,574	31,993	13,949,882	13,857,336		223,955	1,392,410	1,638,781
Yuba City	137,875	1,998	0	26	0	138	0	2,329	3,183	501	0	800	0	5,843	5,825	0	111	591	4,032
TOTALS	16,302,352,865	349,456,337	7,477,167	22,253,364	49,851,874	15,587,519	9,189,572	294,932,014	490,264,178	82,487,215	208,014	98,818,367	1,619,331	788,372,463	788,930,799	3,656,513	13,051,827	74,204,650	88,926,609
						·	. <u></u>												

From:	Christopher Korby [korby@calfairs.net]
Sent:	Sunday, April 22, 2012 7:10 PM
То:	'Amelia M. White'
Cc:	Heather Haviland
Subject:	Fw: TOTAL MUTUEL HANDLE SHOWS SIGNIFICANT INCREASE, ON-TRACK
	ATTENDANCE, HANDLE UP AT SANTA ANITA, POSITIVE INDICATORS BODE WELL
	FOR 2012 BREEDERS' CUP (Sunday April 22, 2012)
Attachments:	Santa Anita Paddock 72.jpg

Print for meeting packets. ExDir Reports Thanks.

----- Original Message -----From: <u>Olsen, Debbie</u> Sent: April 22, 2012 5:57 PM Subject: TOTAL MUTUEL HANDLE SHOWS SIGNIFICANT INCREASE, ON-TRACK ATTENDANCE, HANDLE UP AT SANTA ANITA, POSITIVE INDICATORS BODE WELL FOR 2012 BREEDERS' CUP (Sunday April 22, 2012)

FOR IMMEDIATE RELEASE CONTACT: Mike Willman (626) 574-6417

# TOTAL MUTUEL HANDLE SHOWS SIGNIFICANT INCREASE, ON-TRACK ATTENDANCE, HANDLE UP AT SANTA ANITA, POSITIVE INDICATORS BODE WELL FOR 2012 BREEDERS' CUP



ARCADIA, Calif. (April 22, 2012)—Santa Anita Park, which will host the Breeders' Cup World Thoroughbred Championships on Nov. 2 and 3, capped its 75<sup>th</sup> winter/spring season on Sunday with gains in on-track attendance, handle and overall pari-mutuel handle.

Santa Anita's out-of-state business was robust, propelling The Great Race Place to finish up with a seven percent increase in total pari-mutuel handle. On-track handle and attendance were up one percent over 2011, as more than 580,000 fans attended the races at Santa Anita this meet.

"This is our first winter/spring meet under the direction of the Stronach Group," said Santa Anita C.E.O. Mark Verge. "Our Chairman, Frank Stronach has the laid the groundwork for an exciting, vibrant future and we will continue to demonstrate that.

"We promoted very aggressively at this meet and it paid off. Our initial goal was to showcase our five big days and make them bigger, and we did that.

"We had 44,579 here on opening day (Dec. 26) which was a 10 percent increase over the previous year and it was the first time we've had more than 40,000 people out for opening day since 1999.

"Sunshine Millions Day (Jan. 28) was also big for us. We had an on-track crowd of 30,514, which far outdid what any other track in the country did on that day.

"Strub Stakes Day (Feb. 4) was a home run as well," continued Verge. "Our all-sources handle was \$15 million, which was three percent increase over last year. The Santa Anita Handicap Day (March 3) on-track crowd was up 10 percent over last year.

"Santa Anita Derby Day (April 7) was outstanding and people were impressed with the energy and the excitement we had throughout the track. The Derby itself was an incredible race and we want to congratulate (owner) Paul Reddam, (trainer) Doug O'Neill and their entire team on the job they did with the winner I'll Have Another. This is what people expect when they come to Santa Anita--great racing, great customer service and a feeling that we've got something very special going on here.

