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CHRB NEWS RELEASE

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BOARD APPROVES YOUBET FOR ACCOUNT WAGERING

CYPRESS, CA – The California Horse Racing Board approved Youbet.com, Inc. to operate an Advance Deposit Wagering (ADW) system Thursday, making it the third licensed operator in California through which account holders can legally wager on races run in the state and other jurisdictions.

Ron Luniewski, co-chief executive officer for Youbet, said California residents would be able to open accounts and wager immediately over the Internet or through Youbet's automated telephone system on races run at Los Alamitos and racetracks outside of California. Later this year, Youbet will offer wagering on thoroughbred races to be run at Hollywood Park, Del Mar, and Oak Tree at Santa Anita.

Youbet is in the process of staffing the company's Woodland Hills office with pari-mutuel clerks to eventually provide operator-assisted telephone wagering, a commitment that won a strong endorsement from the Pari-Mutuel Employees Guild Local 280.

The CHRB received notice Tuesday that Youbet had satisfied a financial security requirement by posting a \$500,000 bond to protect account holders.

Youbet will process its wagers through California racetrack wagering pools through a sub-licensing agreement with TVG, one of the other two licensed operators in California, which has the required contracts with racing associations.

Youbet account holders view races through video streaming over the Internet. Luniewski said the Youbet Website is very user friendly and invites "dialogue" with customers by providing probable payoffs for exotic wagers, race information and changes, and handicapping help upon request.

CHRB Chairman Alan Landsburg recused himself from the Youbet discussion and vote because of a prior affiliation with the company, even though he severed all connections with Youbet prior to accepting his appointment to the CHRB in 2000. The other six commissioners unanimously approved the Youbet application for one year.

Another applicant, Call-a-Bet, withdrew its license application prior to the meeting Thursday at Cypress City Hall.

The CHRB staff provided a report on the first 25 days of ADW in California. From January 25

through February 18, the two licensees handled \$5,155,008 in wagers through the system of which \$4,142,117 was wagered on thoroughbred races. Nearly \$3 million of that thoroughbred total was wagered through XpressBet, a division of Magna Entertainment Corp. (MEC), which owns and operates Santa Anita, Golden Gate, and Bay Meadows, and is the only licensee currently accepting wagers on thoroughbred races run in California. The \$1,153,543 wagered on thoroughbred races through the TVG system was on thoroughbred races run outside of California. TVG also handled \$203,038 in harness wagers and \$588,279 in quarter-horse wagers while XpressBet handled \$221,574 in harness wagers.

Executives with XpressBet and TVG also provided reports on the first few weeks of operation. MEC Vice President Edward Hannah, in response to questions from the CHRB about numerous customer complaints, explained that XpressBet has processed 5,115 new accounts, far exceeding expectations, and the system has been “overwhelmed by the success of our ADW operations.” He said the goal is to process all new applications in 15 minutes or less. Hannah said XpressBet has “doubled” its customer-service capabilities by adding hardware and hiring 31 new agents.

To help process wagers more quickly via XpressBet’s Internet and automated telephone systems, Hannah said hardware and software improvements now allow XpressBet to handle six times its original capacity. XpressBet expects to introduce Natural Language Speech Recognition Technology this spring, so that telephone wagers will be processed through a voice-activated system.

XpressBet customers currently view races over the Internet and through a “niche” satellite service. Hannah said his company is “actively negotiating long-term distribution deals (with) other satellite and cable services.”

John Hindman, vice president of communications for TVG, reported that more than 2,000 California customers have opened new accounts. He said TVG currently reaches 8 million households nationwide through the Dish Network. He explained that about 100,000 customers in the greater Los Angeles area who subscribe to Adelphia Cable will start receiving the horse-racing program during the spring, and another 400,000 Adelphia customers will be able to upgrade to digital service to receive the signal.

TVG still must negotiate contracts with the Thoroughbred Owners of California (TOC) before it can offer account wagering on thoroughbred races run in California beginning with the Hollywood Park meet April 24.

Noting that many XpressBet and TVG employees are outside the state, Chairman Landsburg advised Hannah to “take more seriously the idea of developing a (XpressBet) wagering system in California that will utilize California labor.” Landsburg asked Hindman to discuss at the March 28 CHRB meeting “the probability of creating a TVG hub in California that is workable for California labor, workable for California patrons, and therefore more workable for California horsemen.”

The California law and CHRB regulations that authorize ADW also require operators to take steps to deal with the problem of problem gambling. Thomas Tucker, executive director of the California Council on Problem Gambling, offered to work with the three licensed operations and with the California horse-racing industry to “deal with compulsive gambling.” He said problem gamblers can obtain help anytime by calling 1-800-Gambler.

In other business, the Board approved applications for Bay Meadows Operating Company to conduct a horse-racing meeting at Bay Meadows from April 3 through June 16 and for Churchill Downs California Company to conduct a horse-racing meeting at Hollywood Park from April 24 through July 21. The two companies must present a race schedule to the CHRB staff that staggers post times, so that races at Bay Meadows and Hollywood Park run at least 10 minutes apart.

During discussion of these two licenses, Chairman Landsburg and Vice Chairman Roger Licht noted the CHRB's efforts to deal with illegal wagering operations that drain money out of California, principally off-shore bookmaking operations, and they obtained commitments from Bay Meadows and Hollywood Park executives to work with the Board in these efforts.

Charles Dougherty, Jr. of the California Thoroughbred Trainers (CTT) advised the Board that two more companies that have historically offered Workers' Compensation Insurance are discontinuing this service, so that very soon there will be just one provider in California, the State Fund, and that the resulting increase in the cost of insurance will drive many trainers out of business.

Chairman Landsburg said he would arrange for a small group of trainers, horse owners, racetrack representatives, jockeys, and racing commissioners to quickly "go before the State Insurance Commission to explain the emergency situation." MEC California President Jack Liebau said the racing industry also is seeking a "legislative solution" to this problem for the long term.

MEC representatives said they expect the City of Albany to soon issue the necessary permits for construction of a veterinary hospital at Golden Gate Fields and that construction should be completed in June or July. The facility will then be equipped and operated by a group of veterinarians who have raised only \$70,000 thus far for the needed equipment.

Acting on the recommendations of Commissioners Sheryl Granzella and John Sperry of the CHRB Benevolent Programs Committee, the Board approved two amended rules for public notice. The amendments are meant to improve operations of the California Thoroughbred Horsemen's Foundation by increasing the number of foundation directors, authorizing CTHF to continue providing health services to workers and their dependents for up to 12 months after they leave the horse-racing industry, better defining the term "dependent," and allowing administrative costs of 15 percent of the CTHF budget.

The Board authorized the Los Angeles Turf Club to distribute \$281,250 in charity proceeds to 35 beneficiaries, including \$10,000 to the California Council on Problem Gambling.

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