

Temporary Adoption of New Rules by the New Jersey Racing Commission Pursuant to P.L. 2011, c. 228, Establishing a Pilot Program Allowing the Placement of Pari-Mutuel Wagers on Horse Racing at Electronic Wagering Terminals Located in a Limited Number of Eligible Taverns, Restaurants, and Similar Venues.

Department of Law and Public Safety

New Jersey Racing Commission

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Temporary Rules Adopted by the New Jersey Racing Commission:

Title 13: Law and Public Safety

Chapter 74B: Pilot Program Allowing Pari-Mutuel Wagering at a Limited Number of Eligible Taverns, Restaurants, and Similar Venues.

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Title 13: Law and Public Safety

Chapter 74B: Pilot Program Allowing Pari-Mutuel Wagering at a Limited Number of Eligible Taverns, Restaurants, and Similar Venues

Subchapter 1: General Provisions

1.1 Definitions

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise:

“Account wagering system” means the system through which account wagers are processed by the account wagering licensee.

“Act” means the Off-Track and Account Wagering Act, P.L. 2001, c. 199, as amended.

“Authority” means the New Jersey Sports and Exposition Authority created by section 4 of P.L. 1971, c.137 (N.J.S.A. 5:10-4).

“Authorized tavern, restaurant or similar venue ” means an eligible tavern, restaurant or similar venue selected by the pilot program applicant for participation in the pilot program that has completed and submitted a joint application with the pilot program applicant to the Commission pursuant to N.J.A.C. 13:74B-2.1, has established its suitability for licensure and has been issued a license by the Commission to participate in the pilot program.

“Authorized venue” means an eligible tavern, restaurant or similar venue selected by the pilot program applicant for participation in the pilot program that has completed and submitted a joint application with the pilot program applicant to the Commission pursuant to N.J.A.C. 13:74B-2.1, has established its suitability for licensure and has been issued a license by the Commission to participate in the pilot program.

“Commission” means the New Jersey Racing Commission created by section 1 of P.L. 1940, c.17 (N.J.S.A. 5:5-22).

“Electronic wagering terminal” means a mechanical, electrical or other device connected to a totalisator which upon the insertion of a credit card, credit voucher, currency, or any combination thereof, and the selection of a permissible wager, automatically issues a pari-mutuel ticket together with a credit voucher or currency for any balance which may be due; and which, upon the insertion of a winning or refunded pari-mutuel ticket, reads the ticket and automatically issues a credit voucher or currency in the amount of the correct payout; and which, upon the entry of a New Jersey account wagering account number and correct personal identification number by a patron, allows the patron to access his or her New Jersey wagering account for the purposes of placing wagers by selecting a permissible wager in an amount not to exceed the balance of the patron's account.

“Eligible taverns, restaurants and similar venues” means those taverns,

restaurants, and similar venues which serve food, alcoholic beverages, or both to the public for on-premises consumption and which are located in the northern part of the State, in Bergen, Hudson, Essex, Passaic, Union, Morris, Somerset, Hunterdon, Warren, Sussex, and northern Middlesex and Ocean counties.

"Executive Director" means the Executive Director of the Commission.

"Hub facility" means the intermediary between the authorized venues, the in-State racetracks and the out-of-State racetracks, with respect to the transmission of pari-mutuel wagering data. The hub facility shall be located in New Jersey and shall be responsible for generating all reports necessary for the reconciliation of payments between the pilot program licensee, authorized venues, sending in-State racetracks and sending out-of-state racetracks and the Commission. The hub facility may also, but is not required to, perform other functions, including the transmission of pictures of simulcast horse races and pari-mutuel non-wagering data to the authorized venues .

"Internal control procedures" means the written procedures required to be maintained and updated as necessary, for Commission approval, by:

- 1) the pilot program licensee and authorized venues which sets forth the operational procedures to effectively operate the racing and pari-mutuel wagering aspects of each authorized venue and to protect the fiscal soundness, technical reliability and integrity of wagering;
- 2) the pilot program licensee and authorized venues which sets forth the operational procedures to effectively operate the racing and pari-mutuel wagering aspects of the pilot program wagering system and to protect the fiscal soundness, technical reliability and integrity of wagering; and
- 3) the hub facility, which sets forth the operational procedures to effectively operate the hub facility in connection with wagering at the authorized venues, any other racing related functions performed by the hub facility, and to protect the fiscal soundness, technical reliability and integrity of wagering.

