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**AGENDA**  
**CALIFORNIA AUTHORITY OF RACING FAIRS**  
**LIVE RACING COMMITTEE MEETING**  
**JOHN ALKIRE, CHAIR**  
**11:00 A.M., TUESDAY, OCTOBER 19, 2010**

**VIA TELECONFERENCE**

Notice is hereby given that a teleconference meeting of the Live Racing Committee will commence at 11:00 A.M., Tuesday October 19, 2010.

**AGENDA**

- I. Date, time and location of next meeting.
- II. Approval of minutes.
- III. Report, discussion and action, if any, on legislative matters.
- IV. Report on Recent Appointments to CHRB.
- V. Report, discussion and action, if any, Proposed Changes to Uplink Services from Roberts Communication Network.
- VI. Discussion and action, if any, on Racing Dates for 2011 and Beyond.
- VII. Discussion and action, if any, on Funding Allocations from CDFA Division of Fairs and Expositions for FY 2010-11 and beyond.
- VIII. Discussion and action, if any, regarding Replacement Revenues for Solano and San Joaquin County Fairs.
- IX. Financials
- X. Executive Director's Report



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Notice is hereby given that a teleconference meeting of the Live Racing Committee will commence at 11:00 A.M., Tuesday, October 19, 2010.

**CARF Live Racing Committee Meeting**  
**Toll Free Dial In Number: (800) 791-2345**  
**Participant Code: 62745 #**

The Public and members of the Live Racing Committee may participate from the following locations:

Alameda County Fair  
4501 Pleasanton Ave.  
Pleasanton, CA 94566

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

Solano County Fair  
900 Fairgrounds Drive  
Vallejo, CA 94589

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

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

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

California State Fair  
1600 Exposition Blvd.  
Sacramento, CA 95815

**CALIFORNIA AUTHORITY OF RACING FAIRS****Live Racing Committee****Tuesday, September 7, 2010****MINUTES**

A meeting of the California Authority of Racing Fairs Live Racing Committee was held at 11:00 A.M., Tuesday, September 7, 2010. The meeting was hosted at the California Authority of Racing Fairs board room located at 1776 Tribute Road, Suite 205, Sacramento, California.

CARF Live Racing Committee members attending: John Alkire, Norb Bartosik, Debbie Cook, Mike Paluszak, Rick Pickering, Tawny Tesconi and Stuart Titus.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Tom Doutrich, Amelia White, Louie Brown, Raechelle Gibbons, James Jimenez, Tony Withington, Ed Clites, Vince Agnifili, Chris Carpenter, Mike Treacy, Rebecca Desmond and Lisa Drury. Joining by conference call: Cindy Olsen.

**Agenda Item 1 – Date, Time and Location of Next Meeting.** The next CARF Board & Live Racing Committee meetings will be held Monday, October 11, 2010 at the Big Fresno Fair, time to be determined.

**Agenda Item 2 – Approval of Minutes.** Ms. Cook noted that Mr. Titus was listed twice in the minute's attendance. Mr. Pickering moved to approve the meeting minutes as amended. Mr. Titus seconded, unanimously approved.

**Agenda Item 3 – Report, Discussion and Action, if any, on Legislative Matters.** Deferred to CARF Board of Director's Meeting at 12:30 P.M.

**Agenda Item 4 – Report on Formation of CFO Working Group.** Mr. Korby reported that over the years the Live Racing Committee has reviewed the manner in which racing expenses are calculated, has established formulas to apply those expenses back to Fairs and has conducted frequent reviews of contracts for services and materials that pertain to live horse racing.

Due in part to the departure of long-term Committee members over the past few years, CARF Staff is recommending that a small CFO Working Group be formed to make recommendations back to the Live Racing Committee, specifically regarding the allocation of racing expenses. This working group would consist of CARF Staff and Fair CFOs.

Mr. Korby has approached Mr. Pickering and Mr. Bartosik to request that their respective CFOs work with Larry Swartzlander and Raechelle Gibbons to form the initial group. Ms. Tesconi requested that the Sonoma County Fair Controller participate in the group as well.

Mr. Alkire stated that he felt it was important that Fair representation consist of accounting staff and not Fair Managers. Mr. Pickering stated that due to the 30 percent reduction of race dates in 2010, the formation of a working group is especially important. Ms. Tesconi added that future cost cutting should be a critical element for the group to consider.

**Agenda Item 5 – Report and Re-Cap of Summer Fairs to Date.** Ms. Cook reported that she was pleased that aspects of the 2010 San Joaquin County Fair that could be directly influenced by staff (such as ontrack attendance, ontrack handle and Fair admissions/concessions/parking) performed better than the national trend. However, decreases in overall handle and fewer racing more than offset any gains.

Mr. Pickering reported that the Alameda County Fair received CHRB approval prior to the meet to run 16 race days. Due to horse population and the erratic schedule of Hollywood Park, the Fair was only able to conduct 15 days of racing. Handle was severely impacted by Hollywood Park's decision not to race Wednesdays and to race Thursday nights, leaving Pleasanton as the sole California day signal. Fortunately, Fair staff had the foresight to strategically move their Senior Free Day from Wednesdays to Thursdays. Overall, the horse population was adequate, but a decline in emerging breed races was evident. Mr. Pickering was pleased with ontrack special promotions and plans to experiment with some form of Dollar Day promotions in 2011.

Mr. Korby reported that the erratic and last minute decisions by Hollywood Park caused tremendous uncertainty and lost revenue to both Stockton and Pleasanton. Last minute cancellations and Thursday night racing specifically impacted the satellite network and off-track handle for racing Fairs. Mr. Korby stressed that a protocol for cancellations be established by CHRB.

Ms. Tesconi reported that horsemen loved the condition of the Sonoma County Fair turf course and it proved to be very safe. Handle and attendance held up well during the main meet, but the third week handle was approximately 30 percent less than the main meet. Special promotions during the third week generated a good crowd, but they didn't seem to contributing to the handle. Chairman Brackpool visited the Fair and showed an interest in all aspects of the operation. Fair admissions, parking and concessions were up, despite an unseasonably cool meet that affected the last races of the day and night activities at the Fair.

Mr. Titus reported that the Humboldt County Fair meet was very successful, due in large part to the opportunity to run five days of racing without overlap. The horse population was

sufficient but strained during the first three days. Commission revenues were up 100 percent, exceeding conservative pre-meet estimates. For the first time in its history, the meet generated enough handle to cover purses creating a situation where no supplemental purse monies were used and the Fair concluded with a \$75,000 purse underpayment. Ontrack handle was up 4 percent and handle was up double digits in every other category. CHRB Commissioners Brackpool and Harris visited the Fair and were impressed by the crowd's enthusiasm. The Fairs itself did well due in part to a huge opening day with an appearance by hometown celebrity chef and entertainer Guy Fieri.

Mr. Paluszak reported that the Solano County Fair figures were disappointing but understandable due to the ongoing process of reinventing the Fair identity and product. The changes made in 2010 were very well received by the community.

Mr. Carpenter reported that the San Mateo County Fair went well. The attendance numbers were down do the change in Fair dates, but those numbers will correct themselves in time. The Fair will continue to operate nine days and will implement new promotions, including a dollar day, in 2011. Mr. Alkire congratulated Mr. Carpenter on the operation of the San Mateo satellite wagering facility which remains the highest performing Fair satellite in Northern California.

Mr. Agnifili reported that the Southern California Fair is gearing up for its October 9, 2010 opening.

Mr. Pickering added that the Alameda County Fair was subject to several new and unique CHRB inspections in 2010 which could be related to the politics behind the satellite radius debate. Mr. Korby emphasized that even with declining handle, horse racing remains one of the most important revenue sources for Fairs and it is imperative to show a commitment and reinvestment back into the racing industry.

Mr. Korby reported that even though handle was down at Fairs meets, the declines were within the range of preseason projections. The consolidated purse program and integration of supplemental purses was a critical advantage in attracting and retaining horses. Moving forward, the Emerging Breed issues need to be addressed, especially the need to frequently request CHRB waivers to suspend betting on specific wagers. Consistently offering races without place and/or show wagering renders our product unattractive to both bettors and outlets taking our signal. Conversely, offering races that have a high susceptibility for minus pools is detrimental to the Southern California tracks that carry a higher probability of having to cover a minus pool.

Mr. Korby stated that the Track Safety and Maintenance Program continues to produce consistent and safe racing surfaces that are well received by horsemen and bettors, especially with the trend heading back to traditional dirt as a preferred surface.

**Agenda Item 6 – Report, Discussion and Action, if any, on Racing Dates for 2011 and Beyond.** Mr. Alkire stated that he would like to try a different approach to discussing the Fair racing calendar. Mr. Alkire asked each Fair Manager to share, solely from their Fair’s perspective, the dates they would prefer to run in 2011.

Mr. Bartosik joined the meeting.

Ms. Cook stated that for the San Joaquin County Fair, she would request two weeks of racing in June as a first choice with a willingness to entertain September dates (ending on Labor Day) as a second choice.

Mr. Pickering stated that his preference for the Alameda County Fair would be running three weeks and capturing two pay periods (June 29 – July 17). Realizing that those dates would affect Cal Expo, the second choice would be the Fair’s more traditional dates of June 22 – July 10.

Ms. Tesconi reported that the Sonoma County Fair will be adding an additional weekend. When considering the school schedule and capturing three weeks of racing with Fair, the ideal race dates would be July 21 – Aug. 7. With Cal Expo in mind, the second choice would be July 27 – Aug. 14, with uncertainty as to how the additional Fair dates will mesh with racing.

Mr. Bartosik stated that the ideal dates from Cal Expo’s perspective would be three weeks of racing from July 13 – 31.

Mr. Titus stated that he would request Humboldt County Fair retain its traditional dates of Aug. 10 – 21, running unopposed. Mr. Titus added that Northern California is no longer able to support simultaneous race meets and the previous conversation about the decline of Emerging Breeds is further proof to support that argument.

Mr. Alkire stated that he would request the Big Fresno Fair retain its traditional slot in October (Oct. 5 – 16).

Mr. Paluszak stated that if the industry were supportive, the Solano County Fair would run two weeks of racing (dates flexible and to be determined). If the industry does not support racing at Solano County Fair, Mr. Paluszak would request that conversations regarding replacement compensation begin as soon as possible.

Mr. Korby stated it’s apparent that several Fairs are interested in a small window of dates. It is the responsibility of the Committee is to develop a calendar that creates the strongest racing program possible for Fairs that is defensible to the industry. Issues to consider include:

- The need for stabling at Stockton in June to accommodate out-of-state and emerging breed horses.
- The need for the buffer between Golden Gate Fields and Pleasanton to give out-of-state and lower level horses an opportunity to run while giving the higher level horses a chance to rest.
- The desire of the industry to see Santa Rosa expand their racing program and to see Fair events run in conjunction with all three weeks of racing.
- The practicality of Ferndale running an extended period solo when number of stalls, distance to travel and revenue streams generated to the industry are considered.
- The financial viability of Stockton to run two weeks of racing and two weeks of Fair.

Mr. Jimenez stated that if Stockton were granted two weeks of racing, those two weeks would be run in conjunction with two weeks of Fair. In addition, investments that were not made in the past would be made, including the greening of the infield, planting of trees and painting, using Fresno as a model and creating a comprehensive plan to upgrade the facility over a period of time. Mr. Jimenez committed, as Chairman of the San Joaquin County Fair Board, to make whatever changes were necessary to continue racing at Stockton.

Mr. Alkire stated that he believes there is an exciting opportunity for Stockton to move later in the calendar and capture the end of the harvest to better showcase the extensive produce of the San Joaquin Valley.

Mr. Alkire asked Mr. Titus to share his thoughts on the operational aspect of this year's meet during the overlap with Santa Rosa. Mr. Titus responded that staff managed, but that there were areas of staffing challenges such as receiving barn staff, starting gate personnel and sufficient Pegasus Communications crew. Mr. Alkire congratulated staff on making the overlap work.

