



*a California joint powers agency*

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**AGENDA**  
**CALIFORNIA AUTHORITY OF RACING FAIRS**  
**BOARD OF DIRECTORS**

**12:30 P.M., TUESDAY, June 5, 2007**

Notice is hereby given that a meeting of the California Authority of Racing Fairs Board of Directors will convene at 12:30 p.m., Tuesday, June 5, 2007. The meeting will be held at the California Authority of Racing office located at 1776 Tribute Road, Suite 205, Sacramento, California, 95815. Members of the Board of Directors may participate by conference call at the following locations:

Alameda County Fair 4501 Pleasanton Ave. Pleasanton, CA 94566	Antelope Valley Fair 2551 Ave. H Lancaster, CA 93535	Big Fresno Fair 1121 S. Chance Ave. Fresno, CA 93702
Humboldt County Fair 1250 5 <sup>th</sup> Street Ferndale, CA 95536	San Joaquin Fair 1658 S. Airport Way Stockton, CA 95206	Solano County Fair 900 Fairgrounds Drive Vallejo, CA 94589

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**AGENDA**

- I. Approval of minutes
- II. Discussion and action, if any, on 2007 Legislation
- III. Discussion and action, if any, on 2008 and Future Racing Dates
- IV. Discussion and action, if any, on Strategic Planning
- V. Discussion and action, if any, on development of a future satellite wagering facility at San Mateo Fair
- VI. Discussion and action, if any, on CDFA Funding
- VII. Executive Director's Report
- VIII. Executive Session (Closed Session Personnel Matter): Evaluation of Executive Director

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**Christopher Korby**

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**From:** "Christopher Korby" <korby@calfairs.net>  
**To:** <Joebarkett@aol.com>  
**Cc:** "Louie Brown" <lbrown@kscsacramento.com>  
**Sent:** May 28, 2007 7:11 PM  
**Attach:** CA Horse Racing Stabilization Plan (v.5.25.07)-DRAFT.doc; Blonien-Draft Legislation Increasing SWFs in CA.pdf  
**Subject:** Legislative Proposals--Re: Legislative Wish List Meeting

Joe,

There's quite a bit in the proposed package, so I'll go through each of the components in the attached "Stabilization Plan" and offer a short analysis/opinion. I would suggest that we should discuss these several of these matters in more detail with Louie and that they be discussed at the upcoming CARF Board meeting.

**1) License fees/SB873-Florez.**

We already support this bill and, based on what we heard last week, it appears that the rest of the racing industry will be supporting it soon. The measure will probably will stabilize Fair funding with new revenue source (tribal funding) and will provide mechanism to fund improvements to publicly-owned racing venues at Fairgrounds. I should note one possible down-side that you and I have discussed: this de-links racing from Fair funding and may have a long-term impact on the Fairs' political base in racing.

**2) Electronic horse racing games.** Instant Racing redivivus. May be it will work--I'm not convinced. These are wannabe slot machines based on horse races that have already been run. It's been deployed only in Arkansas. I'm not convinced that because it works in Arkansas it will succeed in California. Can we persuade California betting patrons, who are accustomed Las Vegas casinos, amenities and sophistication, to bet on horse races that have already been run? Perhaps. Maybe we can cancel all future broadcasts of *The Sting*. Sometimes it's hard for me to take this seriously, but some in our industry are believers.

**Summary**

Suggest that we would not oppose Instant Racing if we 1) get an equal opportunity to deploy or 2) get a fair share of the revenues.

Remember last time this came up, August 2006? We were cut out of the deal, opposed the measure in Senate GO, then came under intense pressure from Richard Shapiro, John Harris and the rest of the industry to support the bill. We held our ground and the whole effort collapsed when the *SF Chronicle* excoriated the gut-and-amend process that went into the last minute maneuvering. The bill promptly slipped beneath the waves.

**3) ADW.** Industry reps spent hours discussing ADW legislation last week. Our (CARF's) major issues distill down to 1) protecting against License Fee shortfalls and 2) maintaining Location Fees. I think we made progress on the License Fee shortfall matter since there seemed to be general consensus that we add language to the new ADW bill that would generate money from ADW to make up any shortfall. That was last week--we'll see if that consensus maintains. On the Location Fee issue, I came under significant pressure for taking the position that we maintain the present Location Fee structure for Fair satellites. Fair satellites have come to rely on the ADW Location Fees to make up for the declines in traditional handle. There's a strong sentiment in the rest of the industry to reduce Location Fees so as to make money available for retired horses, drug testing etc. I think we should remain firm on this matter.

On a related sub-category of ADW, I recommend that we add language that would make the default distributions for facilitated wagers (i.e., ADW wagers made at a track or satellite) the same as traditional wagers, less a pro-rated deduction to cover the ADW Hub Fee. This was in one of the recent drafts but was struck because of objections from Santa Anita (Scott Daruty) who wanted to be able to negotiate distributions (!). I think we could agree to language that could make the distributions negotiable, as long as the default starting point is the distribution structure in traditional wagers. This approach could generate new revenue to License Fees and those other funds that are now experiencing shortfalls.

I also believe that a new statute should include a five-year sunset. FYI, most of the industry wants no sunset. With no sunset, if we don't get it right, we might have to live with it for a long time.

This is a complex bill and requires vigilance to make sure our interests are protected.

**4) Tribal sponsorship.** This doesn't really require legislation, but some key figures in the industry are so stuck on "mitigation" that this component made it into the overall package.

**5) Broader distribution of horse racing.** We should watch developments in this area carefully, since we already have such a significant stake in off-track wagering.

We should solicit opinions from our members on this matter, but I believe we could craft language that could protect our interest and allow for new opportunities, if, for instance, Fairs were allowed to set up a satellite facilities off the Fairgrounds but still licensed to a Fair.

05/29/2007



SIDEBAR NOTE: We should be ready to respond to this issue. Separately from this group, Rod Blonien is already championing language to allow expansion of satellites. See attached document, *Blonien-Draft Legislation Increasing SWFs in CA*.

6) **Capital improvements.** We can support efforts in this direction as consistent with our vision that over time racing will shift to publicly-owned venues at Fairs and that Fairs should be working to improve their facilities so as to be ready when privately-owned race tracks are developed for purposes other than racing.

7) **State Sales tax exemptions.** This concept came up in discussion at the meetings last week and appears to be a good mechanism to support the industry. I know of no reason that we would not support this idea.

8) **Administrative relief.**

a) **Flexibility on take-out.** Need to hear more on this concept. If it allows us to raise take-out for capital improvements, we might be able to support it. If it's statutory provision that allows only lowering take-out, I don't know that there's a good reason for us to support it. Generally, any discussions regarding adjustments to take-outs run into a buzz-saw of competing philosophical arguments. Watch.

b) **Remove/increase cap on imported races.** I believe that we should support raising the cap to allow at least four (4) full cards and unlimited stakes imports. This will increase our business and will take care of never-ending (and justified) patron grievances that there is not consistency in our menu races coming in from other states.

There you have a few thoughts on the package. I'd like to keep this to limited circulation until we've had a chance to talk.

Best regards,  
--Chris

----- Original Message -----

From: [Joebarkett@aol.com](mailto:Joebarkett@aol.com)

To: [korby@calairs.net](mailto:korby@calairs.net)

Sent: May 26, 2007 8:15 AM

Subject: Fwd: Legislative Wish List Meeting

Chris,

Is this the meeting that was scheduled later in the afternoon?

Also, let me know what you think about the "confidential" plan.

Joe

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See what's free at [AOL.com](http://AOL.com).

05/29/2007

## Christopher Korby

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**From:** <glamothe@toconline.com>  
**To:** "Drew J. Couto" <dcouto@toconline.com>; <henwood@fairplex.com>; <libertyrdstables@aol.com>; "Craig Fravel" <craig@dmte.com>; "Chillingworth, Sherwood" <sherwood.chillingworth@santaanita.com>; "Anthony Gonsalves" <gonsalves@gonsalvi.com>; "Norm Towne" <ntowne@calstrat.com>; "John Latimer" <jlatimer@capitoladvocacy.com>; "Dave Helmsin" <dhelmsin@capitoladvocacy.com>; "ed halpern" <ehalp@aol.com>; "Clifford Goodrich" <cgconsultinginc@yahoo.com>; "Christopher Korby" <korby@calairs.net>; "Christopher Korby" <christopherkorby@yahoo.com>; "Joe Barkett" <joebarkett@aol.com>; "Louie Brown" <lbrown@kscsacramento.com>; "Wilson Shirley" <wshirley@alltel.net>; <gdlamothe@yahoo.com>; <mforney@toconline.com>; "Linda Muir" <lmuir@mindspring.com>; "Ron Charles" <ron.charles@santaanita.com>; "Ron Charles" <roncharles77@hotmail.com>; "Molly Robbins" <mrobbins@santaanita.com>  
**Sent:** May 29, 2007 7:39 AM  
**Subject:** Confirmation: Legislative Wish List Meeting Today at 10am

This is to confirm the teleconference today at 10 am to go over the legislative "wish list." We had one response that this time presented a conflict, however, we were unable to find another time slot convenient for the majority.

Please see call in instructions below.

Thanks,  
Guy

> ----- Original Message -----  
> From: Guy Lamothe  
> To: 'Drew J. Couto'; [henwood@fairplex.com](mailto:henwood@fairplex.com); [LibertyRDStables@aol.com](mailto:LibertyRDStables@aol.com);  
> 'Craig Fravel'; 'Chillingworth, Sherwood'; 'Anthony Gonsalves'; 'Norm  
> Towne'; 'John Latimer (John Latimer)'; 'Dave Helmsin'; 'ed halpern';  
> 'Clifford Goodrich'; Christopher Korby; Christopher Korby; Joe  
> Barkett; Linda Muir; Louie Brown; 'Guy Lamothe'; 'Wilson Shirley';  
> [gdlamothe@yahoo.com](mailto:gdlamothe@yahoo.com)  
> Cc: [mforney@toconline.com](mailto:mforney@toconline.com)  
> Sent: Friday, May 25, 2007 5:20 PM  
> Subject: Legislative Wish List Meeting  
>  
>  
> This email and attachments are confidential and not for distribution  
> outside those included herein.  
>  
> Following up on our meeting yesterday, I am circulating a draft of the  
> legislative wish list I compiled with initial input from Norm and Dave.  
> Please provide your comments/revisions and circulate among all on this  
> distribution over the weekend if possible. I will try to compile by  
> Tuesday morning.  
>  
> The group asked to reconvene by telephone Tuesday morning, May 29th.  
> Let's plan for 10:00 a.m. (pacific), unless I hear otherwise.  
>  
> Call in: 888-742-8686  
> Conf ID: 2223080  
> Password: 2905  
>  
> Thanks,  
> Guy  
>  
>  
> Guy Lamothe  
>  
> Executive Director  
>  
> Thoroughbred Owners of California  
>

05/29/2007

> glamothe@toonline.com  
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05/29/2007

## **CALIFORNIA HORSE RACING COMPREHENSIVE STRATEGIC GROWTH PLAN**

Horse racing in California is at a critical juncture. The industry's longstanding and self-sustaining economic model is now threatened by out-of-state competitors whose purses and track commissions are augmented by revenue generated from slot machines and other alternative forms of electronic gaming. As a consequence, both industry jobs and the multi-billion dollar positive economic impact on the state are in jeopardy. Within California increased competition from tribal casinos granted exclusive gaming rights, has put the industry at a further competitive disadvantage. Making matters worse, the horse racing industry, constrained by statute, operates in a highly regulated environment with an inefficient and outdated business model. The desire of all involved in California horse racing is to grow the business.

The Governor and the Legislature have repeatedly offered to authorize the necessary framework and empower horse racing to meet increased competition, while asking for the industry to introduce a plan to meet those needs. The following proposal is the starting point for a comprehensive strategic growth plan for California horse racing. The vast majority of our industry believes the plan provides horse racing with the tools necessary to reverse the downward trend of the business and to compete with out-of-state jurisdictions, without affecting the gaming rights of California tribes. Most importantly, this plan builds upon horse racing's basic product and sustains the historic, world renowned events that make California horse racing great.

The strategic growth plan focuses on five key strategies:

- **Elimination of License Fees – Senate Bill 873 (Florez)**

Currently, about \$40 million in license fees is paid annually to the state by racing. These fees are deposited into the Fairs and Expositions Fund for support of the California fair network, the California Horse Racing Board, and the Maddy Equine Research Laboratory at UC Davis. While the fairs and horse racing have enjoyed a long and productive relationship, the time has come for horse racing to be relieved of this responsibility. SB 873 re-directs license fees to be paid out as horsemen's purses and breeders awards (\$39 million direct economic benefit); creates a new funding source for fairs and the CHRB; creates a funding source for the repayment of debt service to refurbish horse racing facilities and complete health and safety repair projects at fairs (\$21 million net benefit to racing).

- **Electronic Horse Racing Games**

Authorize the utilization of electronic games based on horse races similar to games currently in use at various race tracks around the country. "Instant Racing®" has been approved by the Association of Racing Commissioners

International as a valid and legal form of pari-mutuel wagering, as is required by California law (\$40 million benefit to racing).

- **Sponsorship Monies from Gaming Tribes to Support Horse Racing**

The economic stabilization of the horse racing industry is dependent on two critical components. 1. Purses and breeders' awards must remain competitive with purses and breeders' awards in other major racing states across the country. 2. California racing associations must have economic incentives to invest in new facilities and to improve and modernize stabling areas and housing for backstretch workers. A \$75 million annual promotional partnership with gaming Tribes throughout the term of the compacts in conjunction with the license fee relief in SB 873 will ensure that horse racing can satisfy these critical components (\$75 million direct economic benefit).

- **Eliminate the State's Portion of the Sales Tax**

The redirection of the state's portion of the tax on horses purchased and sold at auction and that are purchased in a claiming race will benefit horsemen and breeders who conduct their business in California, for the establishment and funding of the Maddy Vincent California Challenge (\$5.25 million benefit to racing).

- **Eliminate Restrictive and Outdated Provisions of Law**

The Horse Racing Law is unnecessarily restrictive. In order to remain competitive, the horse racing industry must have greater flexibility in the conduct of its everyday business, subject to appropriate regulatory oversight. Key elements of a package to allow racing to compete in the modern business world are as follows:

1. Renewal of Advanced Deposit Wagering enabling legislation (AB 813, Portantino)
2. Utilization of lottery outlets and other suitable locations for approved wagers
3. Delegation of authority to the CHRB to authorize new wagers and distribution mechanisms
4. Removal of caps on imported races
5. Takeout flexibility

**EXISTING LAW**

**PROPOSED REVISION**

<p><b>18411</b> Parimutuel wagering is a form of wagering in which bettors either purchase tickets of various denominations, or issue wagering instructions leading to the placement of wagers, on the outcome of one or more horse races. When the outcome of the race or races has been declared official, the association distributes the total wagers comprising each pool, less the amounts retained for purposes specified in this chapter, to winning bettors.</p> <p>This section shall remain in effect only until 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.</p>	<p><b>18411</b> Parimutuel wagering is a form of wagering in which bettors either purchase tickets of various denominations, or issue wagering instructions leading to the placement of wagers, on the outcome of one or more horse races. The association distributes the total wagers comprising each pool, less the amounts retained for purposes specified in this chapter, to winning bettors based on the official race results.</p>
<p><b>18411</b> "Parimutuel wagering" is a form of wagering in which bettors either [sic] purchase tickets of various denominations on the outcome of one or more horse races. When the outcome of the race or races has been declared official, the association distributes the total wagers comprising each pool, less the amounts retained for purposes specified in this chapter, to winning bettors.</p> <p>This section shall become operative on January 1, 2008.</p>	<p><b>18411</b></p>
<p><b>18590</b> The board shall adopt rules governing, permitting, and regulating parimutuel wagering on horse races under the system known as the parimutuel method of wagering. Parimutuel wagering shall be conducted only by a person or persons licensed under this chapter to conduct a horse racing meeting, and only within the enclosure and on the dates for which horse racing has been authorized by the board. Wagering instructions concerning funds held in an advance deposit wagering account shall be deemed to be issued within the licensee's enclosure.</p> <p>This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.</p>	<p><b>18590</b> The board shall adopt rules governing, permitting, and regulating parimutuel wagering on horse races under the system known as the parimutuel method of wagering. Parimutuel wagering shall be conducted only by a person or persons licensed under this chapter to conduct a horse racing meeting or authorized by the board to conduct advance deposit wagering.</p>
<p><b>18590</b> The board shall adopt rules governing, permitting, and regulating wagering on horse races under the system known as the parimutuel method of wagering. Such wagering shall be conducted only by a person licensed under this chapter to conduct a horse racing meeting, and only within the enclosure and on the dates for which horse racing has been authorized by the board.</p> <p>This section shall become operative on January 1, 2008.</p>	<p><b>18590</b></p>
<p><b>18595</b> Any form of wagering or betting on the result of a horse race other than that permitted by this chapter is illegal. Also illegal is any wagering or betting on horse races outside an enclosure where the conduct of horse racing is licensed by the board. Wagering instructions concerning funds held in an advance deposit wagering account shall be deemed to be issued within the licensee's enclosure.</p> <p>This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.</p>	<p><b>18595</b> Any form of wagering or betting on the result of a horse race other than that permitted by this chapter is illegal</p>
<p><b>18595</b> Any form of wagering or betting on the result of a horse race other than that permitted by this chapter is illegal. Also illegal is any wagering or betting on horse races outside an enclosure where the conduct of horse racing is licensed by the board.</p> <p>This section shall become operative on January 1, 2008.</p>	<p><b>18595</b></p>

## EXISTING LAW

19604

Notwithstanding any other provision of law, in addition to parimutuel wagering otherwise authorized by this chapter, advance deposit wagering may be conducted upon approval of the board. The board may authorize any racing association or fair, during the calendar period it is licensed by the board to conduct a live racing meeting in accordance with the provisions of Article 4 (commencing with Section 19480), to accept advance deposit wagers or to allow these wagers through a betting system or a multijurisdictional wagering hub in accordance with the following:

[a] Racing associations and racing fairs may form a partnership, joint venture, or any other affiliation in order to further the purposes of this section.

[b] As used in this section, "advance deposit wagering" means a form of parimutuel wagering in which a person residing within California or outside of this state establishes an account with a licensee, a board-approved betting system, or a board-approved multijurisdictional wagering hub located within California or outside of this state, and subsequently issues wagering instructions concerning the funds in this account, thereby authorizing the entity holding the account to place wagers on the account owner's behalf.

## PROPOSED REVISION

19604

The board may authorize any racing association, racing fair, betting system, or multijurisdictional wagering hub to conduct advance deposit wagering.

Racing associations, racing fairs, and/or their respective horsemen's organizations may form a partnership, joint venture, or any other affiliation in order to further the purposes of this section.

[a] As used in this section, the following definitions shall apply:

[1] "Advance deposit wagering" means a form of parimutuel wagering in which a person residing within California or outside of this state establishes an account with an ADW provider, and subsequently issues wagering instructions concerning the funds in this account, thereby authorizing the ADW provider holding the account to place wagers on the account owner's behalf.

[2] "ADW provider" means a licensee, betting system, or multijurisdictional hub authorized to conduct advance deposit wagering under this section.

[3] "Betting system" means a business conducted exclusively in this state that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.

[4] "Breed of Racing" shall be construed as follows:

[A] With respect to associations and fairs licensed by the board to conduct thoroughbred, fair, or mixed breed race meetings, breed of racing shall be Thoroughbred;

[B] With respect to associations licensed by the board to conduct Quarter Horse race meetings, the breed of racing shall be Quarter Horse;

[C] With respect to associations and fairs licensed by the board to conduct Standardbred race meetings, the breed of racing shall be Standardbred.

[5] "Contractual compensation" means the amount paid to an ADW provider from advance deposit wagers originating in this state, as specified in a hub agreement. Contractual compensation includes, but is not limited to, host fee payments, if any, for out-of-state and out-of-country races, as specified in a hub agreement.

[A] Excluding contractual compensation for host fee payments, which shall not exceed 3.50 percent of the amount wagered, contractual compensation shall not exceed 5.5 percent of the amount wagered.

[B] In order to ensure fair and consistent Market Access Fee distributions to associations, fairs, horsemen, and breeders, for each breed of racing the percentage of wagers paid as contractual compensation to an ADW provider pursuant to the terms of a hub agreement with a racing association or fair, during the calendar period when that racing association or fair receives market access fees from wagering conducted by that ADW provider, shall be the percentage of wagers paid as contractual compensation to that ADW provider in all calendar periods during the term of that hub agreement.

[6] "Horsemen's organization" means, with respect to a particular racing meeting, the organization recognized by the board as responsible for negotiating purse agreements on behalf of horsemen participating in such racing meeting.

[7] "Hub Agreement" means a written agreement with respect to advance deposit wagers originating in California on a particular breed of racing, which agreement shall be among the ADW provider accepting those wagers, one or more racing associations or fairs that together are licensed by the board to conduct no less than seven weeks of live racing of that breed during the calendar year during which the wager originated, and the horsemen's organization responsible for negotiating purse agreements for that breed with those racing associations or fairs. A hub agreement is required for an ADW provider to receive contractual compensation.

[8] "Multijurisdictional wagering hub" means a business conducted in more than one jurisdiction that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.

[9] "Incentive awards" means those payments provided for in Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The amount determined to be payable for incentive awards under this section shall be payable to the applicable official registering agency and thereafter distributed as provided in this chapter.

[10] "Licensee" means any racing association or fair, or affiliation thereof authorized under this section.

[11] "Market access fee" means the amount of advance deposit wagering handle remaining after the payment of winning wagers, and after the payment of contractual compensation, if any, to an ADW provider. Market access fees shall be distributed in accord with subdivision (f) of this section.

[12] "Zone" means the zone of the state as defined in Section 19530.5, except as modified by the provisions of subdivision (f) of Section 19601, and the combined central and southern zones shall be considered one zone.

Old [e]

Old [b]

Old [d]

Old [g] Old [5]

Old [g] Old [5]

2

New Cap

## EXISTING LAW

An advance deposit wager may be made only by the entity holding the account pursuant to wagering instructions issued by the owner of the funds communicated by telephone call or through other electronic media.

The licensee, a betting system, or a multijurisdictional wagering hub shall ensure the identification of the account's owner by utilizing methods and technologies approved by the board. Further, at the request of the board, any licensee, betting system, or multijurisdictional wagering hub located in California, and any betting system or multijurisdictional wagering hub located outside of this state that accepts wagering instructions concerning races conducted in California or accepts wagering instructions from California residents, shall provide a full accounting and verification of the source of the wagers thereby made, including the zone and breed, in the form of a daily download of parimutuel data to a database designated by the board.

Additionally, when the board approves a licensee, a betting system, or a multijurisdictional wagering hub, whether located within California or outside of this state, to accept advance deposit wagering instructions on any race or races from California residents, the licensee, betting system, or multijurisdictional wagering hub may be compensated pursuant to a contractual agreement with a California licensee, in an amount not to exceed 6.5 percent of the amount handled on a race or races conducted in California, and in the case of a race or races conducted in another jurisdiction, may be compensated in an amount not to exceed 6.5 percent, plus a fee to be paid to the host racing association not to exceed 3.5 percent, of the amount handled on that race or races. The amount remaining after the payment of winning wagers and after payment of the contractual compensation and host fee, if any, shall be distributed as a market access fee in accordance with subdivision (g).

As used in this section, "market access fee" means the contractual fee paid by a betting system or multijurisdictional wagering hub to the California licensee for access to the California market for wagering purposes. As used in this section, "licensee" means any racing association or fair, or affiliation thereof authorized in subdivision (a).

- [c] [1] The board shall develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for licensees, betting systems, and multijurisdictional wagering hubs located in California. Betting systems and multijurisdictional wagering hubs located and operating in California shall be approved by the board prior to establishing advance deposit wagering accounts or accepting wagering instructions concerning those accounts and shall enter into a written contractual agreement with the bona fide labor organization that has historically represented the same or similar classifications of employees at the nearest horse racing meeting. Permanent state or county employees and nonprofit organizations that have historically performed certain services at county, state, or district fairs may continue to provide those services, notwithstanding this requirement.
- [2] The board shall develop and adopt rules and regulations requiring betting systems and multijurisdictional wagering hubs to establish security access policies and safeguards, including, but not limited to, the following:
- [A] The betting system or wagering hub shall utilize the services of a board-approved independent third party to perform identity, residence, and age verification services with respect to persons establishing an advance deposit wagering account.
- [B] The betting system or wagering hub shall utilize personal identification numbers (PINs) and other technologies to assure that only the accountholder has access to the advance deposit wagering account.
- [C] The betting system or wagering hub shall provide for withdrawals from the wagering account only by means of a check made payable to the accountholder and sent to the address of the accountholder or by means of an electronic transfer to an account held by the verified accountholder or the accountholder may withdraw funds from the wagering account at a facility approved by the board by presenting verifiable personal and account identification information.
- [D] The betting system or wagering hub shall allow the board access to its premises to visit, investigate, and place expert accountants and other persons it deems necessary for the purpose of ensuring that its rules and regulations concerning credit authorization, account access, and other security provisions are strictly complied with.

## PROPOSED REVISION

[b] An advance deposit wager may be made only by the ADW provider holding the account pursuant to wagering instructions issued by the owner of the funds communicated by telephone call or through other electronic media.

The ADW provider shall ensure the identification of the account's owner by utilizing methods and technologies approved by the board. Further, at the request of the board, any ADW provider that accepts wagering instructions concerning races conducted in California or accepts wagering instructions from California residents, shall provide a full accounting and verification of the source of the wagers thereby made, including the zone and breed, in the form of a daily download of parimutuel data to a database designated by the board.

- [c] [1] The board shall develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for ADW providers. Betting systems and multijurisdictional wagering hubs operating in California shall be approved by the board prior to establishing advance deposit wagering accounts or accepting wagering instructions concerning those accounts and shall enter into a written contractual agreement with the bona fide labor organization that has historically represented the same or similar classifications of employees at the nearest horse racing meeting. Permanent state or county employees and nonprofit organizations that have historically performed certain services at county, state, or district fairs may continue to provide those services, notwithstanding this requirement.
- [2] The board shall develop and adopt rules and regulations requiring ADW providers to establish security access policies and safeguards, including, but not limited to, the following:
- [A] The ADW provider shall utilize board-approved methods to perform location and age verification confirmation with respect to persons establishing an advance deposit wagering account.
- [B] The ADW provider shall utilize personal identification numbers (PINs) or other technologies to assure that only the accountholder has access to the advance deposit wagering account.
- [C] The betting system or wagering hub shall provide for withdrawals from the wagering account only by means of a check made payable to the accountholder and sent to the address of the accountholder or by means of an electronic transfer to an account held by the verified accountholder or the accountholder may withdraw funds from the wagering account at a facility approved by the board by presenting verifiable account identification information.
- [D] The ADW provider shall allow the board access to its premises to visit, investigate, audit, and place expert accountants and other persons it deems necessary for the purpose of ensuring that its rules and regulations concerning credit authorization, account access, and other security provisions are strictly complied with. The ADW provider shall be subject to regular and random audits by accredited auditors chosen by racetracks and approved by the CHRB. Any and all costs associated with the auditing and/or regulating of the ADW provider shall be borne by the ADW provider.
- [E] [Issue: Add transparency language, such that ADW must report in a manner equivalent to existing tote requirements.]

NO  
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## EXISTING LAW

- [3] The board shall prohibit advance deposit wagering advertising that it determines to be deceptive to the public. The board shall also require, by regulation, that every form of advertising contain a statement that minors are not allowed to open or have access to advance deposit wagering accounts.
- [d] As used in this section, a "multijurisdictional wagering hub" is a business conducted in more than one jurisdiction that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.
- [e] As used in this section, a "betting system" is a business conducted exclusively in this state that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.
- [f] In order for a licensee, betting system, or multijurisdictional wagering hub to be approved by the board to conduct advance deposit wagering, it shall meet both of the following requirements:
- [1] All wagers thereby made shall be included in the appropriate parimutuel pool of the host racing association or fair under a contractual agreement with the applicable California licensee, in accordance with the provisions of this chapter.
- [2] The amounts deducted from advance deposit wagers shall be in accordance with the provisions of this chapter.
- [g] The amount received as a market access fee from advance deposit wagers, which shall not be considered for purposes of Section 19616.51, shall be distributed as follows:
- [1] An amount equal to 0.0011 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Center for Equine Health to establish the Kenneth L. Maddy Fund for the benefit of the School of Veterinary Medicine at the University of California at Davis.
- [2] An amount equal to 0.0003 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Department of Industrial Relations to cover costs associated with audits conducted pursuant to Section 19526 and for the purposes of reimbursing the State Mediation and Conciliation Service for costs incurred pursuant to this bill. However, if that amount would exceed the costs of the Department of Industrial Relations, the amount distributed to the department shall be reduced, and that reduction shall be forwarded to an organization designated by the racing association or fair described in subdivision (a) for the purpose of augmenting a compulsive gambling prevention program specifically addressing that problem.
- [3] An amount equal to 0.00165 multiplied by the amount handled on advance deposit wagers that originate in California for each racing meeting shall be distributed as follows:
- [A] One-half of the amount shall be distributed to supplement the trainer-administered pension plans for backstretch personnel established pursuant to Section 19613. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19613 or any other provision of law.
- [B] One-half of the amount shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.

## PROPOSED REVISION

- [3] The board shall prohibit advance deposit wagering advertising that it determines to be deceptive to the public. The board shall also require, by regulation, that every form of advertising contain a statement that minors are not allowed to open or have access to advance deposit wagering accounts.
- [4] Notwithstanding any other provision of law, the board may adopt rules and regulations authorizing licensees ADW providers to create and administer wagering accounts through which persons may deposit cash funds or vouchers, issue wagering instructions, and withdraw cash funds or vouchers, subject to the approval of racing associations or satellite facilities within 20 miles of a facility administering such accounts, and the approval of the horsemen's organization.
- [d] In order for an ADW provider to be approved by the board to conduct advance deposit wagering within California, it shall meet both of the following requirements:
- [1] All wagers thereby made shall be included in the appropriate parimutuel pool under a contractual agreement with the applicable host racetrack.
- [2] The amounts deducted from advance deposit wagers originating in this state shall be in accordance with the provisions of this chapter.
- [e] After the payment of contractual compensation, if any, the amounts received as market access fees from advance deposit wagers, which shall not be considered for purposes of Section 19616.51, shall be distributed as follows:
- [1] An amount equal to 0.0011 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Center for Equine Health to establish the Kenneth L. Maddy Fund for the benefit of the School of Veterinary Medicine at the University of California at Davis.
- [2] An amount equal to 0.0003 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Department of Industrial Relations to cover costs associated with audits conducted pursuant to Section 19526 and for the purposes of reimbursing the State Mediation and Conciliation Service for costs incurred pursuant to this bill. However, if that amount would exceed the costs of the Department of Industrial Relations, the amount distributed to the department shall be reduced, and that reduction shall be forwarded to an organization designated by the racing association or fair described in subdivision (a) for the purpose of augmenting a compulsive gambling prevention program specifically addressing that problem.
- [3] An amount equal to 0.00165 multiplied by the amount handled on advance deposit wagers that originate in California for each racing meeting shall be distributed as follows:
- [A] One-half of the amount shall be distributed to supplement the trainer-administered pension plans for backstretch personnel established pursuant to Section 19613. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19613 or any other provision of law.
- [B] One-half of the amount shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.

# EXISTING LAW

- [4] With respect to wagers on each breed of racing that originate in California, an amount equal to 2 percent of the first two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to 1.5 percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, and an amount equal to 1 percent of handle from all advance deposit wagers originating from within California in excess of five hundred million dollars (\$500,000,000) annually, shall be distributed as satellite wagering commissions. The satellite wagering facility commissions calculated in accordance with this subdivision shall be distributed to each satellite wagering facility and racing association or fair in the zone in which the wager originated in the same relative proportions that the satellite wagering facility or the racing association or fair generated satellite commissions during the previous calendar year.

In the event of a reduction in the satellite wagering commissions, pursuant to this section, the benefits therefrom shall be distributed equitably as purses and commissions to all associations and racing fairs generating advance deposit wagers in proportion to the handle generated by those associations and racing fairs. For purposes of this section, the purse funds distributed pursuant to Section 19605.72 shall be considered to be satellite wagering facility commissions attributable to thoroughbred races at the locations described in that section.

- [5] With respect to wagers on each breed of racing that originate in California for each racing meeting, after the payment of contractual obligations to the licensee, the betting system, or the multijurisdictional wagering hub, and the distribution of the amounts set forth in paragraphs (1) through (4), inclusive, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed during the calendar period in the zone in which the wager originated, and this amount shall be allocated to that racing association or fair as commissions, to horsemen participating in that racing meeting in the form of purses, and as incentive awards, in the same relative proportion as they were generated or earned during the prior calendar year at that racing association or fair on races conducted or imported by that racing association or fair after making all deductions required by applicable law.

Purse funds generated pursuant to this section may be utilized to pay 50 percent of the total costs and fees incurred due to the implementation of advance deposit wagering. Incentive awards shall be those payments provided for in Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The amount determined to be payable for incentive awards shall be payable to the applicable official registering agency and thereafter distributed as provided in this chapter.

If the provisions of Section 19601.2 apply, then the amount distributed to the applicable racing associations or fairs from advance deposit wagering shall first be divided between those racing associations or fairs in direct proportion to the total amount wagered in the applicable zone on the live races conducted by the respective association or fair. Notwithstanding this requirement, when the provisions of subdivision (b) of Section 19607.5 apply to the 2nd District Agricultural Association in Stockton or the California Exposition and State Fair in Sacramento, then the total amount distributed to the applicable racing associations or fairs shall first be divided equally, with 50 percent distributed to applicable fairs and 50 percent distributed to applicable associations. For purposes of this subdivision, the zones of the state shall be as defined in Section 19530.5, except as modified by the provisions of subdivision (f) of Section 19601, and the combined central and southern zones shall be considered one zone.

Notwithstanding any provision of this section to the contrary, the distribution of the market access fee, other than the distributions specified in paragraph (1) or (2), may be altered upon the approval of the board, in accordance with an agreement signed by all parties receiving a distribution under paragraphs (4) and (5).

# PROPOSED REVISION

- [4] With respect to wagers on each breed of racing that originate in California, an amount equal to 1.75 percent of the first five hundred million dollars (\$500,000,000) of handle from all advance deposit wagers originating from within California annually, and an amount equal to 0.25 percent of handle from all advance deposit wagers originating from within California in excess of five hundred million dollars (\$500,000,000) annually, shall be distributed as satellite wagering commissions. Satellite facilities that were not operational in 2001 are not eligible for satellite wagering commission distributions under this section. The satellite wagering facility commissions calculated in accordance with this subdivision shall be distributed to each satellite wagering facility and racing association or fair in the zone in which the wager originated in the same relative proportions that the satellite wagering facility or the racing association or fair generated satellite commissions during the previous calendar year.

In the event of a reduction in the satellite wagering commissions, pursuant to this section, the benefits therefrom shall be distributed equally as purses and commissions to all associations and racing fairs generating advance deposit wagers in proportion to the handle generated by those associations and racing fairs. For purposes of this section, the purse funds distributed pursuant to Section 19605.72 shall be considered to be satellite wagering facility commissions attributable to thoroughbred races at the locations described in that section.