"Joint application" means the part of the application for the pilot program license which shall be completed and submitted to the Commission jointly by the pilot program applicant and each of the pilot program applicant's proposed selected venues pursuant to N.J.A.C. 13:74B-2.1.

"Outstanding pari-mutuel ticket" means a winning or refundable pari-mutuel ticket that is not claimed within six months of sale, which six month period is to be calculated as set forth in this chapter.

"Pari-mutuel" 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.

"Pari-mutuel ticket" means a ticket which evidences the legally-valid placement of a pari-mutuel wager on a horse race.

"Participation agreement" means the written contract and any addenda entered into pursuant to N.J.S.A. 5:5-130 that provides for the establishment or implementation of an off-track wagering facility or facilities, the manner in which the off-track wagering facility or facilities shall be managed, operated and capitalized as well as how expenses and revenues shall be allocated and distributed by and among the Authority and other eligible participants.

"Permit holder" means the holder of an annual permit issued by the Commission to conduct a horse race meeting within this State.

"Pilot Program" means the pilot program to be implemented by the Commission authorizing the placement of pari-mutuel wagers on horse racing at electronic wagering terminals located in a limited number of eligible taverns, restaurants, and similar venues which serve food, alcoholic beverages, or both to the public for on-premises consumption in accordance with the requirements set forth P.L. 2011, c. 228.

"Pilot Program applicant" means an entity that has entered into an agreement with the Authority for the sale or lease of a State-owned racetrack, has obtained a permit issued by the Commission authorizing the entity to conduct a horse race meeting at that racetrack and has completed and submitted the required application or applications for the pilot program license on a form prescribed by the Commission.

"Pilot Program license" means the license issued by the Commission to a eligible entity that has entered into an agreement with the Authority for the sale or lease of a State-owned racetrack, has obtained a permit issued by the Commission authorizing the entity to conduct a horse race meeting at that racetrack, has completed and submitted the required application or applications for the pilot program license and established its suitability for licensure. The pilot program license shall be a temporary license subject to review and renewal on an annual basis. The pilot program license shall expire within three years of the date it was initially issued.

"Pilot pilot licensee" means the entity that has entered into an agreement with the Authority for the sale or lease of a State-owned racetrack, obtained a permit issued by the Commission authorizing the entity to conduct a horse race meeting at that racetrack, has completed and submitted the required application or applications for the pilot program license, has established its suitability for licensure and has been issued the pilot program license by the Commission.

"Racetrack" means a facility within this State where a permit holder conducts a live horse race meeting or meetings with pari-mutuel wagering or an out-of-state facility that is authorized by that state to conduct a live horse race meeting or meetings with pari-mutuel wagering.

"Selected venue" means a eligible tavern, restaurant and similar venue selected by the pilot program applicant for participation in the pilot program which submits a joint application with the pilot program applicant pursuant to N.J.A.C. 13:74B-2.1.

"Simulcast horse races" means horse races conducted at an in-State sending racetrack or an out-of-State sending racetrack, as the case may be, and transmitted simultaneously by picture to an authorized venue licensed by the Commission to participate in the pilot program.

"Simulcasting facility" means a licensed facility approved by the Commission at a New Jersey racetrack or casino which makes simulcast horse races available to patrons by picture and accepts pari-mutuel wagers placed on those simulcast horse races.

"Totalisator" means a computer situated within the hub facility which, among other things, directly or indirectly through one or more other totalisators receives pari-mutuel wagering information, calculates payoffs for winning pari-mutuel tickets, generates reports with respect to such information, and in the event that the transmission of data from a sending or host racetrack has been interrupted, automatically ceases wagering in accordance with the internal control procedures of the hub facility.

"Wagering account" means an account through which an account holder may place account wagers through the account wagering system.

1.2 Establishment and regulation of pilot program

(a) Pursuant to the legislative authority set forth in P.L. 2011, c. 228, the Commission hereby establishes a pilot program allowing the placement of pari-mutuel wagers on horse racing at electronic wagering terminals located in a limited number of eligible taverns, restaurants, and similar venues which serve food, alcoholic beverages, or both to the public for on-premises consumption and which are located in the northern part of the State, in Bergen, Hudson, Essex, Passaic, Union, Morris, Somerset, Hunterdon, Warren, Sussex, and northern Middlesex and Ocean counties. The pilot program requires that eligible patrons who are physically present at a tavern, restaurant or similar venue licensed by the Commission be able to place pari-mutuel wagers on in-State and out-of-State simulcast horse races through the use of the electronic wagering terminals located there.

