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CHRB NEWS RELEASE

JANUARY 24, 2002

BOARD APPROVES TWO ACCOUNT-WAGERING OPERATORS

MONROVIA, CA – The California Horse Racing Board voted Thursday to approve applications by XpressBet and TVG to operate Advance Deposit Wagering systems through which account holders can legally wager on races run in California and other jurisdictions.

Account holders wishing to wager on races run at the current Santa Anita winter meet, Golden Gate Fields, Bay Meadows, and Capitol Racing (harness) at Cal Expo, as well as out-of-state locations, must wager through XpressBet, a subsidiary of Magna Entertainment Corp. (MEC). Jim McAlpine, president and chief executive officer of MEC, said XpressBet would begin offering this service no later than Saturday.

To place wagers on races run at Los Alamitos, Hollywood Park, Del Mar, Fairplex, and the Oak Tree meet at Santa Anita, as well as out-of-state locations, account holders must wager through TVG (ODS Technologies). TVG President and CEO Mark Wilson said this service would be available immediately.

The Board tabled applications submitted by Youbet.com and Autotote Enterprises until such time as those applications are complete.

ADW means a form of pari-mutuel wagering in which an account holder residing within or outside California establishes an account and then authorizes a Board approved licensee, betting system, California hub, or out-of-state hub, by telephone or other electronic media, to place wagers on the account holder's behalf.

In order to obtain licenses, the two approved applicants posted a \$500,000 bond and provided financial information demonstrating their financial resources to operate such a system; provided contracts with racetracks and horsemen; established security access policies and safeguards; agreed to protect the confidentiality of account information; ensured that persons under 18 will not be permitted to open accounts; and agreed to include in their promotional literature contact information for a recognized problem gambling support organization.

All wagering transactions shall be recorded and retained for 180 days. ADW wagers will be included in the respective pools at each racetrack. There will be no surcharge for any wager. The payoff for an account wager will be the same as an on-track mutuel (although the law does allow for transactional fees).

Deposits can be made in cash or by credit card, check, electronic fund transfer, or other traditional means of deposit or payment. However, in their own best interests, account holders may instruct the operator not to accept deposits by credit card. And bettors are limited to wagering only with the funds that already are in the account and just one additional deposit per racing day.

In their presentations to the Board during a six-hour meeting, the applicants explained how each of their systems would work, including methods of distribution and marketing plans.

MEC executives explained that XpressBet is starting off essentially as a telephone and online wagering system through which account holders can place wagers and view races over the Internet, but they intend to provide wider distribution through satellite and cable channels, coupled with an aggressive marketing campaign. In response, CHRB Chairman Alan Landsburg told the MEC representatives, "I don't see adequate preparations to get a commercially viable public signal out."

TVG executives described their existing system, which already sends racing signals into as many as 800,000 homes in California through the Dish Network, and offers telephone wagering. TVG has plans to expand service through cable and increased satellite distribution. And through its affiliation with Gemstar-TV Guide, TVG will launch a massive marketing campaign.

The applicants also explained their agreements with horsemen and the percentages of ADW that will go to purses. The agreement between MEC and the Thoroughbred Owners of California was signed only minutes before the start of the Board meeting. TOC President John Van de Kamp explained that under the agreement, horsemen will receive at least as much revenue for purses as they are receiving from current agreements, and for some wagers placed by California residents on out-of-state races they will receive two or three-times more than they are now receiving.

Nonetheless, Van de Kamp said the TOC signed only a short-term agreement with MEC for the current year in order to "get our toe in the water" and to "induce MEC to get up and move toward wider distribution" prior to negotiating for renewal of the agreement for next year.

Representatives of the California Thoroughbred Trainers and Concerned California Horsemen voiced concerns over the TOC agreement. And Ron Liccardo, president of the Pari-Mutuel Employees Guild Local 280, reported his dissatisfaction with labor negotiations pertaining to the MEC proposal. But Jack Liebau, president of the MEC California racing operation, made commitments to the commissioners that satisfied their concerns about the labor issue. The final vote was 5 to 2 approving the XpressBet license for two years, with Chairman Landsburg and Commissioner William Bianco voting against.

TVG does not have an agreement with the TOC. Wilson said the agreement would be part of negotiations between the TOC and Hollywood Park for the meet that begins April 24. But TVG does have agreements with management and horsemen for the current quarter-horse meet at Los Alamitos, and it was on the strength of those agreements that the TVG application was approved.

TVG cannot accept wagers for any current thoroughbred meets in California but can accept wagers on thoroughbred races being run in other states. In the absence of an agreement with the TOC for division of revenue on wagers placed on those out-of-state races, TVG will pay the host tracks and horsemen the amounts required by statute. Uncertain of the effect of this arrangement, the commissioners decided to approve the TVG license for just one year.

In other business, the Board approved a license amendment for the Los Angeles Turf Club to add the Kentucky Derby Future Book wager to the pari-mutuel format. The future wager will consist of three separate pools. The first pool will be open February 14-17, the second March 14-17, and the third April 4-7. Each pool will consist of 23 runners and one field entry. The future bet is a win bet with a \$2 minimum. Winning wagers may be cashed after the running of the Kentucky Derby on May 4. Each wagering pool will determine payoff amounts.

CHRB Vice Chairman Roger Licht, who serves as chairman of the Pari-Mutuel Operations Committee, reported that his committee has arranged for racetracks to begin offering the alternative-selections option for horses scratched from races comprising the Pick-Four wager. This option has been available for Pick-Six wagers for several years. Technological developments now allow for Autotote to provide this service for the Pick Four. Licht had hoped to extend it to the Pick Three as well, but for technical reasons that would be far more complicated. The Pick-Three proposal will continue to be reviewed.

As part of his Pari-Mutuel Operations Committee report, Licht said the CHRB is charged “reassuring the public that we do have a fair game on the front side as well as the backside.” To this end, he asked the staff to review and develop additional information regarding large Pick-6 payoffs, one concern among some fans being that individual bettors or groups of bettors with large bankrolls gain an unfair advantage. The staff identified two winning tickets that each paid \$289,591. The total wagered on one ticket was \$128. The total wagered on the other ticket was \$14,012. The review found nothing out of the ordinary with regard to the placing of the wagers.

The Board approved the license for Capitol Racing to conduct a harness meet at Cal Expo from March 1 through July 27. The Board also approved a request to shift one week of racing (November 6-11) from Bay Meadows to Golden Gate.

The Board authorized the distribution of \$232,100 by Hollywood Park Racing Charities to 40 beneficiaries, including \$31,000 to the California Thoroughbred Horsemen’s Foundation, \$30,000 to the Shoemaker Foundation, \$20,000 to the Winners Foundation, \$16,000 to the Don MacBeth Memorial Jockey Fund, and \$10,000 to International Life Services.

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