- [5] With respect to wagers on each breed of racing that originate in California, an amount equal to 0.0025 multiplied by the amount handled in excess of five hundred million dollars (\$500,000,000) annually, shall be distributed and allocated to the board for the purpose of protecting the integrity of the industry, including but not limited to medication testing of racehorses, security and surveillance of facilities or licensees, special investigations, or outside professional services.
- [6] With respect to wagers on each breed of racing that originate in California, an amount equal to 0.0016 multiplied by the amount handled in excess of five hundred million dollars (\$500,000,000) annually, shall be distributed to the organization responsible for the distribution of off-track stabling and vaning funds in the zone where the wager originated, for the exclusive purpose of subsidizing stabling and vaning expenditures pursuant to this chapter.
- [7] With respect to wagers on each breed of racing that originate in California, an amount equal to 0.0009 multiplied by the amount handled in excess of five hundred million dollars (\$500,000,000) annually shall be distributed to the horsemen's organization responsible for negotiating purse agreements on behalf of horsemen participating in race meetings, to be used exclusively for charitable donations to equine retirement and rehabilitation facilities.

- [8] After the distribution of the amounts set forth in paragraphs (1) through (7), inclusive, the remaining market access fee from wagers originating in California shall be as follows:

- [A] With respect to wagers on each breed of racing, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed of racing during the calendar period in the zone in which the wager originated, and this amount shall be allocated to that racing association or fair as commissions, to horsemen participating in that racing meeting in the form of purses, and as incentive awards, in the same relative proportion as they were generated or earned during the prior calendar year at that racing association or fair on races conducted or imported by that racing association or fair after making all deductions required by applicable law. Notwithstanding any other provision of law, the distributions with respect to each breed of racing set forth in this paragraph (A) may be altered upon the approval of the board, in accordance with an agreement signed by the respective associations, fairs, horsemen's organizations, and/or breeders organizations receiving those distributions.

- [B] If the provisions of Section 19601.2 apply, then the amount distributed to the applicable racing associations or fairs from advance deposit wagering shall first be divided between those racing associations or fairs in direct proportion to the total amount wagered in the applicable zone on the live races conducted by the respective association or fair. Notwithstanding this requirement, when the provisions of subdivision (b) of Section 19607.5 apply to the 2nd District Agricultural Association in Stockton or the California Exposition and State Fair in Sacramento, then the total amount distributed to the applicable racing associations or fairs shall first be divided equally, with 50 percent distributed to applicable fairs and 50 percent distributed to applicable associations.

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NO

## EXISTING LAW

## PROPOSED REVISION

(6)

[h]	<p>Notwithstanding any provisions of this section to the contrary, all funds derived from advance deposit wagering that originate from California for each racing meeting on out-of-state and out-of-country thoroughbred races conducted after 6 p.m., Pacific time, shall be distributed in accordance with this subdivision.</p> <p>With respect to these wagers, 50 percent of the amount remaining after the payment of contractual obligations to the multijurisdictional wagering hub, betting system, or licensee and the amounts set forth in paragraphs (1) through (5), inclusive, of subdivision (g) shall be distributed as commissions to thoroughbred associations and racing fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subdivision (g), and the remaining 50 percent, together with all funds derived for each racing meeting from advance deposit wagering originating from California out-of-state and out-of-country harness and quarter horse races conducted after 6 p.m., Pacific time, shall be distributed as commissions on a pro rata basis to the applicable licensed quarter horse association and the applicable licensed harness association, based upon the amount handled in-state, both on- and off-track, on each breed's own live races in the previous year by that association, or its predecessor association.</p> <p>One-half of the amount thereby received by each association shall be retained by that association as a commission, and the other half of the money received shall be distributed as purses to the horsemen participating in its current or next scheduled licensed racing meeting.</p>	[C] Notwithstanding any provisions of this section to the contrary, with respect to wagers on out-of-state and out-of-country thoroughbred races conducted after 6 p.m., Pacific time, 50 percent of the amount remaining shall be distributed as commissions to thoroughbred associations and racing fairs, as thoroughbred and fair purses, and as incentive awards in accordance with paragraph (A), and the remaining 50 percent, together with the total amount remaining from advance deposit wagering originating from California on out-of-state and out-of-country harness and quarter horse races conducted after 6 p.m., Pacific time, shall be distributed as commissions on a pro rata basis to the applicable licensed quarter horse association and the applicable licensed harness association, based upon the amount handled in-state, both on- and off-track, on each breed's own live races in the previous year by that association, or its predecessor association.
[i]	<p>Notwithstanding any provisions of this section to the contrary, all funds derived from advance deposit wagering which originate from California for each racing meeting on out-of-state and out-of-country nonthoroughbred races conducted before 6 p.m., Pacific time, shall be distributed in accordance with this subdivision. With respect to these wagers, 50 percent of the amount remaining after the payment of contractual obligations to the multijurisdictional wagering hub, betting system, or licensee and the amounts set forth in paragraphs (1) through (5), inclusive, of subdivision (g) shall be distributed as commissions as provided in subdivision (h) for licensed quarter horse and harness associations, and the remaining 50 percent shall be distributed as commissions to the applicable thoroughbred associations or fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subdivision (g).</p>	[D] Notwithstanding any provisions of this section to the contrary, with respect to wagers on out-of-state and out-of-country non-thoroughbred races conducted before 6 p.m., Pacific time, 50 percent of the amount remaining shall be distributed as commissions as provided in paragraph (C) for licensed quarter horse and harness associations, and the remaining 50 percent shall be distributed as commissions to the applicable thoroughbred associations or fairs, as thoroughbred and fair purses, and as incentive awards in accordance with paragraph (A).
[j]	<p>A racing association, a fair, or a satellite wagering facility may accept and facilitate the placement of any wager from a patron at its facility that a California resident could make through a betting system or multijurisdictional wagering hub duly offering advance deposit wagering in this state, and the facility accepting the wager shall receive a 2-percent commission on that wager in lieu of any distribution for satellite commissions pursuant to subdivision (g).</p>	[f] A racing association, a fair, or a satellite wagering facility may accept and facilitate the placement of any wager from a patron at its facility that a California resident could make through an ADVV provider. Any such wager shall be subject to the same distributions as though it were a non-ADVV wager placed at that particular racetrack or satellite wagering facility, as set forth in this chapter.
[k]	<p>Any disputes concerning the interpretation or application of this section shall be resolved by the board.</p> <p>This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.</p>	[g] Any disputes concerning the interpretation or application of this section shall be resolved by the board.

## California ADW Law

### Additional Proposals For 5/24/07 Version Submitted by Mark Thurman

Proposed sections that would be inserted between current sections 19604(e)(3) and 19604(e)(4):

(4) An amount not to exceed .xxxxx multiplied by the amount handled on advance deposit wagers originating in California shall be distributed to a fund created to offset any shortfall in the amounts paid to the state pursuant to Section 19616.51. Any monies not distributed to the state from this fund shall be distributed equitably as purses, breeders incentives and track commissions to all associations and racing fairs generating advance deposit wagers in proportion to the handle generated by those associations and racing fairs within California. The amount initially distributed shall be .xxxxx multiplied by the amount handled on advance deposit wagers originating in California, but the amount may be adjusted with permission from the Board.

*Licence fees*

(5) An amount not to exceed .xxxxx multiplied by the amount handled on advance deposit wagers originating in California and distributed by thoroughbred associations within a particular zone shall be distributed to the organization created pursuant to Section 19608.2. The amount initially distributed shall be .xxxxx multiplied by the amount handled on advance deposit wagers originating in California, but the amount may be adjusted with permission from the Board.

*W/Scotwin*

## California ADW Law

### ~ Industry Proposal – 5/24/07 ~

19411. "Parimutuel wagering" is a form of wagering in which bettors either purchase tickets of various denominations, or issue wagering instructions leading to the placement of wagers, on the outcome of one or more horse races. The association distributes the total wagers comprising each pool, less the amounts retained for purposes specified in this chapter, to winning bettors based on the official race results.

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19590. The board shall adopt rules governing, permitting, and regulating parimutuel wagering on horse races under the system known as the parimutuel method of wagering. Parimutuel wagering shall be conducted only by a person or persons licensed under this chapter to conduct a horse racing meeting or authorized by the board to conduct advance deposit wagering.

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19595. Any form of wagering or betting on the result of a horse race other than that permitted by this chapter is illegal

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19604.

The board may authorize any racing association, racing fair, betting system, or multijurisdictional wagering hub to conduct advance deposit wagering in accord with this section. Racing associations, racing fairs, and/or their respective horsemen's organizations may form a partnership, joint venture, or any other affiliation in order to further the purposes of this section. Except as provided in subdivision (d)(1)(A) of this section, any racing association, racing fair, betting system, or multijurisdictional wagering hub authorized by the board to conduct advance deposit wagering in accord with this section may accept wagers originating in California on any race conducted in this state.

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(a) As used in this section, the following definitions shall apply:

- (1) "Advance deposit wagering" means a form of parimutuel wagering in which a person residing within California or outside of this state establishes an account with an ADW provider, and subsequently issues wagering instructions concerning the funds in this account, thereby authorizing the ADW provider holding the account to place wagers on the account owner's behalf.



- (2) "ADW provider" means a licensee, betting system, or multijurisdictional hub authorized to conduct advance deposit wagering under this section.
- (3) "Betting system" means a business conducted exclusively in this state that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.
- (4) "Breed of Racing" shall be construed as follows:
- (A) With respect to associations and fairs licensed by the board to conduct thoroughbred, fair, or mixed breed race meetings, breed of racing shall be Thoroughbred;
  - (B) With respect to associations licensed by the board to conduct Quarter Horse race meetings, the breed of racing shall be Quarter Horse;
  - (C) With respect to associations and fairs licensed by the board to conduct Standardbred race meetings, the breed of racing shall be Standardbred.
- (5) "Contractual compensation" means the amount paid to an ADW provider from advance deposit wagers originating in this state, as specified in a hub agreement. Contractual compensation includes, but is not limited to, host fee payments, if any, for out-of-state and out-of-country races, as specified in a hub agreement.

(A) The host fee payments included within contractual compensation shall not exceed the greater of: (i) 3.50 percent of the amount wagered, or (ii) for specified races identified in a hub agreement, 1.75 percent of the amount wagered plus one-half of the percentage of the amount wagered paid with respect to the applicable race by the licensee accepting wagers on that race pursuant to Section 19601. The portion of contractual compensation consisting of other than host fee payments shall not exceed 5.5 percent of the amount wagered.

(B) In order to ensure fair and consistent market access fee distributions to associations, fairs, horsemen, and breeders, for each breed of racing, the percentage of wagers paid as contractual compensation to an ADW provider pursuant to the terms of a hub agreement with a racing association or fair, during the calendar period when that racing association or fair receives market access fees from wagering conducted by that ADW provider, shall be the percentage of wagers paid as contractual compensation to that ADW provider in all calendar periods during the term of that hub agreement.

**Deleted:** Excluding contractual compensation for host fee payments, which shall not exceed 3.50 percent of the amount wagered, contractual compensation shall not exceed 5.5 percent of the amount wagered.

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(6) "Horsemen's organization" means, with respect to a particular racing meeting, the organization recognized by the board as responsible for negotiating purse agreements on behalf of horsemen participating in such racing meeting.

(7) "Hub Agreement" means a written agreement with respect to advance deposit wagers originating in California on a particular breed of racing, including wagers placed pursuant to subdivisions (c)(4) and (f) of this section. A hub agreement shall be among the ADW provider accepting those wagers, one or more racing associations or fairs that together are licensed by the board to conduct no less than five racing weeks of live racing on that breed during the calendar year during which the wager originated, and the horsemen's organization responsible for negotiating purse agreements for that breed with those racing associations or fairs. A hub agreement is required for an ADW provider to receive contractual compensation.

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(8) "Hub Agreement Determination" shall mean a proceeding pursuant to which the disputed provision of the hub fee on imported races within a hub agreement are determined in accordance with the provisions of this paragraph. In the event the ADW provider and the racing association(s) and/or fair(s) specified in the 19604(a)(7) agree on the terms of the hub agreement, but the horsemen's organization specified in the 19604(a)(7) does not agree to such terms, then either the ADW provider or the horsemen's organization shall have the right to demand a hub agreement determination by making written demand for such determination to the other party. During the pendency of a hub agreement determination: (A) the ADW provider shall be permitted to accept wagers; (B) the contractual compensation received by the ADW provider shall be the lesser of (i) the contractual compensation agreed to by the racing association(s) and/or fair(s), or (ii) the contractual compensation last proposed by the horsemen's organization prior to the demand for the hub agreement determination; and (C) the difference between the contractual compensation specified in clause (i) of the preceding sentence and the contractual compensation specified in clause (ii) of the preceding sentence shall be paid into an escrow account held by a neutral third party until the conclusion of the hub agreement determination (at which time such funds will be dispersed in a manner consistent with the final hub agreement determination). The hub agreement determination shall be held as promptly as possible, but in no event more than thirty (30) days following the demand for such determination. The hub agreement determination shall be made by one arbitrator jointly selected by the ADW provider and the horsemen's organization; provided, however, that if the parties cannot agree on the arbitrator then the arbitrator shall be appointed by the board. In making the hub agreement determination, the arbitrators shall be required to choose between (y) the terms of the hub agreement agreed to by the ADW provider and the racing association(s) and/or fair(s),

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and (z) such different terms for the hub agreement as were last proposed by the horsemen's organization prior to the demand for the hub agreement determination. The arbitrators shall not be permitted to impose new, different, or compromised terms to the hub agreement. The cost of the hub agreement determination, including the cost of the arbitrators, shall be borne equally by the ADW provider and the horsemen's organization.

**[For discussion: in-state hub fee arbitration]**

(9) "Multijurisdictional wagering hub" means a business conducted in more than one jurisdiction that facilitates parimutuel wagering on races its simulcasts and other races it offers in its wagering menu.

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(10) "Incentive awards" means those payments provided for in Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The amount determined to be payable for incentive awards under this section shall be payable to the applicable official registering agency and thereafter distributed as provided in this chapter.

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(11) "Licensee" means any racing association or fair, or affiliation thereof authorized under this section.

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(12) "Market access fee" means the amount of advance deposit wagering handle remaining after the payment of winning wagers, and after the payment of contractual compensation, if any, to an ADW provider. Market access fees shall be distributed in accord with subdivision (e) of this section.

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(13) "Zone" means the zone of the state as defined in Section 19530.5, except as modified by the provisions of subdivision (f) of Section 19601, and the combined central and southern zones shall be considered one zone.

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(b) An advance deposit wager may be made only by the ADW provider holding the account pursuant to wagering instructions issued by the owner of the funds communicated by telephone call or through other electronic media. The ADW provider shall ensure the identification of the account's owner by utilizing methods and technologies approved by the board. Any ADW provider that accepts wagering instructions concerning races conducted in California or accepts wagering instructions originating in California, shall provide a full accounting and verification of the source of the wagers thereby made, including the postal/zip code and breed, in the form of a daily download of parimutuel data to a database designated by the board.

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(c) (1) The board shall develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for ADW providers. Betting systems and multijurisdictional wagering hubs operating in



California shall be approved by the board prior to establishing advance deposit wagering accounts or accepting wagering instructions concerning those accounts and shall enter into a written contractual agreement with the bona fide labor organization that has historically represented the same or similar classifications of employees at the nearest horse racing meeting. Permanent state or county employees and nonprofit organizations that have historically performed certain services at county, state, or district fairs may continue to provide those services, notwithstanding this requirement.

- (2) The board shall develop and adopt rules and regulations requiring ADW providers to establish security access policies and safeguards, including, but not limited to, the following:
- (A) The ADW provider shall utilize board-approved methods to perform location and age verification confirmation with respect to persons establishing an advance deposit wagering account.
  - (B) The ADW provider shall utilize personal identification numbers (PINs) or other technologies to assure that only the accountholder has access to the advance deposit wagering account.
  - (C) The betting system or wagering hub shall provide for withdrawals from the wagering account only by means of a check made payable to the accountholder and sent to the address of the accountholder or by means of an electronic transfer to an account held by the verified accountholder or the accountholder may withdraw funds from the wagering account at a facility approved by the board by presenting verifiable account identification information.
  - (D) The ADW provider shall allow the board access to its premises to visit, investigate, audit, and place expert accountants and other persons it deems necessary for the purpose of ensuring that its rules and regulations concerning credit authorization, account access, and other security provisions are strictly complied with. The reasonable costs associated with one such audit per calendar year shall be borne by the ADW provider. In addition, the ADW provider shall be responsible for the provision of an annual independent pari-mutuel audit of their respective wagering system. In order to assure that the amounts retained from wagers accepted by the ADW provider are distributed in accord with law, rules, and agreements, the ADW provider shall also be responsible for the provision of independent auditing of the calculation and distribution of such amounts, but in no case less than once per month. The

**Deleted:** The ADW provider shall be subject to regular and random audits by accredited auditors chosen by racetracks and approved by the CHRB. Any and all

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auditing firm to be utilized and the scope of the audit shall be set forth in the hub agreement applicable to such amounts.

- (3) The board shall prohibit advance deposit wagering advertising that it determines to be deceptive to the public. The board shall also require, by regulation, that every form of advertising contain a statement that minors are not allowed to open or have access to advance deposit wagering accounts.
  - (4) Notwithstanding any other provision of law, the board may adopt rules and regulations authorizing ADW providers to create and administer wagering accounts at facilities located within this state through which persons may deposit cash funds or vouchers, issue wagering instructions, and withdraw cash funds or vouchers, subject to the approval of racing associations or satellite facilities located within 20 miles of a facility administering such accounts, and the approval of the horsemen's organization responsible for negotiating with such racing associations or satellite facilities.
- (d) In order for an ADW provider to be approved by the board to conduct advance deposit wagering within California, it shall meet both of the following requirements:
- (1) All wagers thereby made shall be included in the appropriate parimutuel pool under a contractual agreement with the applicable host racetrack.
  - (A) Notwithstanding any other provision of this section, a racing association or fair licensed to conduct a race meeting in this state may, with the approval of its respective horsemen's organization, decline to enter into a contractual agreement with an ADW provider, and that ADW provider shall not utilize the audio-visual signals of, or accept wagers on, races conducted by that racing association or fair.
  - (2) The amounts deducted from advance deposit wagers originating in this state shall be in accordance with the provisions of this chapter.
- (e) After the payment of contractual compensation, if any, the amounts received as market access fees from advance deposit wagers, which shall not be considered for purposes of Section 19616.51, shall be distributed as follows:
- (1) An amount equal to 0.0011 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Center for Equine Health to establish the Kenneth L. Maddy Fund for the benefit of the School of Veterinary Medicine at the University of California at Davis.

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- (2) An amount equal to 0.0003 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Department of Industrial Relations to cover costs associated with audits conducted pursuant to Section 19526 and for the purposes of reimbursing the State Mediation and Conciliation Service for costs incurred pursuant to this bill. However, if that amount would exceed the costs of the Department of Industrial Relations, the amount distributed to the department shall be reduced, and that reduction shall be forwarded to an organization designated by the racing association or fair described in subdivision (a) for the purpose of augmenting a compulsive gambling prevention program specifically addressing that problem.
- (3) An amount equal to 0.00165 multiplied by the amount handled on advance deposit wagers that originate in California for each racing meeting shall be distributed as follows:
- (A) One-half of the amount shall be distributed to supplement the trainer-administered pension plans for backstretch personnel established pursuant to Section 19613. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19613 or any other provision of law.
  - (B) One-half of the amount shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.

[See [attachment for proposed section by M. Thurman re: F&E license fees shortfall](#)]

[See [attachment for proposed section by M. Thurman re: SCOTW/NCOTW shortfall](#)]

- (4) With respect to wagers on each breed of racing that originate in California, an amount equal to 1.75 percent of the first five hundred million dollars (\$500,000,000) of handle from all advance deposit wagers originating from within California annually, and an amount equal to 0.25 percent of handle from all advance deposit wagers originating from within California in excess of five hundred million dollars (\$500,000,000) annually, shall be distributed as satellite wagering commissions. Satellite facilities that were not operational in 2001 are not eligible for satellite wagering commission distributions under this section. The satellite wagering facility commissions calculated in accordance with this subdivision shall be distributed to each satellite



wagering facility and racing association or fair in the zone in which the wager originated in the same relative proportions that the satellite wagering facility or the racing association or fair generated satellite commissions during the previous calendar year. In the event of a reduction in the satellite wagering commissions, pursuant to this section, the benefits therefrom shall be distributed equally between purses and commissions to all associations and racing fairs generating advance deposit wagers in proportion to the handle generated by those associations and racing fairs. For purposes of this section, the purse funds distributed pursuant to Section 19605.72 shall be considered to be satellite wagering facility commissions attributable to thoroughbred races at the locations described in that section.

- (5) With respect to wagers on each breed of racing that originate in California, an amount equal to 0.0025 multiplied by the amount handled in excess of five hundred million dollars (\$500,000,000) annually, shall be distributed and allocated to the board for the purpose of protecting the integrity of the industry, including but not limited to medication testing of racehorses, security and surveillance of facilities or licensees, special investigations, or outside professional services.
- (6) With respect to wagers on each breed of racing that originate in California, an amount equal to 0.0016 multiplied by the amount handled in excess of five hundred million dollars (\$500,000,000) annually, shall be distributed to the organization responsible for the distribution of off-track stabling and vanning funds in the zone where the wager originated, for the exclusive purpose of subsidizing stabling and vanning expenditures pursuant to this chapter.
- (7) With respect to wagers on each breed of racing that originate in California, an amount equal to 0.0009 multiplied by the amount handled in excess of five hundred million dollars (\$500,000,000) annually shall be distributed to the horsemen's organization responsible for negotiating purse agreements on behalf of horsemen participating in race meetings, to be used exclusively for charitable donations to equine retirement and rehabilitation facilities.
- (8) After the distribution of the amounts set forth in paragraphs (1) through (7), inclusive, the remaining market access fee from wagers originating in California shall be as follows:
  - (A) With respect to wagers on each breed of racing, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed of racing during the calendar period in the zone in which the wager originated, and this amount shall be allocated to that racing association or fair as commissions, to horsemen participating in that racing meeting in the form of purses, and as incentive awards, in the

same relative proportion as they were generated or earned during the prior calendar year at that racing association or fair on races conducted or imported by that racing association or fair after making all deductions required by applicable law. Notwithstanding any other provision of law, the distributions with respect to each breed of racing set forth in this paragraph (A) may be altered upon the approval of the board, in accordance with an agreement signed by the respective associations, fairs, horsemen's organizations, and/or breeders organizations receiving those distributions.

- (B) If the provisions of Section 19601.2 apply, then the amount distributed to the applicable racing associations or fairs shall first be divided between those racing associations or fairs in direct proportion to the total amount wagered in the applicable zone on the live races conducted by the respective association or fair. Notwithstanding this requirement, when the provisions of subdivision (b) of Section 19607.5 apply to the 2nd District Agricultural Association in Stockton or the California Exposition and State Fair in Sacramento, then the total amount distributed to the applicable racing associations or fairs shall first be divided equally, with 50 percent distributed to applicable fairs and 50 percent distributed to applicable associations.
- (C) Notwithstanding any provisions of this section to the contrary, with respect to wagers on out-of-state and out-of-country thoroughbred races conducted after 6 p.m., Pacific time, 50 percent of the amount remaining shall be distributed as commissions to thoroughbred associations and racing fairs, as thoroughbred and fair purses, and as incentive awards in accordance with paragraph (A), and the remaining 50 percent, together with the total amount remaining from advance deposit wagering originating from California on out-of-state and out-of-country harness and quarter horse races conducted after 6 p.m., Pacific time, shall be distributed as commissions on a pro rata basis to the applicable licensed quarter horse association and the applicable licensed harness association, based upon the amount handled instate, both on- and off-track, on each breed's own live races in the previous year by that association, or its predecessor association. One-half of the amount thereby received by each association shall be retained by that association as a commission, and the other half of the money received shall be distributed as purses to the horsemen participating in its current or next scheduled licensed racing meeting.

- (D) Notwithstanding any provisions of this section to the contrary, with respect to wagers on out-of-state and out-of-country non-thoroughbred races conducted before 6 p.m., Pacific time, 50 percent of the amount remaining shall be distributed as commissions as provided in paragraph (C) for licensed quarter horse and harness associations, and the remaining 50 percent shall be distributed as commissions to the applicable thoroughbred associations or fairs, as thoroughbred and fair purses, and as incentive awards—in accordance with paragraph (A).
- (E) Notwithstanding any provision of this section to the contrary, the distributions of market access fees under paragraphs (4) through (8) of this subdivision may be altered upon the approval of the board, in accordance with an agreement signed by those parties whose distributions would be affected.
- (f) A racing association, a fair, or a satellite wagering facility may accept and facilitate the placement of any wager from a patron at its facility that a California resident could make through an ADW provider. Any such wager shall be subject to the same distributions as though it were a non-ADW wager placed at that particular race track or satellite wagering facility, as set forth in this chapter. A racing association, a fair, or a satellite wagering facility may accept and facilitate the placement of any wager from a patron at its facility that a California resident could make through an ADW provider, and the facility accepting the wager shall receive a 1.75-percent commission on that wager in lieu of any distribution for satellite commissions pursuant to subdivision (e)(4).
- (g) Any disputes concerning the interpretation or application of this section shall be resolved by the board.



## Existing California ADW Law

**19411.** "Parimutuel wagering" is a form of wagering in which bettors either purchase tickets of various denominations, or issue wagering instructions leading to the placement of wagers, on the outcome of one or more horse races. When the outcome of the race or races has been declared official, the association distributes the total wagers comprising each pool, less the amounts retained for purposes specified in this chapter, to winning bettors.

This section shall remain in effect only until 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.

**19411.** "Parimutuel wagering" is a form of wagering in which bettors either purchase tickets of various denominations on the outcome of one or more horse races. When the outcome of the race or races has been declared official, the association distributes the total wagers comprising each pool, less the amounts retained for purposes specified in this chapter, to winning bettors.

This section shall become operative on January 1, 2008.

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**19590.** The board shall adopt rules governing, permitting, and regulating parimutuel wagering on horse races under the system known as the parimutuel method of wagering. Parimutuel wagering shall be conducted only by a person or persons licensed under this chapter to conduct a horse racing meeting, and only within the enclosure and on the dates for which horse racing has been authorized by the board. Wagering instructions concerning funds held in an advance deposit wagering account shall be deemed to be issued within the licensee's enclosure.

This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.

**19590.** The board shall adopt rules governing, permitting, and regulating wagering on horse races under the system known as the parimutuel method of wagering. Such wagering shall be conducted only by a person licensed under this chapter to conduct a horse racing meeting, and only within the enclosure and on the dates for which horse racing has been authorized by the board.

This section shall become operative on January 1, 2008.

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**19595.** Any form of wagering or betting on the result of a horse race other than that permitted by this chapter is illegal. Also illegal is any wagering or betting on horse races outside an enclosure where the conduct of horse racing is licensed by the board. Wagering

instructions concerning funds held in an advance deposit wagering account shall be deemed to be issued within the licensee's enclosure.

This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.

**19595.** Any form of wagering or betting on the result of a horse race other than that permitted by this chapter is illegal. Also illegal is any wagering or betting on horse races outside an enclosure where the conduct of horse racing is licensed by the board.

This section shall become operative on January 1, 2008.

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**19604.** Notwithstanding any other provision of law, in addition to parimutuel wagering otherwise authorized by this chapter, advance deposit wagering may be conducted upon approval of the board. The board may authorize any racing association or fair, during the calendar period it is licensed by the board to conduct a live racing meeting in accordance with the provisions of Article 4 (commencing with Section 19480), to accept advance deposit wagers or to allow these wagers through a betting system or a multijurisdictional wagering hub in accordance with the following:

- (a) Racing associations and racing fairs may form a partnership, joint venture, or any other affiliation in order to further the purposes of this section.
- (b) As used in this section, "advance deposit wagering" means a form of parimutuel wagering in which a person residing within California or outside of this state establishes an account with a licensee, a board-approved betting system, or a board-approved multijurisdictional wagering hub located within California or outside of this state, and subsequently issues wagering instructions concerning the funds in this account, thereby authorizing the entity holding the account to place wagers on the account owner's behalf. An advance deposit wager may be made only by the entity holding the account pursuant to wagering instructions issued by the owner of the funds communicated by telephone call or through other electronic media. The licensee, a betting system, or a multijurisdictional wagering hub shall ensure the identification of the account's owner by utilizing methods and technologies approved by the board. Further, at the request of the board, any licensee, betting system, or multijurisdictional wagering hub located in California, and any betting system or multijurisdictional wagering hub located outside of this state that accepts wagering instructions concerning races conducted in California or accepts wagering instructions from California residents, shall provide a full accounting and verification of the source of the wagers thereby made, including the zone and breed, in the form of a daily download of parimutuel data to a database designated by the board. Additionally, when the board approves a licensee, a betting system, or a multijurisdictional wagering hub, whether located within California or outside of this state, to accept advance deposit wagering instructions on any race or races from California residents, the licensee, betting system, or multijurisdictional wagering hub



may be compensated pursuant to a contractual agreement with a California licensee, in an amount not to exceed 6.5 percent of the amount handled on a race or races conducted in California, and in the case of a race or races conducted in another jurisdiction, may be compensated in an amount not to exceed 6.5 percent, plus a fee to be paid to the host racing association not to exceed 3.5 percent, of the amount handled on that race or races. The amount remaining after the payment of winning wagers and after payment of the contractual compensation and host fee, if any, shall be distributed as a market access fee in accordance with subdivision (g). As used in this section, "market access fee" means the contractual fee paid by a betting system or multijurisdictional wagering hub to the California licensee for access to the California market for wagering purposes. As used in this section, "licensee" means any racing association or fair, or affiliation thereof authorized in subdivision (a).

- (c) (1) The board shall develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for licensees, betting systems, and multijurisdictional wagering hubs located in California. Betting systems and multijurisdictional wagering hubs located and operating in California shall be approved by the board prior to establishing advance deposit wagering accounts or accepting wagering instructions concerning those accounts and shall enter into a written contractual agreement with the bona fide labor organization that has historically represented the same or similar classifications of employees at the nearest horse racing meeting. Permanent state or county employees and nonprofit organizations that have historically performed certain services at county, state, or district fairs may continue to provide those services, notwithstanding this requirement.
- (2) The board shall develop and adopt rules and regulations requiring betting systems and multijurisdictional wagering hubs to establish security access policies and safeguards, including, but not limited to, the following:
  - (A) The betting system or wagering hub shall utilize the services of a board-approved independent third party to perform identity, residence, and age verification services with respect to persons establishing an advance deposit wagering account.
  - (B) The betting system or wagering hub shall utilize personal identification numbers (PINs) and other technologies to assure that only the accountholder has access to the advance deposit wagering account.
  - (C) The betting system or wagering hub shall provide for withdrawals from the wagering account only by means of a check made payable to the accountholder and sent to the address of the accountholder or by means of an electronic transfer to an account held by the verified accountholder or the accountholder may withdraw funds from the wagering account at a facility approved by the board by presenting verifiable personal and account identification information.

- (D) The betting system or wagering hub shall allow the board access to its premises to visit, investigate, and place expert accountants and other persons it deems necessary for the purpose of ensuring that its rules and regulations concerning credit authorization, account access, and other security provisions are strictly complied with.
- (3) The board shall prohibit advance deposit wagering advertising that it determines to be deceptive to the public. The board shall also require, by regulation, that every form of advertising contain a statement that minors are not allowed to open or have access to advance deposit wagering accounts.
- (d) As used in this section, a "multijurisdictional wagering hub" is a business conducted in more than one jurisdiction that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.
- (e) As used in this section, a "betting system" is a business conducted exclusively in this state that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.
- (f) In order for a licensee, betting system, or multijurisdictional wagering hub to be approved by the board to conduct advance deposit wagering, it shall meet both of the following requirements:
- (1) All wagers thereby made shall be included in the appropriate parimutuel pool of the host racing association or fair under a contractual agreement with the applicable California licensee, in accordance with the provisions of this chapter.
  - (2) The amounts deducted from advance deposit wagers shall be in accordance with the provisions of this chapter.
- (g) The amount received as a market access fee from advance deposit wagers, which shall not be considered for purposes of Section 19616.51, shall be distributed as follows:
- (1) An amount equal to 0.0011 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Center for Equine Health to establish the Kenneth L. Maddy Fund for the benefit of the School of Veterinary Medicine at the University of California at Davis.
  - (2) An amount equal to 0.0003 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Department of Industrial Relations to cover costs associated with audits conducted pursuant to Section 19526 and for the purposes of reimbursing the State Mediation and Conciliation Service for costs incurred pursuant to this bill. However, if that amount would exceed the costs of the Department of Industrial Relations, the amount distributed

to the department shall be reduced, and that reduction shall be forwarded to an organization designated by the racing association or fair described in subdivision (a) for the purpose of augmenting a compulsive gambling prevention program specifically addressing that problem.

- (3) An amount equal to 0.00165 multiplied by the amount handled on advance deposit wagers that originate in California for each racing meeting shall be distributed as follows:

(A) One-half of the amount shall be distributed to supplement the trainer-administered pension plans for backstretch personnel established pursuant to Section 19613. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19613 or any other provision of law.

(B) One-half of the amount shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.

- (4) With respect to wagers on each breed of racing that originate in California, an amount equal to 2 percent of the first two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to 1.5 percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, and an amount equal to 1 percent of handle from all advance deposit wagers originating from within California in excess of five hundred million dollars (\$500,000,000) annually, shall be distributed as satellite wagering commissions. The satellite wagering facility commissions calculated in accordance with this subdivision shall be distributed to each satellite wagering facility and racing association or fair in the zone in which the wager originated in the same relative proportions that the satellite wagering facility or the racing association or fair generated satellite commissions during the previous calendar year. In the event of a reduction in the satellite wagering commissions, pursuant to this section, the benefits therefrom shall be distributed equitably as purses and commissions to all associations and racing fairs generating advance deposit wagers in proportion to the handle generated by those associations and racing fairs. For purposes of this section, the purse funds distributed pursuant to Section 19605.72 shall be considered to be satellite wagering facility commissions attributable to thoroughbred races at the locations described in that section.

- (5) With respect to wagers on each breed of racing that originate in California for each racing meeting, after the payment of contractual obligations to the licensee, the betting system, or the multijurisdictional wagering hub, and the



distribution of the amounts set forth in paragraphs (1) through (4), inclusive, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed during the calendar period in the zone in which the wager originated, and this amount shall be allocated to that racing association or fair as commissions, to horsemen participating in that racing meeting in the form of purses, and as incentive awards, in the same relative proportion as they were generated or earned during the prior calendar year at that racing association or fair on races conducted or imported by that racing association or fair after making all deductions required by applicable law. Purse funds generated pursuant to this section may be utilized to pay 50 percent of the total costs and fees incurred due to the implementation of advance deposit wagering. "Incentive awards" shall be those payments provided for in Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The amount determined to be payable for incentive awards shall be payable to the applicable official registering agency and thereafter distributed as provided in this chapter. If the provisions of Section 19601.2 apply, then the amount distributed to the applicable racing associations or fairs from advance deposit wagering shall first be divided between those racing associations or fairs in direct proportion to the total amount wagered in the applicable zone on the live races conducted by the respective association or fair. Notwithstanding this requirement, when the provisions of subdivision (b) of Section 19607.5 apply to the 2nd District Agricultural Association in Stockton or the California Exposition and State Fair in Sacramento, then the total amount distributed to the applicable racing associations or fairs shall first be divided equally, with 50 percent distributed to applicable fairs and 50 percent distributed to applicable associations. For purposes of this subdivision, the zones of the state shall be as defined in Section 19530.5, except as modified by the provisions of subdivision (f) of Section 19601, and the combined central and southern zones shall be considered one zone.