(b) The Commission shall issue only one license authorizing participation in the pilot program, which license shall be in lieu of a maximum of one off-track wagering facility license that remains to be utilized or implemented by the Authority or any lessee of the Authority under the Act, as amended and supplemented. The Commission shall award the one pilot program license, upon proper application, to an entity that has entered into an agreement with the Authority for the sale or lease of a State-owned racetrack that has also complied with the following requirements:

1) the entity has obtained a permit issued by the Commission authorizing that entity to conduct a horse race meeting at the racetrack made available to the entity through the sale or lease agreement with the Authority; and

2) the entity has become a party to the off-track wagering participation agreement.

c) The pilot program license shall remain the property of the pilot program licensee upon proper application for renewal and subject to the pilot program licensee establishing its continued suitability for licensure as required in N.J.A.C. 13:74B-2.4.

d) Notwithstanding N.J.A.C. 13:74B-1.2(b), the pilot program licensee may enter into an agreement with another licensed entity that has also entered into an agreement with the Authority for the sale or lease of a State-owned racetrack and has obtained a permit issued by the Commission authorizing that entity to conduct a horse race meeting at that racetrack, to jointly undertake and share the proceeds from the licensed activities under the pilot program, which agreement shall be subject to the approval of the Authority.

(e) All licenses issued pursuant to this pilot program shall be temporary, subject to review and renewal on an annual basis, and shall expire within three years of issuance of the initial pilot program license. When issuing any license pursuant to this pilot program, the Commission shall require the person or entity accepting the license to sign a waiver documenting that the licensee understands the terms and conditions of the license.

(f) The issuance of the pilot program license shall permit the placement of a maximum of 20 electronic wagering terminals in total within a maximum of 12 eligible taverns, restaurants, and similar venues which have entered into agreement with the pilot program licensee, filed a joint application and have been determined to be eligible in accordance with these rules. The conduct of pari-mutuel wagering pursuant to the pilot

program shall be subject to the rules of the Racing Commission. These rules shall be applicable to all persons licensed by the Commission and every patron who places a pari-mutuel wager pursuant to this pilot program.

(g) The pilot program licensee shall be responsible for entering into agreements with the selected taverns, restaurants and similar venues and the pilot program licensee may terminate these agreements with notice to the Commission. If the pilot program licensee terminates an agreement with a selected venue that has been licensed by the Commission, the pilot program licensee shall notify the Commission immediately and no later than 24 hours after the termination of the agreement. The pilot program licensee shall be responsible for ensuring that all pari-mutuel wagering at the authorized venue shall cease immediately upon the termination of the agreement.

(h) The pilot program licensee shall have the authority to enter into contracts with vendors, operators, and other entities, as the case may be, for the establishment and operation of the approved electronic wagering terminals.

Subchapter 2: Licensure

2.1 Application for pilot program license to establish electronic wagering terminals in eligible taverns, restaurants and similar venues.

(a) Pursuant to the P.L. 2011, c. 228, the Commission shall issue only one pilot program license. The Commission shall consider applications for the pilot program license in the order in which the submitted applications have been determined to be complete.

(b) An entity that has entered into an agreement with the Authority for the sale or lease of a State-owned racetrack and has obtained a permit issued by the Commission authorizing the entity to conduct a horse race meeting at that racetrack shall make an application for the pilot program license on a form prescribed by the Commission which shall be accompanied by a non-refundable filing fee of \$2,500.

(c) The application for the pilot program license shall have two parts. Part A of the application shall be completed and submitted by an entity that has entered into an agreement with the Authority for the sale or lease of a State-owned racetrack and has obtained a permit issued by the Commission authorizing the entity to conduct a horse race meeting at that racetrack which is seeking the issuance of the pilot program license. Part B of the application shall be completed and submitted to the Commission jointly by the pilot program applicant and each eligible

tavern, restaurant and similar venue selected by the pilot program applicant for participation in the pilot program. Pursuant to the requirements of P.L. 2011, c. 228, the Commission shall not issue licenses authorizing participation in the pilot program to more than 12 eligible taverns, restaurants and similar venues.

(d) Part A of the application for the pilot program license shall not be considered complete unless each of the following requirements have been met.