Mr. Titus asked if Pleasanton would consider opening a week earlier (June 15) allowing everyone to shift up a week and giving Cal Expo three weeks. Mr. Pickering stated that he would be willing to consider it, but it would not be a top option.

Taking into consideration the items that had been discussed, Mr. Korby asked group to recap the date's allocation that could be supported by Fairs at the Northern California Stakeholder's Meeting the following day.

- June 15 – 19 – Negotiate with Golden Gate Fields
- June 22 – July 10 – Pleasanton
- July 13- 24 – Cal Expo
- July 27 – Aug. 14 – Santa Rosa
- August 12 – 21 – Ferndale

- August 24 – Sept. 5 – Stockton
- October 5 – 16 – Fresno

Mr. Titus stated that he was directed by his Racing Committee and Board of Directors to abstain from any vote that did not support Humboldt County Fair in a position free from overlap with another Northern California Fair.

Mr. Pickering moved to present a calendar, as previously outlined, on behalf of the CARF Live Racing Committee at the Northern California Stakeholder's Meeting on September 8, 2010. Mr. Bartosik seconded. YES VOTE: Mr. Alkire, Mr. Bartosik, Mr. Carpenter, Ms. Cook, Mr. Paluszak, Mr. Pickering and Ms. Tesconi. ABSTAIN VOTE: Mr. Titus.

Mr. Pickering stated he is willing to consider a spring meet at Pleasanton operated by CARF, but needs a firm commitment from the industry before he begins talking to other Alameda County stakeholders.

**Agenda Item 7 – Executive Director's Report.** Mr. Korby reported that the Oak Tree Racing Association is going to enter into a two-year agreement to run the Oak Tree meet at Hollywood Park.

Santa Anita Park will be replacing their synthetic surface with a dirt surface.

Mr. Korby and Mr. Alkire have had three meetings with Frank Stronach and MAGNA has repeatedly expressed a desire to work with Fairs.

There will be a Northern California Stakeholders meeting at 10:00 a.m. in the CARF Conference Room to discuss racing dates in Northern California. The meeting will be available via conference call.

The CARF live racing website, [www.calfairs.com](http://www.calfairs.com), was updated and redesigned prior to the Stockton race meet.

Mr. Korby will be providing a cost/benefit evaluation of the CARF NTRA membership at a future meeting.

Respectfully submitted,  
Heather Haviland



## Senate Bill No. 1072

### CHAPTER 283

An act to amend Section 19605.73 of, to add Sections 19601.02, 19605.74, and 19642.1 to, and to add Article 9.1 (commencing with Section 19604.5) to Chapter 4 of Division 8 of, the Business and Professions Code, relating to horse racing.

[Approved by Governor September 23, 2010. Filed with  
Secretary of State September 24, 2010.]

#### LEGISLATIVE COUNSEL'S DIGEST

SB 1072, Calderon. Horse racing: statewide marketing organization: Breeders' Cup promotion: wagering deduction: exchange wagering.

(1) Existing law authorizes a thoroughbred association or fair, subject to approval by the California Horse Racing Board, to deduct from the parimutuel pool for any type of wager, a specified percentage for the meeting of the thoroughbred association or fair that accepts the wager.

This bill would require every thoroughbred association or fair that conducts a live race meeting to deduct an additional 2% of the total amount handled on exotic wagers requiring the selection of 2 wagering interests, and 3% on exotic wagers requiring the selection of 3 or more wagering interests. The bill would require that these funds be distributed into the purse account of the meet conducting racing in the zones in which the wager was placed, to be used to augment overnight purses.

This bill would require any thoroughbred racing association or fair that authorizes betting systems located outside of this state to accept wagers on a race to retain from the total amount received from the out-of-state betting system, less certain specified deductions made pursuant to existing law, the incremental amount received as a result of the 2% or 3% takeout on exotic wagers required by this bill, for distribution as overnight purses. This bill would require that the method utilized to determine the incremental amount received as a result of the takeout increase be established by agreement between the various affected thoroughbred racing associations and fairs, and horsemen's organizations. If these groups are unable to agree as to the method of determining the incremental amount received, this bill would require the board to determine the allocation method after holding a hearing.

For a thoroughbred association hosting the Breeders' Cup Championship series, this bill would require the amounts collected pursuant to the above provisions requiring that 2% or 3% be deducted from the amount handled on exotic wagers be set aside for the purpose of promoting and sponsoring the Breeders' Cup. The bill would require the thoroughbred racing association hosting the Breeders' Cup to enter into an agreement with the organization that operates the Breeders' Cup regarding the expenditure of

the funds, as provided, and would require a written report be made to the board regarding how the funds were utilized.

(2) Existing law provides that the California Horse Racing Board shall have all powers necessary to carry out the purposes of the Horse Racing Law, such as adopting rules and regulations to protect the public, allocating dates for and controlling horse racing and parimutuel wagering, and enforcing all rules and regulations.

This bill would authorize exchange wagering, defined by the bill as a form of parimutuel wagering in which 2 or more persons place identically opposing wagers in a given market, provided that the entity offering exchange wagering is licensed by the board and has entered into an exchange wagering agreement between the licensee, the applicable racing association or fair conducting live racing, and the horsemen's organization responsible for negotiated purse agreements for the breed on which exchange wagers are accepted, as provided.

The bill would invest the board with the full power to prescribe rules, regulations, and conditions under which exchange wagering may be conducted in California, except that the bill would require the board to develop rules that prohibit certain persons associated with an entrant in a particular race from placing an exchange wager on a race involving that entrant, that prohibit the placing of exchange wagers on previously run races, that require the exchange wagering licensee to provide information to the person placing the wager, that prohibit the use of automatic or quick picks to place an exchange wager, and that prohibit the displaying of the results of a wager using casino themes, as provided.

The bill would allow the board to recover any costs associated with the licensing and regulation of exchange wagering by imposing an assessment on the licensee. The bill would require that these funds be deposited in the Horse Racing Fund, to be available upon appropriation by the Legislature for the sole purpose of regulating exchange wagering.

The bill would prohibit the taking of exchange wagers by an exchange wagering licensee prior to May 1, 2012.

(3) Existing law provides that unclaimed refunds from horse racing are to be distributed to an organization that is responsible for negotiating business agreements on behalf of horsemen, to be held in trust for the purpose of negotiating an agreement with a jockeys' organization to provide health and welfare benefits to California licensed jockeys. Existing law requires that the funds held in trust shall not exceed \$450,000.

Pursuant to the above provision, this bill would require each exchange wagering licensee to annually distribute the greater of \$100,000, or an amount equal to 0.001 multiplied by the total amount of exchange revenue collected by the licensee in that year, to be used for the purposes specified above.

(4) Existing law permits racing associations, fairs, and the organization responsible for contracting with racing associations and fairs with respect to the conduct of racing meetings, to form a private, statewide marketing organization to market and promote thoroughbred and fair horse racing, and

to obtain, provide, or defray the cost of workers' compensation coverage for stable employees and jockeys of thoroughbred trainers. Existing law requires the marketing organization to annually submit to the California Horse Racing Board a statewide marketing and promotion plan and a thoroughbred trainers' workers' compensation defrayal plan for thoroughbred and fair horse racing. Existing law requires 0.4% of the amount handled by each satellite wagering facility to be distributed to the marketing organization for the promotion of thoroughbred and fair horse racing, and to defray the cost of workers' compensation insurance, as specified. Existing law repeals these provisions on January 1, 2011.

This bill would extend the operation of these provisions until January 1, 2014, when they would be repealed. The bill would specify that its provisions allowing for the formation of a private statewide marketing association apply to thoroughbred racing associations, fairs, and the organization responsible for contracting with thoroughbred racing associations and fairs with respect to the conduct of racing meetings. The bill would specify that the marketing and promotion activities that the marketing organization may engage in include, but are not limited to, the establishment and maintenance of an Internet Web site, players incentive programs, and the funding of promotional activities at satellite wagering facilities.

This bill would change the amount to be distributed to the marketing organization for the promotion of thoroughbred and fair racing from an amount equal to 0.4% of the amount handled at each satellite wagering facility to an amount not to exceed 0.25%, and would delete the provision allowing for the funds to be used to defray the cost of workers' compensation coverage for stable employees and jockeys of thoroughbred trainers. The bill would require that the initial distribution be 0.2% of the total amount handled by satellite wagering facilities for thoroughbred and fair meetings only and would allow the board to adjust this amount to an aggregate of 0.25% of the total amount handled by satellite wagering facilities for thoroughbred and fair meetings only.

The bill would, with respect to the statewide marketing and promotion plan, instead require the marketing organization, by November 1 of each year, to submit a written report to the board on the statewide marketing and promotion plan for the upcoming calendar year, and would additionally require the marketing organization to annually present to the board at the board's November meeting a verbal report on the statewide marketing and promotion plan for the upcoming calendar year. The bill would delete the requirement that the marketing organization submit to the board a thoroughbred trainers' workers' compensation defrayal plan. The bill would also require the marketing organization to quarterly submit to the board a written report that accounts for all receipts and expenditures of the promotion funds for the previous 3 months.

(5) Existing law authorizes the board, in performing its responsibilities, to participate in the affairs of associations having as their purpose the interchange of information relating to racing law enforcement, the licensing of horse racing participants, the registration of race horses, the tabulation,

analysis, and publication of statistical information based on parimutuel handles and the distribution of proceeds, and to conduct research regarding horse racing accidents, and the detection of drugs on race horses, among other things.

This bill would provide that, in addition to certain specified distributions, an amount not to exceed 0.05% of the total amount handled by each satellite wagering facility shall be distributed to a nonprofit organization designated by the board for the purposes of maintaining a database of horse racing information to further the purposes of the above provision. The bill would state that the amount distributable to the nonprofit organization shall initially be 0.05% of the total amount handled by each satellite wagering facility and may be adjusted by the board, in its discretion. The bill would require the nonprofit organization to submit an annual budget and file quarterly financial statements with the board.

(6) By imposing new requirements under the Horse Racing Law, the violation of which would be a crime, this bill would create new crimes and would thereby impose a state-mandated local program.

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

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

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

SECTION 1. (a) The Legislature finds and declares all of the following:

(1) The Breeders' Cup Championship series of races is the preeminent series of horse races recognized throughout the world.

(2) From the inaugural running in Hollywood Park 26 years ago, the Breeders' Cup has a rich and vibrant tradition in California, having been run here eight times.

(3) The Breeders' Cup Championship races have, for 2008 and 2009, been held in California and have been an outstanding success, bringing significant revenue and tourism to the State of California.

(4) In 2009, the Breeders' Cup was held at Santa Anita racetrack located in Los Angeles County, where it was attended by over 96,000 fans and telecast to over 130 countries.

(5) The Los Angeles Economic Development Commission, having studied the impact of the Breeders' Cup Championship series being held in California the last two years, has concluded that the events have brought an additional \$60,000,000 in economic impact to the State of California and Los Angeles region each year, through added tourism and other economic impact, and created over 500 direct and indirect jobs.

(6) The Legislature and the Governor of California recognize the importance of the horse racing industry to this state, including the 50,000 jobs associated with the industry, and have taken significant steps to support

the industry, evidenced most recently by the \$40,000,000 in license fee relief provided in 2009.

(7) An additional concern is that horse owners are not bringing their horses to California because of prevailing lower purses and horses are leaving the state in order to compete for higher purses offered in other states.

(8) California has one of the lowest takeouts on conventional win, place, and show wagering, and the takeout on exotic wagering proposed in this bill will be lower than that prevailing in some of the most prominent racing jurisdictions.

(b) It is therefore the intent of the Legislature to encourage the organization operating the Breeders' Cup Championship series to make California the permanent home of the Breeders' Cup Championship series, and it is the intent of the Legislature, through the enactment of this act, to provide substantial support towards that end.

(c) It is also the intent of the Legislature to make it more advantageous for horses to compete in California racing by increasing the amount of funds available for purses. The increased purses will result in a higher caliber of racing with larger and more competitive fields, which, in turn, will improve the attractiveness of California's racing product and generate additional funds for reinvestment in the industry.