"We got very aggressive with our Late Pick Four guarantee of \$750,000 on Derby Day and the result was a total pool of \$992,000, which was the biggest Pick Four pool of the meet and our overall handle of \$17.8 million was very strong as well."

The 72-day meet produced a total of 22 Pick Six carryovers, the largest being a two-day carryover of \$430,581 on Big 'Cap Day, which resulted in a massive total Pick Six pool on Sunday, March 5, of \$3,110,484. Santa Anita continues to be the nation's Pick Six leader, evidenced by the closing day Pick Six pool of \$575,980.

Jockey Joel Rosario dominated his competition in the rider standings, winning his second consecutive Santa Anita title with 89 wins, 17 clear of Rafael Bejarano. Rosario finished second in stakes-won with nine added money tallies. Mike Smith finished on top with 10 stakes wins, including the Grade II Potrero Grande Handicap, which provided him with his 5,000<sup>th</sup> career win.

Hall of Fame trainer Bob Baffert breezed to his record 10<sup>th</sup> Santa Anita training title, winning 48 races, nine more than runner up John Sadler. Baffert was also the leading stakes-winning trainer, winning eight, three more than Sadler and Ron Ellis.

Hronis Racing LLC led all owners by races won, with 10 victories.

"We'd like to congratulate our leading owners, trainers and jockeys and thank them for their commitment during this meet," said Verge. "We'd also like to sincerely thank our fans for all of their support and commitment. They are the reason we are in business and our customers will continue to be our top priority.

"We have the most beautiful racing venue in the world and we're proud of the fact we made many new friends at this meet. We're continually striving to make the on-track experience here at Santa Anita an unforgettable one—each and every time our fans visit us.

"We look forward to our Autumn Meet and to hosting the Breeders' Cup for the sixth time in November. It'll be an honor to showcase this magnificent facility and to put on another world-class show on NBC."

--30---





March 26, 2012

Mr. Christopher Korby Executive Director California Authority of Racing Fairs 1776 Tribute Road, Suite 205 Sacramento, CA 95815

Dear Chris,

Pursuant to the action taken by the CARF Board of Directors on November 8, 2011, this letter is to provide notification that the Solano County Fair Association must regrettably redirect approximately \$200,000 of the racing facility capital improvement funds provided by CARF and the Division of Fairs and Exposition in 2011 to our 2012 operating budget.

From the funds provided of \$259,362 (including \$100,000 from the 2009 agreement with the Alameda County Fair for one week of racing), in addition to fees paid to CARF, approximately \$5,000 was spent in 2011 for roof repairs to our satellite wagering facilities, and approximately \$22,000 was spent for the original purpose of salvaging and relocating a restroom from the racing facilities to another location on the fairgrounds. \$10,000 of the funds received for racing facility safety mitigation was retained in our 2012 budget for the original purpose of securing the grandstand and demolition of the unsafe entrance structure at the Horseman's Gate. These projects have now been completed.

With the elimination of fair funding by the state, the Solano County Fair lost not only its allocation, but replacement revenue from the discontinuation of live racing in 2010 as well, which was provided either directly or indirectly by F&E in 2010 and 2011. Combined, the loss of these revenues represents over \$500,000 of a \$3.2 million budget.

Clearly, the redirected funds are necessary to provide for operational expenses in 2012, while we continue to pursue new revenue sources and increase revenues from existing activities. Considering that we had implemented significant cost cutting and employee layoffs in September 2010 and additional cost savings throughout 2011, there is little room for additional expense reduction without significantly effecting programs and operations.

Thank you, the CARF Board, and the Division of Fairs and Expositions for recognizing the current economic hardships placed on fairs by the elimination of state funding, and for making these funds available for operational purposes. My apology for not providing you notification sooner, but we were hopeful that this would not be necessary based on pending negotiations that may have made it unnecessary to redirect these funds. Unfortunately, such an outcome did not materialize.

Sincerely Michael A. Paluszak

**General Manager**