Notwithstanding any provision of this section to the contrary, the distribution of the market access fee, other than the distributions specified in paragraph (1) or (2), may be altered upon the approval of the board, in accordance with an agreement signed by all parties receiving a distribution under paragraphs (4) and (5).

- (h) Notwithstanding any provisions of this section to the contrary, all funds derived from advance deposit wagering that originate from California for each racing meeting on out-of-state and out-of-country thoroughbred races conducted after 6 p.m., Pacific time, shall be distributed in accordance with this subdivision. With respect to these wagers, 50 percent of the amount remaining after the payment of contractual obligations to the multijurisdictional wagering hub, betting system, or licensee and the amounts set forth in paragraphs (1) through (5), inclusive, of subdivision (g) shall be distributed as commissions to thoroughbred associations and racing fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subdivision (g), and the remaining 50 percent, together with all funds derived for each racing meeting from advance deposit wagering originating from California out-of-state and out-of-country harness and quarter horse races conducted after

6 p.m., Pacific time, shall be distributed as commissions on a pro rata basis to the applicable licensed quarter horse association and the applicable licensed harness association, based upon the amount handled instate, both on- and off-track, on each breed's own live races in the previous year by that association, or its predecessor association. One-half of the amount thereby received by each association shall be retained by that association as a commission, and the other half of the money received shall be distributed as purses to the horsemen participating in its current or next scheduled licensed racing meeting.

- (i) Notwithstanding any provisions of this section to the contrary, all funds derived from advance deposit wagering which originate from California for each racing meeting on out-of-state and out-of-country nonthoroughbred races conducted before 6 p.m., Pacific time, shall be distributed in accordance with this subdivision. With respect to these wagers, 50 percent of the amount remaining after the payment of contractual obligations to the multijurisdictional wagering hub, betting system, or licensee and the amounts set forth in paragraphs (1) through (5), inclusive, of subdivision (g) shall be distributed as commissions as provided in subdivision (h) for licensed quarter horse and harness associations, and the remaining 50 percent shall be distributed as commissions to the applicable thoroughbred associations or fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subdivision (g).
- (j) A racing association, a fair, or a satellite wagering facility may accept and facilitate the placement of any wager from a patron at its facility that a California resident could make through a betting system or multijurisdictional wagering hub duly offering advance deposit wagering in this state, and the facility accepting the wager shall receive a 2-percent commission on that wager in lieu of any distribution for satellite commissions pursuant to subdivision (g).
- (k) Any disputes concerning the interpretation or application of this section shall be resolved by the board.

This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.

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## California ADW Law

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19411. "Parimutuel wagering" is a form of wagering in which bettors either purchase tickets of various denominations, or issue wagering instructions leading to the placement of wagers, on the outcome of one or more horse races. The association distributes the total wagers comprising each pool, less the amounts retained for purposes specified in this chapter, to winning bettors based on the official race results.

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19590. The board shall adopt rules governing, permitting, and regulating parimutuel wagering on horse races under the system known as the parimutuel method of wagering. Parimutuel wagering shall be conducted only by a person or persons licensed under this chapter to conduct a horse racing meeting or authorized by the board to conduct advance deposit wagering.

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19595. Any form of wagering or betting on the result of a horse race other than that permitted by this chapter is illegal

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19604. The board may authorize any racing association, racing fair, betting system, or multijurisdictional wagering hub to conduct advance deposit wagering in accord with this section. Racing associations, racing fairs, and/or their respective horsemen's organizations may form a partnership, joint venture, or any other affiliation in order to further the purposes of this section.

(a) As used in this section, the following definitions shall apply:

- (1) "Advance deposit wagering" means a form of parimutuel wagering in which a person residing within California or outside of this state establishes an account with an ADW provider, and subsequently issues wagering instructions concerning the funds in this account, thereby authorizing the ADW provider holding the account to place wagers on the account owner's behalf.
- (2) "ADW provider" means a licensee, betting system, or multijurisdictional hub authorized to conduct advance deposit wagering under this section.

- (3) "Betting system" means a business conducted exclusively in this state that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.
- (4) "Breed of Racing" shall be construed as follows:
- (A) With respect to associations and fairs licensed by the board to conduct thoroughbred, fair, or mixed breed race meetings, breed of racing shall be Thoroughbred;
  - (B) With respect to associations licensed by the board to conduct Quarter Horse race meetings, the breed of racing shall be Quarter Horse;
  - (C) With respect to associations and fairs licensed by the board to conduct Standardbred race meetings, the breed of racing shall be Standardbred.
- (5) "Contractual compensation" means the amount paid to an ADW provider from advance deposit wagers originating in this state, as specified in a hub agreement. Contractual compensation includes, but is not limited to, hub fee payments, and may include host fee payments, if any, for out-of-state and out-of-country races, as specified in a hub agreement.
- (A) Excluding contractual compensation for host fee payments, contractual compensation shall not exceed 6.5 percent of the amount wagered.
  - (B) The host fee payments included within contractual compensation shall not exceed 3.50 percent of the amount wagered. Notwithstanding this provision, the host fee payment with respect to wagers on the Kentucky Derby, Preakness Stakes, Belmont Stakes, and selected Breeders' Cup Championship races, may be negotiated by the ADW provider, the racing associations accepting wagers on such races pursuant to Section 19596.2, and the horsemen's organization.
  - (C) In order to ensure fair and consistent market access fee distributions to associations, fairs, horsemen, and breeders, for each breed of racing, the percentage of wagers paid as contractual compensation to an ADW provider pursuant to the terms of a hub agreement with a racing association or fair, during the calendar period when that racing association or fair receives market access fees from wagering conducted by that ADW provider, shall be the percentage of wagers paid as contractual compensation to that ADW provider in all calendar periods during the term of that hub agreement.

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(6) "Horsemen's organization" means, with respect to a particular racing meeting, the organization recognized by the board as responsible for negotiating purse agreements on behalf of horsemen participating in such racing meeting.

(7) "Hub Agreement" means a written agreement with respect to advance deposit wagers originating in California on a particular breed of racing, including wagers placed pursuant to subdivisions (c)(4) and (f) of this section. A hub agreement shall be among the ADW provider accepting those wagers, one or more racing associations or fairs that together are licensed by the board to conduct no less than five racing weeks of live racing on that breed during the calendar year during which the wager originated, and the horsemen's organization responsible for negotiating purse agreements for that breed with those racing associations or fairs. A hub agreement is required for an ADW provider to receive contractual compensation.

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(8) "Hub Agreement Determination" shall mean a proceeding pursuant to which the disputed provision of the hub fee within a hub agreement from wagers on races conducted outside of California are determined in accordance with the provisions of this paragraph. In the event the ADW provider and the racing association(s) and/or fair(s) specified in the 19604(a)(7) agree on the terms of the hub agreement, but the horsemen's organization specified in the 19604(a)(7) does not agree to such terms, then either the ADW provider or the horsemen's organization shall have the right to demand a hub agreement determination by making written demand for such determination to the other party. During the pendency of a hub agreement determination: (A) the ADW provider shall be permitted to accept wagers; (B) the contractual compensation received by the ADW provider shall be the lesser of (i) the contractual compensation agreed to by the racing association(s) and/or fair(s), or (ii) the contractual compensation last proposed by the horsemen's organization prior to the demand for the hub agreement determination; and (C) the difference between the contractual compensation specified in clause (i) of the preceding sentence and the contractual compensation specified in clause (ii) of the preceding sentence shall be paid into an escrow account held by a neutral third party until the conclusion of the hub agreement determination (at which time such funds will be dispersed in a manner consistent with the final hub agreement determination). The hub agreement determination shall be held as promptly as possible, but in no event more than sixty (60) days following the demand for such determination. The hub agreement determination shall be made by one arbitrator jointly selected by the ADW provider and the horsemen's organization; provided, however, that if the parties cannot agree on the arbitrator within fourteen (14) days of issuance of the written demand for arbitration, then the arbitrator shall be appointed by the board. In making the hub agreement determination, the arbitrator shall be

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required to choose between (y) the terms of the hub agreement agreed to by the ADW provider and the racing association(s) and/or fair(s), and (z) such different terms for the hub agreement as were last proposed by the horsemen's organization prior to the demand for the hub agreement determination. The arbitrator shall not be permitted to impose new, different, or compromised terms to the hub agreement. The cost of the hub agreement determination, including the cost of the arbitrator, shall be borne equally by the ADW provider and the horsemen's organization.

(9) "Multijurisdictional wagering hub" means a business conducted in more than one jurisdiction that facilitates parimutuel wagering on races its simulcasts and other races it offers in its wagering menu.

(10) "Incentive awards" means those payments provided for in Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The amount determined to be payable for incentive awards under this section shall be payable to the applicable official registering agency and thereafter distributed as provided in this chapter.

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(11) "Licensee" means any racing association or fair licensed to conduct a live race meet in the State, or affiliation thereof authorized under this section.

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(12) "Market access fee" means the amount of advance deposit wagering handle remaining after the payment of winning wagers, and after the payment of contractual compensation, if any, to an ADW provider. Market access fees shall be distributed in accord with subdivision (e) of this section.

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(13) "Zone" means the zone of the state as defined in Section 19530.5, except as modified by the provisions of subdivision (f) of Section 19601, and the combined central and southern zones shall be considered one zone.

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(b) An advance deposit wager may be made only by the ADW provider holding the account pursuant to wagering instructions issued by the owner of the funds communicated by telephone call or through other electronic media. The ADW provider shall ensure the identification of the account's owner by utilizing methods and technologies approved by the board. Any ADW provider that accepts wagering instructions concerning races conducted in California or accepts wagering instructions originating in California, shall provide a full accounting and verification of the source of the wagers thereby made, including the postal/zip code and breed, in the form of a daily download of parimutuel data to a database designated by the board. The daily download shall be delivered in a timely basis utilizing file formats specified by the database designated by the board, and shall include any and all data necessary to calculate and distribute monies according to the rules

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and regulations governing California pari-mutuel wagering. Any and all reasonable costs associated with the creation, provision, and transfer of this data shall be borne by the ADW provider.

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- (c) (1) The board shall develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for ADW providers. Betting systems and multijurisdictional wagering hubs operating in California shall be approved by the board prior to establishing advance deposit wagering accounts or accepting wagering instructions concerning those accounts and shall enter into a written contractual agreement with the bona fide labor organization that has historically represented the same or similar classifications of employees at the nearest horse racing meeting. Permanent state or county employees and nonprofit organizations that have historically performed certain services at county, state, or district fairs may continue to provide those services, notwithstanding this requirement.
- (2) The board shall develop and adopt rules and regulations requiring ADW providers to establish security access policies and safeguards, including, but not limited to, the following:
- (A) The ADW provider shall utilize board-approved methods to perform location and age verification confirmation with respect to persons establishing an advance deposit wagering account.
  - (B) The ADW provider shall utilize personal identification numbers (PINs) or other technologies to assure that only the accountholder has access to the advance deposit wagering account.
  - (C) The betting system or wagering hub shall provide for withdrawals from the wagering account only by means of a check made payable to the accountholder and sent to the address of the accountholder or by means of an electronic transfer to an account held by the verified accountholder or the accountholder may withdraw funds from the wagering account at a facility approved by the board by presenting verifiable account identification information.
  - (D) The ADW provider shall allow the board access to its premises to visit, investigate, audit, and place expert accountants and other persons it deems necessary for the purpose of ensuring that its rules and regulations concerning credit authorization, account access, and other security provisions are strictly complied with. To assure that the amounts retained from the pari-mutuel handle are distributed under law, rules, or agreements, any ADW provider that accepts wagering instructions concerning races conducted in California or

accepts wagering instructions originating in California shall provide an independent "agreed upon procedures audit" for each California host association on a monthly basis. The auditing firm to be utilized and the content and scope of the audit shall be as set forth in the applicable hub agreement. The ADW provider shall provide the board, horsemen's organizations, and the host racing association with annual audited financial statements relating to the operations of the ADW provider, prepared in accordance with generally accepted auditing standards. Any and all reasonable costs associated by such audits shall be borne by the ADW provider.

**Deleted:** The ADW provider shall be subject to regular and random audits by accredited auditors chosen by racetracks and approved by the CHRB. Any and all costs associated with the auditing and/or regulating of the ADW provider shall be borne by the ADW provider.

- (3) The board shall prohibit advance deposit wagering advertising that it determines to be deceptive to the public. The board shall also require, by regulation, that every form of advertising contain a statement that minors are not allowed to open or have access to advance deposit wagering accounts.
- (4) Notwithstanding any other provision of law, the board may adopt rules and regulations authorizing ADW providers to create and administer wagering accounts at facilities located within this state through which persons may deposit cash funds or vouchers, issue wagering instructions, and withdraw cash funds or vouchers, subject to the approval of racing associations or satellite facilities located within 20 miles of a facility administering such accounts, and the approval of the horsemen's organization responsible for negotiating with such racing associations or satellite facilities.
- (d) In order for an ADW provider to be approved by the board to conduct advance deposit wagering within California, it shall meet both of the following requirements:
  - (1) All wagers thereby made shall be included in the appropriate parimutuel pool under a contractual agreement with the applicable host racetrack. With respect to wagers on races conducted in California, the applicable host racetrack shall be the racing association or fair licensed by the board to conduct such races, and the terms and conditions of the contractual agreement between the ADW provider and that host association or fair, including arrangements as to fees and exclusivity, shall be subject to the approval of the horsemen's organization. However, no host association or fair may enter into an exclusive agreement with an ADW provider without the prior written approval of the horsemen's organization.
  - (2) The amounts deducted from advance deposit wagers originating in this state shall be in accordance with the provisions of this chapter.

- (e) After the payment of contractual compensation, if any, the amounts received as market access fees from advance deposit wagers, which shall not be considered for purposes of Section 19616.51, shall be distributed as follows:
- (1) An amount equal to 0.0011 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Center for Equine Health to establish the Kenneth L. Maddy Fund for the benefit of the School of Veterinary Medicine at the University of California at Davis.
  - (2) An amount equal to 0.0003 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Department of Industrial Relations to cover costs associated with audits conducted pursuant to Section 19526 and for the purposes of reimbursing the State Mediation and Conciliation Service for costs incurred pursuant to this bill. However, if that amount would exceed the costs of the Department of Industrial Relations, the amount distributed to the department shall be reduced, and that reduction shall be forwarded to an organization designated by the racing association or fair described in subdivision (a) for the purpose of augmenting a compulsive gambling prevention program specifically addressing that problem.
  - (3) An amount equal to 0.00165 multiplied by the amount handled on advance deposit wagers that originate in California for each racing meeting shall be distributed as follows:
    - (A) One-half of the amount shall be distributed to supplement the trainer-administered pension plans for backstretch personnel established pursuant to Section 19613. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19613 or any other provision of law.
    - (B) One-half of the amount shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.
  - (4) With respect to wagers on each breed of racing that originate in California, an amount equal to 2 percent of the first two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to 1.5 percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, and an amount equal to 0.50 percent of handle

**Deleted:** an amount equal to 1.75 percent of the first five hundred million dollars (\$500,000,000) of handle from all advance deposit wagers originating from within California annually

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from all advance deposit wagers originating from within California in excess of five hundred million dollars (\$500,000,000) annually, shall be distributed as satellite wagering commissions. Satellite facilities that were not operational in 2001, other than one each in the cities of Inglewood and San Mateo, are not eligible for satellite wagering commission distributions under this section. The satellite wagering facility commissions calculated in accordance with this subdivision shall be distributed to each satellite wagering facility and racing association or fair in the zone in which the wager originated in the same relative proportions that the satellite wagering facility or the racing association or fair generated satellite commissions during the previous calendar year. In the event of a reduction in the satellite wagering commissions, pursuant to this section, the benefits therefrom shall be distributed equally between purses and commissions to all associations and racing fairs generating advance deposit wagers in proportion to the handle generated by those associations and racing fairs. For purposes of this section, the purse funds distributed pursuant to Section 19605.72 shall be considered to be satellite wagering facility commissions attributable to thoroughbred races at the locations described in that section.

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~~(5)~~ After the distribution of the amounts set forth in paragraphs (1) through ~~(4)~~, inclusive, the remaining market access fee from wagers originating in California shall be as follows:

(A) With respect to wagers on each breed of racing, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed of racing during the calendar period in the zone in which the wager originated, and this amount shall be allocated to that racing association or fair as commissions, to horsemen participating in that racing meeting in the form of purses, and as incentive awards, in the same relative proportion as they were generated or earned during the prior calendar year at that racing association or fair on races conducted or imported by that racing association or fair after making all deductions required by applicable law. Notwithstanding any other provision of law, the distributions with respect to each breed of racing set forth in this paragraph (A) may be altered upon the approval of the board, in accordance with an agreement signed by the respective associations, fairs, horsemen's organizations, and/or breeders organizations receiving those distributions.

(B) If the provisions of Section 19601.2 apply, then the amount distributed to the applicable racing associations or fairs shall first be divided between those racing associations or fairs in direct proportion to the total amount wagered in the applicable zone on the live races conducted by the respective association or fair. Notwithstanding this requirement, when the provisions

**Deleted:** (5) - With respect to wagers on each breed of racing that originate in California, an amount equal to 0.0025 multiplied by the amount handled in excess of five hundred million dollars (\$500,000,000) annually, shall be distributed and allocated to the board for the purpose of protecting the integrity of the industry, including but not limited to medication testing of racehorses, security and surveillance of facilities or licensees, special investigations, or outside professional services. ¶

**Deleted:** (6) - With respect to wagers on each breed of racing that originate in California, an amount equal to 0.0016 multiplied by the amount handled in excess of five hundred million dollars (\$500,000,000) annually, shall be distributed to the organization responsible for the distribution of off-track stabling and vanning funds in the zone where the wager originated, for the exclusive purpose of subsidizing stabling and vanning expenditures pursuant to this chapter. ¶

(7) - With respect to wagers on each breed of racing that originate in California, an amount equal to 0.0009 multiplied by the amount handled in excess of five hundred million dollars (\$500,000,000) annually shall be distributed to the horsemen's organization responsible for negotiating purse agreements on behalf of horsemen participating in race meetings, to be used exclusively for charitable donations to equine retirement and rehabilitation facilities. ¶

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of subdivision (b) of Section 19607.5 apply to the 2nd District Agricultural Association in Stockton or the California Exposition and State Fair in Sacramento, then the total amount distributed to the applicable racing associations or fairs shall first be divided equally, with 50 percent distributed to applicable fairs and 50 percent distributed to applicable associations.

- (C) Notwithstanding any provisions of this section to the contrary, with respect to wagers on out-of-state and out-of-country thoroughbred races conducted after 6 p.m., Pacific time, 50 percent of the amount remaining shall be distributed as commissions to thoroughbred associations and racing fairs, as thoroughbred and fair purses, and as incentive awards in accordance with paragraph (A), and the remaining 50 percent, together with the total amount remaining from advance deposit wagering originating from California on out-of-state and out-of-country harness and quarter horse races conducted after 6 p.m., Pacific time, shall be distributed as commissions on a pro rata basis to the applicable licensed quarter horse association and the applicable licensed harness association, based upon the amount handled in-state, both on- and off-track, on each breed's own live races in the previous year by that association, or its predecessor association. One-half of the amount thereby received by each association shall be retained by that association as a commission, and the other half of the money received shall be distributed as purses to the horsemen participating in its current or next scheduled licensed racing meeting.
- (D) Notwithstanding any provisions of this section to the contrary, with respect to wagers on out-of-state and out-of-country non-thoroughbred races conducted before 6 p.m., Pacific time, 50 percent of the amount remaining shall be distributed as commissions as provided in paragraph (C) for licensed quarter horse and harness associations, and the remaining 50 percent shall be distributed as commissions to the applicable thoroughbred associations or fairs, as thoroughbred and fair purses, and as incentive awards in accordance with paragraph (A).
- (E) Notwithstanding any provision of this section to the contrary, the distributions of market access fees under paragraph (5) of this subdivision may be altered upon the approval of the board, in accordance with an agreement signed by those parties whose distributions would be affected.

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- (f) A racing association, fair, or satellite wagering facility may enter into an agreement with an ADW provider to accept and facilitate the placement of any wager from a patron at its facility that a California resident could make through that ADW provider. Deductions from wagers made pursuant to such an agreement shall be distributed in accord with the provisions of this chapter governing wagers placed at that facility, except that the board may authorize alternative distributions as agreed to by the ADW provider, the operator of the facility accepting the wager, the association or fair conducting that breed of racing in the zone where the wager is placed, and the respective horsemen's organization.
- (g) Any disputes concerning the interpretation or application of this section shall be resolved by the board.

**Deleted:** A racing association, a fair, or a satellite wagering facility may accept and facilitate the placement of any wager from a patron at its facility that a California resident could make through an ADW provider. Any such wager shall be subject to the same distributions as though it were a non-ADW wager placed at that particular race track or satellite wagering facility, as set forth in this chapter.



## Existing California ADW Law

**19411.** "Parimutuel wagering" is a form of wagering in which bettors either purchase tickets of various denominations, or issue wagering instructions leading to the placement of wagers, on the outcome of one or more horse races. When the outcome of the race or races has been declared official, the association distributes the total wagers comprising each pool, less the amounts retained for purposes specified in this chapter, to winning bettors.

This section shall remain in effect only until 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.

**19411.** "Parimutuel wagering" is a form of wagering in which bettors either purchase tickets of various denominations on the outcome of one or more horse races. When the outcome of the race or races has been declared official, the association distributes the total wagers comprising each pool, less the amounts retained for purposes specified in this chapter, to winning bettors.

This section shall become operative on January 1, 2008.

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**19590.** The board shall adopt rules governing, permitting, and regulating parimutuel wagering on horse races under the system known as the parimutuel method of wagering. Parimutuel wagering shall be conducted only by a person or persons licensed under this chapter to conduct a horse racing meeting, and only within the enclosure and on the dates for which horse racing has been authorized by the board. Wagering instructions concerning funds held in an advance deposit wagering account shall be deemed to be issued within the licensee's enclosure.

This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.

**19590.** The board shall adopt rules governing, permitting, and regulating wagering on horse races under the system known as the parimutuel method of wagering. Such wagering shall be conducted only by a person licensed under this chapter to conduct a horse racing meeting, and only within the enclosure and on the dates for which horse racing has been authorized by the board.

This section shall become operative on January 1, 2008.

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**19595.** Any form of wagering or betting on the result of a horse race other than that permitted by this chapter is illegal. Also illegal is any wagering or betting on horse races outside an enclosure where the conduct of horse racing is licensed by the board. Wagering

instructions concerning funds held in an advance deposit wagering account shall be deemed to be issued within the licensee's enclosure.

This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.

**19595.** Any form of wagering or betting on the result of a horse race other than that permitted by this chapter is illegal. Also illegal is any wagering or betting on horse races outside an enclosure where the conduct of horse racing is licensed by the board.

This section shall become operative on January 1, 2008.

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**19604.** Notwithstanding any other provision of law, in addition to parimutuel wagering otherwise authorized by this chapter, advance deposit wagering may be conducted upon approval of the board. The board may authorize any racing association or fair, during the calendar period it is licensed by the board to conduct a live racing meeting in accordance with the provisions of Article 4 (commencing with Section 19480), to accept advance deposit wagers or to allow these wagers through a betting system or a multijurisdictional wagering hub in accordance with the following:

- (a) Racing associations and racing fairs may form a partnership, joint venture, or any other affiliation in order to further the purposes of this section.
- (b) As used in this section, "advance deposit wagering" means a form of parimutuel wagering in which a person residing within California or outside of this state establishes an account with a licensee, a board-approved betting system, or a board-approved multijurisdictional wagering hub located within California or outside of this state, and subsequently issues wagering instructions concerning the funds in this account, thereby authorizing the entity holding the account to place wagers on the account owner's behalf. An advance deposit wager may be made only by the entity holding the account pursuant to wagering instructions issued by the owner of the funds communicated by telephone call or through other electronic media. The licensee, a betting system, or a multijurisdictional wagering hub shall ensure the identification of the account's owner by utilizing methods and technologies approved by the board. Further, at the request of the board, any licensee, betting system, or multijurisdictional wagering hub located in California, and any betting system or multijurisdictional wagering hub located outside of this state that accepts wagering instructions concerning races conducted in California or accepts wagering instructions from California residents, shall provide a full accounting and verification of the source of the wagers thereby made, including the zone and breed, in the form of a daily download of parimutuel data to a database designated by the board. Additionally, when the board approves a licensee, a betting system, or a multijurisdictional wagering hub, whether located within California or outside of this state, to accept advance deposit wagering instructions on any race or races from California residents, the licensee, betting system, or multijurisdictional wagering hub

may be compensated pursuant to a contractual agreement with a California licensee, in an amount not to exceed 6.5 percent of the amount handled on a race or races conducted in California, and in the case of a race or races conducted in another jurisdiction, may be compensated in an amount not to exceed 6.5 percent, plus a fee to be paid to the host racing association not to exceed 3.5 percent, of the amount handled on that race or races. The amount remaining after the payment of winning wagers and after payment of the contractual compensation and host fee, if any, shall be distributed as a market access fee in accordance with subdivision (g). As used in this section, "market access fee" means the contractual fee paid by a betting system or multijurisdictional wagering hub to the California licensee for access to the California market for wagering purposes. As used in this section, "licensee" means any racing association or fair, or affiliation thereof authorized in subdivision (a).

- (c) (1) The board shall develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for licensees, betting systems, and multijurisdictional wagering hubs located in California. Betting systems and multijurisdictional wagering hubs located and operating in California shall be approved by the board prior to establishing advance deposit wagering accounts or accepting wagering instructions concerning those accounts and shall enter into a written contractual agreement with the bona fide labor organization that has historically represented the same or similar classifications of employees at the nearest horse racing meeting. Permanent state or county employees and nonprofit organizations that have historically performed certain services at county, state, or district fairs may continue to provide those services, notwithstanding this requirement.
- (2) The board shall develop and adopt rules and regulations requiring betting systems and multijurisdictional wagering hubs to establish security access policies and safeguards, including, but not limited to, the following:
  - (A) The betting system or wagering hub shall utilize the services of a board-approved independent third party to perform identity, residence, and age verification services with respect to persons establishing an advance deposit wagering account.
  - (B) The betting system or wagering hub shall utilize personal identification numbers (PINs) and other technologies to assure that only the accountholder has access to the advance deposit wagering account.
  - (C) The betting system or wagering hub shall provide for withdrawals from the wagering account only by means of a check made payable to the accountholder and sent to the address of the accountholder or by means of an electronic transfer to an account held by the verified accountholder or the accountholder may withdraw funds from the wagering account at a facility approved by the board by presenting verifiable personal and account identification information.



- (D) The betting system or wagering hub shall allow the board access to its premises to visit, investigate, and place expert accountants and other persons it deems necessary for the purpose of ensuring that its rules and regulations concerning credit authorization, account access, and other security provisions are strictly complied with.
- (3) The board shall prohibit advance deposit wagering advertising that it determines to be deceptive to the public. The board shall also require, by regulation, that every form of advertising contain a statement that minors are not allowed to open or have access to advance deposit wagering accounts.
- (d) As used in this section, a "multijurisdictional wagering hub" is a business conducted in more than one jurisdiction that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.
- (e) As used in this section, a "betting system" is a business conducted exclusively in this state that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.
- (f) In order for a licensee, betting system, or multijurisdictional wagering hub to be approved by the board to conduct advance deposit wagering, it shall meet both of the following requirements:
- (1) All wagers thereby made shall be included in the appropriate parimutuel pool of the host racing association or fair under a contractual agreement with the applicable California licensee, in accordance with the provisions of this chapter.
  - (2) The amounts deducted from advance deposit wagers shall be in accordance with the provisions of this chapter.
- (g) The amount received as a market access fee from advance deposit wagers, which shall not be considered for purposes of Section 19616.51, shall be distributed as follows:
- (1) An amount equal to 0.0011 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Center for Equine Health to establish the Kenneth L. Maddy Fund for the benefit of the School of Veterinary Medicine at the University of California at Davis.
  - (2) An amount equal to 0.0003 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Department of Industrial Relations to cover costs associated with audits conducted pursuant to Section 19526 and for the purposes of reimbursing the State Mediation and Conciliation Service for costs incurred pursuant to this bill. However, if that amount would exceed the costs of the Department of Industrial Relations, the amount distributed



to the department shall be reduced, and that reduction shall be forwarded to an organization designated by the racing association or fair described in subdivision (a) for the purpose of augmenting a compulsive gambling prevention program specifically addressing that problem.

- (3) An amount equal to 0.00165 multiplied by the amount handled on advance deposit wagers that originate in California for each racing meeting shall be distributed as follows:

(A) One-half of the amount shall be distributed to supplement the trainer-administered pension plans for backstretch personnel established pursuant to Section 19613. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19613 or any other provision of law.

(B) One-half of the amount shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.

- (4) With respect to wagers on each breed of racing that originate in California, an amount equal to 2 percent of the first two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to 1.5 percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, and an amount equal to 1 percent of handle from all advance deposit wagers originating from within California in excess of five hundred million dollars (\$500,000,000) annually, shall be distributed as satellite wagering commissions. The satellite wagering facility commissions calculated in accordance with this subdivision shall be distributed to each satellite wagering facility and racing association or fair in the zone in which the wager originated in the same relative proportions that the satellite wagering facility or the racing association or fair generated satellite commissions during the previous calendar year. In the event of a reduction in the satellite wagering commissions, pursuant to this section, the benefits therefrom shall be distributed equitably as purses and commissions to all associations and racing fairs generating advance deposit wagers in proportion to the handle generated by those associations and racing fairs. For purposes of this section, the purse funds distributed pursuant to Section 19605.72 shall be considered to be satellite wagering facility commissions attributable to thoroughbred races at the locations described in that section.

- (5) With respect to wagers on each breed of racing that originate in California for each racing meeting, after the payment of contractual obligations to the licensee, the betting system, or the multijurisdictional wagering hub, and the

distribution of the amounts set forth in paragraphs (1) through (4), inclusive, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed during the calendar period in the zone in which the wager originated, and this amount shall be allocated to that racing association or fair as commissions, to horsemen participating in that racing meeting in the form of purses, and as incentive awards, in the same relative proportion as they were generated or earned during the prior calendar year at that racing association or fair on races conducted or imported by that racing association or fair after making all deductions required by applicable law. Purse funds generated pursuant to this section may be utilized to pay 50 percent of the total costs and fees incurred due to the implementation of advance deposit wagering. "Incentive awards" shall be those payments provided for in Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The amount determined to be payable for incentive awards shall be payable to the applicable official registering agency and thereafter distributed as provided in this chapter. If the provisions of Section 19601.2 apply, then the amount distributed to the applicable racing associations or fairs from advance deposit wagering shall first be divided between those racing associations or fairs in direct proportion to the total amount wagered in the applicable zone on the live races conducted by the respective association or fair. Notwithstanding this requirement, when the provisions of subdivision (b) of Section 19607.5 apply to the 2nd District Agricultural Association in Stockton or the California Exposition and State Fair in Sacramento, then the total amount distributed to the applicable racing associations or fairs shall first be divided equally, with 50 percent distributed to applicable fairs and 50 percent distributed to applicable associations. For purposes of this subdivision, the zones of the state shall be as defined in Section 19530.5, except as modified by the provisions of subdivision (f) of Section 19601, and the combined central and southern zones shall be considered one zone.

Notwithstanding any provision of this section to the contrary, the distribution of the market access fee, other than the distributions specified in paragraph (1) or (2), may be altered upon the approval of the board, in accordance with an agreement signed by all parties receiving a distribution under paragraphs (4) and (5).

- (h) Notwithstanding any provisions of this section to the contrary, all funds derived from advance deposit wagering that originate from California for each racing meeting on out-of-state and out-of-country thoroughbred races conducted after 6 p.m., Pacific time, shall be distributed in accordance with this subdivision. With respect to these wagers, 50 percent of the amount remaining after the payment of contractual obligations to the multijurisdictional wagering hub, betting system, or licensee and the amounts set forth in paragraphs (1) through (5), inclusive, of subdivision (g) shall be distributed as commissions to thoroughbred associations and racing fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subdivision (g), and the remaining 50 percent, together with all funds derived for each racing meeting from advance deposit wagering originating from California out-of-state and out-of-country harness and quarter horse races conducted after

6 p.m., Pacific time, shall be distributed as commissions on a pro rata basis to the applicable licensed quarter horse association and the applicable licensed harness association, based upon the amount handled instate, both on- and off-track, on each breed's own live races in the previous year by that association, or its predecessor association. One-half of the amount thereby received by each association shall be retained by that association as a commission, and the other half of the money received shall be distributed as purses to the horsemen participating in its current or next scheduled licensed racing meeting.

- (i) Notwithstanding any provisions of this section to the contrary, all funds derived from advance deposit wagering which originate from California for each racing meeting on out-of-state and out-of-country nonthoroughbred races conducted before 6 p.m., Pacific time, shall be distributed in accordance with this subdivision. With respect to these wagers, 50 percent of the amount remaining after the payment of contractual obligations to the multijurisdictional wagering hub, betting system, or licensee and the amounts set forth in paragraphs (1) through (5), inclusive, of subdivision (g) shall be distributed as commissions as provided in subdivision (h) for licensed quarter horse and harness associations, and the remaining 50 percent shall be distributed as commissions to the applicable thoroughbred associations or fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subdivision (g).
- (j) A racing association, a fair, or a satellite wagering facility may accept and facilitate the placement of any wager from a patron at its facility that a California resident could make through a betting system or multijurisdictional wagering hub duly offering advance deposit wagering in this state, and the facility accepting the wager shall receive a 2-percent commission on that wager in lieu of any distribution for satellite commissions pursuant to subdivision (g).
- (k) Any disputes concerning the interpretation or application of this section shall be resolved by the board.

This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.