SEC. 2. Section 19601.02 is added to the Business and Professions Code, to read:

19601.02. (a) Notwithstanding Section 19610, every thoroughbred association or fair that conducts a live race meeting shall deduct an additional 2 percent of the total amount handled on exotic wagers requiring the selection of two wagering interests, and 3 percent of the total amount handled on exotic wagers requiring the selection of three or more wagering interests.

(b) The funds collected pursuant to subdivision (a) from wagers placed within the inclosure of a thoroughbred association or fair conducting a race meeting, at satellite locations within this state, and from account wagers originating within this state, shall be distributed to the purse account of the meet conducting racing in the zone in which the wager was placed, and distributed in accordance with subdivision (d).

(c) Any thoroughbred racing association or fair, when it authorizes betting systems located outside this state to accept wagers on a race, shall retain from the total amount received by the association or fair from the out-of-state betting system, the incremental amount received as a result of the takeout specified in subdivision (a) for distribution as overnight purses in accordance with subdivision (d) without regard to the provisions of paragraph (1) of subdivision (b) of Section 19602. The method utilized to determine the incremental amount received as a result of the takeout increase specified in subdivision (a) shall be established by agreement between the various affected thoroughbred racing associations and fairs and the applicable horsemen's organization. Should the thoroughbred racing association or fair and the applicable horsemen's organization be unable to reach an agreement as to the method of making such determination, the board shall determine the appropriate allocation method after a hearing on the matter.

(d) The amounts collected pursuant to subdivisions (b) and (c) shall be utilized solely to augment and not supplant overnight purses. Within 90 days after the conclusion of a given meet, the thoroughbred association or fair receiving funds pursuant to subdivisions (b) and (c) shall report to the board the manner in which the funds were used to augment and not supplant overnight purses at that meet.

(e) The board shall have the authority to postpone or revoke the implementation of the takeout increase specified in subdivision (a) if the board determines that the incremental amount that results from the negotiations with the out-of-state betting systems is incrementally insufficient.

SEC. 3. Sections 4 and 5 of this act shall be known and may be cited as the Exchange Wagering Act.

SEC. 4. The Legislature finds and declares all of the following:

(a) The horse racing industry is economically important to California, and the general welfare of the people of California will be promoted by the advancement of horse racing and related projects and facilities in California.

(b) It is the intent of the Legislature, by authorizing exchange wagering in California, to promote the economic future of the horse racing industry in California, and to foster the potential for increased commerce, employment, and recreational opportunities in California.

(c) The Legislature has determined that the California Horse Racing Board is best suited to oversee, license, and regulate exchange wagering in California.

SEC. 5. Article 9.1 (commencing with Section 19604.5) is added to Chapter 4 of Division 8 of the Business and Professions Code, to read:

#### Article 9.1. Exchange Wagering

19604.5. (a) As used in this section, the following definitions apply:

(1) “Back” means to wager on a selected outcome occurring in a given market.

(2) “Board” means the California Horse Racing Board.

(3) “Corrective wager” means an exchange wager placed by the exchange wagering licensee in a given market, under circumstances approved by the board, in order to address the impact on that market of the cancellation or voiding of a given matched wager or a given part of a matched wager.

(4) “Exchange” means a system operated by an exchange wagering licensee in which the exchange wagering licensee maintains one or more markets in which persons may back or lay a selected outcome.

(5) “Exchange revenues” means all charges, fees, income, payments, revenues, and deductions of any kind assessed or collected by, or paid or delivered to, an exchange wagering licensee in connection with the submission of any exchange wagers to the exchange wagering licensee by residents of California and residents of jurisdictions outside of California



on the results of horse races conducted in California, and by residents of California on the results of horse races conducted outside of California.

(6) “Exchange wagers” means wagers submitted to an exchange wagering licensee to be posted in a market on an exchange.

(7) “Exchange wagering” means a form of parimutuel wagering in which two or more persons place identically opposing wagers in a given market.

(8) “Exchange wagering account” means the account established with an exchange wagering licensee by a person participating in exchange wagering. An exchange wagering account may only be established or maintained with an exchange wagering licensee by a natural person.

(9) “Exchange wagering agreement” means a written agreement by and among the applicable exchange wagering licensee, the applicable racing association or racing fair conducting live racing in this state, and the horsemen’s organization responsible for negotiating purse agreements for the breed on which exchange wagers are accepted, provided that the terms and conditions for the permitted use of signal by the exchange wagering licensee, and the compensation to the applicable racing association or racing fair and the horsemen’s organization, include provisions for, but are not limited to all of the following:

(A) Calculation of any and all amounts earned and payable to the applicable racing association or racing fair and horsemen’s organization.

(B) Audit rights and conditions.

(C) Duration terms.

(D) Contractual remedies.

(10) “Exchange wagering licensee” means a person located within or outside of California that is authorized to offer exchange wagering to residents of California pursuant to this section.

(11) “Identically opposing wagers” means wagers in which one or more persons offer to lay a selected outcome at the same price at which one or more persons offer to back that same outcome, with the amount subject to the lay being proportionately commensurate to the amount subject to the back.

(12) “Lay” means to wager on a selected outcome not occurring in a given market.

(13) “Market” means, in relation to a given horse race or a given set of horse races, a particular outcome that is subject to exchange wagering as determined by an exchange wagering licensee.

(14) “Matched wager” means the wager that is formed when two or more persons are confirmed by the exchange operator as having placed identically opposing wagers in a given market on the exchange.

(15) “Net winnings” means the aggregate amounts payable to a person as a result of that person’s winning matched wagers in a pool less the aggregate amount paid by that person as a result of that person’s losing matched wagers in that pool.

(16) “Parimutuel” means any system whereby wagers with respect to the outcome of a horse race are placed with, or in, a wagering pool conducted

by an authorized person, and in which the participants are wagering with each other and not against the person conducting the wagering pool.

(17) “Person” means any individual, partnership, corporation, limited liability company, or other association or organization.

(18) “Pool” means the total of all matched wagers in a given market.

(19) “Price” means the odds for a given exchange wager.

(20) “Unmatched wager” means a wager or portion of a wager placed in a given market within an exchange that does not become part of a matched wager because there are not one or more available exchange wagers in that market with which to form one or more identically opposing wagers.

(21) “Zone” has the same meaning as defined in Section 19530.5, as modified by the provisions of subdivision (f) of Section 19601, except that for the purposes of this act the combined central and southern zones shall be considered one “central/southern” zone.

(b) Notwithstanding any other law, rule, or regulation, exchange wagering by residents of California and residents of jurisdictions outside of California on the results of horse races conducted in California, and by residents of California on the results of horse races conducted outside of California, shall be lawful provided that all of the following apply:

(1) Exchange wagering shall only be conducted by an exchange wagering licensee pursuant to a valid exchange wagering license issued by the board.

(2) No exchange wagering licensee shall accept exchange wagers on races conducted in California from a resident of California or a resident of a jurisdiction outside California, or conducted outside California from a resident of California, unless an exchange wagering agreement exists allowing these wagers.

(3) Exchange wagering shall be conducted pursuant to and in compliance with the provisions of the Interstate Horseracing Act of 1978 (15 U.S.C. Sec. 3001 et seq.), as amended, this section, all applicable federal laws, and rules and regulations promulgated by the board pursuant to this section.

(4) An exchange wagering licensee may only offer exchange wagering on thoroughbred horse races, whether these thoroughbred races are conducted within or outside of this state, to persons whose primary residence address is in the northern zone of this state if it has an exchange wagering agreement with (A) the racing association or racing fair located in the northern zone authorized by the board to conduct a live thoroughbred racing meeting in accordance with the provisions of Article 4 (commencing with Section 19480) at that time, or during the calendar period, when the exchange wagering licensee is offering exchange wagering to persons whose primary residence is in the northern zone of this state, and (B) the horsemen’s organization responsible for negotiating purse agreements for a live thoroughbred racing meeting.

(5) An exchange wagering licensee may only offer exchange wagering on thoroughbred horse races, whether these thoroughbred races are conducted within or outside of this state, to persons whose primary residence address is in the central/southern zone of this state if it has an exchange wagering agreement with (A) the racing association or racing fair located in the



central/southern zone authorized by the board to conduct a live thoroughbred racing meeting in accordance with the provisions of Article 4 (commencing with Section 19480) at that time, or during the calendar period, when the exchange wagering licensee is offering exchange wagering to persons whose primary residence is in the central/southern zone of this state, and (B) the horsemen's organization responsible for negotiating purse agreements for a live thoroughbred racing meeting.

(6) An exchange wagering licensee may only offer exchange wagering on quarter horse races, whether these quarter horse races are conducted within or outside of this state, to persons whose primary residence address is in this state if it has an exchange wagering agreement with (A) the racing association or racing fair located in the state authorized by the board to conduct a live quarter horse racing meeting in accordance with the provisions of Article 4 (commencing with Section 19480) at that time, or during the calendar period, when the exchange wagering licensee is offering exchange wagering to persons whose primary residence is this state, and (B) the horsemen's organization responsible for negotiating purse agreements for the live quarter horse racing meeting.

(7) An exchange wagering licensee may only offer exchange wagering on standardbred horse races, whether these standardbred horse races are conducted within or outside of this state, to persons whose primary residence address is in this state if it has an exchange wagering agreement with (A) the racing association or racing fair located in the state authorized by the board to conduct a live standardbred racing meeting in accordance with the provisions of Article 4 (commencing with Section 19480) at that time, or during the calendar period, when the exchange wagering licensee is offering exchange wagering to persons whose primary residence is this state, and (B) the horsemen's organization responsible for negotiating purse agreements for the live standardbred racing meeting.

(8) Exchange wagers are submitted to, and accepted by, an exchange wagering licensee in person, by direct telephone call, or by communication through other electronic media.

(c) A person shall not be permitted to open an exchange wagering account, or place an exchange wager, except in accordance with federal law, this section, and rules and regulations promulgated by the board. Only natural persons with valid exchange wagering accounts may place wagers through an exchange. To establish an exchange wagering account, a person shall be at least 18 years of age and a resident of California or of another jurisdiction within which the placement of exchange wagers would not be unlawful under United States federal law or the law of that jurisdiction.

(d) The board shall approve, as part of the exchange wagering licensee's application for an exchange wagering license, security policies and safeguards to ensure player protection and integrity, including, but not limited to, provisions governing the acceptance of electronic applications for persons establishing exchange wagering accounts, location and age verification confirmation for persons establishing exchange wagering accounts, the use of identifying factors to ensure security of individual

accounts, and the requirements for management of funds in exchange wagering accounts. An exchange wagering licensee may not accept a wager, or series of wagers, if the results of the wager or wagers would create a liability for the exchange wagering account holder that is in excess of the funds on deposit in the exchange wagering account of that holder.

(e) Notwithstanding any other law, rule, or regulation:

(1) The board shall have full power to prescribe rules, regulations, and conditions under which exchange wagering may be conducted in California consistent with this section, including the manner in which exchange wagers may be accepted and the requirements for any person to participate in exchange wagering.

(2) Prior to the board promulgating rules, regulations, and conditions under which exchange wagering may be conducted in California, the board shall consider studies or comments submitted by interested parties on the impact of exchange wagering on parimutuel betting and the economics of the California horse racing industry to assist the board in developing rules, regulations, and conditions for exchange wagering that are in the best interest of the public and the California horse racing industry. The board may set a time frame for comments and studies to be submitted by interested parties and for the board to consider the studies and comments so as to allow sufficient time, in the discretion of the board, to allow for the promulgation of rules, regulations, and conditions for exchange wagering and the issuance of licenses for exchange wagering prior to May 1, 2012.

(3) Notwithstanding paragraph (1), the board shall adopt the following rules:

(A) An owner, authorized agent, trainer, jockey, jockey's agent, driver, or stable employee shall not place an exchange wager to lay any entrant in a horse race that is owned in whole or part by that owner or the owner represented by that authorized agent, trained by that trainer or stable employee, ridden by that jockey or the jockey represented by that jockey's agent, or driven by that driver.

(B) No exchange wagers shall be placed on a market after the conclusion of a live race. Exchange wagering on previously run races is prohibited.

(C) The exchange wagering licensee shall provide a person with information on the race, including the track where the race will take place and the names of the participating horses before the person may place an exchange wager.

(D) The exchange wagering licensee shall require the person making the exchange wager to select the specific race and horse for the wager. The use of automatic, quick-pick, or similar features to aid in the placing of a wager shall be prohibited.

(E) The results of a wager shall not be displayed through the use of video or mechanical reels or other slot machine or casino game themes, including, but not limited to, dice games, wheel games, card games, and lotto.

(4) The board shall have full power to prescribe rules, regulations, and conditions under which all exchange wagering licenses are issued or renewed in California, including requiring an annual audit of the exchange wagering

licensee's books and records pertaining to exchange wagering, and to revoke, suspend, or refuse to renew a license pursuant to the authority granted to the board in this chapter.

(5) The board may reasonably require licensure or registration of officers or directors of any exchange wagering licensee.

(6) The board may recover any costs associated with the licensing or regulation of exchange wagering from the exchange wagering licensee by imposing an assessment on the exchange wagering licensee in an amount that does not exceed the reasonable costs associated with the licensing or regulation of exchange wagering. Funds received pursuant to this subdivision shall be deposited in the Horse Racing Fund, to be available upon appropriation by the Legislature for the sole purpose of regulating exchange wagering.

(f) (1) The board shall not approve an application for an original or renewal license as an exchange wagering licensee unless the entity, if requested in writing by a bona fide labor organization no later than 90 days prior to licensing, has entered into a contractual agreement with that labor organization that provides all of the following:

(A) The labor organization has historically represented employees who accept or process any form of wagering at the nearest horse racing meeting located in California.

(B) The agreement establishes the method by which the exchange wagering licensee will agree to recognize and bargain in good faith with a labor organization which has demonstrated majority status by submitting authorization cards signed by those employees who accept or process any form of wagering for which a California exchange wagering license is required.

(C) The agreement requires the exchange wagering licensee to maintain its neutrality concerning the choice of those employees who accept or process any form of wagering for which a California exchange wagering license is required and whether or not to authorize the labor organization to represent them with regard to wages, hours, and other terms and conditions of employment.

(D) The agreement applies to those classifications of employees who accept or process wagers for which a California exchange wagering license is required whether the facility is located within or outside of California.

(2) (A) The agreement required by paragraph (1) shall not be conditioned by either party upon the other party agreeing to matters outside the requirements of paragraph (1).

(B) The requirement in paragraph (1) shall not apply to an exchange wagering licensee which has entered into a collective bargaining agreement with a bona fide labor organization that is the exclusive bargaining representative of employees who accept or process parimutuel wagers on races for which an exchange wagering license is required, whether the facility is located within or outside of California.

(3) 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.

(4) Parimutuel clerks employed by racing associations or fairs or employees of exchange wagering licensees who accept or process any form of wagers who are laid off due to lack of work shall have preferential hiring rights for new positions with their employer in occupations whose duties include accepting or processing any form of wagers, or the operation, repair, service, or maintenance of equipment that accepts or processes any form of wagering at a racetrack, satellite wagering facility, or exchange wagering licensee licensed by the board. The preferential hiring rights established by this paragraph shall be conditioned upon the employee meeting the minimum qualification requirements of the new job.

(g) Notwithstanding any other law, rule, or regulation, an exchange wagering licensee shall not be required to include any pools of exchange wagers in the wagering pools at the racing association or racing fair conducting the races, nor shall an exchange wagering licensee be required to retain, withhold, or take out any amounts from any exchange wagers, except as expressly set forth in the applicable exchange wagering agreement.

(h) Subject to the approval of the board, an exchange wagering licensee shall be permitted to collect exchange revenues in the manner and amounts determined by the exchange wagering licensee, including, but not limited to, assessing a surcharge on any person's net winnings.

(i) Notwithstanding any other law, rule, or regulation, the board shall require all of the following:

(1) Each exchange wagering licensee shall distribute all moneys in each pool, net of any fees, charges, or deductions of any kind assessed or collected by the exchange wagering licensee in connection with matched wagers in that pool, at the conclusion of the race or races associated with that pool.

(2) Each exchange wagering licensee shall distribute the portions of the exchange wagering licensee's exchange revenues as may be required pursuant to the exchange wagering agreement pursuant to paragraphs (2) to (7), inclusive, of subdivision (b).

(3) Fifty percent of the amounts received by a racing association or racing fair from exchange wagering shall be paid to horsemen participating in the meetings conducted by that racing association or racing fair in the form of purses. The allocation of amounts received by a racing association or racing fair from exchange wagering between that racing association or racing fair and the horsemen participating in the meetings conducted by that racing association or racing fair may be modified by a written agreement between those entities.

(4) In addition to payments set forth in paragraphs (1) and (2), each exchange wagering licensee shall distribute, on an annual basis, an amount equal to the greater of (A) one hundred thousand dollars (\$100,000), or (B) an amount equal to 0.001 multiplied by the total amount of exchange revenues collected by the exchange wagering licensee in that calendar year. The distribution shall be made at the direction of the board pursuant to

Section 19612.9. This paragraph shall become inoperative on January 1, 2021, and, as of that date, is repealed, unless a later enacted statute that is enacted before January 1, 2021, deletes or extends that date.

(j) An exchange wagering licensee may cancel or allow to be canceled any unmatched wagers, without cause, at any time.

(k) The board may prescribe rules governing when an exchange wagering licensee may cancel or void a matched wager or part of a matched wager, and the actions which an exchange wagering licensee may take when all or part of a matched wager is canceled or voided. The rules may include, but are not limited to, permitting the exchange wagering licensee to place corrective wagers under circumstances approved in the rules adopted by the board. Exchange wagers placed on a market after the start of a race shall be lawful if authorized by the board, racing association, or racing fair conducting the races, and the horsemen's organization responsible for negotiating purse agreements for the breed on which the exchange wager is made.

(l) The provisions of this section shall be deemed to be severable, and if any phrase, clause, sentence, or provision of this section is declared to be unconstitutional or the applicability thereof to any person is held invalid, the remainder of this section shall not thereby be deemed to be unconstitutional or invalid.

(m) The board shall promulgate administrative rules and regulations to effectuate the purposes of this section.

(n) No exchange wagering licensee may accept exchange wagers pursuant to this section prior to May 1, 2012.

SEC. 6. Section 19605.73 of the Business and Professions Code is amended to read:

19605.73. (a) Thoroughbred racing associations, fairs, and the organization responsible for contracting with thoroughbred racing associations and fairs with respect to the conduct of racing meetings, may form a private, statewide marketing organization to market and promote thoroughbred and fair horse racing, including, but not limited to, establishment and maintenance of an Internet Web site featuring California thoroughbred and fair racing, the establishment and administration of players incentive programs for those who wager on thoroughbred association and fair races, and promotional activities at satellite wagering facilities to increase their attendance and handle. While the promotional activities at satellite wagering facilities shall be funded by the marketing organization, they shall be implemented and coordinated by representatives of the satellite wagering facilities and the thoroughbred racing associations or fair then conducting a live race meet. The organization shall consist of the following members: two members, one from the northern zone and one from the combined central and southern zones, appointed by the thoroughbred racetracks; two members, one from the northern zone and one from the combined central and southern zones, appointed by the owners' organization responsible for contracting with associations and fairs with respect to the conduct of racing meetings; and two members, one from the northern zone and one from the combined

central and southern zones, appointed by the organization representing racing and satellite fairs.

(b) The marketing organization formed pursuant to subdivision (a) shall, by November 1 of each year, submit a written report to the board on a statewide marketing and promotion plan for the upcoming calendar year. In addition, the organization shall annually present to the board at the board's November meeting a verbal report on the statewide marketing and promotion plan for the upcoming calendar year. The plan shall be implemented as determined by the organization. The organization shall receive input from all interested industry participants and may utilize outside consultants.

(c) In addition to the distributions specified in subdivisions (a) and (b) of Section 19605.7, subdivisions (a) and (b) of Section 19605.71, and Section 19605.72, for thoroughbred and fair meetings only, from the amount that would normally be available for commissions and purses, an amount not to exceed 0.25 percent of the total amount handled by each satellite wagering facility shall be distributed to the marketing organization formed pursuant to subdivision (a) for the purposes set forth therein. The amounts initially distributed to the marketing organization formed pursuant to subdivision (a) shall be 0.2 percent of the total amount handled by satellite wagering facilities for thoroughbred and fair meetings only. The amount distributable to the marketing organization may be adjusted by the board, in its discretion. However, the adjusted amounts may not exceed an aggregate of 0.25 percent of the total amount handled by satellite wagering facilities for thoroughbred and fair meetings only. Any of the promotion funds that are not expended in the year in which they are collected may be expended in the following year. If promotion funds expended in any one year exceed the amount collected for that year, the funds expended in the following year shall be reduced by the excess amount. Any of the promotion funds that are not expended in the year in which they are collected may be expended in the following year. If promotion funds expended in any one year exceed the amount collected for that year, the funds expended in the following year shall be reduced by the excess amount. The marketing organization, on a quarterly basis, shall submit to the board a written report that accounts for all receipts and expenditures of the promotion funds for the previous three months.

(d) This section shall remain in effect only until January 1, 2014, and, as of that date, is repealed, unless a later enacted statute that is enacted before January 1, 2014, deletes or extends that date. Any moneys held by the organization shall, in the event this section is repealed, be distributed to the organization formed pursuant to Section 19608.2, for purposes of that section.

SEC. 7. Section 19605.74 is added to the Business and Professions Code, to read:

19605.74. For every year that the organization operating the Breeders' Cup Championship series chooses to conduct the Breeders' Cup at a race meeting in California, the following, notwithstanding any other provision



of law, shall apply to the race meeting conducting the Breeders' Cup races on days during which Breeders' Cup races are conducted:

(a) The amounts that would have otherwise been distributed to a purse account pursuant to subdivisions (a), (b), (c), and (d) of Section 19601.02 shall be made available for the purpose of promoting and sponsoring the Breeders' Cup.

(b) The thoroughbred racing association hosting the Breeders' Cup shall enter into a written agreement, in consultation and cooperation with the California Tourism Commission and the statewide marketing organization formed pursuant to Section 19605.73, with the organization that operates the Breeders' Cup regarding the manner in which the funds set aside to support and promote the Breeders' Cup are to be expended.

(c) Within 90 days after the holding of each Breeders' Cup, a written report shall be made to the board detailing the manner in which the set-aside funds were utilized to promote and support the Breeders' Cup.

SEC. 8. Section 19642.1 is added to the Business and Professions Code, to read:

19642.1. In addition to the distributions specified in Sections 19605.7, 19605.71, and 19605.72, from the amounts that would normally be available for commissions and purses from wagering on all breeds, an amount not to exceed 0.05 percent of the total amount handled by each satellite wagering facility shall be distributed to the nonprofit organization designated by the board for purposes of maintaining a database of horse racing information to further the purposes of Section 19444. The amount distributable to the nonprofit organization initially shall be 0.05 percent of the total amount handled by each satellite wagering facility and may be adjusted by the board, in its discretion. The nonprofit organization shall annually submit its budget for the ensuing calendar year to the board at its November meeting and shall file quarterly financial statements with the board.

SEC. 9. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

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## CALIFORNIA HORSE RACING BOARD



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CHRB NEWS RELEASE

OCTOBER 8, 2010

## SENATE CONFIRMS CHRB APPOINTMENTS

SACRAMENTO, CA – Chairman Keith Brackpool and Commissioner Richard Rosenberg received Senate confirmation Thursday of their appointments to the California Horse Racing Board and the Senate also confirmed the reappointments of Vice Chairman David Israel and Commissioner Bo Derek to the Board.

Governor Arnold Schwarzenegger appointed Chairman Brackpool and Commissioner Rosenberg to the CHRB in September 2009. Governor Schwarzenegger first appointed Vice Chairman Israel and Commissioner Derek to the Board in July 2008 and then reappointed them in March 2010. All such appointments require Senate confirmation.