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Document 2	file:///S:/Corporate/Scott Log and Document/A New Log & File/070305.4.doc
Rendering set	Standard

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## California ADW Law

### Current Law with Proposed Industry and Labor Amendments as of 6/4/07

Deleted: 5/29/07

~~19411. "Parimutuel wagering" is a form of wagering in which bettors either purchase tickets of various denominations, or issue wagering instructions leading to the placement of wagers, on the outcome of one or more horse races. When the outcome of the race or races has been declared official, the association distributes the total wagers comprising each pool, less the amounts retained for purposes specified in this chapter, to winning bettors. The association distributes the total wagers comprising each pool, less the amounts retained for purposes specified in this chapter, to winning bettors based on the official race results.~~

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~~———— This section shall remain in effect only until 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.~~

~~19411. "Parimutuel wagering" is a form of wagering in which bettors either purchase tickets of various denominations on the outcome of one or more horse races. When the outcome of the race or races has been declared official, the association distributes the total wagers comprising each pool, less the amounts retained for purposes specified in this chapter, to winning bettors.~~

~~———— This section shall become operative on January 1, 2008.~~

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~~19590. The board shall adopt rules governing, permitting, and regulating parimutuel wagering on horse races under the system known as the parimutuel method of wagering. Parimutuel wagering shall be conducted only by a person or persons licensed under this chapter to conduct a horse racing meeting, and only within the enclosure and on the dates for which horse racing has been authorized by the board. Wagering instructions concerning funds held in an advance deposit wagering account shall be deemed to be issued within the licensee's enclosure. or authorized by the board to conduct advance deposit wagering.~~

~~———— This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.~~

~~19590. The board shall adopt rules governing, permitting, and regulating wagering on horse races under the system known as the parimutuel method of wagering. Such wagering shall be conducted only by a person licensed under this chapter to conduct a horse racing meeting, and only within the enclosure and on the dates for which horse racing has been authorized by the board.~~

~~———— This section shall become operative on January 1, 2008.~~

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~~19595. Any form of wagering or betting on the result of a horse race other than that permitted by this chapter is illegal. Also illegal is any wagering or betting on horse races outside an enclosure where the conduct of horse racing is licensed by the board. Wagering instructions concerning~~

~~funds held in an advance deposit wagering account shall be deemed to be issued within the licensee's enclosure.~~

~~— This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.~~

~~19595. Any form of wagering or betting on the result of a horse race other than that permitted by this chapter is illegal. Also illegal is any wagering or betting on horse races outside an enclosure where the conduct of horse racing is licensed by the board.~~

~~— This section shall become operative on January 1, 2008.~~

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~~19604. Notwithstanding any other provision of law, in addition to parimutuel wagering otherwise authorized by this chapter, advance deposit wagering may be conducted upon approval of the board. The board may authorize any racing association, or *racing fair, betting system, or multijurisdictional wagering hub* during the calendar period it is licensed by the board to conduct a live racing meeting in accordance with the provisions of Article 4 (commencing with Section 19480), to accept advance deposit wagers or to allow these wagers through a betting system or a multijurisdictional wagering hub in accordance with the following: *to conduct advance deposit wagering in accord with this section. Racing associations, racing fairs, and/or their respective horsemen's organizations may form a partnership, joint venture, or any other affiliation in order to further the purposes of this section.*~~

~~(a) Racing associations and racing fairs may form a partnership, joint venture, or any other affiliation in order to further the purposes of this section.~~

~~(b) As used in this section, *the following definitions shall apply:*~~

- ~~(1) "advance deposit wagering" means a form of parimutuel wagering in which a person residing within California or outside of this state establishes an account with a licensee, a board-approved betting system, or a board-approved multijurisdictional wagering hub located within California or outside of this state *an ADW provider*, and subsequently issues wagering instructions concerning the funds in this account, thereby authorizing the entity *ADW provider* holding the account to place wagers on the account owner's behalf. An advance deposit wager may be made only by the entity holding the account pursuant to wagering instructions issued by the owner of the funds communicated by telephone call or through other electronic media. The licensee, a betting system, or a multijurisdictional wagering hub shall ensure the identification of the account's owner by utilizing methods and technologies approved by the board. Further, at the request of the board, any licensee, betting system, or multijurisdictional wagering hub located in California, and any betting system or multijurisdictional wagering hub located outside of this state that accepts wagering instructions concerning races conducted in California or accepts wagering instructions from California residents, shall provide a full accounting and verification of the source of the wagers thereby made, including the zone and breed, in the form of a daily download of parimutuel data to a database designated by the board. Additionally, when the board approves a licensee, a betting system, or a multijurisdictional wagering hub, whether located within California or outside of this state, to accept advance deposit wagering instructions on any race or races from~~



~~California residents, the licensee, betting system, or multijurisdictional wagering hub may be compensated pursuant to a contractual agreement with a California licensee, in an amount not to exceed 6.5 percent of the amount handled on a race or races conducted in California, and in the case of a race or races conducted in another jurisdiction, may be compensated in an amount not to exceed 6.5 percent, plus a fee to be paid to the host racing association not to exceed 3.5 percent, of the amount handled on that race or races. The amount remaining after the payment of winning wagers and after payment of the contractual compensation and host fee, if any, shall be distributed as a market access fee in accordance with subdivision (g). As used in this section, "market access fee" means the contractual fee paid by a betting system or multijurisdictional wagering hub to the California licensee for access to the California market for wagering purposes. As used in this section, "licensee" means any racing association or fair, or affiliation thereof authorized in subdivision (a).~~

- (2) *"ADW provider" means a licensee, betting system, or multijurisdictional hub authorized to conduct advance deposit wagering under this section.*
- (3) *"Betting system" means a business conducted exclusively in this state that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.*
- (4) *"Breed of Racing" shall be construed as follows:*
  - (A) *With respect to associations and fairs licensed by the board to conduct thoroughbred, fair, or mixed breed race meetings, breed of racing shall be Thoroughbred;*
  - (B) *With respect to associations licensed by the board to conduct Quarter Horse race meetings, the breed of racing shall be Quarter Horse;*
  - (C) *With respect to associations and fairs licensed by the board to conduct Standardbred race meetings, the breed of racing shall be Standardbred.*
- (5) *"Contractual compensation" means the amount paid to an ADW provider from advance deposit wagers originating in this state, as specified in a hub agreement. Contractual compensation includes, but is not limited to, hub fee payments, and may include host fee payments, if any, for out-of-state and out-of-country races, as specified in a hub agreement.*
  - (A) *Excluding contractual compensation for host fee payments, contractual compensation shall not exceed 6.5 percent of the amount wagered.*
  - (B) *The host fee payments included within contractual compensation shall not exceed 3.50 percent of the amount wagered. Notwithstanding this provision, the host fee payment with respect to wagers on the Kentucky Derby, Preakness Stakes, Belmont Stakes, and selected Breeders' Cup Championship races, may be negotiated by the ADW provider, the racing associations accepting wagers on such races pursuant to Section 19596.2, and the horsemen's organization.*
  - (C) *In order to ensure fair and consistent market access fee distributions to associations, fairs, horsemen, and breeders, for each breed of racing, the percentage of wagers paid as contractual compensation to an ADW provider pursuant to the terms of a hub agreement with a racing association or fair,*

*during the calendar period when that racing association or fair receives market access fees from wagering conducted by that ADW provider, shall be the percentage of wagers paid as contractual compensation to that ADW provider in all calendar periods during the term of that hub agreement.*

- (6) "Horsemen's organization" means, with respect to a particular racing meeting, the organization recognized by the board as responsible for negotiating purse agreements on behalf of horsemen participating in such racing meeting.*
- (7) "Hub Agreement" means a written agreement with respect to advance deposit wagers originating in California on a particular breed of racing, including wagers placed pursuant to subdivisions (c)(4) and (f) of this section. A hub agreement shall be among the ADW provider accepting those wagers, one or more racing associations or fairs that together are licensed by the board to conduct no less than five racing weeks of live racing on that breed during the calendar year during which the wager originated, and the horsemen's organization responsible for negotiating purse agreements for that breed with those racing associations or fairs. A hub agreement is required for an ADW provider to receive contractual compensation.*
- (8) "Hub Agreement Determination" shall mean a proceeding pursuant to which the disputed provision of the hub fee within a hub agreement from wagers on races conducted outside of California are determined in accordance with the provisions of this paragraph. In the event the ADW provider and the racing association(s) and/or fair(s) specified in the 19604(a)(7) agree on the terms of the hub agreement, but the horsemen's organization specified in the 19604(a)(7) does not agree to such terms, then either the ADW provider or the horsemen's organization shall have the right to demand a hub agreement determination by making written demand for such determination to the other party. During the pendency of a hub agreement determination: (A) the ADW provider shall be permitted to accept wagers; (B) the contractual compensation received by the ADW provider shall be the lesser of (i) the contractual compensation agreed to by the racing association(s) and/or fair(s), or (ii) the contractual compensation last proposed by the horsemen's organization prior to the demand for the hub agreement determination; and (C) the difference between the contractual compensation specified in clause (i) of the preceding sentence and the contractual compensation specified in clause (ii) of the preceding sentence shall be paid into an escrow account held by a neutral third party until the conclusion of the hub agreement determination (at which time such funds will be dispersed in a manner consistent with the final hub agreement determination). The hub agreement determination shall be held as promptly as possible, but in no event more than sixty (60) days following the demand for such determination. The hub agreement determination shall be made by one arbitrator jointly selected by the ADW provider and the horsemen's organization; provided, however, that if the parties cannot agree on the arbitrator within fourteen (14) days of issuance of the written demand for arbitration, then the arbitrator shall be appointed by the board. In making the hub agreement determination, the arbitrator shall be required to choose between (v) the terms of the hub agreement agreed to by the ADW provider and the racing association(s) and/or fair(s), and (z) such different terms for the hub agreement as were last proposed by the horsemen's organization prior to the demand for the hub agreement determination. The arbitrator shall not be permitted to impose new, different, or compromised terms to the hub agreement. The cost of the hub*



agreement determination, including the cost of the arbitrator, shall be borne equally by the ADW provider and the horsemen's organization.

- (9) "Multijurisdictional wagering hub" means a business conducted in more than one jurisdiction that facilitates parimutuel wagering on races its simulcasts and other races it offers in its wagering menu.
- (10) "Incentive awards" means those payments provided for in Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The amount determined to be payable for incentive awards under this section shall be payable to the applicable official registering agency and thereafter distributed as provided in this chapter.
- (11) "Licensee" means any racing association or fair licensed to conduct a live race meet in the State, or affiliation thereof authorized under this section.
- (12) "Market access fee" means the amount of advance deposit wagering handle remaining after the payment of winning wagers, and after the payment of contractual compensation, if any, to an ADW provider. Market access fees shall be distributed in accord with subdivision (e) of this section.
- (13) "Zone" means the zone of the state as defined in Section 19530.5, except as modified by the provisions of subdivision (f) of Section 19601, and the combined central and southern zones shall be considered one zone.
- (b) An advance deposit wager may be made only by the ADW provider holding the account pursuant to wagering instructions issued by the owner of the funds communicated by telephone call or through other electronic media. The ADW provider shall ensure the identification of the account's owner by utilizing methods and technologies approved by the board. Any ADW provider that accepts wagering instructions concerning races conducted in California or accepts wagering instructions originating in California, shall provide a full accounting and verification of the source of the wagers thereby made, including the postal/zip code and breed, in the form of a daily download of parimutuel data to a database designated by the board. The daily download shall be delivered in a timely basis utilizing file formats specified by the database designated by the board, and shall include any and all data necessary to calculate and distribute monies according to the rules and regulations governing California pari-mutuel wagering. Any and all reasonable costs associated with the creation, provision, and transfer of this data shall be borne by the ADW provider.

(c)

The Legislature finds and declares:

That advance deposit wagering has become an integral part of the California horse racing industry and in order to maintain the integrity of the pari-mutuel wagering system, its business operations, wagering systems, and personnel must, regardless of location, be subject to regulation by the California Horse Racing Board.

That California workers who are employed at race tracks have suffered a loss of employment and economic dislocation as a result of a decline in live attendance at race

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*meets which is attributable, in part, to the development of new systems of off-track wagering, including advance deposit wagering;*

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*That Dislocated workers should be given an opportunity to gain employment where possible in areas of job growth, including advanced deposit wagering, without loss of seniority or representational rights.*

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(1) The board shall develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for licensees, betting systems, and multijurisdictional wagering hubs located in California *ADW providers*. Betting systems and multijurisdictional wagering hubs located and operating in California, *whether located in California or another state*, shall be approved by the board prior to establishing advance deposit wagering accounts or accepting wagering instructions concerning those accounts and shall enter into a written contractual agreement with the bona fide labor organization that has historically represented the same or similar classifications of employees at the nearest *California* horse racing meeting. Permanent state or county employees and nonprofit organizations that have historically performed certain services at county, state, or district fairs may continue to provide those services, notwithstanding this requirement.

(2) *Notwithstanding any other provision of law, collective bargaining units composed of pari-mutuel clerks and allied occupations shall, by accretion, be expanded to include all employees of licensees who accept or process pari-mutuel wagers or operate, repair, service, or maintain equipment that can accept or process any form of wagering at a race track, satellite wagering facility, betting system, or multijurisdictional wagering hub. Pari-mutuel clerks who are laid-off due to lack of work or otherwise displaced shall have preferential hiring rights for new positions in occupations whose duties include the operation, repair, servicing or maintenance of equipment that can accept or process any form of wagering at a race track, satellite wagering facility, betting system, or multijurisdictional wagering hub licensed by the Board.*

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(3) The board shall develop and adopt rules and regulations requiring ~~betting systems and multijurisdictional wagering hubs~~ *ADW providers* to establish security access policies and safeguards, including, but not limited to, the following:

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(A) ~~The betting system or wagering hub shall utilize the services of a board-approved independent third party to perform identity, residence, and age verification services with respect to persons establishing an advance deposit wagering account.~~ *The ADW provider shall utilize board-approved methods to perform location and age verification confirmation with respect to persons establishing an advance deposit wagering account.*

(B) ~~The betting system or wagering hub~~ *ADW provider* shall utilize personal identification numbers (PINs) and other technologies to assure that only the accountholder has access to the advance deposit wagering account.

(C) ~~The betting system or wagering hub~~ *ADW provider* shall provide for withdrawals from the wagering account only by means of a check made payable to the accountholder and sent to the address of the accountholder or by means of an



electronic transfer to an account held by the verified accountholder or the accountholder may withdraw funds from the wagering account at a facility approved by the board by presenting verifiable personal and account identification information.

(D) The ~~betting system or wagering hub~~ *ADW provider* shall allow the board access to its premises to visit, investigate, and place expert accountants and other persons it deems necessary for the purpose of ensuring that its rules and regulations concerning credit authorization, account access, and other security provisions are strictly complied with.

(4) The board shall prohibit advance deposit wagering advertising that it determines to be deceptive to the public. The board shall also require, by regulation, that every form of advertising contain a statement that minors are not allowed to open or have access to advance deposit wagering accounts.

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~~(5) Notwithstanding any other provision of law, the board may adopt rules and regulations authorizing ADW providers to create and administer wagering accounts at facilities located within this state through which persons may deposit cash funds or vouchers, issue wagering instructions, and withdraw cash funds or vouchers, subject to the approval of racing associations or satellite facilities located within 20 miles of a facility administering such accounts, and the approval of the horsemen's organization responsible for negotiating with such racing associations or satellite facilities.~~

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~~(d) As used in this section, a "multijurisdictional wagering hub" is a business conducted in more than one jurisdiction that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.~~

~~(e) As used in this section, a "betting system" is a business conducted exclusively in this state that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.~~

~~(f)~~ In order for a licensee, ~~betting system, or multijurisdictional wagering hub~~ *an ADW provider* to be approved by the board to conduct advance deposit wagering *within California*, it shall meet both of the following requirements:

(1) All wagers thereby made shall be included in the appropriate parimutuel pool ~~of the host racing association or fair~~ under a contractual agreement with the applicable ~~California licensee, in accordance with the provisions of this chapter~~ *host racetrack*. *With respect to wagers on races conducted in California, the applicable host racetrack shall be the racing association or fair licensed by the board to conduct such races, and the terms and conditions of the contractual agreement between the ADW provider and that host association or fair, including arrangements as to fees and exclusivity, shall be subject to the approval of the horsemen's organization. However, no host association or fair may enter into an exclusive agreement with an ADW provider without the prior written approval of the horsemen's organization.*

(2) The amounts deducted from advance deposit wagers shall be in accordance with the provisions of this chapter.

(ge) *After the payment of contractual compensation, if any, The amounts received as a market access fees from advance deposit wagers, which shall not be considered for purposes of Section 19616.51, shall be distributed as follows:*

(1) An amount equal to 0.0011 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Center for Equine Health to establish the Kenneth L. Maddy Fund for the benefit of the School of Veterinary Medicine at the University of California at Davis.

(2) An amount equal to 0.0003 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Department of Industrial Relations to cover costs associated with audits conducted pursuant to Section 19526 and for the purposes of reimbursing the State Mediation and Conciliation Service for costs incurred pursuant to this bill. However, if that amount would exceed the costs of the Department of Industrial Relations, the amount distributed to the department shall be reduced, and that reduction shall be forwarded to an organization designated by the racing association or fair described in subdivision (a) for the purpose of augmenting a compulsive gambling prevention program specifically addressing that problem.

(3) An amount equal to 0.00165 multiplied by the amount handled on advance deposit wagers that originate in California for each racing meeting shall be distributed as follows:

(A) One-half of the amount shall be distributed to supplement the trainer-administered pension plans for backstretch personnel established pursuant to Section 19613. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19613 or any other provision of law.

(B) One-half of the amount shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.

*(4) An amount equal to 0.00395 multiplied by the amount handled on advanced deposit wagers originating in California for each racing meeting shall be distributed to the California Horse Racing Board to establish and to administer jointly with the organization certified as the majority representative of California licensed jockeys pursuant to Section 19612.9, a defined contribution retirement plan for California licensed jockeys who retired from racing on or after January 1, 2003, and who, as of the date of their retirement, had ridden in a minimum of 1,250 parimutuel races conducted in California.*

(5) With respect to wagers on each breed of racing that originate in California, an amount equal to 2 percent of the first two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to 1.5 percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating

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from within California annually, and an amount equal to ~~1~~<sup>10.5</sup> percent of handle from all advance deposit wagers originating from within California in excess of five hundred million dollars (\$500,000,000) annually, shall be distributed as satellite wagering commissions. *Satellite facilities that were not operational in 2001, other than one each in the cities of Inglewood and San Mateo, are not eligible for satellite wagering commission distributions under this section.* The satellite wagering facility commissions calculated in accordance with this subdivision shall be distributed to each satellite wagering facility and racing association or fair in the zone in which the wager originated in the same relative proportions that the satellite wagering facility or the racing association or fair generated satellite commissions during the previous calendar year. In the event of a reduction in the satellite wagering commissions, pursuant to this section, the benefits therefrom shall be distributed equitably as purses and commissions to all associations and racing fairs generating advance deposit wagers in proportion to the handle generated by those associations and racing fairs. For purposes of this section, the purse funds distributed pursuant to Section 19605.72 shall be considered to be satellite wagering facility commissions attributable to thoroughbred races at the locations described in that section.

- ~~(5) With respect to wagers on each breed of racing that originate in California for each racing meeting, after the payment of contractual obligations to the licensee, the betting system, or the multijurisdictional wagering hub, and the distribution of the amounts set forth in paragraphs (1) through (4), inclusive, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed during the calendar period in the zone in which the wager originated, and this amount shall be allocated to that racing association or fair as commissions, to horsemen participating in that racing meeting in the form of purses, and as incentive awards, in the same relative proportion as they were generated or earned during the prior calendar year at that racing association or fair on races conducted or imported by that racing association or fair after making all deductions required by applicable law. Purse funds generated pursuant to this section may be utilized to pay 50 percent of the total costs and fees incurred due to the implementation of advance deposit wagering. "Incentive awards" shall be those payments provided for in Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The amount determined to be payable for incentive awards shall be payable to the applicable official registering agency and thereafter distributed as provided in this chapter. If the provisions of Section 19601.2 apply, then the amount distributed to the applicable racing associations or fairs from advance deposit wagering shall first be divided between those racing associations or fairs in direct proportion to the total amount wagered in the applicable zone on the live races conducted by the respective association or fair. Notwithstanding this requirement, when the provisions of subdivision (b) of Section 19607.5 apply to the 2nd District Agricultural Association in Stockton or the California Exposition and State Fair in Sacramento, then the total amount distributed to the applicable racing associations or fairs shall first be divided equally, with 50 percent distributed to applicable fairs and 50 percent distributed to applicable associations. For purposes of this subdivision, the zones of the state shall be as defined in Section 19530.5, except as modified by the provisions of subdivision (f) of Section 19601, and the combined central and southern zones shall be considered one zone.~~

- ~~— Notwithstanding any provision of this section to the contrary, the distribution of the market access fee, other than the distributions specified in paragraph (1) or (2), may~~

be altered upon the approval of the board, in accordance with an agreement signed by all parties receiving a distribution under paragraphs (4) and (5).

~~(h) Notwithstanding any provisions of this section to the contrary, all funds derived from advance deposit wagering that originate from California for each racing meeting on out-of-state and out-of-country thoroughbred races conducted after 6 p.m., Pacific time, shall be distributed in accordance with this subdivision. With respect to these wagers, 50 percent of the amount remaining after the payment of contractual obligations to the multijurisdictional wagering hub, betting system, or licensee and the amounts set forth in paragraphs (1) through (5), inclusive, of subdivision (g) shall be distributed as commissions to thoroughbred associations and racing fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subdivision (g), and the remaining 50 percent, together with all funds derived for each racing meeting from advance deposit wagering originating from California out-of-state and out-of-country harness and quarter horse races conducted after 6 p.m., Pacific time, shall be distributed as commissions on a pro rata basis to the applicable licensed quarter horse association and the applicable licensed harness association, based upon the amount handled in-state, both on and off track, on each breed's own live races in the previous year by that association, or its predecessor association. One-half of the amount thereby received by each association shall be retained by that association as a commission, and the other half of the money received shall be distributed as purses to the horsemen participating in its current or next scheduled licensed racing meeting.~~

~~(i) Notwithstanding any provisions of this section to the contrary, all funds derived from advance deposit wagering which originate from California for each racing meeting on out-of-state and out-of-country nonthoroughbred races conducted before 6 p.m., Pacific time, shall be distributed in accordance with this subdivision. With respect to these wagers, 50 percent of the amount remaining after the payment of contractual obligations to the multijurisdictional wagering hub, betting system, or licensee and the amounts set forth in paragraphs (1) through (5), inclusive, of subdivision (g) shall be distributed as commissions as provided in subdivision (h) for licensed quarter horse and harness associations, and the remaining 50 percent shall be distributed as commissions to the applicable thoroughbred associations or fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subdivision (g).~~

*(6) After the distribution of the amounts set forth in paragraphs (1) through (4), inclusive, the remaining market access fee from wagers originating in California shall be as follows:*

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*(A) With respect to wagers on each breed of racing, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed of racing during the calendar period in the zone in which the wager originated, and this amount shall be allocated to that racing association or fair as commissions, to horsemen participating in that racing meeting in the form of purses, and as incentive awards, in the same relative proportion as they were generated or earned during the prior calendar year at that racing association or fair on races conducted or imported by that racing association or fair after making all deductions required by applicable law. Notwithstanding any other provision of law, the distributions with respect to each breed of racing set forth in this paragraph (A) may be altered upon the approval of the board, in accordance with an agreement signed by the respective associations, fairs,*



horsemen's organizations, and/or breeders organizations receiving those distributions.

- (B) If the provisions of Section 19601.2 apply, then the amount distributed to the applicable racing associations or fairs shall first be divided between those racing associations or fairs in direct proportion to the total amount wagered in the applicable zone on the live races conducted by the respective association or fair. Notwithstanding this requirement, when the provisions of subdivision (b) of Section 19607.5 apply to the 2nd District Agricultural Association in Stockton or the California Exposition and State Fair in Sacramento, then the total amount distributed to the applicable racing associations or fairs shall first be divided equally, with 50 percent distributed to applicable fairs and 50 percent distributed to applicable associations.
- (C) Notwithstanding any provisions of this section to the contrary, with respect to wagers on out-of-state and out-of-country thoroughbred races conducted after 6 p.m., Pacific time, 50 percent of the amount remaining shall be distributed as commissions to thoroughbred associations and racing fairs, as thoroughbred and fair purses, and as incentive awards in accordance with paragraph (A), and the remaining 50 percent, together with the total amount remaining from advance deposit wagering originating from California on out-of-state and out-of-country harness and quarter horse races conducted after 6 p.m., Pacific time, shall be distributed as commissions on a pro rata basis to the applicable licensed quarter horse association and the applicable licensed harness association, based upon the amount handled in-state, both on- and off-track, on each breed's own live races in the previous year by that association, or its predecessor association. One-half of the amount thereby received by each association shall be retained by that association as a commission, and the other half of the money received shall be distributed as purses to the horsemen participating in its current or next scheduled licensed racing meeting.
- (D) Notwithstanding any provisions of this section to the contrary, with respect to wagers on out-of-state and out-of-country non-thoroughbred races conducted before 6 p.m., Pacific time, 50 percent of the amount remaining shall be distributed as commissions as provided in paragraph (C) for licensed quarter horse and harness associations, and the remaining 50 percent shall be distributed as commissions to the applicable thoroughbred associations or fairs, as thoroughbred and fair purses, and as incentive awards in accordance with paragraph (A).
- (E) Notwithstanding any provision of this section to the contrary, the distributions of market access fees under paragraph (5) of this subdivision may be altered upon the approval of the board, in accordance with an agreement signed by those parties whose distributions would be affected.
- (f) A racing association, a fair, or a satellite wagering facility may *enter into an agreement with an ADW provider to accept and facilitate the placement of any wager from a patron at its facility that a California resident could make through a betting system or multijurisdictional wagering hub duly offering advance deposit wagering in this state, and the facility accepting the wager shall receive a 2 percent commission on that wager in lieu of any distribution for satellite commissions pursuant to subdivision (g) that ADW provider. Deductions from*

*wagers made pursuant to such an agreement shall be distributed in accord with the provisions of this chapter governing wagers placed at that facility, except that the board may authorize alternative distributions as agreed to by the ADW provider, the operator of the facility accepting the wager, the association or fair conducting that breed of racing in the zone where the wager is placed, and the respective horsemen's organization.*

(kg) Any disputes concerning the interpretation or application of this section shall be resolved by the board.

~~This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.~~

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**19616.51.**

*(a) Notwithstanding any other provision of law, the first thirty million dollars (\$30,000,000) of the total amount paid to the state by racing associations and fairs pursuant to this chapter shall be paid into the State Treasury to the credit of the Fair and Exposition Fund and shall be distributed for allocation by the Secretary of Food and Agriculture in the following priority:*

*(1) For the purposes of Section 19606.1 in accordance with that section.*

*(2) For the purposes of Section 19621 for the support of the network of California fairs in accordance with that section.*

*(3) For the purposes of subdivision (a) and paragraphs (2), (3) and (4) of subdivision (b) of Section 19620.1 in accordance with that section.*

*(b) Notwithstanding any other provision of law, if the total amount paid to the state by racing associations and fairs pursuant to this chapter is less than forty million dollars (\$40,000,000) in any calendar year, beginning January 1, 2001, and thereafter, all associations and fairs that conducted live racing during the year of shortfall shall remit to the state, on a pro rata basis according to the amount handled in-state by each association or fair, the amount necessary to bring the total amount paid to the state to forty million dollars (\$40,000,000). The amounts due under this section, if any, shall be paid from the amount available for commissions, purses, and breeder awards, and shall be paid to the board prior to March 1 of the year following the year of the shortfall.*

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Jockey Mount Fee Increase same as Illinois, to be converted into statutory language



<u>PURSE</u>	<u>WINNING MOUNT</u>	<u>SECOND MOUNT</u>	<u>THIRD MOUNT</u>	<u>FOURTH MOUNTS</u>	<u>FIFTH MOUNTS</u>	<u>OTHER MOUNTS</u>
<u>\$5,000 to \$9,999</u>	<u>10%</u>	<u>\$75 + 2%</u>	<u>\$75 + 2%</u>	<u>\$75 + 2%</u>	<u>\$75 + 2%</u>	<u>\$75</u>
<u>\$10,000 to \$14,999</u>	<u>10%</u>	<u>\$80 + 2%</u>	<u>\$80 + 2%</u>	<u>\$80 + 2%</u>	<u>\$80 + 2%</u>	<u>\$80</u>
<u>\$15,000 to \$19,999</u>	<u>10%</u>	<u>5%</u>	<u>\$85 + 2%</u>	<u>\$85 + 2%</u>	<u>\$85 + 2%</u>	<u>\$85</u>
<u>\$20,000 to \$24,999</u>	<u>10%</u>	<u>5%</u>	<u>\$90 + 2%</u>	<u>\$90 + 2%</u>	<u>\$90 + 2%</u>	<u>\$90</u>
<u>\$25,000 to \$49,999</u>	<u>10%</u>	<u>5%</u>	<u>5%</u>	<u>\$95 + 2%</u>	<u>\$95 + 2%</u>	<u>\$95</u>
<u>\$50,000 to \$99,000</u>	<u>10%</u>	<u>5%</u>	<u>5%</u>	<u>\$110 + 2%</u>	<u>\$110 + 2%</u>	<u>\$110</u>
<u>\$100,000 and up</u>	<u>10%</u>	<u>5%</u>	<u>5%</u>	<u>\$135 + 2%</u>	<u>\$135 + 2%</u>	<u>\$135</u>

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Non Statutory Changes to Local 280 Collective Bargaining Agreement:

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Commencing on January 1, 2008 and continuing until expiration of the current collective bargaining agreement, each signatory Association agrees that it shall go back to, and shall not reduce the number of man days worked by Local 280 members (both on and off track) in any calendar year (adjusted downward for lost racing days or live races) from those worked by such members in the calendar year 2004.

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## California ADW Law

### ~ Industry Proposal – 5/29/07 ~

**19411.** "Parimutuel wagering" is a form of wagering in which bettors either purchase tickets of various denominations, or issue wagering instructions leading to the placement of wagers, on the outcome of one or more horse races. The association distributes the total wagers comprising each pool, less the amounts retained for purposes specified in this chapter, to winning bettors based on the official race results.

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**19590.** The board shall adopt rules governing, permitting, and regulating parimutuel wagering on horse races under the system known as the parimutuel method of wagering. Parimutuel wagering shall be conducted only by a person or persons licensed under this chapter to conduct a horse racing meeting or authorized by the board to conduct advance deposit wagering.

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**19595.** Any form of wagering or betting on the result of a horse race other than that permitted by this chapter is illegal

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**19604.** The board may authorize any racing association, racing fair, betting system, or multijurisdictional wagering hub to conduct advance deposit wagering in accord with this section. Racing associations, racing fairs, and/or their respective horsemen's organizations may form a partnership, joint venture, or any other affiliation in order to further the purposes of this section.

(a) As used in this section, the following definitions shall apply:

- (1) "Advance deposit wagering" means a form of parimutuel wagering in which a person residing within California or outside of this state establishes an account with an ADW provider, and subsequently issues wagering instructions concerning the funds in this account, thereby authorizing the ADW provider holding the account to place wagers on the account owner's behalf.
- (2) "ADW provider" means a licensee, betting system, or multijurisdictional hub authorized to conduct advance deposit wagering under this section.

- (3) "Betting system" means a business conducted exclusively in this state that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.
- (4) "Breed of Racing" shall be construed as follows:
  - (A) With respect to associations and fairs licensed by the board to conduct thoroughbred, fair, or mixed breed race meetings, breed of racing shall be Thoroughbred;
  - (B) With respect to associations licensed by the board to conduct Quarter Horse race meetings, the breed of racing shall be Quarter Horse;
  - (C) With respect to associations and fairs licensed by the board to conduct Standardbred race meetings, the breed of racing shall be Standardbred.
- (5) "Contractual compensation" means the amount paid to an ADW provider from advance deposit wagers originating in this state, as specified in a hub agreement. Contractual compensation includes, but is not limited to, hub fee payments, and may include host fee payments, if any, for out-of-state and out-of-country races, as specified in a hub agreement.
  - (A) Excluding contractual compensation for host fee payments, contractual compensation shall not exceed 6.5 percent of the amount wagered.
  - (B) The host fee payments included within contractual compensation shall not exceed 3.50 percent of the amount wagered. Notwithstanding this provision, the host fee payment with respect to wagers on the Kentucky Derby, Preakness Stakes, Belmont Stakes, and selected Breeders' Cup Championship races, may be negotiated by the ADW provider, the racing associations accepting wagers on such races pursuant to Section 19596.2, and the horsemen's organization.
  - (C) In order to ensure fair and consistent market access fee distributions to associations, fairs, horsemen, and breeders, for each breed of racing, the percentage of wagers paid as contractual compensation to an ADW provider pursuant to the terms of a hub agreement with a racing association or fair, during the calendar period when that racing association or fair receives market access fees from wagering conducted by that ADW provider, shall be the percentage of wagers paid as contractual compensation to that ADW provider in all calendar periods during the term of that hub agreement.

- (6) "Horsemen's organization" means, with respect to a particular racing meeting, the organization recognized by the board as responsible for negotiating purse agreements on behalf of horsemen participating in such racing meeting.
- (7) "Hub Agreement" means a written agreement with respect to advance deposit wagers originating in California on a particular breed of racing, including wagers placed pursuant to subdivisions (c)(4) and (f) of this section. A hub agreement shall be among the ADW provider accepting those wagers, one or more racing associations or fairs that together are licensed by the board to conduct no less than five racing weeks of live racing on that breed during the calendar year during which the wager originated, and the horsemen's organization responsible for negotiating purse agreements for that breed with those racing associations or fairs. A hub agreement is required for an ADW provider to receive contractual compensation.
- (8) "Hub Agreement Determination" shall mean a proceeding pursuant to which the disputed provision of the hub fee within a hub agreement from wagers on races conducted outside of California are determined in accordance with the provisions of this paragraph. In the event the ADW provider and the racing association(s) and/or fair(s) specified in the 19604(a)(7) agree on the terms of the hub agreement, but the horsemen's organization specified in the 19604(a)(7) does not agree to such terms, then either the ADW provider or the horsemen's organization shall have the right to demand a hub agreement determination by making written demand for such determination to the other party. During the pendency of a hub agreement determination: (A) the ADW provider shall be permitted to accept wagers; (B) the contractual compensation received by the ADW provider shall be the lesser of (i) the contractual compensation agreed to by the racing association(s) and/or fair(s), or (ii) the contractual compensation last proposed by the horsemen's organization prior to the demand for the hub agreement determination; and (C) the difference between the contractual compensation specified in clause (i) of the preceding sentence and the contractual compensation specified in clause (ii) of the preceding sentence shall be paid into an escrow account held by a neutral third party until the conclusion of the hub agreement determination (at which time such funds will be dispersed in a manner consistent with the final hub agreement determination). The hub agreement determination shall be held as promptly as possible, but in no event more than sixty (60) days following the demand for such determination. The hub agreement determination shall be made by one arbitrator jointly selected by the ADW provider and the horsemen's organization; provided, however, that if the parties cannot agree on the arbitrator within fourteen (14) days of issuance of the written demand for arbitration, then the arbitrator shall be appointed by the board. In making the hub agreement determination, the arbitrator shall be



required to choose between (y) the terms of the hub agreement agreed to by the ADW provider and the racing association(s) and/or fair(s), and (z) such different terms for the hub agreement as were last proposed by the horsemen's organization prior to the demand for the hub agreement determination. The arbitrator shall not be permitted to impose new, different, or compromised terms to the hub agreement. The cost of the hub agreement determination, including the cost of the arbitrator, shall be borne equally by the ADW provider and the horsemen's organization.

- (9) "Multijurisdictional wagering hub" means a business conducted in more than one jurisdiction that facilitates parimutuel wagering on races its simulcasts and other races it offers in its wagering menu.
  - (10) "Incentive awards" means those payments provided for in Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The amount determined to be payable for incentive awards under this section shall be payable to the applicable official registering agency and thereafter distributed as provided in this chapter.
  - (11) "Licensee" means any racing association or fair licensed to conduct a live race meet in the State, or affiliation thereof authorized under this section.
  - (12) "Market access fee" means the amount of advance deposit wagering handle remaining after the payment of winning wagers, and after the payment of contractual compensation, if any, to an ADW provider. Market access fees shall be distributed in accord with subdivision (e) of this section.
  - (13) "Zone" means the zone of the state as defined in Section 19530.5, except as modified by the provisions of subdivision (f) of Section 19601, and the combined central and southern zones shall be considered one zone.
- (b) An advance deposit wager may be made only by the ADW provider holding the account pursuant to wagering instructions issued by the owner of the funds communicated by telephone call or through other electronic media. The ADW provider shall ensure the identification of the account's owner by utilizing methods and technologies approved by the board. Any ADW provider that accepts wagering instructions concerning races conducted in California or accepts wagering instructions originating in California, shall provide a full accounting and verification of the source of the wagers thereby made, including the postal/zip code and breed, in the form of a daily download of parimutuel data to a database designated by the board. The daily download shall be delivered in a timely basis utilizing file formats specified by the database designated by the board, and shall include any and all data necessary to calculate and distribute monies according to the rules

and regulations governing California pari-mutuel wagering. Any and all reasonable costs associated with the creation, provision, and transfer of this data shall be borne by the ADW provider.

- (c) (1) The board shall develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for ADW providers. Betting systems and multijurisdictional wagering hubs operating in California shall be approved by the board prior to establishing advance deposit wagering accounts or accepting wagering instructions concerning those accounts and shall enter into a written contractual agreement with the bona fide labor organization that has historically represented the same or similar classifications of employees at the nearest horse racing meeting. Permanent state or county employees and nonprofit organizations that have historically performed certain services at county, state, or district fairs may continue to provide those services, notwithstanding this requirement.
- (2) The board shall develop and adopt rules and regulations requiring ADW providers to establish security access policies and safeguards, including, but not limited to, the following:
  - (A) The ADW provider shall utilize board-approved methods to perform location and age verification confirmation with respect to persons establishing an advance deposit wagering account.
  - (B) The ADW provider shall utilize personal identification numbers (PINs) or other technologies to assure that only the accountholder has access to the advance deposit wagering account.
  - (C) The betting system or wagering hub shall provide for withdrawals from the wagering account only by means of a check made payable to the accountholder and sent to the address of the accountholder or by means of an electronic transfer to an account held by the verified accountholder or the accountholder may withdraw funds from the wagering account at a facility approved by the board by presenting verifiable account identification information.
  - (D) The ADW provider shall allow the board access to its premises to visit, investigate, audit, and place expert accountants and other persons it deems necessary for the purpose of ensuring that its rules and regulations concerning credit authorization, account access, and other security provisions are strictly complied with. To assure that the amounts retained from the pari-mutuel handle are distributed under law, rules, or agreements, any ADW provider that accepts wagering instructions concerning races conducted in California or

accepts wagering instructions originating in California shall provide an independent "agreed upon procedures audit" for each California host association on a monthly basis. The auditing firm to be utilized and the content and scope of the audit shall be as set forth in the applicable hub agreement. The ADW provider shall provide the board, horsemen's organizations, and the host racing association with annual audited financial statements relating to the operations of the ADW provider, prepared in accordance with generally accepted auditing standards. Any and all reasonable costs associated by such audits shall be borne by the ADW provider.

- (3) The board shall prohibit advance deposit wagering advertising that it determines to be deceptive to the public. The board shall also require, by regulation, that every form of advertising contain a statement that minors are not allowed to open or have access to advance deposit wagering accounts.
  - (4) Notwithstanding any other provision of law, the board may adopt rules and regulations authorizing ADW providers to create and administer wagering accounts at facilities located within this state through which persons may deposit cash funds or vouchers, issue wagering instructions, and withdraw cash funds or vouchers, subject to the approval of racing associations or satellite facilities located within 20 miles of a facility administering such accounts, and the approval of the horsemen's organization responsible for negotiating with such racing associations or satellite facilities.
- (d) In order for an ADW provider to be approved by the board to conduct advance deposit wagering within California, it shall meet both of the following requirements:
- (1) All wagers thereby made shall be included in the appropriate parimutuel pool under a contractual agreement with the applicable host racetrack. With respect to wagers on races conducted in California, the applicable host racetrack shall be the racing association or fair licensed by the board to conduct such races, and the terms and conditions of the contractual agreement between the ADW provider and that host association or fair, including arrangements as to fees and exclusivity, shall be subject to the approval of the horsemen's organization. However, no host association or fair may enter into an exclusive agreement with an ADW provider without the prior written approval of the horsemen's organization.
  - (2) The amounts deducted from advance deposit wagers originating in this state shall be in accordance with the provisions of this chapter.

- (e) After the payment of contractual compensation, if any, the amounts received as market access fees from advance deposit wagers, which shall not be considered for purposes of Section 19616.51, shall be distributed as follows:
- (1) An amount equal to 0.0011 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Center for Equine Health to establish the Kenneth L. Maddy Fund for the benefit of the School of Veterinary Medicine at the University of California at Davis.
  - (2) An amount equal to 0.0003 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Department of Industrial Relations to cover costs associated with audits conducted pursuant to Section 19526 and for the purposes of reimbursing the State Mediation and Conciliation Service for costs incurred pursuant to this bill. However, if that amount would exceed the costs of the Department of Industrial Relations, the amount distributed to the department shall be reduced, and that reduction shall be forwarded to an organization designated by the racing association or fair described in subdivision (a) for the purpose of augmenting a compulsive gambling prevention program specifically addressing that problem.
  - (3) An amount equal to 0.00165 multiplied by the amount handled on advance deposit wagers that originate in California for each racing meeting shall be distributed as follows:
    - (A) One-half of the amount shall be distributed to supplement the trainer-administered pension plans for backstretch personnel established pursuant to Section 19613. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19613 or any other provision of law.
    - (B) One-half of the amount shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.
  - (4) With respect to wagers on each breed of racing that originate in California, an amount equal to 2 percent of the first two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to 1.5 percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, and an amount equal to 0.50 percent of handle



from all advance deposit wagers originating from within California in excess of five hundred million dollars (\$500,000,000) annually, shall be distributed as satellite wagering commissions. Satellite facilities that were not operational in 2001, other than one each in the cities of Inglewood and San Mateo, are not eligible for satellite wagering commission distributions under this section. The satellite wagering facility commissions calculated in accordance with this subdivision shall be distributed to each satellite wagering facility and racing association or fair in the zone in which the wager originated in the same relative proportions that the satellite wagering facility or the racing association or fair generated satellite commissions during the previous calendar year. In the event of a reduction in the satellite wagering commissions, pursuant to this section, the benefits therefrom shall be distributed equally between purses and commissions to all associations and racing fairs generating advance deposit wagers in proportion to the handle generated by those associations and racing fairs. For purposes of this section, the purse funds distributed pursuant to Section 19605.72 shall be considered to be satellite wagering facility commissions attributable to thoroughbred races at the locations described in that section.

- (5) After the distribution of the amounts set forth in paragraphs (1) through (4), inclusive, the remaining market access fee from wagers originating in California shall be as follows:
  - (A) With respect to wagers on each breed of racing, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed of racing during the calendar period in the zone in which the wager originated, and this amount shall be allocated to that racing association or fair as commissions, to horsemen participating in that racing meeting in the form of purses, and as incentive awards, in the same relative proportion as they were generated or earned during the prior calendar year at that racing association or fair on races conducted or imported by that racing association or fair after making all deductions required by applicable law. Notwithstanding any other provision of law, the distributions with respect to each breed of racing set forth in this paragraph (A) may be altered upon the approval of the board, in accordance with an agreement signed by the respective associations, fairs, horsemen's organizations, and/or breeders organizations receiving those distributions.
  - (B) If the provisions of Section 19601.2 apply, then the amount distributed to the applicable racing associations or fairs shall first be divided between those racing associations or fairs in direct proportion to the total amount wagered in the applicable zone on the live races conducted by the respective association or fair. Notwithstanding this requirement, when the provisions

of subdivision (b) of Section 19607.5 apply to the 2nd District Agricultural Association in Stockton or the California Exposition and State Fair in Sacramento, then the total amount distributed to the applicable racing associations or fairs shall first be divided equally, with 50 percent distributed to applicable fairs and 50 percent distributed to applicable associations.

- (C) Notwithstanding any provisions of this section to the contrary, with respect to wagers on out-of-state and out-of-country thoroughbred races conducted after 6 p.m., Pacific time, 50 percent of the amount remaining shall be distributed as commissions to thoroughbred associations and racing fairs, as thoroughbred and fair purses, and as incentive awards in accordance with paragraph (A), and the remaining 50 percent, together with the total amount remaining from advance deposit wagering originating from California on out-of-state and out-of-country harness and quarter horse races conducted after 6 p.m., Pacific time, shall be distributed as commissions on a pro rata basis to the applicable licensed quarter horse association and the applicable licensed harness association, based upon the amount handled instate, both on- and off-track, on each breed's own live races in the previous year by that association, or its predecessor association. One-half of the amount thereby received by each association shall be retained by that association as a commission, and the other half of the money received shall be distributed as purses to the horsemen participating in its current or next scheduled licensed racing meeting.
- (D) Notwithstanding any provisions of this section to the contrary, with respect to wagers on out-of-state and out-of-country non-thoroughbred races conducted before 6 p.m., Pacific time, 50 percent of the amount remaining shall be distributed as commissions as provided in paragraph (C) for licensed quarter horse and harness associations, and the remaining 50 percent shall be distributed as commissions to the applicable thoroughbred associations or fairs, as thoroughbred and fair purses, and as incentive awards in accordance with paragraph (A).
- (E) Notwithstanding any provision of this section to the contrary, the distributions of market access fees under paragraph (5) of this subdivision may be altered upon the approval of the board, in accordance with an agreement signed by those parties whose distributions would be affected.

- (f) A racing association, fair, or satellite wagering facility may enter into an agreement with an ADW provider to accept and facilitate the placement of any wager from a patron at its facility that a California resident could make through that ADW provider. Deductions from wagers made pursuant to such an agreement shall be distributed in accord with the provisions of this chapter governing wagers placed at that facility, except that the board may authorize alternative distributions as agreed to by the ADW provider, the operator of the facility accepting the wager, the association or fair conducting that breed of racing in the zone where the wager is placed, and the respective horsemen's organization.
- (g) Any disputes concerning the interpretation or application of this section shall be resolved by the board.

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**19616.51.**

(a) Notwithstanding any other provision of law, the first thirty million dollars (\$30,000,000) of the total amount paid to the state by racing associations and fairs pursuant to this chapter shall be paid into the State Treasury to the credit of the Fair and Exposition Fund and shall be distributed for allocation by the Secretary of Food and Agriculture in the following priority:

- (1) For the purposes of Section 19606.1 in accordance with that section.
- (2) For the purposes of Section 19621 for the support of the network of California fairs in accordance with that section.
- (3) For the purposes of subdivision (a) and paragraphs (2), (3) and (4) of subdivision (b) of Section 19620.1 in accordance with that section.

(b) Notwithstanding any other provision of law, if the total amount paid to the state by racing associations and fairs pursuant to this chapter is less than forty million dollars (\$40,000,000) in any calendar year, beginning January 1, 2001, and thereafter, all associations and fairs that conducted live racing during the year of shortfall shall remit to the state, on a pro rata basis according to the amount handled in-state by each association or fair, the amount necessary to bring the total amount paid to the state to forty million dollars (\$40,000,000). The amounts due under this section, if any, shall be paid from the amount available for commissions, purses, and breeder awards, and shall be paid to the board prior to March 1 of the year following the year of the shortfall.

## Existing California ADW Law

**19411.** "Parimutuel wagering" is a form of wagering in which bettors either purchase tickets of various denominations, or issue wagering instructions leading to the placement of wagers, on the outcome of one or more horse races. When the outcome of the race or races has been declared official, the association distributes the total wagers comprising each pool, less the amounts retained for purposes specified in this chapter, to winning bettors.

This section shall remain in effect only until 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.

**19411.** "Parimutuel wagering" is a form of wagering in which bettors either purchase tickets of various denominations on the outcome of one or more horse races. When the outcome of the race or races has been declared official, the association distributes the total wagers comprising each pool, less the amounts retained for purposes specified in this chapter, to winning bettors.

This section shall become operative on January 1, 2008.

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**19590.** The board shall adopt rules governing, permitting, and regulating parimutuel wagering on horse races under the system known as the parimutuel method of wagering. Parimutuel wagering shall be conducted only by a person or persons licensed under this chapter to conduct a horse racing meeting, and only within the enclosure and on the dates for which horse racing has been authorized by the board. Wagering instructions concerning funds held in an advance deposit wagering account shall be deemed to be issued within the licensee's enclosure.

This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.

**19590.** The board shall adopt rules governing, permitting, and regulating wagering on horse races under the system known as the parimutuel method of wagering. Such wagering shall be conducted only by a person licensed under this chapter to conduct a horse racing meeting, and only within the enclosure and on the dates for which horse racing has been authorized by the board.

This section shall become operative on January 1, 2008.

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**19595.** Any form of wagering or betting on the result of a horse race other than that permitted by this chapter is illegal. Also illegal is any wagering or betting on horse races outside an enclosure where the conduct of horse racing is licensed by the board. Wagering



instructions concerning funds held in an advance deposit wagering account shall be deemed to be issued within the licensee's enclosure.

This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.

**19595.** Any form of wagering or betting on the result of a horse race other than that permitted by this chapter is illegal. Also illegal is any wagering or betting on horse races outside an enclosure where the conduct of horse racing is licensed by the board.

This section shall become operative on January 1, 2008.

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**19604.** Notwithstanding any other provision of law, in addition to parimutuel wagering otherwise authorized by this chapter, advance deposit wagering may be conducted upon approval of the board. The board may authorize any racing association or fair, during the calendar period it is licensed by the board to conduct a live racing meeting in accordance with the provisions of Article 4 (commencing with Section 19480), to accept advance deposit wagers or to allow these wagers through a betting system or a multijurisdictional wagering hub in accordance with the following:

- (a) Racing associations and racing fairs may form a partnership, joint venture, or any other affiliation in order to further the purposes of this section.
- (b) As used in this section, "advance deposit wagering" means a form of parimutuel wagering in which a person residing within California or outside of this state establishes an account with a licensee, a board-approved betting system, or a board-approved multijurisdictional wagering hub located within California or outside of this state, and subsequently issues wagering instructions concerning the funds in this account, thereby authorizing the entity holding the account to place wagers on the account owner's behalf. An advance deposit wager may be made only by the entity holding the account pursuant to wagering instructions issued by the owner of the funds communicated by telephone call or through other electronic media. The licensee, a betting system, or a multijurisdictional wagering hub shall ensure the identification of the account's owner by utilizing methods and technologies approved by the board. Further, at the request of the board, any licensee, betting system, or multijurisdictional wagering hub located in California, and any betting system or multijurisdictional wagering hub located outside of this state that accepts wagering instructions concerning races conducted in California or accepts wagering instructions from California residents, shall provide a full accounting and verification of the source of the wagers thereby made, including the zone and breed, in the form of a daily download of parimutuel data to a database designated by the board. Additionally, when the board approves a licensee, a betting system, or a multijurisdictional wagering hub, whether located within California or outside of this state, to accept advance deposit wagering instructions on any race or races from California residents, the licensee, betting system, or multijurisdictional wagering hub

may be compensated pursuant to a contractual agreement with a California licensee, in an amount not to exceed 6.5 percent of the amount handled on a race or races conducted in California, and in the case of a race or races conducted in another jurisdiction, may be compensated in an amount not to exceed 6.5 percent, plus a fee to be paid to the host racing association not to exceed 3.5 percent, of the amount handled on that race or races. The amount remaining after the payment of winning wagers and after payment of the contractual compensation and host fee, if any, shall be distributed as a market access fee in accordance with subdivision (g). As used in this section, "market access fee" means the contractual fee paid by a betting system or multijurisdictional wagering hub to the California licensee for access to the California market for wagering purposes. As used in this section, "licensee" means any racing association or fair, or affiliation thereof authorized in subdivision (a).

- (c) (1) The board shall develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for licensees, betting systems, and multijurisdictional wagering hubs located in California. Betting systems and multijurisdictional wagering hubs located and operating in California shall be approved by the board prior to establishing advance deposit wagering accounts or accepting wagering instructions concerning those accounts and shall enter into a written contractual agreement with the bona fide labor organization that has historically represented the same or similar classifications of employees at the nearest horse racing meeting. Permanent state or county employees and nonprofit organizations that have historically performed certain services at county, state, or district fairs may continue to provide those services, notwithstanding this requirement.
- (2) The board shall develop and adopt rules and regulations requiring betting systems and multijurisdictional wagering hubs to establish security access policies and safeguards, including, but not limited to, the following:
  - (A) The betting system or wagering hub shall utilize the services of a board-approved independent third party to perform identity, residence, and age verification services with respect to persons establishing an advance deposit wagering account.
  - (B) The betting system or wagering hub shall utilize personal identification numbers (PINs) and other technologies to assure that only the accountholder has access to the advance deposit wagering account.
  - (C) The betting system or wagering hub shall provide for withdrawals from the wagering account only by means of a check made payable to the accountholder and sent to the address of the accountholder or by means of an electronic transfer to an account held by the verified accountholder or the accountholder may withdraw funds from the wagering account at a facility approved by the board by presenting verifiable personal and account identification information.

- (D) The betting system or wagering hub shall allow the board access to its premises to visit, investigate, and place expert accountants and other persons it deems necessary for the purpose of ensuring that its rules and regulations concerning credit authorization, account access, and other security provisions are strictly complied with.
- (3) The board shall prohibit advance deposit wagering advertising that it determines to be deceptive to the public. The board shall also require, by regulation, that every form of advertising contain a statement that minors are not allowed to open or have access to advance deposit wagering accounts.
- (d) As used in this section, a "multijurisdictional wagering hub" is a business conducted in more than one jurisdiction that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.
- (e) As used in this section, a "betting system" is a business conducted exclusively in this state that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.
- (f) In order for a licensee, betting system, or multijurisdictional wagering hub to be approved by the board to conduct advance deposit wagering, it shall meet both of the following requirements:
- (1) All wagers thereby made shall be included in the appropriate parimutuel pool of the host racing association or fair under a contractual agreement with the applicable California licensee, in accordance with the provisions of this chapter.
  - (2) The amounts deducted from advance deposit wagers shall be in accordance with the provisions of this chapter.
- (g) The amount received as a market access fee from advance deposit wagers, which shall not be considered for purposes of Section 19616.51, shall be distributed as follows:
- (1) An amount equal to 0.0011 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Center for Equine Health to establish the Kenneth L. Maddy Fund for the benefit of the School of Veterinary Medicine at the University of California at Davis.
  - (2) An amount equal to 0.0003 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Department of Industrial Relations to cover costs associated with audits conducted pursuant to Section 19526 and for the purposes of reimbursing the State Mediation and Conciliation Service for costs incurred pursuant to this bill. However, if that amount would exceed the costs of the Department of Industrial Relations, the amount distributed

to the department shall be reduced, and that reduction shall be forwarded to an organization designated by the racing association or fair described in subdivision (a) for the purpose of augmenting a compulsive gambling prevention program specifically addressing that problem.

(3) An amount equal to 0.00165 multiplied by the amount handled on advance deposit wagers that originate in California for each racing meeting shall be distributed as follows:

(A) One-half of the amount shall be distributed to supplement the trainer-administered pension plans for backstretch personnel established pursuant to Section 19613. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19613 or any other provision of law.

(B) One-half of the amount shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.

(4) With respect to wagers on each breed of racing that originate in California, an amount equal to 2 percent of the first two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to 1.5 percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, and an amount equal to 1 percent of handle from all advance deposit wagers originating from within California in excess of five hundred million dollars (\$500,000,000) annually, shall be distributed as satellite wagering commissions. The satellite wagering facility commissions calculated in accordance with this subdivision shall be distributed to each satellite wagering facility and racing association or fair in the zone in which the wager originated in the same relative proportions that the satellite wagering facility or the racing association or fair generated satellite commissions during the previous calendar year. In the event of a reduction in the satellite wagering commissions, pursuant to this section, the benefits therefrom shall be distributed equitably as purses and commissions to all associations and racing fairs generating advance deposit wagers in proportion to the handle generated by those associations and racing fairs. For purposes of this section, the purse funds distributed pursuant to Section 19605.72 shall be considered to be satellite wagering facility commissions attributable to thoroughbred races at the locations described in that section.

(5) With respect to wagers on each breed of racing that originate in California for each racing meeting, after the payment of contractual obligations to the licensee, the betting system, or the multijurisdictional wagering hub, and the



distribution of the amounts set forth in paragraphs (1) through (4), inclusive, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed during the calendar period in the zone in which the wager originated, and this amount shall be allocated to that racing association or fair as commissions, to horsemen participating in that racing meeting in the form of purses, and as incentive awards, in the same relative proportion as they were generated or earned during the prior calendar year at that racing association or fair on races conducted or imported by that racing association or fair after making all deductions required by applicable law. Purse funds generated pursuant to this section may be utilized to pay 50 percent of the total costs and fees incurred due to the implementation of advance deposit wagering. "Incentive awards" shall be those payments provided for in Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The amount determined to be payable for incentive awards shall be payable to the applicable official registering agency and thereafter distributed as provided in this chapter. If the provisions of Section 19601.2 apply, then the amount distributed to the applicable racing associations or fairs from advance deposit wagering shall first be divided between those racing associations or fairs in direct proportion to the total amount wagered in the applicable zone on the live races conducted by the respective association or fair. Notwithstanding this requirement, when the provisions of subdivision (b) of Section 19607.5 apply to the 2nd District Agricultural Association in Stockton or the California Exposition and State Fair in Sacramento, then the total amount distributed to the applicable racing associations or fairs shall first be divided equally, with 50 percent distributed to applicable fairs and 50 percent distributed to applicable associations. For purposes of this subdivision, the zones of the state shall be as defined in Section 19530.5, except as modified by the provisions of subdivision (f) of Section 19601, and the combined central and southern zones shall be considered one zone.

Notwithstanding any provision of this section to the contrary, the distribution of the market access fee, other than the distributions specified in paragraph (1) or (2), may be altered upon the approval of the board, in accordance with an agreement signed by all parties receiving a distribution under paragraphs (4) and (5).

- (h) Notwithstanding any provisions of this section to the contrary, all funds derived from advance deposit wagering that originate from California for each racing meeting on out-of-state and out-of-country thoroughbred races conducted after 6 p.m., Pacific time, shall be distributed in accordance with this subdivision. With respect to these wagers, 50 percent of the amount remaining after the payment of contractual obligations to the multijurisdictional wagering hub, betting system, or licensee and the amounts set forth in paragraphs (1) through (5), inclusive, of subdivision (g) shall be distributed as commissions to thoroughbred associations and racing fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subdivision (g), and the remaining 50 percent, together with all funds derived for each racing meeting from advance deposit wagering originating from California out-of-state and out-of-country harness and quarter horse races conducted after

6 p.m., Pacific time, shall be distributed as commissions on a pro rata basis to the applicable licensed quarter horse association and the applicable licensed harness association, based upon the amount handled instate, both on- and off-track, on each breed's own live races in the previous year by that association, or its predecessor association. One-half of the amount thereby received by each association shall be retained by that association as a commission, and the other half of the money received shall be distributed as purses to the horsemen participating in its current or next scheduled licensed racing meeting.

- (i) Notwithstanding any provisions of this section to the contrary, all funds derived from advance deposit wagering which originate from California for each racing meeting on out-of-state and out-of-country nonthoroughbred races conducted before 6 p.m., Pacific time, shall be distributed in accordance with this subdivision. With respect to these wagers, 50 percent of the amount remaining after the payment of contractual obligations to the multijurisdictional wagering hub, betting system, or licensee and the amounts set forth in paragraphs (1) through (5), inclusive, of subdivision (g) shall be distributed as commissions as provided in subdivision (h) for licensed quarter horse and harness associations, and the remaining 50 percent shall be distributed as commissions to the applicable thoroughbred associations or fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subdivision (g).
- (j) A racing association, a fair, or a satellite wagering facility may accept and facilitate the placement of any wager from a patron at its facility that a California resident could make through a betting system or multijurisdictional wagering hub duly offering advance deposit wagering in this state, and the facility accepting the wager shall receive a 2-percent commission on that wager in lieu of any distribution for satellite commissions pursuant to subdivision (g).
- (k) Any disputes concerning the interpretation or application of this section shall be resolved by the board.

This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.

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**19616.51.** Notwithstanding any other provision of law, if the total amount paid to the state by racing associations and fairs pursuant to this chapter is less than forty million dollars (\$40,000,000) in any calendar year, beginning January 1, 2001, and thereafter, all associations and fairs that conducted live racing during the year of shortfall shall remit to the state, on a pro rata basis according to the amount handled in-state by each association or fair, the amount necessary to bring the total amount paid to the state to forty million dollars (\$40,000,000). The amounts due under this section, if any, shall be paid from the amount available for commissions, purses, and breeder awards, and shall be paid to the board prior to March 1 of the year following the year of the shortfall.

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Format changed	0
Total changes	25

CALIFORNIA AUTHORITY OF RACING FAIRS  
PROPOSED ADVANCED DEPOSIT WAGERING LEGISLATION  
MAY 23, 2007

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We offer the following considerations regarding advanced deposit wagering legislation.

**FUNDING SHORTFALLS**

As we have stated previously, there is one overarching concern for Fairs on any legislative matters relating to ADW in this session: the decline in license fees and the consequent impact on revenues to the Fairs and Expositions funds, the CHRB budget and other recipients of these distributions. Much, if not all, of this decline is due to the migration of handle from traditional totalisator handle to ADW handle and the subsequent shift in parimutuel distributions from the traditional model to the ADW model. License fees are not the only distribution from traditional handle that have suffered declines. Several other funds, including the Stabling and Vanning Fund, California Marketing Committee, CHRIMS budget and Simulcast Expenses Fund, each of which is funded by distributions from traditional handle, are suffering declines, even shortfalls. The current ADW model includes no license fee distributions to the state or to these other important funds. From our perspective, ADW legislation should include a remedy to these shortfalls.

**Conceptual solutions**

- Reduce cap from 6.5% to 5%, creating up to 1.5% for other distributions. Dedicate this 1% to cover license fee shortfalls (balance to commissions and purses) and .5% to cover shortfalls to other funds (Stabling & Vanning; CHRIMS; etc). If SB 873 passes, the license fees so generated would be redirected to purses, along with existing license fees.
- Create a new distribution model for ADW wagers made at a race track or licensed satellite wagering facilities ("facilitated wager") that replicates the existing model for traditional tote-based wagers. Reduce the cap for these wagers to 3% or lower and adjust the remaining distributions on a pro-rata basis, as we do now for imported races. Such a new model could create revenue streams to the funds presently suffering shortfalls. Note that there are presently no "facilitated wagers" although statute does provide for it.



***PROPOSED REDUCTION IN ADW 2% LOCATION FEES***

The most recent draft we've seen proposes a reduction in Location Fees. We are compelled to oppose any reduction in location fees to Fair Satellite Facilities. Fair Satellites have suffered continued declines in handle and attendance caused by ADW. The 2% Location Fee language was built into the original ADW legislation with the intent to offset "cannibalization" that results from on-line and telephone wagering. When the decline from ADW is added to the negative impact of tribal casinos on many satellite facilities around the state, the cumulative impact is really taking its toll. Fair satellites cannot afford further erosion in revenues; another reduction will affect their financial viability.

***SUNSET***

We would favor a five-year sunset.

***AUDITS***

Provide for tighter audit controls, including sources of wagers, consistent with current accounting standards. Cost to be borne by ADW providers.

***FIVE-WEEK/SEVEN-WEEK MINIMUM MEETING***

Is there still a reason to keep the language that an association or Fair must race a minimum number of weeks in order to enter into a Hub Agreement? Isn't it sufficient that an association or Fair be licensed?

***ENCLOSURE***

We'd like some further clarification of the changed definition of "enclosure" in May 7 draft.

***HORSEMEN'S APPROVAL ON ADW CONTRACTS***

We are in agreement with the position laid out in the most recent draft.

###

**DRAFT LEGISLATION**

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Although there are over 18,000 lottery outlets, more than ninety gambling establishments, and more than sixty tribal casinos, there are only thirty-three places to make a wager on a horse race in the State of California. Yet horse racing employs over 45,000 people in the State of California. With a population of over thirty-four million people, the horse racing industry is poorly serving the citizens of this state.

This measure seeks to make the sport of horse racing more accessible to the citizens of this state.

The California Horse Racing Board may approve an additional fifteen mini satellite wagering sites in each zone provided all of the following conditions are met:

1. No site is within 20 miles of a race track, a satellite wagering facility, or a tribal casino, which has a satellite wagering facility. If the proposed facility is within 20 miles of one of the above-referenced satellite facilities, then the consent of each facility within a 20 mile radius must be given before the proposed facility may be approved by the California Horse Racing Board.
2. There must be an agreement with the racing association which is sending the audio/visual signal for the acceptance of wagers, and the site must be approved by the California Horse Racing Board.
3. The wagers may only be accepted in an area which is accessible only to those who are at least 21 years of age.
4. Wagering is permitted only on those races that may be wagered on at the race track.
5. Parimutuel clerks shall be available to service the self-service tote machines at these locations, and to cash wagering vouchers on a regularly scheduled basis.

If a mini satellite wagering site is proposed in the northern zone in a fair district where the fair has operated a satellite wagering facility for the previous five years, the approval of the fair must be obtained even if the proposed locations is more than 20 miles from the existing satellite wagering facility operated by the fair.

Section 19616.51 of the Business and Professions Code is amended to read:

19616.51. (a) Notwithstanding any other provision of law, the first thirty million dollars (\$30,000,000) of the total amount paid to the state by racing associations and fairs pursuant to this chapter shall be paid into the State Treasury to the credit of the Fair and Exposition Fund and shall be distributed for allocation by the Secretary of Food and Agriculture in the following priority:

(1) For the purposes of Section 19606.1 in accordance with that section.

(2) For the purposes of Section 19621 for the support of the network of California fairs in accordance with that section.

(3) For the purposes of subdivision (a) and paragraphs (2), (3) and (4) of subdivision (b) of Section 19620.1 in accordance with that section.

(b) Notwithstanding any other provision of law, if the total amount paid to the state by racing associations and fairs pursuant to this chapter is less than forty million dollars (\$40,000,000) in any calendar year, beginning January 1, 2001, and thereafter, all associations and fairs that conducted live racing during the year of shortfall shall remit to the state, on a pro rata basis according to the amount handled in-state by each association or fair, the amount necessary to bring the total amount paid to the state to forty million dollars (\$40,000,000). The amounts due under this section, if any, shall be paid from the amount available for commissions, purses, and breeder awards, and shall be paid to the board prior to March 1 of the year following the year of the shortfall.

May 31, 2007

TO: Interested Parties

RE: California Horse Racing Revitalization Plan

California horse racing's longstanding and self-sustaining business model is threatened by out-of-state venues whose purses and track commissions are augmented by revenue generated from slot machines and other alternative forms of electronic gaming. The granting of exclusive gaming rights to tribal casinos within California has also significantly disadvantaged the industry in the competition for horses, jockeys, fans, wagers, etc.

More than 50,000 industry jobs and \$4.1 billion in positive impact on the state economy are in immediate jeopardy. All involved in horse racing are committed to stabilizing/improving the California horseracing climate. However, because the industry operates in such a highly regulated environment, assistance is required from both the Legislature and Administration.

The Governor and the key legislators have repeatedly expressed a willingness to help horse racing and urged the industry to bring forth a consensus plan in this regard. The attached package of recommendations is designed to accomplish that goal.

This package builds upon horse racing's basic product to generate additional revenue and provide the tools necessary to reverse the industry's downward spiral -- while preserving exclusive gaming rights for California tribes. Its adoption will enable the industry to develop a 21<sup>st</sup> century profile and reshape the future of horse racing in California.

The undersigned horse racing stakeholders encourage policy makers to take immediate action on this package through the appropriate budget, legislative and regulatory processes.

Alameda County Fair  
 \*Bay Meadows Racing Association  
 Big Fresno Fair  
 California Authority of Racing Fairs  
 California Exposition and State Fair  
 California Thoroughbred Breeders Association  
 California Thoroughbred Trainers  
 Del Mar Thoroughbred Club  
 Fairplex Park/Los Angeles County Fair  
 Golden Gate Fields  
 \*Hollywood Park Racing Association

Humboldt County Fair  
 Oak Tree Racing Association  
 \*Pacific Coast Quarter Horse Racing Association  
 San Joaquin County Fair  
 San Mateo County Fair  
 Santa Anita Park  
 Solano County Fair  
 Sonoma County Fair  
 Thoroughbred Owners of California  
 Western Fairs Association

\* Subject to buy in from Joe and Kirk before distribution



## **California Horse Racing Revitalization Plan**

### **License Fees**

Eliminate about \$40 million in annual license fees are currently paid annually to the state by horse racing. These fees are deposited into the Fairs and Expositions Fund for support of the California fair network, the California Horse Racing Board, and the Maddy Equine Research Laboratory at UC Davis. These license fees should be redirected to purses and breeders' awards. A new funding source should be created for fairs, the CHRB and UC Davis; a stable funding source should also be established for refurbishing horse racing facilities and health and safety projects at fairs (\$61 million net benefit).

### **Electronic Horse Racing Games**

Authorize the utilization of electronic games based on horse races similar to those currently in use at various race tracks around the country. Instant Racing® has been approved by the Association of Racing Commissioners International as a valid and legal form of pari-mutuel wagering, as is required by California law. 1,000 Instant Racing® games should be authorized at each of the state's five major race tracks to offer California fans a contemporary wagering opportunity (\$50 million net benefit).

### **Sponsorship Monies from Gaming Tribes**

Establish a \$75 million annual promotional partnership with gaming tribes throughout the state. The envisioned tribal sponsorships will help ensure that California purses and breeders' awards are competitive within other major racing states and that California racing associations are able to modernize stabling areas and improve housing for backstretch workers (\$75 million net benefit).

### **Sales Tax Relief**

Redirect the state's portion of the sales tax on horses purchased and sold at auction or claiming races into purses. These funds could be used to establish a Maddy/Vincent California Challenge series which would attract horse racing's finest, elevate the industry's national profile and enhance wagering accordingly (\$5.25 million net benefit).

### **Restrictive and Outdated Provisions of Law**

Eliminate overly restrictive and outdated provisions of current statute. In order to remain competitive, the horse racing industry must have greater flexibility in the conduct of its everyday business, subject to appropriate regulatory oversight. Key steps that must be taken to allow racing to compete in the modern business world are as follows:

1. Renew Advanced Deposit Wagering enabling legislation (AB 813, Portantino).
2. Utilize lottery outlets and other suitable locations for approved horse racing wagers.
3. Delegate CHRB the authority to authorize new wagers/distributions.
- 4. Remove caps on imported races.
5. Increase flexibility in determining "Take Out."



Froehlich, Kow & Gong  
Architects, Inc.

May 18, 2007

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

**Subject: Conceptual Design Service and Fee Proposal for  
Satellite Wagering Facility Conversion**

**Re: San Mateo County Event Center,  
2495 S. Delaware, San Mateo, CA.**

Dear Mr. Korby,

The office of Froehlich, Kow & Gong Architects, Inc. is pleased to submit our Conceptual Design and Fee Proposal for the Satellite Wagering Conversion at the San Mateo County Event Center, San Mateo, CA.