The terms of the commissioners are: Chairman Brackpool through July 26, 2013; Vice Chairman Israel through January 1, 2014; Commissioner Derek through January 1, 2014; and Commissioner Rosenberg through July 26, 2012.

Brief biographies for the four commissioners follow:

**KEITH BRACKPOOL** : A devoted thoroughbred racing enthusiast, Keith Brackpool currently serves as the chairman of the California Horse Racing Board. Mr. Brackpool was appointed to the Board in September 2009 by Governor Arnold Schwarzenegger and elected Chairman in January 2010. Mr. Brackpool has been engaged in the horse racing industry for over two decades as the owner of horses, including multiple group winner Elbio in England and horses currently trained in California. Through participation on numerous state boards and task forces, Mr. Brackpool has also garnered significant expertise in politics and governance at the state and local levels. In 1998, Mr. Brackpool co-chaired California Governor Gray Davis' Agriculture and Water Transition Task Force, a group charged with developing policy recommendations for the incoming administration. In 2001, Mr. Brackpool also served on Governor Davis' Commission on Building for the 21st Century, a diverse panel that developed long-term policy proposals to meet the state's future water, housing, technology and transportation needs. From 2000 – 2002, Mr. Brackpool was a member of the board of the California Foundation on the Environment and the Economy. In 2005 and again in 2009, Brackpool served as finance chair for Los Angeles Mayor Antonio Villaraigosa's mayoral campaigns. Mr. Brackpool is presently the chairman and chief executive officer of Cadiz Inc., a publicly held renewable resources company based in Los Angeles. As a co-founder of Cadiz in



1983 and the Company's President and Chief Executive Office since 1991, Mr. Brackpool has led the acquisition and development of the Company's water and agricultural assets throughout California. Cadiz owns more than 40,000 acres of land throughout Southern California. Prior to joining Cadiz, Mr. Brackpool served as director and chief executive officer, North American Operations, for Albert Fisher Group PLC, a multi-billion dollar food company based in England. Mr. Brackpool is also the owner and President of the Manhattan Country Club in Manhattan Beach, California. The Manhattan Country Club is the largest private tennis facility in Southern California and has been host to events such as the JPMorgan Chase Open. Mr. Brackpool resides in Los Angeles, California with his two children Dylan and Tristan.

**BO DEREK:** Appointed to the CHRB July 15, 2008...Reappointed in March 2010...Instantly recognizable for her performance in the 1979 smash hit "10" and other motion pictures, has since devoted much of her time to humanitarian efforts for people and animals alike...Serves as special envoy of the Secretary of State for Wildlife Trafficking, working to create awareness of the dangers of wildlife trafficking...Serves on the boards of the boards WildAid and the Galapagos Conservancy, Ecuador...Created Bless the Beasts, a line of pet products sold in stores nationwide, and donates a portion of all sales to Canine Companions for Independence, a non-profit organization that enhances the lives of people with disabilities by providing them with highly trained assistance dogs and ongoing support...Serves as national honorary chairperson for the Department of Veterans Affairs' National Rehabilitation Special Events – four annual therapeutic and rehabilitative events designed to help veterans overcome their disabilities through competition, the hallmark of rehabilitative programs in the nation...Named Honorary Green Beret in 2002 by the Special Forces Association, joining only four other Americans so honored, in recognition of her efforts on behalf of America's men and women in uniform and U.S. military veterans...Participates in USO tours, entertaining U.S. military personnel serving abroad...Appointed by President George W. Bush to the Kennedy Center Board of Trustees...An avid horsewoman, serves as spokeswoman (along with trainer Nick Zito) for the American Horse Slaughter Prevention Act, which would ban horse slaughter and the transport of horses from the U.S. for the purpose of human consumption in other countries, and was instrumental in the closing of the three horse slaughter plants remaining in the U.S...A published author, wrote "Riding Lessons: Everything That Matters in Life I Learned from Horses."

**DAVID ISRAEL:** Appointed to the CHRB July 9, 2008...Vice Chairman in 2009, 2010...Reappointed March 2010...Also appointed by Governor Arnold Schwarzenegger to the board of directors of the California Science Center in 2005...Serves as one of the Governor's appointees on the Los Angeles Memorial Coliseum Commission, immediate past president, current vice president...Served three years on the board of directors of the California Governor's and First Lady's Conference on Women...Has been writer and producer of many television series and movies, including "Midnight Caller," "The Untouchables," "Tremors," "Turks," "Fast Copy," "Crimes of the Century," "Bay City Blues," "Jake Lassiter: Justice on the Bayou," "The Port

Chicago Mutiny," "Pandora's Clock," "House of Frankenstein," "Y2K," and "Monday Night Football"...Served as Director, Office of the President, Los Angeles Olympic Organizing Committee, in 1984 under Peter V. Ueberroth...Graduate of Northwestern University's Medill School of Journalism...Was a reporter and syndicated columnist for the Chicago Daily News, Washington Star, Chicago Tribune and Los Angeles Herald Examiner...His magazine articles have appeared in Sports Illustrated, The Los Angeles Times Magazine, Playboy, Sport and California... As a sports columnist, Israel often wrote about horse racing, and covered the Triple Crown campaigns of Seattle Slew and Affirmed...Married and lives in Los Angeles.

**RICHARD A. ROSENBERG:** Appointed to the CHRB September 24, 2009...Former worldwide head of the Music Department of the William Morris Agency, later became a member of the executive committee, and served in those positions until his retirement in 2005...Previously was a founding partner in 1974 of Regency Artists, LTD, a music agency, until in 1984 he merged Regency with two other agencies to form a full-service theatrical agency, Triad Artists, Inc; from 1988 to 1992, served as president of Triad, and in 1992 he was one of the architects of the acquisition of Triad by the William Morris Agency...Received his B.S. from UCLA in 1959 and LLD from UCLA Law in 1962; practiced law in Beverly Hills with the firm of Hertzberg, Childs, Rosenberg, and Shiotani for more than 11 years...Served as past president of the Beverly Hills Barristers and board member of the Beverly Hills Bar Association...Raced standardbreds for many years in California, currently owns thoroughbreds racing in Southern California...Resides in Solana Beach.

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## PROPOSED RTN NETWORK ARCHITECTURE

### *Discussion Items*

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- The proposed changes to the RTN network bring a third party, DISH Network, into a key role distributing California's simulcast signal. This is significantly different from previous network configurations, in which CA tracks entered into a contract with a provider who directly provided uplink services and encryption equipment with sub-contracts for satellite time. Now the responsibility for actually delivering the signal to end-users will be handed off to a single, proprietary, third-party network (DISH), with whom we tracks have no direct contract. What assurances will RTN offer that reliance on one or more third-party providers will not cause any problems for delivery or control of CA signals?
- Please clarify distinction between DISH *residential* signal delivery and RTN/DISH *commercial* signal delivery. Who receives subscription revenues from *residential* distribution?
- Is DISH *residential* signal available in Canada, Latin America or the Caribbean?
- Please explain how, in this new network configuration, we can direct de-authorization of sites using our simulcast signal without permission or payment, say, for example an international site operating as a bookmaker without a valid contract with California tracks/horsemen?
- Is this network architecture approved or licensed in any jurisdiction?
- In which state(s) will actual receiving site authorizations take place?
- Discussion of how RTN is different from RCN.
- California tracks have contracted with RCN for uplink services. When will we see a contract proposal from RTN or a proposal to modify the existing RCN agreements to reflect these new operating circumstances?
- Will this proposed system architecture affect California decoder revenues?
- Discussion of RTN contract with DISH network: Terms; duration; acknowledging track ownership of signals; exclusivity.
- Please describe LAST.
- The business of simulcasting California signals is a complicated matrix of agreements amongst tracks, receiving sites and ADW's. What assurance can RCN/RTN offer to California tracks and horsemen that its new network architecture will not disturb any existing agreements in our simulcast and ADW networks?
- Presently, our California sites (with the exception of Commerce Club) can, with decoder in place, receive any track signal transmitted on C-band satellite

feeds. In this proposed network architecture, we will become reliant on one provider using KU-band feeds: RTN using DISH equipment. How can we be assured that our California network will continue to have access to all signals that we wish to import, even if they are not on the RTN/DISH feed? Will we continue to need our C-band reception capacity for certain signals?

- Will RCN assume all liabilities associated with signal delivery, even if problems are due to DISH network?
- What happens to satellite sites, California or elsewhere, operating on the DISH network if RTN has a contract dispute with DISH or if the RTN/DISH contract is not renewed?
- Is there any scenario in which California satellite sites will ever be required to pay extra decoder fees, one to RTN/DISH and another to a track, to receive a signal in California?
- Discussion of logistical issues with existing California sites: Disposition of existing decoders; space consideration for new DISH network equipment.
- What's the status with NYRA signals. How will they be received?
- What is the status of Los Alamitos going into Arizona? Where else have there been issues with a pre-existing exclusive agreement for TV distribution? Is RCN/RTN/DISH aware of any pre-existing exclusivity conflicts that could affect signal delivery into or out of California?
- Discussion and clarification of control over authorizations for the following:
  - Sites in the United States which wager into California pools.
  - Sites which **do not** wager into California pools (international sites; bookmakers; betting exchanges). Which agreement(s) will govern revenues, if any, generated from this distribution? Please explain how, in this configuration, we can direct de-authorization of sites using our simulcast signal without permission or payment, say, an international site operating as a bookmaker without a valid contract with California tracks/horsemen?
  - Residential sites. Which agreement(s) will govern revenues, if any, generated from this distribution?
  - Cable TV and Internet distribution. Which agreement(s) will govern revenues, if any, generated from this distribution? Can Internet distribution be operated on a subscription model?
- Discussion of access to authorization records for sites receiving California signals: US simulcast sites; international sites; ADW's; wagering exchanges; residential; other.
- Can you provide a diagram(s) showing proposed system architecture?
- Further explanation of advantages of this proposed system architecture.

**Christopher Korby**

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**From:** "Christopher Korby" <korby@calfairs.net>  
**To:** "Todd Roberts" <troberts@rcnmail.com>  
**Cc:** "Aaron Vercruysse (E-mail)" <AVercruysse@santaanita.com>; "Josh Rubinstein" <Josh@dmtd.com>; "Tom Varela" <tvarela@chirms.com>; "Kay Webb-HP" <KayWebb@hollywoodpark.com>  
**Sent:** October 05, 2010 11:41 AM  
**Attach:** ROBERTS COMMUNICATIONS NETWORK-Press Release New Network Architecture-Sept2010.doc; Proposed RTN Network Architecture-Discussion Items-Oct4-2010.pdf  
**Subject:** RCN/RTN Proposal

Todd,

We've reviewed the Press Release from Roberts Communication Network describing the proposed satellite network architecture that RCN is proposing to its satellite uplink customers. Thanks for sending it over.

Our conversation yesterday was helpful; there are a few additional matters I'd like to go over in a follow-up call. As we discussed, I thought it would be simplest and quickest to outline these matters in writing, then follow up with another call. Please see attachment.

We'd like to know more about this proposal. I note that in the proposal, DISH network, a third-party provider with whom we have no direct contract, will now have a key role in distributing our signal. We'd like to hear further clarification on how this will work and on the contractual relationship that governs DISH network's role in distributing our signal, including contract duration and terms. Is there any exclusivity component in that agreement? Does the RTN/DISH contract acknowledge tracks' ownership of signal? We'd also like to discuss further how the instructions for authorizing or de-authorizing receiving sites will be handled, particularly with respect to international sites, bookmakers and wagering exchanges. We'd be interested to hear your plans for the RTN/DISH residential distribution concept, including contracts, rights and disposition of revenues, if any. We'd also be interested in your thoughts on Internet distribution, including a subscription model.

There can be benefits to working with partners who have a stake in the value of our product. We want to understand all the advantages to this new network architecture and hope that you can elaborate further on the reasons that this is a good plan.

Appreciate your taking time to discuss these matters. How about 3:30 PM tomorrow 10/6 for a follow-up call? Thursday at 10AM would be another option if that's more convenient. If others are able to join, we can use the following call-in numbers:

800-791-2345

**PARTICIPANT CODE: 37381 #**

Best regards,

--Chris

Christopher Korby

Executive Director

California Authority of Racing Fairs

916-263-3348 Office

916-849-2116 CELL

## **ROBERTS COMMUNICATIONS NETWORK LAUNCHES NEW CONTENT DELIVERY NETWORK**

Roberts Communications Network ("RCN") is pleased to announce the launch of our new, state of the art, content delivery network (the "Network"). This Network was specifically designed to serve the growing and changing needs of the pari-mutuel industry.

### **BACKGROUND**

On March 1, 2007, RCN acquired certain assets of the Scientific Games Racing ("SGR") communications businesses, which included the SGR simulcast transmission division and SGR's seventy percent (70%) ownership interest in the wagering data company known as NASRIN. In the press release announcing the transaction, RCN stated that it intended to put any resulting economic and operational synergies to use as summarized in the following mission statement:

***"Create a state of the art content delivery network which increases distribution by more effectively delivering content, whether it be audio, video or data, to commercial and residential locations worldwide, through a variety of display screens including televisions, computers, mobile devices, and kiosks."***

We also assured any concerned customers that we would not increase the cost of our services, either as a result of our transaction with SGR or our intention to build and operate our new Network. Today, three and one half years later, the cost of our services to our customers remains unchanged or has slightly decreased, while many customers have been able to upgrade to a much needed, higher level of service, for nominal extra cost.

### **THE NEW NETWORK**

The new Network will provide improved service offerings for the same cost as the old ones. More importantly, certain new, optional service offerings, such as full card, residential distribution through DISH Network, will provide new revenue generation potential for our customers for a small additional cost. The risk-reward evaluation should be very enticing, despite the poor financial condition of our industry and economy as a whole.

Much like the most successful content producers/distribution networks in the world today (ESPN, Disney, CNN, the NFL, MLB, etc.) the Network uses all of the latest technologies available to seamlessly deliver content across multiple platforms for maximum distribution. The Network carefully balances certain content distribution principles such as network architecture, picture quality, signal security, latency, downtime, user friendliness, and economics.

## TRANSMISSION

- Contribution - All SD simulcasts will be encoded at the host racetracks and “backhailed” or “contributed” (“Contribution Feeds”) to central distribution centers located at the DISH Network (“DISH”) transmission facility in Cheyenne, Wyoming and RCN transmission facilities in Las Vegas, Nevada (collectively “Distribution Centers”).

RCN’s new terrestrial network (“MPLS” technology) will be the primary method of transmitting Contribution Feeds.

RCN’s existing satellite network (One Hundred Ten (110) C-band uplink facilities and select, non-preemptible C-band transponders) will be the back-up method of transmitting Contribution Feeds.

Both the terrestrial and satellite Contribution Feeds will utilize an IP format when transmitting to the Distribution Centers.

All uplink facilities will be upgraded with brand new, fully redundant DVBS-2 modulators, MPEG-4 (H.264) encoders (SD and/or HD), and routers.

The MPLS Contribution Feeds will also be multicast to individual receiving locations, and customized as needed, as part of our new IPTV capabilities. For example, TVG, HRTV, and their respective racetrack partners can utilize this part of the new Network to receive clean feeds that are digitally delivered (SDI output) for proper interface with modern digital broadcast facility infrastructures, resulting in better quality video and audio for retransmission over cable and DBS networks.

- Distribution - Once the Contribution Feeds are delivered to the Distribution Centers, they will be decrypted (if delivered by satellite), routed, formatted, encrypted, and sent through channel capacity built, owned, and operated by RCN, to licensed end users through a variety of delivery options, including but not limited to SATELLITE, IPTV, INTERNET, and MOBILE (“Distribution Feeds”).

Consequently, a host racetrack will be able to distribute its audio/video content to its licensees through multiple platforms yet eliminate problematic handoffs, from the time such content leaves its racetrack until the time it is received by the end user on the designated display screen. For example, it will no longer be necessary for a host racetrack to provide a licensee with a satellite feed through a decoder if the licensee really needs an Internet video stream or digital archive (race replay) for display on a computer. The host racetrack will now have all of the content delivery solutions it needs to maximize distribution while maintaining total control and saving money in the process.

Furthermore, our new Network will ensure that all display screens (televisions, computers, mobile phones, kiosks) in all commercial and residential locations, worldwide, will receive higher quality video than ever before, with all televisions guaranteed to receive “1st Generation Video”, (video that has not been decoded and re-encoded for re-distribution causing picture quality loss). 1st Generation Video on all televisions is an industry first, never before possible until the launch of the new Network.



In addition, since the INTERNET and MOBILE Distribution Feeds will get source video from an MPLS Contribution Feed, they will be the only INTERNET and MOBILE Distribution Feeds in the industry not reliant on the SATELLITE Distribution Feed for source video. This is of paramount importance in the event of transmission or reception problems with the SATELLITE Distribution Feed. In such an event, RCN's INTERNET and MOBILE Distribution Feeds will be the industry's only such feeds to continue with uninterrupted service due to the superior way they get source video.

And finally, most important of all, the SATELLITE Distribution Feed indicated above includes RCN integrating the powerful DISH Network into the new Network to replace the transmission of the current MPEG-2, SD simulcasts over RCN's Galaxy 3C and AMC-3 commercial, C-band, satellite networks, as well as over the current Racetrack Television Network ("RTN") residential, Ku-band, satellite network.

However, all MPEG-2, HD simulcasts will continue to be transmitted directly from the racetracks to commercial locations using the existing C-band/satellite/uplink /downlink/decoder infrastructure, as will certain MPEG-2, SD simulcasts as required pursuant to special circumstances.

Included as Attachment A are important details about each of the Network's Distribution Feeds.

### RECEPTION

- Commercial Locations (Closed Circuit Wagering) – Since we are changing from C-band to Ku-band for the SATELLITE Distribution Feed (DISH), RCN will install and maintain, at its sole expense, approximately Nine Hundred (900) brand new Ku-band downlink antennas at commercial locations (closed circuit wagering) throughout North America.

The use of Ku-band reduces signal loss from terrestrial interference, a problem that plagues many downlink sites in any C-band network. However, Ku-band can be affected by a signal degradation condition during periods of heavy rain known as rain fade. The downlink antennas will be properly sized based on the geographic location of each site in the satellite footprint, and the amount of historical rain fade in that region (a bigger antenna helps combat signal degradation due to rain fade). In addition, the downlink antennas will be fitted with de-ice capability where necessary. The antenna sizes to be used include 1.2M, 1.8M, and 3.2M, with the overwhelming majority being 1.2M and 1.8M.

Overall signal availability at commercial locations is designed to be 99.99%, which equates to 52 minutes and 34 seconds of outage per year. This is an improvement over the current signal availability which at many commercial locations is adversely affected by downlink antennas, not owned by RCN, which are old, non-compliant, too small, and not well maintained. Overall signal availability at residential locations is designed to be 99.9%, which equates to 8 hours, 45 minutes and 36 seconds of outage per year. Since the Network will use larger downlink antennas at commercial locations than DISH uses at residential locations, rain fade outages will be minimized, and signal availability will be significantly better than residentially. It should be noted, however that over thirty (30)

million subscribers use DISH Network and DirecTV, which would indicate that even the residential signal availability is acceptable.

RCN will also install and maintain, at its sole expense, brand new set top boxes ("STBs") capable of receiving the SATELLITE Distribution Feed (DISH). The STBs will come completely built out in racks with all required power dividers, couplers, RF switches, Ethernet switches, etc. If there are space limitations at a commercial location, then the individual components will be provided and installed in the existing racks containing our old decoders. The STB model will be a DISH ViP 222K. These STBs have two (2) tuners, and can handle MPEG-4, MPEG-2, SD, and HD. If a commercial location needs to distribute digitally throughout its facility, in either SD or HD, RCN can supply an external solution.

The STBs can be controlled a variety of ways, another improvement over the current system. These include:

- Locally using the front panel display
- Locally using multiple remote controls
- Locally using software supplied by RCN which can be downloaded to any computer attached to our equipment rack's Ethernet switch
- Remotely using our web interface which is accessible by any Internet connected computer
- Remotely by the RCN Network Operations Center

By providing the proper downlink equipment and wiring to the STBs, RCN will achieve yet another goal of providing a more reliable, completely "End to End" network for the simulcast industry. The use of the smaller sized antennas (or our IPTV capabilities where necessary) will allow for unlimited OTB growth into smaller, harder to equip locations, and should provide the impetus to expand wagering opportunities to sports bars and restaurants by creating "Virtual OTBs".

- Residential Locations – A significant new benefit of the Network is its unique ability to reach residential television viewers, through DISH, and deliver to their homes every full card simulcast, exactly as presented in simulcast outlets, from every racetrack in North America that produces a simulcast. Certain international racetracks are also included.

RCN uses its sister company, the Racetrack Television Network ("RTN") to distribute full card simulcasts residentially. RTN operates an eighty (80) channel network of full card simulcasts and associated programming, 24 hours per day, 365 days per year. RTN is distributed on DISH, pursuant to a long term contract. In addition, RTN will be available on the Internet at [www.rtn.tv](http://www.rtn.tv) and through mobile devices by the end of the year.

RTN will enter into Service Agreements with host racetracks that want residential distribution through RTN on DISH and potentially cable companies, telephone companies, and DirecTV. RTN is marketed as a racing package by these residential platforms using the same subscription model that the major sports leagues have embraced to market their league packages. These highly successful packages include NFL Sunday Ticket, MLB Extra Innings, NBA League Pass, and NHL Center Ice. We are proud to add RTN to that list on behalf of the racing industry.

We believe the availability of RTN on residential television will grow account wagering handle significantly and also lead to new found advertising revenue for host racetracks.

### THE MIGRATION PLAN

The migration to the new SATELLITE Distribution Feed (DISH) will take place from September 7, 2010 through October 31, 2010, and will be carried out at RCN's sole expense.

1. Site Survey – All commercial locations (closed circuit wagering) will be contacted by an installer from DISH Network Commercial Services ("DISH Installer") to schedule a survey of the site ("Site Survey"). This will allow RCN to gather the necessary and specific data regarding each site to create an installation plan. This has already taken place for the vast majority of commercial locations. SORRY - DISH BEGAN CALLING BEFORE WE COULD DISTRIBUTE THIS MEMO.
2. Installation – The DISH Installer will contact each site to schedule the actual installation ("Installation") of the downlink antenna, cabling, STBs, and other equipment (collectively "Reception Equipment"). The scheduling of the Installation may occur during the Site Survey or at a later date. On the Installation date the Dish Installer will complete the Installation and test all Reception Equipment before leaving the site.
3. Transition – Once the Installation is complete the site may immediately begin using the Reception Equipment or select another date to transition before October 31, 2010. RCN will continue to operate its current satellite networks through that date. The only responsibility of each site will be to connect the wiring from the back of the STBs (RCA audio and video connectors) to the in-house modulators or distribution system. Use of the Reception Equipment and the SATELLITE Distribution Feed (DISH) will be subject to our Standard Terms And Conditions Of Use which will be contained in a new Reception Service Agreement to be provided.
4. Other – Sites that cannot use the new SATELLITE Distribution Feed (DISH) based on Site Survey results will be contacted by RCN to arrange an IPTV Distribution Feed installation instead.