**I. Scope of Work:**

The Scope of Work will include the re-arrangement of the approach, creating new drop off area, new landscaped entrance plaza and walkways, convert the two existing Oak and Cypress Exhibit Halls into a new Satellite Wagering Facility that will include general admission area with tables and chairs, semi private corrals, clubhouse area, supported by mutuel windows and self serviced terminals, concessions and bars, kitchen and toilets. To be included is a sports bar with separate entrance, and the proposed use and improvement for the outdoor area between the two buildings.

**II. Scope of Conceptual Design Services:**

The scope of the Conceptual Design Services will include:

1. Meetings as needed with CARF and Event Center Management to discuss project background, program requirement and expectation.
- 2) Field survey and verification of existing Oak and Cypress buildings and its surroundings.
- 3) Prepare as built drawings in CADD files for conceptual design and future working drawing use.
- 4) Provide Site Development and Landscape Concept Plan.

- 5) Furnish conceptual design for the Satellite Wagering Conversion.
- 6) Provide Budget Construction Cost Estimate; and
- 7) Project Schedule.
- 8 Meetings as needed with CARF and Event Center Management to review the proposed conceptual design, timeline and cost.
- 9 Revise and finalize Conceptual Design.
- 10 Prepare conceptual drawings suitable for presentation.

### **III. Design Fees:**

For the above design services, we proposed a **Lump Sum Fee in the amount of \$34,800.00** plus reimbursable. Reimbursable shall have a marked up of 10%, and shall include printing, plotting, mileage and any out of pocket expenses related to the project. Travel and lodging will be reimbursed at direct cost without markup. The fee consists of the following:

Meetings, Field visit, verification, & as-built:	
Architect:	\$5,500
Site Improvement and landscape plan:	
Architect:	\$2,000
Landscape Architect:	\$5,000
Conceptual Program, Design and layout:	
Architect:	\$14,500
Mechanical & Plumbing Engineer:	\$1,500
Electrical Engineer:	\$1,000
Budget Construction Cost:	
Architect:	\$1,800
Presentation drawings and sketch:	
Architect:	\$3,500
<b>TOTAL FEE:</b>	<b>\$34,800</b>

### **IV. Extra Service:**

Any services not described above will be considered as Extra Services. Extra Service fee will be negotiated on as needed basis.

### **V. Payment Schedule:**

Monthly invoice will be sent reflecting the amount of work completed. Payment shall be made within 14 days of receipt of the invoice.

Mr. Christopher Korby,  
May 18, 2007  
Page 3 of 3

**VI. Owner Furnished Items:**

Owner furnished items to include the CADD file for the Site, as-built drawings of the existing Exhibit Buildings, and any drawings pertains to the Fairground and that can be useful for this study.

**VII. Time Schedule:**

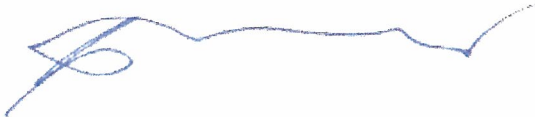
We can start the work immediately upon Notice to Proceed. As this project is very time sensitive, we will attempt to complete the work within 4 weeks or sooner.

**VIII. Termination:**

This agreement can be terminated in writing with 7 days notice. Payment shall be made for all services incurred up to the day of cancellation.

We are very excited about this project and are looking forward to working with you and Mr. Chris Carpenter and his staff on this extremely tight scheduled project.

Very Truly Yours,



Gordon Gong, A.I.A., President  
FROEHLICH, KOW & GONG ARCHITECTS, INC

**Approval:**

_____	_____	_____
Signature	Name	date



# Alameda Fairground Synthetic and Turf Tracks

May 18, 2007

## PROJECT SCHEDULE:

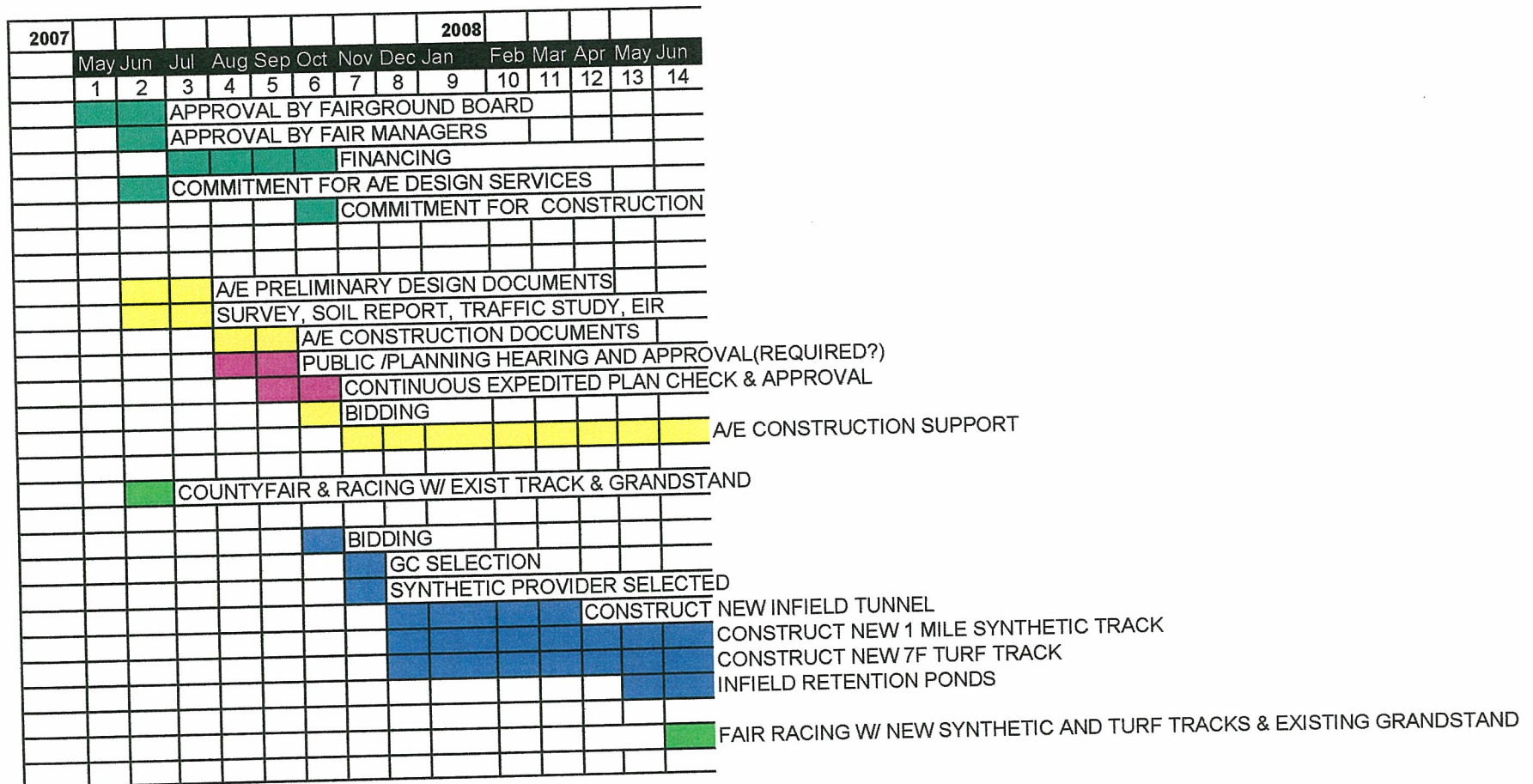
ONE YEAR SCHEDULE: FROM JUNE. 2007 - JUNE. 2008

Prepared by Froehlich, Kow & Gong Architects, Inc.

969 Colorado Blvd, L.A. CA.

Tel. 323 257-0277

Fax 323 256 2226



RESOLUTION NO. \_\_\_\_\_

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA

RESOLUTION SUPPORTING SAN MATEO COUNTY EVENT CENTER'S EFFORTS TO ENSURE THE RETENTION OF  
RACE DATES AND SATELLITE WAGERING

---

**RESOLVED**, by the Board of Supervisors of the County of San Mateo, State of California, that

**WHEREAS**, an urgent matter of critical importance to the residents of San Mateo County arose since the Board agenda was posted;

**WHEREAS**, it has just been determined that the Race Dates Committee is considering a 2008 Northern California calendar that does not include horse racing days to benefit San Mateo County and that the California Horse Racing Board will begin discussions on Tuesday, May 22, 2007, on the allocation of the horse racing days and issues related to satellite wagering which could directly impact the San Mateo County Event Center;

**WHEREAS**, preservation of the San Mateo County Event Center and all it offers to the residents of San Mateo is a priority; and

**WHEREAS**, the County clearly recognizes the need for immediate and necessary steps to be taken to communicate to our local government, State legislative and regulatory partners the critical need for retention of live race dates and continued operation of a satellite wagering; and

**WHEREAS**, the County has determined that conducting simulcast wagering at the San Mateo County Event Center will make a positive financial contribution to the county's ability to maintain a high quality San Mateo County Event Center Campus, and continue the 150-year history of conducting a County Fair for children and families to enjoy and value the rich floral, agricultural, livestock and related industry diversity found in San Mateo County, and lead to attracting increased attendance from in and around the County of San Mateo; and

**WHEREAS**, the County has determined that conducting simulcast wagering at the San Mateo County Event Center will create economic income to the surrounding community especially the City of San Mateo to the benefit of residents and visitors alike; and

**WHEREAS**, the County has determined that conducting a live race meet at Bay Meadows Racing Association or at another racing fair or association in a manner that maintains the current revenue source for the San Mateo County Event Center is critical to their continued vitality; and

**WHEREAS**, the County recognizes the value of a unified local government and State legislative representative voice on this issue;

**NOW, THEREFORE, IT IS HEREBY RESOLVED** that the San Mateo County Board of Supervisors unanimously support simulcast wagering at the San Mateo County Event Center, and conducting a live race meet at Bay Meadows Racing Association or at another racing fair or association in a manner that protects the current legal obligations and maintains the current revenue source for the San Mateo County Fair and Event Center to serve the interest of the residents of San Mateo County.

\*\*\*\*\*

**California Authority of Racing Fairs**  
**Agency Income Statement**  
**March 31, 2007**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>
	<b>Year End</b>	<b>Year End</b>	<b>Budget</b>	<b>Variance</b>	<b>% Budget</b>	<b>Current YTD</b>
<b>Revenue:</b>						
Other Revenue	255	9,233	500	(500)	0%	0
Interest Income	35,736	48,441	40,000	(31,649)	21%	8,352
Member Dues	279,780	261,477	257,276	(192,959)	25%	64,317
CARF Admin Fee	335,413	297,943	419,925	(353,554)	16%	66,371
<b>Total Revenue</b>	<b>651,185</b>	<b>617,094</b>	<b>717,701</b>	<b>(578,661)</b>	<b>19%</b>	<b>139,039</b>
<b>Expenses:</b>						
Salaries	200,703	204,210	277,762	223,756	19%	54,006
Employee Benefits	28,803	21,363	61,108	54,965	10%	6,143
Post Retirement Benefits	22,800	27,118	32,000	24,140	25%	7,860
Payroll Taxes	13,519	11,471	30,554	26,903	12%	3,651
Accounting Costs	16,270	16,965	16,250	12,183	25%	4,067
Advertising Expense	0	800	0	0	0%	0
Audit Services	5,125	4,815	5,625	5,625	0%	0
Automobile Expense	357	0	2,000	2,000	0%	0
Contracted Services	1,928	1,198	3,000	1,823	39%	1,177
Depreciation	10,853	16,682	4,385	4,385	0%	0
Dues & Subscriptions	719	30,475	31,000	23,874	23%	7,126
Insurance Expense	35,110	37,763	38,151	28,704	25%	9,447
Legal Expenses	7,419	6,620	20,000	20,000	0%	0
Legislative Expenses	51,857	49,888	60,000	46,215	23%	13,785
Meetings Expense	2,901	6,861	6,000	5,445	9%	555
Miscellaneous Expenses	269	29	1,000	996	0%	4
Office Supplies	14,912	17,074	15,000	11,583	23%	3,417
Postage & Shipping	3,201	3,570	3,000	2,367	21%	633
Rent (Tribute Road)	33,641	35,777	35,770	26,828	25%	8,942
Repairs & Maintenance	953	370	1,000	1,000	0%	0
Telephone Expense	9,437	10,660	11,000	7,980	27%	3,020
Training	0	0	2,500	2,500	0%	0
Travel Expense	23,835	24,886	27,500	23,276	15%	4,224
<b>Total Expenses</b>	<b>484,614</b>	<b>528,593</b>	<b>684,605</b>	<b>556,548</b>	<b>19%</b>	<b>128,057</b>
<b>Income (Loss)</b>	<b>166,571</b>	<b>88,500</b>	<b>33,096</b>	<b>(22,113)</b>	<b>33%</b>	<b>10,983</b>

**California Authority of Racing Fairs  
Southern Region Income Statement  
March 31, 2007**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>
	<b>Year End</b>	<b>Year End</b>	<b>Budget</b>	<b>Variance</b>	<b>% Budget</b>	<b>Current YTD</b>
<b>Program Revenue:</b>						
Program Sales	696,535	493,939	390,075	(273,517)	30%	116,558
Other Revenue	0	0	0	0	0%	0
Royalties/Fees Due Host	(629,936)	(440,394)	(351,067)	252,850	28%	(98,217)
<b>Total Revenue</b>	<b>66,599</b>	<b>53,545</b>	<b>39,008</b>	<b>(20,666)</b>	<b>47%</b>	<b>18,342</b>
<b>Expenses:</b>						
Legal Expenses	0	0	2,500	2,500	0%	0
Meetings Expense	0	0	1,000	1,000	0%	0
Misc Exp.(Storage)	0	0	1,000	1,000	0%	0
Postage & Shipping	0	0	100	100	0%	0
Telephone Expense	0	0	500	500	0%	0
<b>Total Expenses</b>	<b>0</b>	<b>0</b>	<b>5,100</b>	<b>5,100</b>	<b>0%</b>	<b>0</b>
<b>Operating Income (Loss)</b>	<b>66,599</b>	<b>53,545</b>	<b>33,908</b>	<b>(15,566)</b>	<b>54%</b>	<b>18,342</b>
CARF Admin Fee	52,255	39,146	29,256	20,514	30%	8,742
Rebate						
<b>Income (Loss)</b>	<b>14,344</b>	<b>14,398</b>	<b>4,652</b>	<b>4,947</b>	<b>206%</b>	<b>9,600</b>



**California Authority of Racing Fairs  
Project Management Income Statement  
March 31, 2007**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>
	<b>Year End</b>	<b>Year End</b>	<b>Budget</b>	<b>Variance</b>	<b>% Budget</b>	<b>Current YTD</b>
<b>Revenue:</b>						
CARF Admin Fee	168,072	126,419	256,250	(219,743)	14%	36,507
Project Management	67,238	76,158	85,868	(65,604)	24%	20,264
<b>Total Revenue</b>	<b>235,310</b>	<b>202,578</b>	<b>342,118</b>	<b>(285,347)</b>	<b>17%</b>	<b>56,771</b>
<b>Expenses:</b>						
Salaries Expense	47,563	56,190	51,592	36,520	29%	15,072
Employee Benefits	5,936	6,595	11,350	9,555	16%	1,795
Payroll Taxes	2,928	3,065	5,675	4,598	19%	1,077
Accounting Costs	6,500	6,780	6,500	4,875	25%	1,625
Audit Services	2,050	1,870	2,250	2,250	0%	0
Automobile Expense	290	0	4,500	4,500	0%	0
Contracted Services	0	0	1,000	1,000	0%	0
Telephone Expense	1,351	1,015	2,000	1,944	3%	56
Travel Expense	140	144	500	415	17%	85
Miscellaneous Expenses	480	555	500	(55)	111%	555
<b>Total Expenses</b>	<b>67,238</b>	<b>76,214</b>	<b>85,867</b>	<b>65,603</b>	<b>24%</b>	<b>20,264</b>
<b>CARF Admin Fee</b>	<b>168,072</b>	<b>126,364</b>	<b>256,251</b>	<b>219,744</b>	<b>14%</b>	<b>36,507</b>

**California Authority of Racing Fairs  
Live Racing Income Statement  
March 31, 2007**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>
	<b>Year End</b>	<b>Year End</b>	<b>Budget</b>	<b>Variance</b>	<b>% Budget</b>	<b>Current YTD</b>
<b>Revenues:</b>						
Change Fund Admin Fee	25,426	42,690	40,000	(26,613)	33%	13,387
Racing Fairs Admin Fee	67,660	67,743	72,418	(64,683)	11%	7,735
Supplemental Purses Admin Fee	22,000	22,000	22,000	(22,000)	0%	0
NCOTWINC Reimbursement	29,000	29,000	29,000	(29,000)	0%	0
Racing Fairs Reimbursement	894,677	959,886	965,572	(863,007)	11%	102,565
Advertising Revenue	3,625	3,425	3,500	(2,000)	43%	1,500
<b>Total</b>	<b>1,042,388</b>	<b>1,124,744</b>	<b>1,132,490</b>	<b>(1,007,303)</b>	<b>11%</b>	<b>125,187</b>
<b>Expenses:</b>						
Salaries	119,133	137,045	116,281	82,991	29%	33,290
Employee Benefits	28,745	32,501	30,000	21,190	29%	8,810
Payroll Taxes	7,950	9,178	12,791	9,965	22%	2,826
Accounting Costs	42,250	44,070	42,250	31,688	25%	10,562
Audit Services	13,325	12,155	14,950	14,950	0%	0
Automobile Expense	2,846	811	3,000	3,000	0%	0
Dues & Subscriptions, NTRA	150	28,125	30,000	22,969	23%	7,031
Legal Expenses	1,339	9,232	6,000	(17,520)	392%	23,520
Meetings Expense	5,722	3,429	5,000	4,608	8%	392
Misc. Exp (Storage,Bank fee)	5,264	0	3,000	3,000	0%	0
Telephone Expense	1,671	932	2,000	1,963	2%	37
Travel Expense	28,822	28,650	25,000	24,411	2%	589
<b>Sub-Totals</b>	<b>257,217</b>	<b>306,128</b>	<b>290,272</b>	<b>203,213</b>	<b>30%</b>	<b>87,059</b>
<b>Racing Support Services:</b>						
Announcer	68,824	33,513	40,000	40,000	0%	0
Condition Bk/Program Cover	17,285	19,540	23,000	22,409	3%	591
Racing Operations Support	19,498	73,176	68,000	64,620	5%	3,380
TC02 Testing	42,511	50,341	51,000	51,000	0%	0
Marketing	3,769	2,095	20,000	18,319	8%	1,681
Network Management	2,666	2,748	5,000	4,636	7%	364
Paymaster	3,961	8,860	10,500	8,742	17%	1,758
Program Production	164,799	169,347	160,000	158,808	1%	1,192
Racing Office System	62,441	60,889	60,000	58,191	3%	1,809
Recruitment	11,649	13,257	10,000	8,810	12%	1,190
Jumbo Screen	179,350	151,025	175,000	175,000	0%	0
Supplies	12,444	17,968	9,500	9,500	0%	0
Tattooing	22,002	16,724	16,800	12,980	23%	3,820
Timing/Clocker	39,541	29,472	30,000	30,000	0%	0
Transportation	3,050	3,350	4,000	4,000	0%	0
TV Production/Simulcast	16,296	33,879	25,000	23,780	5%	1,220
<b>Sub-Totals</b>	<b>670,085</b>	<b>686,183</b>	<b>707,800</b>	<b>690,794</b>	<b>1</b>	<b>17,006</b>
<b>Total Expenses</b>	<b>927,302</b>	<b>992,311</b>	<b>998,072</b>	<b>894,007</b>	<b>10%</b>	<b>104,065</b>
<b>CARF Admin Fee</b>	<b>115,086</b>	<b>132,433</b>	<b>134,418</b>	<b>113,296</b>	<b>16%</b>	<b>21,122</b>
<b>Net Income(Unbilled Expenses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>	<b>0</b>

**PROPOSAL**  
**TO**  
**CALIFORNIA MARKETING COMMITTEE THOROUGHBRED RECRUITMENT PROGRAM**  
**BY**  
**CALIFORNIA AUTHORITY OF RACING FAIRS**

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In advance of its 2007 summer racing circuit, the California Authority of Racing Fairs (CARF) hereby requests a funding allocation of \$30,000 from the CMC Thoroughbred Recruitment Budget for support of CARF's program to recruit out-of-state thoroughbreds to race in Northern California. We propose that the funds be allocated on a matching basis, with CARF matching CMC recruitment dollars on a 1:1 ratio.

***Background***

Since 2001, the California Authority of Racing Fairs has conducted a program to increase field size through recruitment of Thoroughbreds from other states. Our recruitment program includes visits to tracks in Arizona and Oregon, with direct mail outreach to Idaho, Washington and Utah. CARF's program includes the following features:

- ❑ CARF representatives visit out-of-state tracks. During those visits, our management team meets one-on-one with owners and trainers, answering any questions they might have about issues facing horsemen in Northern California. We personally invite horsemen to ship horses to Northern California; we often help with specific, individual needs. A personal connection with owners and trainers is an important component of our recruitment effort.
- ❑ We sponsor dinner receptions for owners and trainers, including drawings for TV's and cases of prize-winning wine from Fairs. The drawings encourage attendance; the drawing entry slips gave us a record of who was present as well as names and addresses for future contact.
- ❑ We distribute printed information helpful to owners and trainers considering shipping horses to California; our web page [http://www.calfairs.com/index\\_horsemen.html](http://www.calfairs.com/index_horsemen.html) offers links to additional, practical information for horsemen considering shipping to California.
- ❑ We authorize our Paymaster to pay a \$300 Relocation Fee to the owner of any Thoroughbred shipping from over 600 miles away to run at the Fairs. The Fee is paid only when the horse starts. In 2006, we authorized Relocation Fee payments for 182 starters shipping in from other states. These horses started 443 times at seven Fair meetings.

***Proposal***

We propose that the CMC approve an allocation of recruitment funds, not to exceed \$30,000, matched 1:1 by CARF, to be used for a \$300 Relocation Fee paid to owners of Thoroughbreds shipping into Northern California. The CMC allocation will be a reimbursable, paid on the basis of verified payments to owners provided by the CARF Paymaster. CMC funds will not be used to pay for CARF staff time, travel expenses or receptions. If approved, CMC funds will be allocated on a not-to-exceed basis, the precise amount to be determined by the number of starters from out-of-state, capped at \$30,000. CARF will absorb all relocation costs for any out-of-state starters above the first 200.

Our recruitment program has a proven record of results, as shown in the attached 2006 **RECRUITMENT REPORT**. The recruited horses also benefit Bay Meadows and Golden Gate Fields. We ask for prompt approval of this proposal by the California Marketing Committee.

*California Authority of Racing Fairs*



*Recruitment  
2006*



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# CALIFORNIA AUTHORITY OF RACING FAIRS

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

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### 2006 OUT-OF-STATE RECRUITMENT PROGRAM

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#### 2006 RECRUITMENT REPORT SUMMARY

##### GOALS AND OBJECTIVES

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

##### RECRUITMENT VISITS OUT-OF-STATE

Each Spring CARF schedules a series of out-of-state recruitment visits in order to 1) personally meet one-on-one with horsemen in other jurisdictions; 2) explain the benefits of our program; and 3) invite them to compete in Northern California for the Summer. In 2006, these visits included two trips to Arizona, total of four days, with a reception at Turf Paradise and a three-day stay at Portland Meadows in Oregon, where we also sponsored a reception. These visits allow CARF management to respond personally and directly to questions or concerns about such matters as workmen's compensation, backstretch labor inspections and purse structures. In addition to the receptions and the personal visits with horsemen, CARF distributes an extensive packet of information to educate and inform horsemen about current issues of interest in California. By word of mouth, information about the program has also reached horsemen in Iowa, New Mexico, Utah and Washington.

##### RELOCATION FEES

In order to financially assist horsemen who choose to ship horses to our circuit, in 2006 CARF paid a \$600 Relocation Fee to the owner of any horse shipping into Northern California from over 600 miles away. Our Paymaster deposits the Fee into the owner's account the first time that an eligible horse starts in a race on our circuit. The Relocation Fee gives some extra meaning to our invitation to come to California and, in some cases, may create the tipping point in an owner or trainer's decision about shipping to our circuit. In turn, the Relocation Fee creates a Paymaster record that allows us to accurately track the results of our program from year to year.

The results of the program speak for themselves:

- In 2006, the owners of 182 out-of-state Thoroughbreds received Relocation Fees to race in Northern California
- In 2006, 443 starts are attributed to out-of-state horses
- In 2006, the number of starts from Oregon increased 77% and Idaho increased 139%

Christopher Korby  
Executive Director

# CONTENTS

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

2006

---

OUT-OF-STATE RECRUITMENT PROGRAM

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CONTENTS:

Summary of Results 2006

Paymaster Results:

- Horses Recruited by Trainer
- Horses Recruited by Name
- Horses Recruited by State
- Horses Recruited by Starts

Appendix:

- Summary of Results 2005
- Summary of Results 2004

# 2006 THOROUGHBRED RECRUITMENT

## Results of CARF Program to Increase Field Size

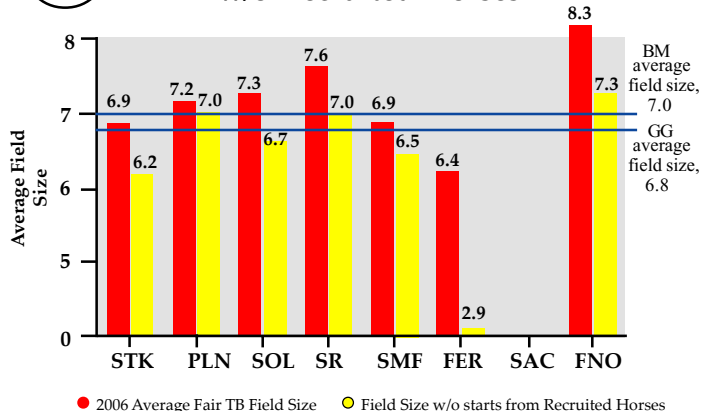
The Fair Out-of-State Recruitment Program, administered by the California Authority of Racing Fairs, pays \$300 to every horse that travels 600 or more miles to start on the Northern California Fair Circuit.

- **2006 Total Recruitment Costs - \$67,857**  
2006 Relocation Fees Paid - \$54,600  
Number of Horses Paid - 182 (+15%)  
Number of Starts - 443 (+0%)
- **Number of Starts by Recruited Horses, by Fair:**  
Stockton - 51  
Pleasanton - 27  
Vallejo - 52  
Santa Rosa - 57  
San Mateo - 38  
Ferndale - 152  
Sacramento - Harness Meet Conducted in 2005  
Fresno - 66
- **Number of Starts by State Recruited From:**  
Oregon - 147 (+81%)  
Arizona - 136 (-44%)\*  
Idaho - 52 (+44%)  
New Mexico - 31 (+100%)  
Utah - 64 (+64%)  
Washington - 6 (-50%)  
Other - 7
- **Leading Trainers of Recruited Horses (by starts):**  
Hill, J. (OR) - 43  
Homer, J. (ID) - 40  
Hanford, P. (AZ) - 37  
Haverty, K. (OR) - 29  
Payton, J. (NM) - 26  
Morgan, D. (AZ) - 22  
Bennett, K. (AZ) - 21  
Courtright, C. (OR) - 20

\* In 2005, Arizona trainer Michael Lenzini's horses contributed 113 starts to the Fair Circuit. In Fall 2005, Mr. Lenzini decided to base his stable in Northern California and did not qualify for relocation fees in 2006.

1

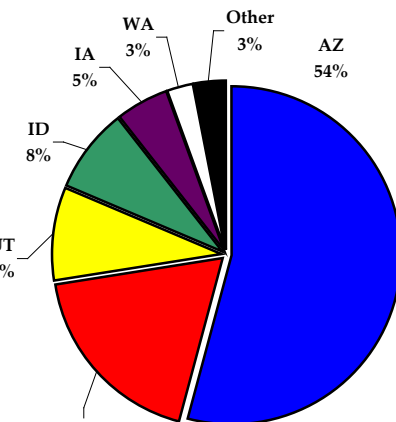
### 2006 Average Fair Field Size w/o Recruited Horses



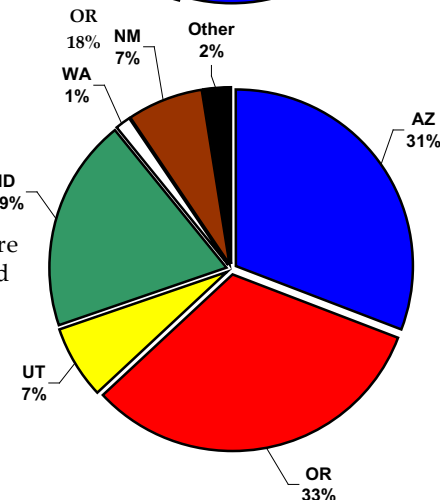
2

### Where did out-of-state horses come from in 2005? Did the trend continue in 2006?

In 2005, CARF recruitment efforts expanded to Oregon. The resulting increase of Oregon horsemen helped the Fairs become less dependant on one region for its horse supply. (Arizona).



In 2006, the number of starts by out-of-state horses remained level, while the states they were recruited from continued to diversify.



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

# PAYMASTER REPORT I

## HORSES RECRUITED BY TRAINER INCLUDES, STATE OF ORIGIN, NUMBERS OF FAIR STARTS PER HORSE, & LOCATION OF 1ST FAIR START

Trainer/Starts	Horse	Track	Trainer/Starts	Horse	Track	Trainer/Starts	Horse	Track
1) Bennett, K. (21)	Alpine Secret	ArP	61)	Last Class	TuP	121)	Speed Special	PrV
2)	Charging	Boi	62)	National Emblem	TuP	122)	This Stars For Mom	GrP
3)	Doctorinthenews	TuP	63)	Wyatts Fancy Flyer	TuP	123)	Untouched Gal	PrV
4)	Getaway Grace	TuP	64) Hanna, Sandy (6)	Try To Be Special	TuP	124)	Yougottabe The One	GrP
5)	God Bless Slew	TuP	65) Haverty, K. (29)	Always A Player	GrP	125) Kowalsky, H. (13)	Deli's Gold	Boi
6)	Hyannis	TuP	66)	Bubba Galpin	GrP	126)	Improving Time	Boi
7)	Real Lift	Boi	67)	Coalcango	GrP	127)	Sultry Kahuna	Boi
8)	Slewz U Lose	TuP	68)	Our Magistrate	GrP	128)	Tiz Shifty	Boi
9)	Star of Mearaso	Boi	69)	Pretty Caddy Slew	GrP	129) Kruljac, J. Eric (1)	Golivewithuky	TuP
10) Berrett, R. (5)	Bet The River	TuP	70)	Red Seattle	GrP	130) Layne, B. (1)	Ehbeeceedee Ef Gee	Alb
11)	Coltman	TuP	71)	Sweet La Knee	GrP	131) Ledezma, S. (3)	Aintbrokedontfixit	EmD
12)	G. I. Speed	TuP	72) Hayes, L. (3)	Oregon Miracle	GrP	132) Lenzini, M. (17)	Bella Cat	Boi
13)	Hywideandhandsome	TuP	73) Hill, J. (43)	Angelrose	GrP	133)	Cad Of Glory	Boi
14) Bignault, S. (1)	SS Strange	TuP	74)	Annie Ice	PM	134)	Greek Echo	Boi
15) Bland, J. (1)	Tychonic's Mistress	TuP	75)	Ask For More	PM	135)	McElveen	Elk
16) Brinkerhoff, D. (17)	Classic Baby	DxD	76)	Destiny North	PM	136)	River Treasures	Boi
17)	Ishouldabinacowboy	DxD	77)	Double Candi	Boi	137)	Road of Honor	Elk
18)	Lomard	DxD	78)	Dove In Flight	PrV	138)	Stephie Bet Darent	Boi
19)	Northern Blood	Elk	79)	Jehosaphat	PM	139) Martin, J.F. (2)	A Firm Storm	Cby
20)	Pay By Storm	DxD	80)	Liberty Crest	TuP	140)	Top O The Moon	EmD
21)	Rallyn	CBT	81)	Meet Me At Mary's	PM	141) McGowan, S. (9)	Jett Fire	GrP
22)	Sir O Miss Caper	DxD	82)	Red Cloud	GrP	142)	Road To Money	GrP
23)	Storm Review	DxD	83)	Royal Night Out	Boi	143)	Triple V Account	GrP
24)	Toss The Ball	DxD	84)	Secret Venture	Boi	144) McReynolds, K. (1)	Fooled You Twice	Boi
25) Buckridge, G. (1)	Lord Frederick	TuP	85)	Snowbound Duke	PM	145) Moger, Jr. Ed (2)	Fuzzyheadedlizard	EmD
26) Cantrell, M. (2)	Petty's Echo	Til	86)	Tea Basket	PM	146)	T's So Shy	EmD
27)	Seveneightone East	Til	87)	The Pete Machine	PM	147) Morgan, D. (22)	Black Horse Gold	TuP
28) Comontofski, S. (3)	Lookatherfly	Boi	88)	Warp Speed	PM	148)	Dufourspitze	TuP
29) Costa, F. (11)	American Games	TuP	89) Homer, J. (40)	Calico Curtain	Boi	149)	Flying Supercon	TuP
30)	Frisky Vixen	TuP	90)	Carolina Game	Boi	150)	In Full Command	TuP
31)	Hermosa Luna	TuP	91)	Chardonnay Wine	Boi	151)	Just J.J.	TuP
32)	Hunter's Fortune	TuP	92)	Classic Encore	Boi	152)	Stay On The Line	TuP
33) Courtright, C. (20)	Cha Cha Baby	PM	93)	Dixie Chorus	Boi	153)	Sweet Cass	TuP
34)	Crown Of Pearls	GrP	94)	Holdontoyourhat	Boi	154) O'Day, K. (5)	Jan's Au Lait	GrP
35)	Foxy Jenny	GrP	95)	I Wood Be A Winner	Boi	155) Odom, R. (6)	Dancing River	TuP
36)	Rhythmic Stitches	GrP	96)	Incredible You	Boi	156)	Johns Abstraction	TuP
37)	She's All Fired Up	GrP	97)	Nicknak Paddywack	Boi	157) Payton, J. (26)	Autumn Miss	Sun
38) Craigmyle, S. (2)	Bridgespan	GrP	98)	Oregon Merlot	Boi	158)	Barriga	Alb
39)	Yodeling Sarah	PrV	99)	Proud'n Adorable	Boi	159)	Fly The Pond	Alb
40) Doyle, C. (3)	Da Wild Thing	GrP	100)	Retirees Three	Boi	160)	I B Bad	Sun
41) Elordi, D. (4)	Duramax	Boi	101)	Santiago Express	Boi	161)	Kingofsummer	Sun
42)	Red Limo	Boi	102)	Scoot N Boogieslew	Boi	162)	Leadmetothealtar	Sun
43)	She's Crusin	Boi	103)	Slew Princess Slew	Boi	163)	Posole	Sun
44) Espinoza, L. (8)	AlyCaly	Yav	104)	Smokes A Flying	Boi	164)	Prideov Fappiano	Alb
45)	Bebe Music	Yav	105)	Stylish Snowboard	Boi	165)	Seyah At the Kazba	Sun
46)	Journey	SrP	106)	Taffyville	Boi	166)	Sheisafinellass	Alb
47)	Stormie Britches	SrP	107) James, G. (16)	Black Jack Jimmy	DxD	167)	Shirleys Honor	Alb
48)	Thandi	SrP	108)	Cleverman	DxD	168) Reid, Sally (4)	Okefenokee Slew	GrP
49)	Wild n' Majestic	Yav	109)	Hardway Hoppin	DxD	169)	Razzin Ruzzi	GrP
50) Gabriel, Sondra (4)	Badgett Beach	GrP	110)	House Of Tricks	DxD	170)	Schottische	Boi
51)	Haint No Stoppin Me	GrP	111)	Naughty Knight	DxD	171) Tobler, R. (2)	Say Dubai Bye	CBT
52) Gilmour, S. (5)	CC's Last Stand	PrV	112)	Newday Comin	DxD	172) Truitt, P. (18)	Banish The Blues	TuP
53)	Lakeshore Bull	GrP	113)	Party Time Gal	DxD	173)	Cascade Dynasty	GrP
54)	Penky Wells	PrV	114)	She's A Trickster	DxD	174)	Cascade Mtn	TuP
55) Glass, Rene (2)	Micado	Prv	115)	Wood Art	CBT	175)	L No	GrP
56) Hanford, P. (37)	Alyssas Militia	TuP	116) Jones, J. (16)	Cool Toad	GrP	176)	Rhythmic Sunrise	GrP
57)	Bigobang	TuP	117)	Courageousbull	GrP	177)	Source One	GrP
58)	En La Zona	TuP	118)	Lucky Tucky	GrP	178) White, R. (1)	Harvey's Delight	Til
59)	In Love With Loot	TuP	119)	PJ's Snowstorm	GrP	179) Whitehouse, W. (10)	Comics Dream	AZ
60)	King Hatuey	TuP	120)	Ritzy Ruby	PrV	180)	Delegate It	AZ
						181)	Family Operator	AZ
						182)	Freedom Storm	AZ