### QUESTIONS

Questions can be directed to any of the following RCN representatives:

Brian de Jong	702-275-6787 or <a href="mailto:bdejong@rcnmail.com">bdejong@rcnmail.com</a>
Sean Beirne	702-575-7235 or <a href="mailto:sbeirne@rcnmail.com">sbeirne@rcnmail.com</a>
Karen King	859-533-1221 or <a href="mailto:kking@rcnmail.com">kking@rcnmail.com</a>
Jeff Cifka	360-387-1245 or <a href="mailto:jcifka@rcnmail.com">jcifka@rcnmail.com</a>
Peter Blackmon	702-227-7528 or <a href="mailto:pblackmon@rcnmail.com">pblackmon@rcnmail.com</a>
Joe Hill	603-536-6084 (Ext. 301) or <a href="mailto:jhill@rcnmail.com">jhill@rcnmail.com</a>
Todd Roberts	702-227-7510 or <a href="mailto:troberts@rcnmail.com">troberts@rcnmail.com</a>



## Details About Distribution Feeds

### SATELLITE (DISH)

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• 80 Channels</li> <li>• North American Coverage</li> <li>• Commercial &amp; Residential Reach</li> <li>• 1st Generation Video - Not Re-Encoded</li> <li>• HD Capable In MPEG-4 (H.264)</li> </ul> | <ul style="list-style-type: none"> <li>• Via Satellite Anik F3</li> <li>• Ku-band</li> <li>• Fully Redundant Uplink</li> <li>• MCPC Transport Not SCPC</li> <li>• Non-Preemptible Transponders</li> </ul> |
|---|---|

### SATELLITE (Latin American Simulcast Transmission)(LAST)

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• 25 Channels</li> <li>• Latin American Coverage</li> <li>• Commercial Reach</li> <li>• 1st Generation Video - Not Re-Encoded</li> <li>• HD Capable In MPEG-4 (H.264)</li> </ul> | <ul style="list-style-type: none"> <li>• Via Satellite Intelsat 805</li> <li>• C-band</li> <li>• Fully Redundant Uplink</li> <li>• MCPC Transport Not SCPC</li> <li>• Non-Preemptible Transponders</li> </ul> |
|---|---|

### IPTV (Terrestrial IP Video)

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• 80 Channels</li> <li>• Global Coverage</li> <li>• Commercial &amp; Residential Reach</li> <li>• 1st Generation Video - Not Re-Encoded</li> <li>• HD Capable In MPEG-4 (H.264)</li> </ul> | <ul style="list-style-type: none"> <li>• Source Video Is MPLS Not DISH</li> <li>• Dedicated Bandwidth – Not Internet</li> <li>• Digital Delivery/Handoff For TVG, HRTV</li> </ul> |
|---|---|

### INTERNET (Internet Streaming Media & Digital Archive)

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• 80 Channels</li> <li>• Global Coverage</li> <li>• Commercial &amp; Residential Reach</li> <li>• 2nd Generation Video - Re-Encoded</li> <li>• HD Capable</li> </ul> | <ul style="list-style-type: none"> <li>• Via Limelight Networks CDN</li> <li>• Flash &amp; Windows Media Formats</li> <li>• Source Video Is MPLS Not DISH</li> <li>• Digital Handoff Of Source Video (SDI)</li> <li>• Multiple Bit Rates</li> </ul> |
|---|---|

### MOBILE (Cellular IP Video)

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• 80 Channels</li> <li>• Global Coverage</li> <li>• Residential Reach</li> <li>• 2nd Generation Video - Re-Encoded</li> <li>• HD Capable</li> </ul> | <ul style="list-style-type: none"> <li>• iPhone/Windows/H.263/H.264/3GP</li> <li>• Source Video Is MPLS Not DISH</li> <li>• Digital Handoff Of Source Video (SDI)</li> </ul> |
|--|--|

**Christopher Korby**

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**From:** "Jay Hight" <sunnybraej@yahoo.com>  
**To:** "Christopher Korby" <korby@calfairs.net>; "Robert Hartman" <rhartman@goldengatefields.com>; "Guy Lamothe" <glamothe@toconline.com>; "Keith Pronske" <kpronske@citlink.net>; "Richard Scheidt" <rscheidt@toconline.com>; "Alan Balch" <afbalch@gmail.com>; "Charlie Dougherty" <cdogjr@yahoo.com>; "Alkire, John" <jalkire@fresnofair.com>; "Stuart Titus" <humcofair@frontiernet.net>; "Jay Hight" <sunnybraej@yahoo.com>; "Cindy Olsen" <cindy77@suddenlink.net>; "Cc: Keith Brackpool" <KBrackpool@gmail.com>  
**Sent:** October 07, 2010 9:04 AM  
**Subject:** Re: Northern California Racing Dates Mid-August 2011

Reply to all concerned,  
 Humboldt Co. Fair board confirms and agrees to the proposed calander as put forth by CARF (Chris Corby) regarding our mid August race dates as outlined in the attached email. Jay Hight, Board President, Humboldt Co. Fair

---

**From:** Christopher Korby <korby@calfairs.net>  
**To:** Robert Hartman <rhartman@goldengatefields.com>; Guy Lamothe <glamothe@toconline.com>; "Keith Pronske" <kpronske@citlink.net>; Richard Scheidt <rscheidt@toconline.com>; Alan Balch <afbalch@gmail.com>; Charlie Dougherty <cdogjr@yahoo.com>; "Alkire, John" <jalkire@fresnofair.com>; Stuart Titus <humcofair@frontiernet.net>; Jay Hight <sunnybraej@yahoo.com>; Cindy Olsen <cindy77@suddenlink.net>  
**Cc:** Keith Brackpool <KBrackpool@gmail.com>  
**Sent:** Sat, October 2, 2010 10:56:57 AM  
**Subject:** Northern California Racing Dates Mid-August 2011

At the California Horse Racing Board meeting on September 23, Chairman Brackpool directed Northern California stakeholders to negotiate an agreement on mid-August racing dates for 2011.

Golden Gate Fields, Humboldt County Fair and the California Authority of Racing Fairs have agreed on a calendar proposal for mid-August dates at Humboldt and GGF. We are proposing that Humboldt run eight days, commencing on Friday August 8 and running concurrent with Sonoma County Fair through Sunday August 14. Santa Rosa would serve as the host association during this week. On the week following, we are proposing that Humboldt race solo and as Host Track on Wednesday August 17 and Thursday August 18; beginning on Friday August 19, GGF and Humboldt will race concurrently through Sunday August 21. Golden Gate Fields would serve as the host on Friday, Saturday and Sunday. On Friday August 19, GGF and Humboldt will share track commissions on a 50/50 basis, based on a template created by Bryan Wayte. Humboldt's closing day will be Sunday August 21; GGF will resume racing by itself on Wednesday August 24.

We've had continuing conversations with TOC and CTT representatives during the negotiation of this proposal. We're seeking confirmation of approval from TOC and CTT. If necessary, we will arrange a conference call to discuss the matter. If CTT and TOC wish to respond affirmatively via e-mail, it will expedite the decision-making.

Thank you for your consideration.

Christopher Korby & Robert Hartman

**California Authority of Racing Fairs  
Agency Income Statement  
September 30, 2010**

	2008	2009	2008	2009	2010	2010	2010	2010
	Year End Actual	Year End Actual	YTD Actual	YTD Actual	YTD Actual	Annual Budget	Budget Variance	% Budget
<b>Revenue:</b>								
Other Revenue	12,384	148	964	30	60	500	(440)	12%
Interest Income	96,705	30,515	33,042	25,449	14,584	30,000	(15,416)	49%
Member Dues	282,520	282,532	218,203	211,899	219,685	292,913	(73,228)	75%
CARF South Programs Admin Fee	29,295	25,351	23,164	19,968	16,913	26,250	(9,337)	64%
CARF Projects Admin Fee	175,639	66,063	150,678	43,956	58,429	195,000	(136,571)	30%
CARF Live Racing Admin Fee	149,334	112,869	108,044	99,621	90,956	136,723	(45,767)	67%
CARF @ Leased Facility Revenue	0	(311,170)	0	162,490	0	0	0	0%
Total Revenue	745,876	206,308	534,095	563,413	400,627	681,386	(280,759)	59%
<b>Expenses:</b>								
Salaries	245,914	226,671	164,584	165,082	163,238	304,423	141,185	54%
Employee Benefits	26,800	23,714	20,746	19,204	13,442	30,000	16,558	45%
Post Retirement Benefits	31,614	666,317	23,694	751,009	25,852	32,896	7,044	79%
Payroll Taxes	12,509	12,487	9,898	9,530	9,405	13,500	4,095	70%
Accounting Costs	16,337	17,209	12,275	13,142	12,655	18,750	6,095	67%
Audit Services	6,188	7,125	5,640	5,250	5,750	6,500	750	88%
Automobile Expense	3,236	435	3,229	435	3,792	4,000	208	95%
Contracted Services	659	543	502	429	6,483	2,000	(4,483)	324%
Depreciation	13,729	13,881	2,034	3,558	3,394	13,500	10,106	25%
Dues & Subscriptions	14,388	36,048	10,918	22,562	9,325	37,000	27,675	25%
Insurance Expense	40,542	37,784	30,096	28,497	27,850	41,000	13,150	68%
Legal Expenses	1,740	11,413	1,740	7,435	16,412	10,000	(6,412)	164%
Legislative Expenses	54,869	53,508	41,440	40,194	36,110	60,000	23,890	60%
Meetings Expense	3,758	5,398	2,741	3,950	2,419	5,000	2,581	48%
Misc. (Ag Day Sponsor)	204	2,482	194	2,419	2,010	2,500	490	80%
Office Supplies	19,576	23,754	15,085	19,018	20,741	20,000	(741)	104%
Postage & Shipping	4,343	5,987	3,170	5,066	2,114	6,000	3,886	35%
Rent (Tribute Road)	39,413	38,916	26,827	28,980	29,323	39,744	10,421	74%
Repairs & Maintenance	0	0	0	0	674	1,000	326	67%
Telephone Expense	8,132	7,390	5,306	5,430	6,984	10,000	3,016	70%
Training	0	0	0	0	895	2,500	1,605	36%
Travel Expense	23,216	25,280	19,761	20,015	20,683	27,500	6,817	75%
Total Expenses	567,165	1,216,340	399,881	1,151,207	419,553	687,813	268,260	61%
Agency Income (Loss)	178,712	(1,010,031)	134,214	(587,794)	(18,927)	(6,427)	(12,500)	
Southern Program Income (Loss)	9,592	7,142	6,785	5,507	3,994	5,250	(19,930)	
Total Balance Sheet Net Income (Loss)	188,304	(1,002,890)	140,999	(582,287)	(14,933)	(1,177)	(32,430)	
Total Restricted Reserves CARF @ Leased Facility								
	0	0	0	0	0	0	0	



**California Authority of Racing Fairs**  
**Southern Region Income Statement**  
**September 30, 2010**

	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>
	<b>Year End</b>	<b>Year End</b>	<b>YTD</b>	<b>YTD</b>	<b>YTD</b>	<b>Annual</b>	<b>Budget</b>	<b>% Budget</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	
<b>Program Revenue:</b>								
Program Sales	397,688	343,634	308,852	266,246	205,508	350,000	(144,492)	59%
Other Revenue	0	0	0	0	0	0	0	0%
Royalties/Fees Due Host	(358,703)	(311,141)	(278,805)	(240,772)	(184,601)	(318,500)	133,899	58%
<b>Total Revenue</b>	<b>38,985</b>	<b>32,493</b>	<b>30,047</b>	<b>25,475</b>	<b>20,907</b>	<b>31,500</b>	<b>(10,593)</b>	<b>66%</b>
<b>Expenses:</b>								
Legal Expenses	0	0	0	0	0	0	0	0%
Meetings Expense	98	0	98	0	0	0	0	0%
Misc Exp.(Storage)	0	0	0	0	0	0	0	0%
Office Supplies	0	0	0	0	0	0	0	0%
Paper Expense	0	0	0	0	0	0	0	0%
Postage & Shipping	0	0	0	0	0	0	0	0%
Printing Supplies	0	0	0	0	0	0	0	0%
Rent & Utility Expenses	0	0	0	0	0	0	0	0%
Repairs & Maintenance	0	0	0	0	0	0	0	0%
Telephone Expense	0	0	0	0	0	0	0	0%
Travel Expense	0	0	0	0	0	0	0	0%
<b>Total Expenses</b>	<b>98</b>	<b>0</b>	<b>98</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>
Operating Income (Loss)	38,887	32,493	29,949	25,475	20,907	31,500	(10,593)	66%
CARF Admin Fee	29,295	25,351	23,164	19,968	16,913	26,250	9,337	64%
Rebate								
<b>Income (Loss)</b>	<b>9,592</b>	<b>7,142</b>	<b>6,785</b>	<b>5,507</b>	<b>3,994</b>	<b>5,250</b>	<b>(19,930)</b>	<b>76%</b>