# PAYMASTER REPORT II

## HORSES RECRUITED BY NAME INCLUDES, STATE OF ORIGIN, TRAINER, & NUMBER OF STARTS PER HORSE

Horse	Trainer	State	Starts	Horse	Trainer	State	Starts	Horse	Trainer	State	Starts
1) A Firm Storm	Martin, J.F.	MN	1	61) Fuzzyheadedlizard	Moger, Jr. Ed	WA	1	121) Rallyn	Brinkerhoff, D.	CBT	1
2) Aintbrokedontfixit	Ledezma, S.	WA	3	62) G. I. Speed	Berrett, R.	AZ	1	122) Razzin Ruzzi	Reid, Sally	OR	1
3) Alpine Secret	Bennett, K.	CO	1	63) Getaway Grace	Bennett, K.	AZ	3	123) Real Lift	Bennett, K.	ID	2
4) Always A Player	Haverty, K.	OR	4	64) God Bless Slew	Bennett, K.	AZ	1	124) Red Cloud	Hill, J.	OR	2
5) AlyCaly	Espinoza, L.	AZ	1	65) Golivewithuky	Kruljac, J. Eric	AZ	1	125) Red Limo	Elordi, D.	ID	1
6) Alyssas Militia	Hanford, P.	AZ	2	66) Greek Echo	Lenzini, M.	ID	3	126) Red Seattle	Haverty, K.	OR	6
7) American Games	Costa, F.	AZ	4	67) Haint No Stoppin Me	Gabriel, Sondra	OR	2	127) Retirees Three	Homer, J.	ID	2
8) Angelrose	Hill, J.	OR	2	68) Hardway Hoppin	James, G.	UT	2	128) Rhythmic Stitches	Courtright, C.	OR	2
9) Annie Ice	Hill, J.	OR	1	69) Harvey's Delight	White, R.	OR	1	129) Rhythmic Sunrise	Truitt, P.	OR	2
10) Ask For More	Hill, J.	OR	3	70) Hermosa Luna	Costa, F.	AZ	5	130) Ritzy Ruby	Jones, J.	OR	2
11) Autumn Miss	Payton, J.	NM	2	71) Holdontoyourhat	Homer, J.	ID	1	131) River Treasures	Lenzini, M.	ID	4
12) Badgett Beach	Gabriel, Sondra	OR	2	72) House Of Tricks	James, G.	UT	1	132) Road of Honor	Lenzini, M.	NV	2
13) Banish The Blues	Truitt, P.	AZ	6	73) Hunter's Fortune	Costa, F.	AZ	1	133) Road To Money	McGowan, S.	OR	3
14) Barriga	Payton, J.	NM	2	74) Hyannis	Bennett, K.	AZ	3	134) Royal Night Out	Hill, J.	ID	2
15) Bebe Music	Espinoza, L.	AZ	1	75) Hywideandhandsome	Berrett, R.	AZ	2	135) Santiago Express	Homer, J.	ID	2
16) Bella Cat	Lenzini, M.	ID	3	76) I B Bad	Payton, J.	NM	2	136) Say Dubai Bye	Tobler, R.	CBT	2
17) Bet The River	Berrett, R.	AZ	1	77) I Wood Be A Winner	Homer, J.	ID	2	137) Schottische	Reid, Sally	ID	1
18) Bigobang	Hanford, P.	AZ	8	78) Improving Time	Kowalsky, H.	ID	6	138) Scoot N Boogieslew	Homer, J.	ID	1
19) Black Horse Gold	Morgan, D.	AZ	3	79) In Full Command	Morgan, D.	AZ	1	139) Secret Venture	Hill, J.	ID	1
20) Black Jack Jimmy	James, G.	UT	1	80) In Love With Loot	Hanford, P.	AZ	2	140) Seveneightone East	Cantrell, M.	OR	1
21) Bridgespan	Craigmyle, S.	OR	1	81) Incredible You	Homer, J.	ID	5	141) Seyah At the Kazba	Payton, J.	NM	2
22) Bubba Galpin	Haverty, K.	OR	1	82) Ishouldabinacowboy	Brinkerhoff, D.	UT	4	142) Sheisafinellass	Payton, J.	NM	2
23) Cad Of Glory	Lenzini, M.	ID	1	83) Jan's Au Lait	O'Day, K.	OR	5	143) She's A Trickster	James, G.	UT	3
24) Calico Curtain	Homer, J.	ID	1	84) Jehosaphat	Hill, J.	OR	1	144) She's All Fired Up	Courtright, C.	OR	6
25) Carolina Game	Homer, J.	ID	2	85) Jett Fire	McGowan, S.	OR	3	145) She's Crusin	Elordi, D.	ID	1
26) Cascade Dynasty	Truitt, P.	OR	1	86) Johns Abstraction	Odom, R.	AZ	4	146) Shirleys Honor	Payton, J.	NM	3
27) Cascade Mtn	Truitt, P.	AZ	5	87) Journey	Espinoza, L.	NM	1	147) Sir O Miss Caper	Brinkerhoff, D.	UT	1
28) CC's Last Stand	Gilmour, S.	OR	2	88) Just J.J.	Morgan, D.	AZ	3	148) Slew Princess Slew	Homer, J.	ID	2
29) Cha Cha Baby	Courtright, C.	OR	3	89) King Hatuey	Hanford, P.	AZ	2	149) Slewz U Lose	Bennett, K.	AZ	3
30) Chardonnay Wine	Homer, J.	ID	3	90) Kingofsummer	Payton, J.	NM	1	150) Smokes A Flying	Homer, J.	ID	2
31) Charging	Bennett, K.	ID	2	91) L No	Truitt, P.	OR	2	151) Snowbound Duke	Hill, J.	OR	5
32) Classic Baby	Brinkerhoff, D.	UT	1	92) Lakeshore Bull	Gilmour, S.	OR	2	152) Source One	Truitt, P.	OR	2
33) Classic Encore	Homer, J.	ID	3	93) Last Class	Hanford, P.	AZ	8	153) Speed Special	Jones, J.	OR	1
34) Cleverman	James, G.	UT	3	94) Leadmetothealtar	Payton, J.	NM	2	154) SS Strange	Bignault, S.	AZ	1
35) Coalcango	Haverty, K.	OR	5	95) Liberty Crest	Hill, J.	AZ	5	155) Star of Mearaso	Bennett, K.	ID	1
36) Coltman	Berrett, R.	AZ	1	96) Lomard	Brinkerhoff, D.	UT	2	156) Stay On The Line	Morgan, D.	AZ	7
37) Comics Dream	Whitehouse, W.	AZ	2	97) Lookatherfly	Comontofski, S.	ID	3	157) Stephie Bet Darent	Lenzini, M.	ID	2
38) Cool Toad	Jones, J.	OR	2	98) Lord Frederick	Buckridge, G.	AZ	1	158) Storm Review	Brinkerhoff, D.	UT	3
39) Courageousbull	Jones, J.	OR	2	99) Lucky Tucky	Jones, J.	OR	2	159) Stormie Britches	Espinoza, L.	NM	1
40) Crown Of Pearls	Courtright, C.	OR	7	100) McElveen	Lenzini, M.	NV	2	160) Stylish Snowboard	Homer, J.	ID	1
41) Da Wild Thing	Doyle, C.	OR	3	101) Meet Me At Mary's	Hill, J.	OR	1	161) Sultry Kahuna	Kowalsky, H.	ID	1
42) Dancing River	Odom, R.	AZ	2	102) Micado	Glass, Rene	OR	2	162) Sweet Cass	Morgan, D.	AZ	1
43) Delegate It	Whitehouse, W.	AZ	4	103) National Emblem	Hanford, P.	AZ	4	163) Sweet La Knee	Haverty, K.	OR	4
44) Deli's Gold	Kowalsky, H.	ID	3	104) Naughty Knight	James, G.	UT	1	164) Taffyville	Homer, J.	ID	3
45) Destiny North	Hill, J.	OR	6	105) Newday Comin	James, G.	UT	2	165) Tea Basket	Hill, J.	OR	5
46) Dixie Chorus	Homer, J.	ID	1	106) Nicknak Paddywack	Homer, J.	ID	4	166) Thandi	Espinoza, L.	NM	2
47) Doctorinthenews	Bennett, K.	AZ	5	107) Northern Blood	Brinkerhoff, D.	NV	1	167) The Pete Machine	Hill, J.	OR	1
48) Double Candi	Hill, J.	ID	3	108) Okefenokee Slew	Reid, Sally	OR	2	168) This Stars For Mom	Jones, J.	OR	2
49) Dove In Flight	Hill, J.	OR	3	109) Oregon Merlot	Homer, J.	ID	2	169) Tiz Shifty	Kowalsky, H.	ID	3
50) Dufourspitze	Morgan, D.	AZ	4	110) Oregon Miracle	Hayes, L.	OR	3	170) Top O The Moon	Martin, J.F.	WA	1
51) Duramax	Elordi, D.	ID	2	111) Our Magistrate	Haverty, K.	OR	6	171) Toss The Ball	Brinkerhoff, D.	UT	1
52) Ehbeeceedee Ef Gee	Layne, B.	NM	1	112) Party Time Gal	James, G.	UT	2	172) Triple V Account	McGowan, S.	OR	3
53) En La Zona	Hanford, P.	AZ	8	113) Pay By Storm	Brinkerhoff, D.	UT	3	173) Try To Be Special	Hanna, Sandy	AZ	6
54) Family Operator	Whitehouse, W.	AZ	2	114) Penky Wells	Gilmour, S.	OR	1	174) T's So Shy	Moger, Jr. Ed	WA	1
55) Fly The Pond	Payton, J.	NM	3	115) Petty's Echo	Cantrell, M.	OR	1	175) Tychonic's Mistress	Bland, J.	AZ	1
56) Flying Supercon	Morgan, D.	AZ	3	116) PJ's Snowstorm	Jones, J.	OR	2	176) Untouched Gal	Jones, J.	OR	1
57) Fooled You Twice	McReynolds, Kenny	ID	1	117) Posole	Payton, J.	NM	4	177) Warp Speed	Hill, J.	OR	2
58) Foxy Jenny	Courtright, C.	OR	2	118) Pretty Caddy Slew	Haverty, K.	OR	3	178) Wild n' Majestic	Espinoza, L.	AZ	2
59) Freedom Storm	Whitehouse, W.	AZ	2	119) Prideov Fappiano	Payton, J.	NM	3	179) Wood Art	James, G.	CBT	1
60) Frisky Vixen	Costa, F.	AZ	1	120) Proud'n Adorable	Homer, J.	ID	3	180) Wyatts Fancy Flyer	Hanford, P.	AZ	3
								181) Yodeling Sarah	Craigmyle, S.	OR	1
								182) Yougottabe The One	Jones, J.	OR	2

# PAYMASTER REPORT III

## HORSES RECRUITED BY OUT-OF-STATE TRACK INCLUDES, TRACK OF ORIGIN, TRAINER, & LOCATION OF FIRST FAIR START

TRACK	HORSE	TRAINER	1 START	TRACK	HORSE	TRAINER	1 START	TRACK	HORSE	TRAINER	1 START
1)	Alb Ehbeeceedee Ef Gee	Layne, B.	SR	61)	DxD House Of Tricks	James, G.	SR	121)	Prv Micado	Glass, Rene	FNO
2)	Alb Barriga	Payton, J.	STK	62)	DxD Naughty Knight	James, G.	SR	122)	PrV Dove In Flight	Hill, J.	FER
3)	Alb Fly The Pond	Payton, J.	PLN	63)	DxD Newday Comin	James, G.	STK	123)	PrV Ritzy Ruby	Jones, J.	FER
4)	Alb Prideov Fappiano	Payton, J.	STK	64)	DxD Party Time Gal	James, G.	SR	124)	PrV Speed Special	Jones, J.	FER
5)	Alb Sheisafinlass	Payton, J.	STK	65)	DxD She's A Trickster	James, G.	STK	125)	PrV Untouched Gal	Jones, J.	FER
6)	Alb Shirleys Honor	Payton, J.	STK	66)	Elk Northern Blood	Brinkerhoff, D.	PLN	126)	SrP Journey	Espinoza, L.	FER
7)	ArP Alpine Secret	Bennett, K.	SMF	67)	Elk McElveen	Lenzini, M.	FNO	127)	SrP Stormie Britches	Espinoza, L.	FER
8)	Boi Charging	Bennett, K.	SR	68)	Elk Road of Honor	Lenzini, M.	FNO	128)	SrP Thandi	Espinoza, L.	FER
9)	Boi Real Lift	Bennett, K.	SOL	69)	EmD Aintbrokedontfixit	Ledezma, S.	SR	129)	Sun Autumn Miss	Payton, J.	STK
10)	Boi Star of Mearaso	Bennett, K.	SMF	70)	EmD Top O The Moon	Martin, J.F.	SMF	130)	Sun I B Bad	Payton, J.	PLN
11)	Boi Lookatherfly	Comontofski, S.	SR	71)	EmD Fuzzyheadedlizard	Moger, Jr. Ed	SR	131)	Sun Kingofsummer	Payton, J.	SR
12)	Boi Duramax	Elordi, D.	SR	72)	EmD T's So Shy	Moger, Jr. Ed	SMF	132)	Sun Leadmetothealtar	Payton, J.	STK
13)	Boi Red Limo	Elordi, D.	SR	73)	GrP Crown Of Pearls	Courtright, C.	STK	133)	Sun Posole	Payton, J.	STK
14)	Boi She's Crusin	Elordi, D.	SR	74)	GrP Foxy Jenny	Courtright, C.	FER	134)	Sun Seyah At the Kazba	Payton, J.	PLN
15)	Boi Double Candi	Hill, J.	FER	75)	GrP Rhythmic Stitches	Courtright, C.	FER	135)	Til Petty's Echo	Cantrell, M.	FER
16)	Boi Royal Night Out	Hill, J.	FER	76)	GrP She's All Fired Up	Courtright, C.	STK	136)	Til Seveandone East	Cantrell, M.	FER
17)	Boi Secret Venture	Hill, J.	FER	77)	GrP Bridgespan	Craigmyle, S.	FER	137)	Til Harvey's Delight	White, R.	FER
18)	Boi Calico Curtain	Homer, J.	FNO	78)	GrP Da Wild Thing	Doyle, C.	SR	138)	TuP Doctorinthenews	Bennett, K.	PLN
19)	Boi Carolina Game	Homer, J.	FER	79)	GrP Badgett Beach	Gabriel, S.	FER	139)	TuP Getaway Grace	Bennett, K.	PLN
20)	Boi Chardonnay Wine	Homer, J.	FER	80)	GrP Haint No Stoppin Me	Gabriel, S.	FER	140)	TuP God Bless Slew	Bennett, K.	PLN
21)	Boi Classic Encore	Homer, J.	FER	81)	GrP Lakeshore Bull	Gilmour, S.	FER	141)	TuP Hyannis	Bennett, K.	PLN
22)	Boi Dixie Chorus	Homer, J.	FNO	82)	GrP Always A Player	Haverty, K.	SOL	142)	TuP Slewz U Lose	Bennett, K.	STK
23)	Boi Holdontoyourhat	Homer, J.	FNO	83)	GrP Bubba Galpin	Haverty, K.	SOL	143)	TuP Bet The River	Berrett, R.	SMF
24)	Boi I Wood Be A Winner	Homer, J.	FER	84)	GrP Coalcango	Haverty, K.	SOL	144)	TuP Coltman	Berrett, R.	SMF
25)	Boi Incredible You	Homer, J.	SR	85)	GrP Our Magistrate	Haverty, K.	SR	145)	TuP G. I. Speed	Berrett, R.	SMF
26)	Boi Nicknak Paddywack	Homer, J.	FER	86)	GrP Pretty Caddy Slew	Haverty, K.	SOL	146)	TuP Hywideandhandsome	Berrett, R.	SR
27)	Boi Oregon Merlot	Homer, J.	SR	87)	GrP Red Seattle	Haverty, K.	SOL	147)	TuP SS Strange	Bignault, S.	PLN
28)	Boi Proud'n Adorable	Homer, J.	SR	88)	GrP Sweet La Knee	Haverty, K.	SOL	148)	TuP Tychronic's Mistress	Bland, J.	PLN
29)	Boi Retirees Three	Homer, J.	SR	89)	GrP Oregon Miracle	Hayes, L.	FER	149)	TuP Lord Frederick	Buckridge, G.	SR
30)	Boi Santiago Express	Homer, J.	FER	90)	GrP Angeltrose	Hill, J.	FER	150)	TuP American Games	Costa, F.	SOL
31)	Boi Scoot N Boogieslew	Homer, J.	FNO	91)	GrP Red Cloud	Hill, J.	FER	151)	TuP Frisky Vixen	Costa, F.	SOL
32)	Boi Slew Princess Slew	Homer, J.	SR	92)	GrP Cool Toad	Jones, J.	FER	152)	TuP Hermosa Luna	Costa, F.	STK
33)	Boi Smokes A Flying	Homer, J.	FNO	93)	GrP Courageousbull	Jones, J.	FER	153)	TuP Hunter's Fortune	Costa, F.	STK
34)	Boi Stylish Snowboard	Homer, J.	FNO	94)	GrP Lucky Tucky	Jones, J.	FER	154)	TuP Alyssas Militia	Hanford, P.	SOL
35)	Boi Taffyville	Homer, J.	FER	95)	GrP PJ's Snowstorm	Jones, J.	FER	155)	TuP Bigobang	Hanford, P.	STK
36)	Boi Deli's Gold	Kowalsky, H.	SR	96)	GrP This Stars For Mom	Jones, J.	FER	156)	TuP En La Zona	Hanford, P.	STK
37)	Boi Improving Time	Kowalsky, H.	SOL	97)	GrP Yougtotabe The One	Jones, J.	FER	157)	TuP In Love With Loot	Hanford, P.	STK
38)	Boi Sultry Kahuna	Kowalsky, H.	FER	98)	GrP Jett Fire	McGowan, S.	SOL	158)	TuP King Hatuey	Hanford, P.	SOL
39)	Boi Tiz Shifty	Kowalsky, H.	SR	99)	GrP Road To Money	McGowan, S.	SOL	159)	TuP Last Class	Hanford, P.	STK
40)	Boi Bella Cat	Lenzini, M.	SR	100)	GrP Triple V Account	McGowan, S.	FER	160)	TuP National Emblem	Hanford, P.	SR
41)	Boi Cad Of Glory	Lenzini, M.	FER	101)	GrP Jan's Au Lait	O'Day, K.	FER	161)	TuP Wyatts Fancy Flyer	Hanford, P.	SMF
42)	Boi Greek Echo	Lenzini, M.	SR	102)	GrP Okefenokee Slew	Reid, Sally	FER	162)	TuP Try To Be Special	Hanna, Sandy	SOL
43)	Boi River Treasures	Lenzini, M.	SR	103)	GrP Razzin Ruzzi	Reid, Sally	FER	163)	TuP Liberty Crest	Hill, J.	STK
44)	Boi Stepheie Bet Darent	Lenzini, M.	FNO	104)	GrP Cascade Dynasty	Truitt, P.	FER	164)	TuP Golivewithuky	Kruljac, J. Eric	PLN
45)	Boi Fooled You Twice	McReynolds, K.	FNO	105)	GrP L No	Truitt, P.	FER	165)	TuP Black Horse Gold	Morgan, D.	PLN
46)	Boi Schottische	Reid, Sally	FER	106)	GrP Rhythmic Sunrise	Truitt, P.	FER	166)	TuP Dufourspitze	Morgan, D.	PLN
47)	CBT Rallyn	Brinkerhoff, D.	STK	107)	GrP Source One	Truitt, P.	FER	167)	TuP Flying Supercon	Morgan, D.	PLN
48)	CBT Wood Art	James, G.	SMF	108)	PM Cha Cha Baby	Courtright, C.	PLN	168)	TuP In Full Command	Morgan, D.	STK
49)	CBT Say Dubai Bye	Tobler, R.	FNO	109)	PM Annie Ice	Hill, J.	STK	169)	TuP Just J.J.	Morgan, D.	PLN
50)	Cby A Firm Storm	Martin, J.F.	SMF	110)	PM Ask For More	Hill, J.	FER	170)	TuP Stay On The Line	Morgan, D.	PLN
51)	DxD Classic Baby	Brinkerhoff, D.	STK	111)	PM Destiny North	Hill, J.	STK	171)	TuP Sweet Cass	Morgan, D.	STK
52)	DxD Ishouldabinacowboy	Brinkerhoff, D.	STK	112)	PM Jehosaphat	Hill, J.	FER	172)	TuP Dancing River	Odom, R.	STK
53)	DxD Lomard	Brinkerhoff, D.	STK	113)	PM Meet Me At Mary's	Hill, J.	STK	173)	TuP Johns Abstraction	Odom, R.	STK
54)	DxD Pay By Storm	Brinkerhoff, D.	STK	114)	PM Snowbound Duke	Hill, J.	STK	174)	TuP Banish The Blues	Truitt, P.	STK
55)	DxD Sir O Miss Caper	Brinkerhoff, D.	STK	115)	PM Tea Basket	Hill, J.	STK	175)	TuP Cascade Mtn	Truitt, P.	STK
56)	DxD Storm Review	Brinkerhoff, D.	STK	116)	PM The Pete Machine	Hill, J.	FER	176)	TuP Delegate It	Whitehouse, W.	STK
57)	DxD Toss The Ball	Brinkerhoff, D.	SOL	117)	PM Warp Speed	Hill, J.	FER	177)	Yav AlyCaly	Espinoza, L.	FER
58)	DxD Black Jack Jimmy	James, G.	STK	118)	PrV Yodeling Sarah	Craigmyle, S.	FER	178)	Yav Bebe Music	Espinoza, L.	FER
59)	DxD Cleverman	James, G.	PLN	119)	PrV CC's Last Stand	Gilmour, S.	FER	179)	Yav Wild n' Majestic	Espinoza, L.	FER
60)	DxD Hardway Hoppin	James, G.	SR	120)	PrV Penky Wells	Gilmour, S.	FER	180)	Yav Comics Dream	Whitehouse, W.	STK
								181)	Yav Family Operator	Whitehouse, W.	SOL
								182)	Yav Freedom Storm	Whitehouse, W.	STK

# PAYMASTER REPORT IV

## HORSES RECRUITED BY TRAINER/FIRST FAIR START INCLUDES TRAINER, LOCATION OF FIRST FAIR START NAME OF HORSE & TRACK OF ORIGIN

TRAINER	1START	HORSE	TRACK	TRAINER	1START	HORSE	TRACK	TRAINER	1START	HORSE	TRACK
1) Bennett, K.	PLN	Doctorinthenews	TuP	61) Hanford, P.	STK	En La Zona	TuP	121) Jones, J.	FER	Yougottabe The One	GrP
2) Bennett, K.	PLN	Getaway Grace	TuP	62) Hanford, P.	STK	In Love With Loot	TuP	122) Jones, J.	FER	Ritzzy Ruby	PrV
3) Bennett, K.	PLN	God Bless Slew	TuP	63) Hanford, P.	STK	Last Class	TuP	123) Jones, J.	FER	Speed Special	PrV
4) Bennett, K.	PLN	Hyannis	TuP	64) Hanna, S.	SOL	Try To Be Special	TuP	124) Jones, J.	FER	Untouched Gal	PrV
5) Bennett, K.	SMF	Alpine Secret	ArP	65) Haverty, K.	SOL	Always A Player	GrP	125) Kowalsky, H.	FER	Sultry Kahuna	Boi
6) Bennett, K.	SMF	Star of Mearaso	Boi	66) Haverty, K.	SOL	Bubba Galpin	GrP	126) Kowalsky, H.	SOL	Improving Time	Boi
7) Bennett, K.	SOL	Real Lift	Boi	67) Haverty, K.	SOL	Coalcango	GrP	127) Kowalsky, H.	SR	Deli's Gold	Boi
8) Bennett, K.	SR	Charging	Boi	68) Haverty, K.	SOL	Pretty Caddy Slew	GrP	128) Kowalsky, H.	SR	Tiz Shifty	Boi
9) Bennett, K.	STK	Slewz U Lose	TuP	69) Haverty, K.	SOL	Red Seattle	GrP	129) Kruljac, J. Eric	PLN	Golivewithuky	TuP
10) Berrett, R.	SMF	Bet The River	TuP	70) Haverty, K.	SOL	Sweet La Knee	GrP	130) Layne, B.	SR	Ehbeeceedee Ef Gee	Alb
11) Berrett, R.	SMF	Coltman	TuP	71) Haverty, K.	SR	Our Magistrate	GrP	131) Ledezma, S.	SR	Aintbroke dontfixit	EmD
12) Berrett, R.	SMF	G. I. Speed	TuP	72) Hayes, L.	FER	Oregon Miracle	GrP	132) Lenzini, M.	FER	Cad Of Glory	Boi
13) Berrett, R.	SR	Hywideandhandsome	TuP	73) Hill, J.	FER	Double Candi	Boi	133) Lenzini, M.	FNO	Stephie Bet Darent	Boi
14) Bignault, S.	PLN	SS Strange	TuP	74) Hill, J.	FER	Royal Night Out	Boi	134) Lenzini, M.	FNO	McElveen	Elk
15) Bland, J.	PLN	Tychonic's Mistress	TuP	75) Hill, J.	FER	Secret Venture	Boi	135) Lenzini, M.	FNO	Road of Honor	Elk
16) Brinkerhoff, D.	PLN	Northern Blood	Elk	76) Hill, J.	FER	Angelrose	GrP	136) Lenzini, M.	SR	Bella Cat	Boi
17) Brinkerhoff, D.	SOL	Toss The Ball	DxD	77) Hill, J.	FER	Red Cloud	GrP	137) Lenzini, M.	SR	Greek Echo	Boi
18) Brinkerhoff, D.	STK	Rallyn	CBT	78) Hill, J.	FER	Ask For More	PM	138) Lenzini, M.	SR	River Treasures	Boi
19) Brinkerhoff, D.	STK	Classic Baby	DxD	79) Hill, J.	FER	Jehosaphat	PM	139) Martin, J.F.	SMF	A Firm Storm	Cby
20) Brinkerhoff, D.	STK	Ishouldabinacowboy	DxD	80) Hill, J.	FER	The Pete Machine	PM	140) Martin, J.F.	SMF	Top O The Moon	EmD
21) Brinkerhoff, D.	STK	Lomard	DxD	81) Hill, J.	FER	Warp Speed	PM	141) McGowan, S.	FER	Triple V Account	GrP
22) Brinkerhoff, D.	STK	Pay By Storm	DxD	82) Hill, J.	FER	Dove In Flight	PrV	142) McGowan, S.	SOL	Jett Fire	GrP
23) Brinkerhoff, D.	STK	Sir O Miss Capar	DxD	83) Hill, J.	STK	Annie Ice	PM	143) McGowan, S.	SOL	Road To Money	GrP
24) Brinkerhoff, D.	STK	Storm Review	DxD	84) Hill, J.	STK	Destiny North	PM	144) McReynolds, K.	FNO	Fooled You Twice	Boi
25) Buckridge, G.	SR	Lord Frederick	TuP	85) Hill, J.	STK	Meet Me At Mary's	PM	145) Moger, Jr. Ed	SMF	T's So Shy	EmD
26) Cantrell, M.	FER	Petty's Echo	Til	86) Hill, J.	STK	Snowbound Duke	PM	146) Moger, Jr. Ed	SR	Fuzzyheadedlizard	EmD
27) Cantrell, M.	FER	Seveneightone East	Til	87) Hill, J.	STK	Tea Basket	PM	147) Morgan, D.	PLN	Black Horse Gold	TuP
28) Comontofski, S.	SR	Lookatherfly	Boi	88) Hill, J.	STK	Liberty Crest	TuP	148) Morgan, D.	PLN	Dufourspitze	TuP
29) Costa, F.	SOL	American Games	TuP	89) Homer, J.	FER	Carolina Game	Boi	149) Morgan, D.	PLN	Flying Supercon	TuP
30) Costa, F.	SOL	Frisky Vixen	TuP	90) Homer, J.	FER	Chardonnay Wine	Boi	150) Morgan, D.	PLN	Just J.J.	TuP
31) Costa, F.	STK	Hermosa Luna	TuP	91) Homer, J.	FER	Classic Encore	Boi	151) Morgan, D.	PLN	Stay On The Line	TuP
32) Costa, F.	STK	Hunter's Fortune	TuP	92) Homer, J.	FER	I Wood Be A Winner	Boi	152) Morgan, D.	STK	In Full Command	TuP
33) Courtright, C.	FER	Foxy Jenny	GrP	93) Homer, J.	FER	Nicknak Paddywack	Boi	153) Morgan, D.	STK	Sweet Cass	TuP
34) Courtright, C.	FER	Rhythmic Stitches	GrP	94) Homer, J.	FER	Santiago Express	Boi	154) O'Day, K.	FER	Jan's Au Lait	GrP
35) Courtright, C.	PLN	Cha Cha Baby	PM	95) Homer, J.	FER	Taffyville	Boi	155) Odom, R.	STK	Dancing River	TuP
36) Courtright, C.	STK	Crown Of Pearls	GrP	96) Homer, J.	FNO	Calico Curtain	Boi	156) Odom, R.	STK	Johns Abstraction	TuP
37) Courtright, C.	STK	She's All Fired Up	GrP	97) Homer, J.	FNO	Dixie Chorus	Boi	157) Payton, J.	PLN	Fly The Pond	Alb
38) Craigmyle, S.	FER	Bridgespan	GrP	98) Homer, J.	FNO	Holdontoyourhat	Boi	158) Payton, J.	PLN	I B Bad	Sun
39) Craigmyle, S.	FER	Yodeling Sarah	PrV	99) Homer, J.	FNO	Scot N Boogieslew	Boi	159) Payton, J.	PLN	Seyah At The Kazba	Sun
40) Doyle, C.	SR	Da Wild Thing	GrP	100) Homer, J.	FNO	Smokes A Flying	Boi	160) Payton, J.	SR	Kingofsummer	Sun
41) Elordi, D.	SR	Duramax	Boi	101) Homer, J.	FNO	Stylish Snowboard	Boi	161) Payton, J.	STK	Barriga	Alb
42) Elordi, D.	SR	Red Limo	Boi	102) Homer, J.	SR	Incredible You	Boi	162) Payton, J.	STK	Prideov Fappiano	Alb
43) Elordi, D.	SR	She's Crusin	Boi	103) Homer, J.	SR	Oregon Merlot	Boi	163) Payton, J.	STK	Sheisafinellass	Alb
44) Espinoza, L.	FER	Journey	SRP	104) Homer, J.	SR	Proud'n Adorable	Boi	164) Payton, J.	STK	Shirleys Honor	Alb
45) Espinoza, L.	FER	Stormie Britches	SRP	105) Homer, J.	SR	Retirees Three	Boi	165) Payton, J.	STK	Autumn Miss	Sun
46) Espinoza, L.	FER	Thandi	SRP	106) Homer, J.	SR	Slew Princess Slew	Boi	166) Payton, J.	STK	Leadmetohealthar	Sun
47) Espinoza, L.	FER	AlyCaly	Yav	107) James, G.	PLN	Cleverman	DxD	167) Payton, J.	STK	Posole	Sun
48) Espinoza, L.	FER	Bebe Music	Yav	108) James, G.	SMF	Wood Art	CBT	168) Reid, Sally	FER	Schottische	Boi
49) Espinoza, L.	FER	Wild n' Majestic	Yav	109) James, G.	SR	Hardway Hoppin	DxD	169) Reid, Sally	FER	Okefenokee Slew	GrP
50) Gabriel, Sondra	FER	Badgett Beach	GrP	110) James, G.	SR	House Of Tricks	DxD	170) Reid, Sally	FER	Razzin Ruzzi	GrP
51) Gabriel, Sondra	FER	Haint No Stoppin Me	GrP	111) James, G.	SR	Naughty Knight	DxD	171) Tobler, R.	FNO	Say Dubai Bye	CBT
52) Gilmour, S.	FER	Lakeshore Bull	GrP	112) James, G.	SR	Party Time Gal	DxD	172) Truitt, P.	FER	Cascade Dynasty	GrP
53) Gilmour, S.	FER	CC's Last Stand	PrV	113) James, G.	STK	Black Jack Jimmy	DxD	173) Truitt, P.	FER	L No	GrP
54) Gilmour, S.	FER	Penky Wells	PrV	114) James, G.	STK	Newday Comin	DxD	174) Truitt, P.	FER	Rhythmic Sunrise	GrP
55) Glass, Rene	FNO	Micado	Prv	115) James, G.	STK	She's A Trickster	DxD	175) Truitt, P.	FER	Source One	GrP
56) Hanford, P.	SMF	Wyatts Fancy Flyer	TuP	116) Jones, J.	FER	Cool Toad	GrP	176) Truitt, P.	STK	Banish The Blues	TuP
57) Hanford, P.	SOL	Alyssas Militia	TuP	117) Jones, J.	FER	Courageousbull	GrP	177) Truitt, P.	STK	Cascade Mtn	TuP
58) Hanford, P.	SOL	King Hatuey	TuP	118) Jones, J.	FER	Lucky Tucky	GrP	178) White, R.	FER	Harvey's Delight	Til
59) Hanford, P.	SR	National Emblem	TuP	119) Jones, J.	FER	PJ's Snowstorm	GrP	179) Whitehouse, W.	SOL	Family Operator	Yav
60) Hanford, P.	STK	Bigobang	TuP	120) Jones, J.	FER	This Stars For Mom	GrP	180) Whitehouse, W.	STK	Delegate It	TuP
								181) Whitehouse, W.	STK	Comics Dream	Yav
								182) Whitehouse, W.	STK	Freedom Storm	Yav

# PAYMASTER REPORT V

## OUT-OF-STATE STARTS BY FAIR INCLUDES STATE OF ORIGIN & STARTS PER STATE BY FAIR

STATE	STK	PLN	SOL	SR	BMf	FER	FNO	TOTALS
OREGON	12	2	15	9	2	94	13	147
ARIZONA	20	17	23	20	21	15	20	136
IDAHO	-	-	2	15	6	3	26	52
NEW MEXICO	8	3	7	5	2	5	1	31
UTAH	11	4	5	6	3	34	1	64
WASHINGTON	-	-	-	2	2	1	1	6
OTHER	-	1	-	-	2	-	4	7
TOTALS	51	27	52	57	38	152	66	443



# 2005 THOROUGHBRED RECRUITMENT

## Results of CARF Program to Increase Field Size

The Fair Out-of-State Recruitment Program, administered by the California Authority of Racing Fairs, pays \$200 to every horse that travels 600 or more miles to start on the Northern California Fair Circuit. The popularity continues to grow with participation increasing every year since its inception.

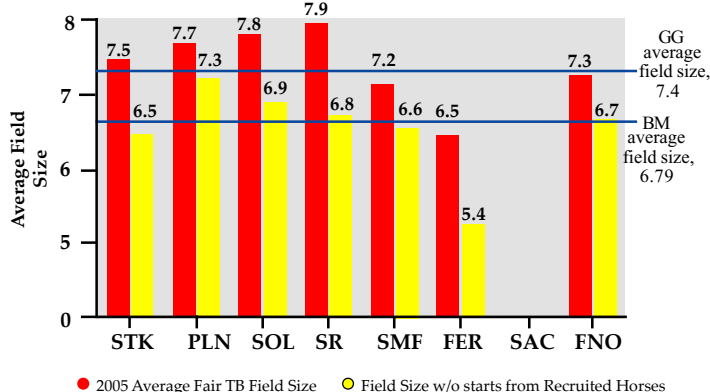
- 2005 Total Recruitment Costs - \$43,048.59**  
 2005 Relocation Fees Paid - \$31,400  
 Number of Horses Paid - 157 (+17%)  
 Number of Starts - 445 (-1%) \*12 Fewer Race Days
- Number of Starts by Recruited Horses, by Fair:**  
 Stockton - 79 (-10%)  
 Pleasanton - 36 (+64%)  
 Vallejo - 86 (-7%)  
 Santa Rosa - 106 (+46%)  
 San Mateo - 53 (+74%)  
 Ferndale - 48 (+71%)  
 Sacramento - Harness Meet Conducted in 2005  
 Fresno - 37 (+6%)
- Number of Starts by State Recruited From:**  
 Arizona - 241 (-28%)  
 Oregon - 81 (+145%)  
 Utah - 39 (+3%)  
 Idaho - 36 (+227%)  
 Iowa - 22 (+210%)  
 Washington - 12 (+20%)  
 Other - 13 (NM, CAN, WY, KY, TX)
- Leading Trainers of Recruited Horses (by starts):**  
 Lenzini, M. (AZ) - 113 (+8%)  
 Bainum, T. (AZ) - 49 (+100%)  
 DeLima, C. (IA) - 28 (+100%)  
 James, G. (UT) - 26 (+18%)  
 Truitt, P. (OR) - 23 (+130%)  
 Hanford, P. (AZ) - 19 (+25%)  
 Courtright, C. (OR) - 19 (+100%)  
 White, R. (OR) - 17 (-32%)

Trainers that participated in the program in 2004, but did not start a significant amount of out-of-state horses in 2005 include:

Dennis Hopkins (54 from AZ in 2004), Van Belvoir (22 from AZ in 2004), Lanny Sharp (16 from NM in 2004), Stan Wasson (33 from AZ in 2004) and Jim Weaver (13 from AZ).

1

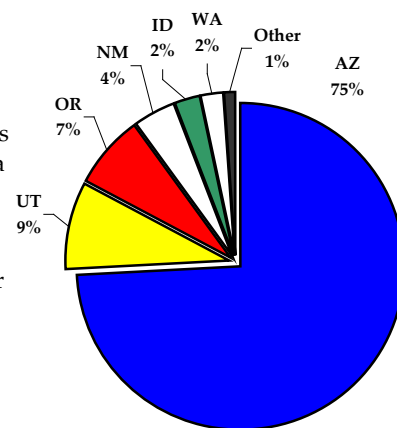
### 2005 Average Fair Field Size w/o Recruited Horses



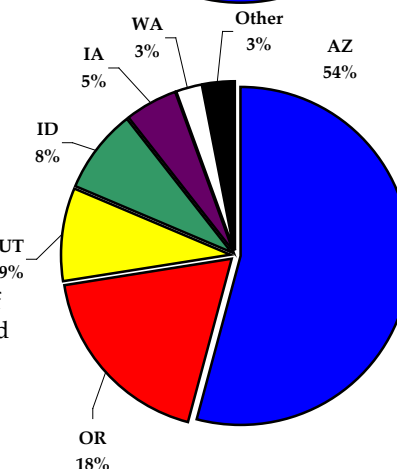
2

### Where did out-of-state horses come from in 2004? Did the trend continue in 2005?

In 2004, recruiting efforts were focused on Arizona horsemen. As a result, horses from Arizona made up 75% of all out-of-state starts on the Fair Circuit.



In 2005, CARF recruitment efforts expanded to Oregon. The resulting increase of Oregon horsemen helped the Fairs become less dependent on one region for its horse supply. (Arizona).



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

# 2004 Thoroughbred Recruitment

## Results of CARF Program to Increase Field Size

- **2004 Total Recruitment Costs - \$31,538**

2004 Relocation Fees Paid - \$26,800

Number of Horses Paid - 134

Number of Starts - 451

- **Number of Starts by Recruited Horse, by Fair:**

Stockton - 88

Pleasanton - 22

Vallejo - 92

Santa Rosa - 72

San Mateo - 31

Ferndale - 28

Sacramento - 83

Fresno - 35

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

Arizona - 335

Utah - 38

Oregon - 33

New Mexico - 19

Idaho - 11

Washington - 10

Other - 5

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

Lenzini, M. (AZ) - 105

Hopkins, D. (AZ) - 54

Wasson, S. (AZ) - 33

Chavez, F. (AZ) - 29

White, R. (AZ) - 25

Haverty, K. (AZ) - 23

James, G. (UT) - 22

Belvoir, V. (AZ) - 22

Sharp, L. (NM) - 16

Hanford, P. (AZ) - 15

Weaver, J. (AZ) - 13

Mills, D. (AZ) - 13

Whitehouse, W. (AZ) - 11

Truitt, P. (OR) - 10

Shuldberg, B. (AZ) - 10

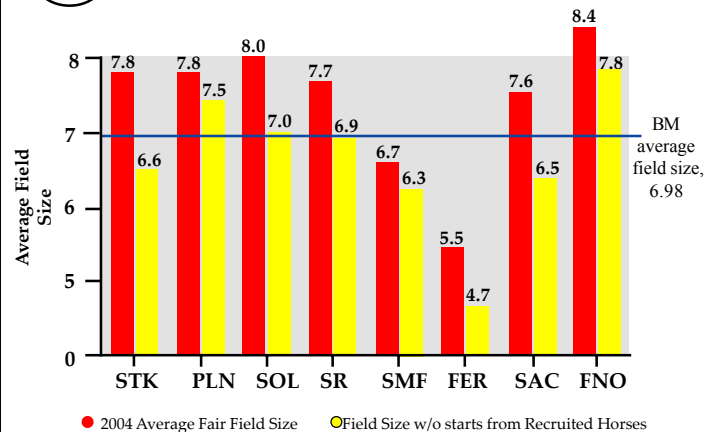
Bennett, K. (AZ) - 8

Other - 42

The Fair Out-of-State Recruitment Program, administered by the California Authority of Racing Fairs, pays \$200 to every horse that travels 600 or more miles to start on the Northern California Fair Circuit. The popularity of the program continues to grow with participation increasing every year since the program's inception.

1

### 2004 Average Fair Field Size w/o Recruited Horses



1. Field size is a problem in California. Without horses recruited from out-of-state, the **average Thoroughbred field size on the Fair circuit would be smaller**. The trend closely resembles the average field size of the **Bay Meadows spring meet (6.98)**, which runs just before the Fair.

#### Examples:

Recruitment efforts brought 92 out-of-state starters to the Solano County Fair. Without those starters, **the average Thoroughbred field size at the Vallejo would have dropped from 8.0 to 7.0**. This trend continued at the California State Fair where the average Thoroughbred field size was 7.6. **Without out-of-state starters, the average field size would have been 6.5.**

Los Angeles Times  
**latimes.com**



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<http://www.latimes.com/news/local/la-me-lottery10may10,0,1542996.story?coll=la-home-center>  
From the Los Angeles Times

## Schwarzenegger may try to privatize California lottery

Lease plan could garner state up to \$37 billion for budget needs in nation's first-of-its-kind plan.

By Evan Halper  
Times Staff Writer

11:54 AM PDT, May 10, 2007

SACRAMENTO — Gov. Arnold Schwarzenegger is poised to call for privatizing the state lottery, a move that would bring California a cash infusion of as much as \$37 billion to help solve pressing budget problems but also could sacrifice a major revenue source for decades to come.

The lottery would be leased to a private company for up to 40 years in exchange for a lump-sum payment or series of payments, according to documents from the governor's budget office that were provided to legislative staff and obtained by The Times. If lawmakers were to sign off on such a plan, California could become the first state to privatize its lottery.

Schwarzenegger will issue a revised budget proposal Monday that is expected to contain the lottery plan.

Adam Mendelsohn, Schwarzenegger's communications director, confirmed that the governor's staff had been working with investment banks on the plan. He said private companies could do a better job of running the lottery than the state, resulting in more Californians playing and the largest possible cash infusion.

"California has one of the lowest-performing lotteries in the country," he said. "Taxpayers could see two to three times more money go into state coffers."

Mendelsohn also said any plan the governor proposed would not diminish the size of lottery payments now allocated to public schools, which received nearly \$1.3 billion from the lottery in fiscal 2006.

California's lottery was created in 1984 after 58% of voters approved an initiative drafted and bankrolled by the company Scientific Games, which soon after won the initial, \$40-million state contract to provide the tickets. The ballot measure mandated that 34% of revenue created by the lottery go to public schools. Lottery sales last year totaled more than \$3.5 billion.

Legislative leaders said they would not comment on the proposal until after it had been made public.

The plan is certain to be controversial, with opposition likely from activists who are seeking to stop further expansion of gaming in the state, as well as fiscal conservatives who are uneasy with trading off future revenue for easy cash now. But it also is likely to entice both Democrats and Republicans desperate to find funding for programs they support without having to resort to a tax hike.

It comes at a time when the state is facing only a modest budget deficit for the coming fiscal year — about \$1 billion. But billions more in bond payments will be due soon after.

The weakened housing market, an unexpected decline in income taxes earlier this year and an uncertain economic outlook are adding to budget pressures.

Those pressures are also raising concerns about whether the state can afford to proceed with the bold policy priorities set by the governor and many lawmakers, such as universal healthcare and massive public works spending.

Proposals for privatizing the lottery that were drafted by investment banks, including Goldman Sachs and Lehman Brothers, suggest that the move would solve many of the state's fiscal challenges in one fell swoop — with cash to spare.

That same sales pitch, however, has been made in other states, and none has followed through on the proposals so far.

Legislators in Texas are balking at a proposal by Gov. Rick Perry to use \$14 billion in lottery payments for low-cost health insurance for the uninsured and for cancer research, among other programs. Texas lawmakers are growing concerned that the state, which has turned over much of its road-building operations to the private sector, was privatizing too many assets too fast.

Efforts in Indiana and Colorado to privatize lotteries also stalled.

"The question that keeps coming up in these states is whether this would be doing something with long-term consequences for short-term gain," said Arturo Perez, a fiscal analyst with the National Conference of State Legislatures.

The California proposal is most likely to mirror one being pushed in Illinois by Gov. Rod R. Blagojevich. That sale would provide Illinois with \$10 billion in return for handing over the lottery to a group of investors that would keep all of its proceeds for 75 years. The state would use the money to help cover the cost of bringing its pension system, which is running a multibillion-dollar deficit, into the black.

Proponents of a sale point out that Californians spend less of their income on lottery tickets than residents of most other states — meaning less money is generated for schools and other government programs. According to state documents, residents here spend, on average, \$81 per year. In New York and Georgia, per-capita spending on the lottery averages more than \$300.

The proposals drafted by the investment banks suggest that California could spend the money to pay off debt coming due through 2010 — including the

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remainder of the \$10.9 billion California borrowed to balance the budget soon after Schwarzenegger first took office.

"This would provide significant budgetary relief in the coming fiscal years, helping address challenges posed by declining revenues and demands for new spending," one draft proposal says.

Although administration officials said the governor's spending plan does not rely on money from privatizing the lottery to bring the state budget into balance in the coming fiscal year, the banks promoting a lottery sale said proceeds could become available as soon as February 2008.

That, however, could take some complicated legal maneuvering. There are constitutional restrictions on how lottery money is divvied up.

Changing those rules could require a vote of the people, something that might not happen until November 2008 at the earliest.

Some say there is good reason not to move too fast.

"It's very tempting. But I'm not sure these states understand what they would be signing off on," said Edward Ugel, author of "Money for Nothing: One Man's Journey Through the Dark Side of Lottery Millions." The book is an account of his career talking lottery winners into turning over their prizes, which were paid out over many years, to private companies in exchange for lump sums.

"You are relying on politicians to make decisions for people who will be left holding the bag decades from now," he said. "There are no givebacks on this."

\*

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## A push to make lottery private

By Judy Lin - Bee Capitol Bureau

Published 12:00 am PDT Friday, May 11, 2007

Gov. Arnold Schwarzenegger's administration released details Thursday of a proposal to privatize the California Lottery, a plan that a union representing many state lottery workers immediately denounced as a "rip-off" that would allow Wall Street to profit off a taxpayer asset.

The governor, who will include the proposal in the May budget revision he releases Monday, wants to lease the California Lottery system to a private company for up to 40 years in exchange for as much as \$37 billion to relieve the state's fiscal problems. He said putting the lottery up for bid could bring in more cash for education as well as other priorities.

"We always look for how to make things in California more efficient, and I think our lottery system is not run in the most efficient way," Schwarzenegger said Thursday. "I think we can do much better. I think we owe it to the taxpayers because it will mean more revenues for us."

Some Democratic lawmakers and labor groups immediately criticized the idea as a risky bet that could shortchange the state. By pocketing cash now, they say, the state could end up losing a sizable revenue source in the long run.

"I think it's a bad way to go," said Sen. Sheila Kuehl, D-Santa Monica. She likened the administration's proposal to hundreds of millions of dollars that have yet to be realized from the governor's Indian gambling expansion proposal.

"It's another way in which he wants to use gambling to support the budget," Kuehl said. "It would be a quick infusion of cash but provide far less down the line."

California, which is spending more than it takes in this year and is heading into another tough budget year, joins the District of Columbia and a number of states that are considering leasing or selling their lottery systems, including Colorado, Michigan, New Jersey, Ohio and Texas. None has yet to complete a deal. State Controller John Chiang said Thursday the state received more cash in April than anticipated, but cautioned that revenue growth might slow next year.

Investment management firms Lehman Brothers and Goldman Sachs, which separately approached the administration with the idea, say operating a lottery involves retail, technology and marketing businesses at which states haven't historically excelled. Administration officials say lottery ticket sales have actually declined over the past 18 years when adjusted for inflation.

If the private sector can bring in more money, then "that's worth considering," said Bradley Tusk, senior vice president at Lehman Brothers Financing.

A lease could bring cash in the form of one lump sum, or in installments.

California's lottery system was created in 1984 with 58 percent voter approval. Under the California State Lottery Act, at least 34 percent of revenues must go to schools.

The lottery generated nearly \$3.6 billion in sales last year. After prize payouts and expenses, the state received nearly \$1.3 billion for public education.

Next year, lottery sales are expected to fall by more than 10 percent. According to state documents, California residents spend an average of \$81 per year while the national average is \$158.

Jim Hard, president of the Service Employees International Union Local 1000, which represents 500 lottery sales representatives, information technology specialists and support staff, said the governor is listening to Wall Street advisers whose priority is making money, not protecting the interest of taxpayers.

"What's the risk besides the rip-off of the California taxpayer?" Hard said.

The labor leader suggested that the current system can be made more efficient with guidance from the top.

"Our members who staff the lottery's non-management positions are experts at their jobs, and given the right direction and the right incentives they could make lots of money for California's education system," Hard said.

Administration officials say schools would be better insulated from fluctuations in lottery sales because the state would negotiate terms to guarantee revenues at least equal to what the schools receive now. The state also would negotiate to retain oversight.

Fred Klass, program budget manager for the state Department of Finance, said proceeds of a lease could be used to pay down debt and free up money for the future.

The Schwarzenegger administration believes the lease could happen with a two-thirds vote of the Legislature. However, Sen. Dean Florez, D-Shafter, argued the lease would require voter approval.

At least six marquee institutions -- domestic and international -- have expressed interest in taking over the lottery system, and the administration would follow a competitive bidding process, said Adam Mendelsohn, Schwarzenegger's communications director.

David Crane, special adviser to the governor for jobs and economic growth, said he expects a "vibrant and vigorous" bidding process that would get the governor's endorsement only if it proves the state would get more money.

Senate President Pro Tem Don Perata, D-Oakland, said he supports the idea of making government more efficient.

"The governor's right," Perata said. "We've got to start turning everything upside down and shake it because we simply can't afford to keep on doing things the way we are doing it."

Education advocates say they welcome a fresh approach to the lottery but will withhold judgment until they know what the impact will be on school funding.

"Would it mean more money, less money?" asked Sandra Jackson, a spokeswoman for the California Teachers Association. "What is the

long-term implication for education?"

Meanwhile, other gambling interests are watching the proposal with interest.

Howard Dickstein, an attorney who represents some Indian tribes that operate casinos, said any private firm that takes over the state lottery likely would push to expand its presence, perhaps in the form of video terminals.

"There's not a proposal to expand the types of games," Dickstein said, "but it sets the stage for the lessee to make more profits by pushing for expansion."

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# CAL EXPO

May 30, 2007

Mr. Joe Barkett  
Chairman  
California Authority of Racing Fairs  
1776 Tribute Rd., Suite 205  
Sacramento, CA 95815

JUN 1 2007

Dear Joe,

On behalf of the California Exposition & State Fair, I respectfully submit this request for Live Racing Facility Improvement funds, Parimutuel Facility Upgrades and Development funds, and Equipment Replacement funds recently forwarded to CARF from the Division of Fairs & Expositions for the 2006/2007 fiscal year.

A similar request to receive these same types of funds for the 2005/2006 fiscal year, when Cal Expo held its membership in CARF for 8 months, was never answered.

At your convniencc, I would respectfully request the following:

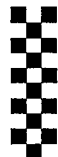
1. Information forwarded to us in a timely manner regarding the processes/criteria necessary to receive the funding from the above mentioned sources; **OR**
2. This letter to be placed on the June 5, 2007 CARF Board of Directors meeting agenda for discussion and action.

We look forward to supporting the CARF members during the 2007 Summer Fair racing circuit; and thank you in advance for your prompt response to our request.

Cordially,  
CALIFORNIA EXPOSITION & STATE FAIR

David Elliott,  
Assistant General Manager, Racing Events

cc: Norbert Bartosik  
Michael Treacy  
Bruce Lim  
Christopher Korby



CAL EXPO

California Exposition &amp; State Fair

P. O. Box 15649

Sacramento, CA 95852

Tel: (916) 263-3021

Fax: (916) 263-3304

[www.calexpo.com](http://www.calexpo.com)[www.bigfun.org](http://www.bigfun.org)

## California Exposition &amp; State Fair Fax

Date:

5/31/07

To:

CHRIS KORSH

Fax #:

263-3341

Company:

CALF

From:

DAVID ELLIOT

Phone:

263-3283

Fax #:

Re:

Number of Pages to Follow Cover Sheet: 1

Message:

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22ND DISTRICT AGRICULTURAL ASSOCIATION  
State of California

January 8, 2007

Chris Korby  
Executive Director  
California Authority of Racing Fairs  
1776 Tribute Road  
Sacramento, CA 95815

Dear Mr. Korby;

In Mike Knapp's absence, I am sending this request for reimbursement for backside health & safety related improvements made in 2006. It is my understanding this reimbursement is funded through an allocation by the Department of Food & Agriculture's division of Fairs & Expositions, to be processed through CARF. As a result, CARF receives a 7.5% administration fee for processing these requests.

The Del Mar Fairgrounds backside health & safety improvements completed this year include improvements to living quarter's stairs, balconies, flooring, lighting, windows & doors. Additionally, electrical improvements were made in the holding barn and backside lighting was increased. Enclosed are invoices supporting these expenditures which totaled \$147,281.14. Therefore, we are requesting the \$100,000 allotted reimbursement, less your administrative fee. Please let me know if you have any questions. I can be reached at (858)755-1161 x 2013 or [pneal@sdfair.com](mailto:pneal@sdfair.com).

Sincerely,

Patricia Neal  
Accounting Officer

OK to pay  
OK

CC: Mike Treacy



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22ND DISTRICT AGRICULTURAL ASSOCIATION  
State of California

January 8, 2007

Chris Korby  
Executive Director  
California Authority of Racing Fairs  
1776 Tribute Road  
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Sincerely,

Patricia Neal  
Accounting Officer

OK to pay

OK

\$92,500

CC: Mike Treacy



## Classic Performance



### Equine Injury Reporting System Receives More Support

by Amanda Duckworth

Date Posted: 5/30/2007 9:22:11 AM

Last Updated: 5/31/2007 7:33:27 PM



**Dr. Mary Scollay**

Photo: Jim Lisa Photos/Don Brown

The day after representatives of the Welfare and Safety of the Racehorse Summit announced an injury reporting pilot project was set to begin June 1 at 30 racetracks, three more tracks have indicated interest in the program. The uniform, on-track equine injury system was developed by Dr. Mary Scollay.

"I have gotten a call from Woodbine, and they will be participating," Scollay said. "I have also heard from Pimlico and Laurel. The Maryland Jockey Club contacted me and indicated that they will be participating.

"I am confident that California will be on board, but they already have a system in place. They need to find a way to make this system compatible with what they are doing so they aren't diverting too much energy into this and taking away veterinarians' time from other tasks that may require more immediate attention."

The goal of the injury reporting pilot project is threefold: to identify the frequency, type, and outcome of racing injuries using a standardized format that will generate valid composite statistics; to develop a centralized epidemiologic database that could be used to identify markers for horses at increased risk of injury; and to serve as a data source for research directed at improving safety and preventing injuries.

"In pre-race inspections, I probably spend less than 45 seconds with my hand on any given horse," Scollay said. "You can learn a lot in that time, but certainly you can't learn enough. If we can find ways to identify horses that are at an increased risk of specific injuries, we may be better able to target our pre-race inspections in a way that makes them more effective."

The centerpiece of the system is a standardized form that will be used by racetrack veterinarians to identify what happened to an injured horse. The injured horses will not be identified at any time, and tracks will be able to compare their individual statistics to the aggregate statistics. Many tracks have been keeping records of similar information on their own, but this will provide a standardized way of documenting injuries.

"Each track has a confidential code number specific to that racetrack and known only to that racetrack and to me," Scollay said. "There is no possibility of targeting specific horses, trainers, or racetracks. This is not about recrimination."

Scollay hopes to have a similar system in place within the next year for training injuries.

"There is an initial effort this year to start tracking training injuries," she said. "It is a considerably more complex issue. We are working on it, but we are not ready for it. Hopefully, sometime next



year we'll have specific ways to start tracking training injuries."

Another benefit is that the data could be linked to other studies emanating from the summit.

One is an ongoing study headed by Dr. Mick Peterson, professor of mechanical engineering, University of Maine, that records racing surface data.

"There is no such thing as 'an acceptable rate of injury,' but until we are able to document injury rates, trends, and outcomes—and figure out where we are—it is hard to figure out how to get to where we want to be," Scollay said.

In addition to the tracks starting the study June 1, several other tracks anticipate participating if they can arrange personnel by that time.

The Welfare and Safety of the Racehorse Summit, which was conceived by the Grayson-Jockey Club Research Foundation board of directors in 2005 and held in October 2006, addressed this issue and many others concerning the safety and soundness of the Thoroughbred racehorse.

Six committees are conducting research and making recommendations on the action plans that evolved from the summit's strategic planning session:

- **Injury Reporting:** Dr. Mary Scollay
- **Stallions' Progeny Racing Durability:** Ed Bowen
- **Racing Surfaces:** Dr. Wayne McIlwraith
- **Race Condition and Race Office:** Eual Wyatt
- **Shoeing and Hoofcare:** Bill Casner
- **Education and Licensing:** Paul Bowlinger

At the Association of Racing Commissioners International convention in April, Dan Fick, executive vice president and executive director of The Jockey Club; Bill Casner, chairman and co-owner of WinStar Farm; and Peterson and Scollay presented updates on the Welfare and Safety of the Racehorse Summit and the focus and progress of their respective committees.

One of the model rules passed by the RCI included a ban on toe grabs longer than 4 millimeters.

"The front leg of a horse supports about 65% of the horse's weight," Bill Casner said. "As the height of the toe grabs increases, the chances of having an injury also increase."

"The injury reporting system and toe grab ban are just two examples of progress from the summit," Fick said. "Committee members are working hard to improve the safety and soundness of racehorses, and we will continue to provide updates from each of them in the months ahead."

The Welfare and Safety of the Racehorse Summit was coordinated and underwritten by the Grayson-Jockey Club Research Foundation and The Jockey Club, and was hosted by the Keeneland Association Oct. 16-17, 2006. Since 1983, the Grayson-Jockey Club Research Foundation has underwritten 230 projects at 32 universities for more than \$14 million.

Here are the racetracks participating in the on-track injury reporting system as of May 29:

Albuquerque Downs  
Aqueduct  
Arlington Park  
Belmont Park  
Beulah Park

Calder Race Course  
Canterbury Park  
Charles Town Races  
Churchill Downs  
Delaware Park  
Ellis Park  
Emerald Downs  
Fonner Park  
Gulfstream Park  
Hastings Park  
Hawthorne Racecourse  
Hollywood Park  
Hoosier Park  
Indiana Downs  
Keeneland  
Lone Star Park  
Meadowlands  
Monmouth Park  
Penn National  
Philadelphia Park  
Prairie Meadows  
Saratoga  
Suffolk Downs  
Turfway Park  
Yavapai Downs

- [Race Injury Reporting Form](#) (PDF)

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Date:        /        /

Track:        Race:       

Horse:       

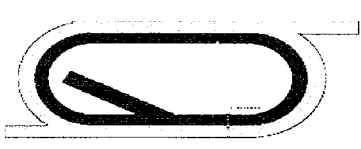
Trainer:       

Reporting Veterinarian:       

Attending Veterinarian:       

<b>CASE #:</b> -      -      -							
Surface <input checked="" type="checkbox"/>	Class/Condition	Distance	Field Size	Age*	Weight Carried	Resident Status	Pre-Race Inspection Findings
Dirt	<b>Claiming</b> Price \$	<u>One turn:</u> < 5 f 5 f 5 ½ f 6 f 6 ½ f 7 f 7 ½ f 1 mile > Mile				Ship-in >1 < 10 days	
Synthetic			<b>Final Time</b>		Post Position		
Turf	Price factor			(Month)		Resident	<b>Equipment</b>
<b>Condition</b>	Maiden Beaten Open		<b>Placing</b>	<b>Sex</b>	<b>Class</b>	Previous Start	Blinkers   Scoop blinker   Cornell collar Ring bit   Run-out Bit   Bit burr Other        NONE   UNKNOWN
Fast	<b>Allowance</b> MSW	<u>Two turns:</u> 6 f 6 ½ f 7 f 7 ½ f 1 mile	by DNF NA	Colt   Horse Filly   Mare Gelding   Rig	No change NA	by DNF NA	<b>Shoeing</b>
Good	NWX						Plain   Queens Plate   QXT   Rim shoe
Muddy	NW\$						Reg / QH Toe grab   Bar shoe
Sloppy	STR		Jockey	Life Starts	Speed Figs	Last Pub Work	Mud nails   Jar caulks   Glue on shoes
Wet Fast	Price factor		Apprentice			Date	Blocked heels   Stickers   Bent shoes
	<b>Stake</b> Purse: \$	1 mile 70 yd 1 mile 1/16 1 mile 1/8 1 mile 3/16 1 mile ¼ 1 mile 3/8 > 1 mile 3/8	Journeyman	Wins	Life Earnings	Distance/Cond. f	Rim Pads   Full Pad   Spider plate
Firm	Overnight		Injured: Y   N			Time	Hoof wall reconstruction   ¼ crack patch Other        UNKNOWN
Good	Non-graded		<b>Claim History—previous 6 months</b>				
Yielding	Grade 3		0	1	2	3	>3
Soft	Grade 2						
Off Turf	Grade 1						
	Handicap:   Y   N						

	Limb	Category	Anatomic Region	Site	Injury Description
A					
B					
C					
D					

RACING	INCIDENT RELATED INFORMATION	TRIAGE SCORE	INJURY MANAGEMENT	EMERGENCY MEDICATIONS	
 <p>XX—Gate Location   X—Site injury first observed</p>	Lost rider   Ran loose   Equipment failure Clipped heels   Stumbled   Fell   Collapsed Ducked   Bolted   Failed to maintain course Contact w/ other horse   Impeded   Checked Contact with rail / gate / vehicle Other	<b>STEWARDS' ACTION</b> NA Jockey—foul claim Stewards'—Inquiry DQ:   Y   N	NONE Kimzey splint Compression boot Robert Jones Bdg Ext. stabilization, other Sling Rescue Sled Ambulance Other	NONE Acepromazine Butorphanol Detomidine Dormosedan Xylazine Pred sodium succinate NSAID Other	
	NON-RACING	OUTCOME			
	Pre-race: Official Veterinarian Scratch AM Paddock / Post Parade / Gate Soundness / injury / other Post race: Past wire / Returning After unsaddling Detention Barn Other:	Prognosis for return to racing soundness : Excellent   Good   Fair   Poor   Career Ending Injury   Not applicable   Unknown Outcome: Non-fatality Anticipated return to training/racing: < 30 days   31-60 days   61-180 days   181-365 days   >365 days   Not applicable Fatality Euthanized (<72 hrs post injury) Died Unknown			

Limb	Injury Category	Anatomic Region	Site	Injury Modifiers	
LF RF LH RH BF BH All 4 Unknown NA	UNKNOWN				
	FRACTURE  NON-FRACTURE	Distal limb	Sesamoid-med Sesamoid-lat Sesamoid-biax MC <sub>3</sub> / MT <sub>3</sub> Carpal bones P <sub>1</sub> / P <sub>2</sub> P <sub>3</sub> Splint-med Splint-lat Tarsal bones	Chip Condylar Cortical Oblique Slab Spiral Transverse	Incomplete Comminuted Displaced Non-displaced  Closed Compound Degloved
		Long bone	Humerus Femur Radius/Ulna Tibia	Lateral Medial Saggital Proximal Distal Mid	Dorsal Palmar Plantar  Apical Basilar
		Axial skeleton	Skull / Spine Pelvis		
	SOFT TISSUE	Suspensory	Medial branch Lateral branch Body / Origin Check ligament Distal Ses. Lig	Proximal 1/3 Middle 1/3 Distal 1/3 Dist. to fetlock Origin	Desmitis Tendinitis Bow Avulsion Failure / Rupture Lacerated/Severed
		Tendon Tendon Sheath	SDF DDF CDEXT	Strain Myalgia/Myositis	<b>Reinjury</b>
		Muscle _____ Other _____			
	JOINT	Fetlock Carpus Interphalangeal Stifle Hock Other _____	DJD / OA Subluxation / Luxation Disarticulation    Open / Closed  D/P instability M/L instability		
	OTHER-MS		Laceration Puncture Grabbed ¼ Other	Run down sore Hematoma Foot bruise	
	NON-MS		Post exertional distress / Heat Stroke Synchronous dia. Flutter Cardiac arrhythmia EIPH—external hemorrhage Sudden Death Other _____		
Triage Scoring					

0	No lameness observed on track
I	Grade III or lower lameness; no obvious limb deformity
II	>Grade III lameness; no obvious limb deformity
III	Mild to moderate limb instability in 1 plane; closed injury
IV	Severe instability in 1 plane; closed injury
V	Limb instability in 2 or more planes / loss of column of support (open or closed); open: fx/joint capsule/tendon sheath

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## Indian Casinos Gross \$25 Billion in 2006

By ERICA WERNER, Associated Press Writer  
Monday, June 4, 2007

(06-04) 15:57 PDT WASHINGTON (AP) --

Indian gambling pulled in \$25 billion in 2006, 11 percent more than the year before as the industry's explosive growth outpaced Las Vegas.

Federal figures announced Monday, compiled from 387 tribal facilities in 28 states, show Indian gambling revenue has nearly doubled in five years.

Indian casinos brought in \$12.8 billion from gambling in 2001, \$22.5 billion in 2005 and \$25.1 billion in 2006, according to the National Indian Gaming Commission.

"The continued growth is eye-opening considering the tribal gaming industry is still relatively young," said commission Chairman Phil Hogen.

In 1988 Congress passed a law creating the legal framework for Indian gambling. The law let Indian tribes, with the consent of a state's governor, run slot machines and other profitable games on their reservations not allowed elsewhere in the state.

There are now 415 Indian gambling facilities nationwide operated by more than 200 tribes. They range from full-blown casinos with slot machines and other Las Vegas-style games to smaller gambling centers offering video poker, bingo or other games short of slots.

The figures released Monday didn't include audit numbers from a couple dozen smaller operations that hadn't yet reported, but Gaming Commission officials said the overall number wasn't expected to change much.

Indian gambling revenue in 2006 was far richer than the \$12.62 billion gambling take in Nevada in 2006. But Nevada casinos make a lot of money with restaurants, hotels and other entertainment, so their total 2006 revenue was \$24.08 billion. Gambling revenue in Nevada increased 8 percent from 2005 to 2006.

Indian casinos aren't required to report their profits, and most don't disclose that information, so it's not possible to know the tribes' net income. Nevada's major hotel-casinos posted their highest net income ever in fiscal 2006 — a combined \$2.1 billion.



The new figures come as the National Indian Gaming Commission struggles with how to regulate tribal gambling in the wake of an appeals court decision last fall that said the federal government does not have authority to make rules about the play of Nevada-style games at tribal casinos.

Commission officials hope Congress will act to strengthen their hand, but the Democrats who now control Congress have shown little interest in doing so, and tribes say they can regulate themselves. Hogen said his commission's authority must be reasserted for the industry to continue its growth.

"The public's continued good will is a necessary element to continued growth, which is why the role of the NIGC must be reaffirmed," he said.

<http://sfgate.com/cgi-bin/article.cgi?f=/n/a/2007/06/04/national/w132619D02.DTL>

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