**California Authority of Racing Fairs  
Project Management Income Statement  
September 30, 2010**

	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>
	<b>Year End</b>	<b>Year End</b>	<b>YTD</b>	<b>YTD</b>	<b>YTD</b>	<b>Annual</b>	<b>Budget</b>	<b>% Budget</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	
<b>Revenue:</b>								
CARF Admin Fee	175,639	66,063	150,678	43,988	58,429	195,000	(136,571)	30%
Project Management	67,608	79,199	43,726	56,509	57,756	77,191	(19,435)	75%
<b>Total Revenue</b>	<b>243,247</b>	<b>145,262</b>	<b>194,404</b>	<b>100,498</b>	<b>116,185</b>	<b>272,191</b>	<b>(156,006)</b>	<b>43%</b>
<b>Expenses:</b>								
Salaries Expense	49,043	58,723	30,042	39,992	41,439	56,341	14,902	74%
Employee Benefits	6,150	7,287	4,000	6,328	6,294	8,000	1,706	79%
Payroll Taxes	2,204	2,832	1,490	2,113	2,200	3,000	800	73%
Accounting Costs	6,500	6,500	4,875	4,875	4,875	8,000	3,125	61%
Audit Services	2,475	2,550	2,256	2,100	2,300	0	(2,300)	0%
Automobile Expense	0	0	0	0	0	0	0	0%
Contracted Services	0	0	0	0	0	0	0	0%
Telephone Expense	678	708	505	534	580	1,000	420	58%
Travel Expense	0	42	0	42	68	250	182	27%
Misc. Storage	558	558	558	558	0	600	600	0%
<b>Total Expenses</b>	<b>67,608</b>	<b>79,199</b>	<b>43,726</b>	<b>56,541</b>	<b>57,756</b>	<b>77,191</b>	<b>19,435</b>	<b>75%</b>
<b>CARF Admin Fee</b>	<b>175,639</b>	<b>66,063</b>	<b>150,678</b>	<b>43,956</b>	<b>58,429</b>	<b>195,000</b>	<b>136,571</b>	<b>30%</b>

**California Authority of Racing Fairs  
Live Racing Income Statement  
September 30, 2010**

	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>
	<b>Year End</b>	<b>Year End</b>	<b>YTD</b>	<b>YTD</b>	<b>YTD</b>	<b>Annual</b>	<b>Budget</b>	<b>% Budget</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	
<b>Revenues:</b>								
Change Fund Admin Fee	46,470	17,065	26,751	15,435	10,014	20,000	(9,986)	50%
Racing Fairs Admin Fee	80,538	74,561	59,222	62,185	58,942	94,723	(35,781)	62%
Supplemental Purses Admin Fee	22,000	22,000	22,000	22,000	22,000	22,000	0	100%
NCOTWINC Reimbursement	29,000	29,000	29,000	29,000	29,000	29,000	0	100%
Racing Fairs Reimbursement	1,074,554	1,059,854	790,344	839,349	794,454	1,262,971	(468,517)	63%
Advertising Revenue	5,010	4,100	0	4,100	4,550	4,000	550	114%
<b>Total</b>	<b>1,257,573</b>	<b>1,206,580</b>	<b>927,317</b>	<b>972,070</b>	<b>918,960</b>	<b>1,432,694</b>	<b>(513,734)</b>	<b>64%</b>
<b>Expenses:</b>								
Salaries	201,995	230,562	126,494	158,175	171,271	227,483	56,212	75%
Employee Benefits	40,160	44,792	29,464	34,392	35,003	46,000	10,997	76%
Payroll Taxes	10,824	11,877	8,148	9,188	9,849	13,500	3,651	73%
Accounting Costs	42,250	52,250	31,687	31,687	31,687	48,000	16,313	66%
Audit Services	16,088	16,575	14,664	13,650	23,698	16,088	(7,610)	147%
Automobile Expense	742	1,182	742	145	3,703	5,100	1,397	73%
Depreciation	0	0	0	0	0	0	0	0%
Dues & Subscriptions, NTRA	13,596	12,286	10,141	6,136	7,582	17,000	9,418	45%
Insurance Expense	0	0	0	0	0	0	0	0%
Legal Expenses	2,101	0	2,101	0	15,909	10,000	(5,909)	159%
Meetings Expense	1,803	1,111	1,030	587	2,995	5,000	2,005	60%
Misc. Exp (Harness,Storage,Bank fee)	0	58	0	58	1,524	0	(1,524)	0%
Telephone Expense	1,773	3,363	1,083	2,255	2,970	3,000	30	99%
Travel Expense	55,224	45,184	44,407	32,059	21,174	45,000	23,826	47%
<b>Sub-Totals</b>	<b>386,555</b>	<b>419,240</b>	<b>269,961</b>	<b>288,331</b>	<b>327,366</b>	<b>436,171</b>	<b>108,805</b>	<b>75%</b>
<b>Racing Support Services:</b>								
Announcer	26,000	26,596	20,500	20,575	17,443	36,800	19,357	47%
Condition Bk/Program Cover	27,509	22,491	25,642	20,398	47,642	30,500	(17,142)	156%
Courier Service (Pgm Distribution)	0	0	0	0	0	0	0	0%
Racing Operations Support	103,242	79,601	87,540	71,588	62,996	105,000	42,004	60%
TC02 Testing	60,010	54,880	38,655	47,310	7,259	72,000	64,741	10%
Marketing	3,225	1,783	1,669	1,629	3,353	20,000	16,647	17%
Network Management	3,105	3,321	2,484	2,498	1,188	6,000	4,812	20%
Paymaster	10,825	20,298	6,566	14,701	6,761	11,500	4,739	59%
Program Production	191,389	178,814	144,371	146,678	114,452	205,000	90,548	56%
Racing Office System	55,840	53,156	37,619	43,126	29,554	68,000	38,446	43%
Recruitment	17,970	22,721	17,970	20,322	28,293	15,000	(13,293)	189%
Jumbo Screen	137,700	125,000	109,650	125,000	126,250	181,000	54,750	70%
Supplies	15,478	19,158	5,136	9,851	6,711	20,000	13,289	34%
Tattooing	17,057	20,469	11,984	18,072	9,982	19,000	9,018	53%
Timing/Clocker	21,851	22,430	19,022	19,218	20,018	30,000	9,982	67%
Transportation	2,900	3,465	2,000	3,015	1,650	5,000	3,350	33%
TV Production/Simulcast	27,582	20,288	18,505	20,138	17,088	35,000	17,913	49%
<b>Sub-Totals</b>	<b>721,684</b>	<b>674,471</b>	<b>549,311</b>	<b>584,118</b>	<b>500,638</b>	<b>859,800</b>	<b>359,162</b>	<b>58%</b>
<b>Total Expenses</b>	<b>1,108,239</b>	<b>1,093,711</b>	<b>819,273</b>	<b>872,449</b>	<b>828,004</b>	<b>1,295,971</b>	<b>467,967</b>	<b>64%</b>
<b>CARF Admin Fee</b>	<b>149,334</b>	<b>112,869</b>	<b>108,044</b>	<b>99,621</b>	<b>90,956</b>	<b>136,723</b>	<b>45,767</b>	<b>67%</b>

**California Authority of Racing Fairs**

**CARF @ Leased Facility**

**September 30, 2010**

	2008	2009	2008	2009	2010	2010	2010	2010
	Year End	Year End	YTD	YTD	YTD	Annual	Budget	% Budget
	Actual	Actual	Actual	Actual	Actual	Budget	Variance	
<b>Revenues:</b>								
Commissions - CARF@GG	0	2,859,642	0	1,249,779	0	0	0	0%
Non Wagering Revenue - CARF@GG	0	0	0	0	0	0	0	0%
<b>Total</b>	0	2,859,642	0	1,249,779	0	0	0	0%
<b>Expenses:</b>								
PRA - Labor (Sal,Bene,Tax)	0	96,106	0	41,413	0	0	0	0%
PRA - COGS	0	0	0	0	0	0	0	0%
PRA - Financial Dept. Allocation	0	0	0	0	0	0	0	0%
PRA - Direct Invoices	0	2,998,791	0	1,028,311	0	0	0	0%
CARF Direct Invoices	0	18,531	0	17,564	0	0	0	0%
CARF Billback Allocation	0	57,383	0	0	0	0	0	0%
<b>Sub-Totals</b>	0	3,170,811	0	1,087,289	0	0	0	0%
<b>CARF @ Leased Facility Net Income</b>	0	-311,170	0	162,490	0	0	0	0%

**CALIFORNIA AUTHORITY OF RACING FAIRS**  
**BALANCE SHEET**  
**September 30, 2010**

**ASSETS**

	<b>CURRENT YTD</b>	<b>PRIOR YTD</b>
	<b>9/30/10</b>	<b>9/30/09</b>
<b>Current Assets</b>		
CASH - LAIF & INVESTMENTS	2,791,705	4,914,479
CASH - OPERATING	23,043	2,464,942
CHECKING - TOC PURSE	249,114	69,212
CHECKING - RACING TRUST	1,928,941	0
MARKETABLE SECURITIES	4,177,471	4,041,727
A/R - DUES	77,999	(6,890)
A/R - PROGRAMS	70,610	143,857
A/R - RACING FAIRS	435,819	499,871
A/R - F&E/OTHER A/R	1,924,684	107,899
PREPAIDS/DEPOSITS	74,020	67,199
OPEB ASSETS	91,955	0
<b>Total Current Assets</b>	<b>11,845,360</b>	<b>12,302,297</b>
<b>Fixed Assets</b>		
AUTOMOBILE	4,018	10,906
FURNITURE & EQUIPMENT	2,239	3,259
COMPUTER HARDWARE/SOFTWARE	10,071	13,202
TRACK EQUIPMENT	59,400	89,100
<b>Total Fixed Assets (Net of Depr.)</b>	<b>75,728</b>	<b>116,467</b>
<b>TOTAL ASSETS</b>	<b>11,921,088</b>	<b>12,418,764</b>

**LIABILITIES & NET ASSETS**

<b>Current Liabilities</b>		
A/P & WITHHOLDINGS	172,666	822,316
A/P - PROGRAM ROYALTIES TO HOST	67,089	58,678
RACING DISTRIBUTIONS	1,929,344	2,955,727
PURSES	574,070	214,413
TRACK SAFETY/MAINT.	473,004	500,728
INFOTEXT UPGRADE	159,979	158,157
MISC PROJECT FUNDS	0	0
LOU-1 - TIMING/TRACK SURFACE/AREA ENHANC	0	0
LOU-2 - SPECIAL EVENT CENTERS	0	0
LOU-3 - SATELLITE SURVEY/TURF STUDY	0	0
EQUIPMENT REPLACEMENT FUND	1,184,057	1,088,498
LOU-5 - SYMPOSIUM	3,805	4,248
FACILITY IMPROVEMENTS & UPGRADES	517,765	758,864
CAPITAL IMPROVEMENT FUND	2,992,453	1,464,630
<b>Total Current Liabilities</b>	<b>8,074,232</b>	<b>8,026,259</b>
<b>Non-Current Liabilities</b>		
CHRIMS FUNDS	90,197	89,170
CHANGE FUND	1,014,000	1,014,000
FAIRS - EQUIP REPLACEMENT FUNDS	2,007,217	2,125,782
<b>Total Non-Current Liabilities</b>	<b>3,111,413</b>	<b>3,228,952</b>
<b>TOTAL LIABILITIES</b>	<b>11,185,645</b>	<b>11,255,211</b>
<b>Net Assets</b>		
FUND EQUITY	728,101	1,730,990
F&E Net Assets	22,275	14,850
CARF@GG	0	162,490
RETIREMENT CONTINGENCY	0	0
NET INCOME/LOSS	(14,933)	(744,778)
<b>Total Net Assets</b>	<b>735,443</b>	<b>1,163,553</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>11,921,088</b>	<b>12,418,764</b>