- 1) The pilot program applicant demonstrates through the application that all of the requirements of P.L. 2011, c. 228 have been satisfied.
- 2) The pilot program applicant demonstrates to the satisfaction of the Commission that it has entered into an agreement with the Authority for the sale or lease of a State-owned racetrack.
- 3) The pilot program applicant has obtained has a permit issued by the Commission authorizing it to conduct a horse race meeting at the racetrack made available to it by the sale or lease agreement with the Authority.
- 4) The pilot program applicant demonstrates to the satisfaction of the Commission that it has become a party to the off-track wagering participation agreement.
- 5) The pilot program applicant has provided the Commission with complete information regarding the electronic wagering terminals it proposes to use in the selected venues and has demonstrated, to the satisfaction of the Commission, that the proposed electronic wagering terminals will comply with all of the requirements set forth in the Commission's rules.
- 6) The pilot program applicant has completely answered each question in the application, attached all required information to the application and complied with the requirements of the rules implementing the pilot program.
- 7) If the pilot program applicant has entered into an agreement with another licensed entity that has also entered into an agreement with the Authority for the sale or lease of a State-owned racetrack and that entity has obtained a permit issued by the Commission authorizing that entity to conduct a horse race meeting at that racetrack to jointly undertake and share the proceeds from the licensed activities under the pilot

program, the pilot program applicant shall attach the executed agreement and demonstrate to the satisfaction of the Commission that the agreement has been approved by the Authority.

8) The pilot program applicant has submitted a certification, signed and dated by a high managerial agent of the applicant, attesting that the disclosures within both Part A and Part B of the application and within all attachments to Part A and Part B of the application are true, accurate and complete.

(e) One copy of Part B of the application for the pilot program license shall be separately submitted for each eligible tavern, restaurant and similar venue selected by the pilot program applicant. The pilot program applicant shall be responsible for entering into agreements with the selected venues and may terminate these agreements with notice to the Commission. Each Part B of the application filed with the Commission shall be jointly completed and submitted by the pilot program applicant and one selected venue. No selected venue shall be allowed to participate in the pilot program unless the Commission has first issued a license to the selected venue which authorizes its participation. Pursuant to the terms of P.L. 2011, c. 228, the Commission shall issue a license authorizing participation in the pilot program to no more than 12 selected venues and authorizing no more than a total of 20 electronic wagering terminals to be sited within the selected venues that are licensed.

(f) Each submission of Part B of the application for a pilot program license shall not be considered complete unless each of the following requirements have been met.

1) The pilot program applicant and the selected venue includes complete information detailing the location physical plan, security, proposed number of electronic wagering terminals, security and the proposed hours of operation for the selected venue.

2) The pilot program applicant and the selected venue includes complete information establishing to the satisfaction of the Commission that the selected venue is an eligible tavern, restaurant or similar venue where food, alcoholic beverages, or both, are served to the public for on-premises consumption and the selected venue is located in Bergen, Hudson, Essex, Passaic, Union, Morris, Somerset, Hunterdon, Warren, Sussex, and northern Middlesex and Ocean counties.

3) The pilot program applicant and the selected venue includes complete information detailing the availability of financial resources sufficient to enable the selected venue to establish and conduct pari-mutuel wagering through the electronic wagering

terminals with appropriately staffed and managed operations.

4) The pilot program applicant and the selected venue includes complete information detailing its ability to comply fully with all requirements the rules implementing the pilot program including, but not limited to, the rules set forth in Subchapter 3 and Subchapter 4 of Title 13, Chapter 74B.

5) The pilot program applicant and the selected venue identifies the distance in miles between the selected venue and all racetracks, off-track wagering facilities and simulcasting facilities that are planned or existing in the State of New Jersey. The pilot program applicant and the selected venue shall bear the burden of establishing to the satisfaction of the Commission that the issuance of a license for the establishment of electronic wagering terminals at the selected venue would not be inimical to the interests of a planned or existing racetrack, off-track wagering facility, or simulcasting facility.

6) The pilot program applicant and the selected venue includes complete information detailing the space relationship between wagering and non-wagering related amenities, the number of employees at the selected venue, the number of jobs expected to be created at the selected venue, the gross revenues expected to be generated by the selected venue, the fire evacuation plan for the selected venue, the type of food, beverages and, if applicable, alcoholic beverages to be offered at the selected venue.

7) The pilot program applicant and the selected venue shall have attached a written internal controls procedure, which shall set forth the procedures to be implemented to effectively operate and manage the selected venue and the procedures to be implemented to effectively maintain the integrity of wagering and the proceeds from wagering within the selected venue. The internal control procedures shall include a procedure to foster and insure that the selected venue, if licensed by the Commission to participate in the pilot program, complies with the requirements of P.L. 2011, c. 228 and these implementing rules.

8) The pilot program applicant and the selected venue have each submitted a certification, signed and dated by a high managerial agent, attesting that the disclosures within Part B of the application and within all attachments to Part B of the application are true, accurate and complete.

(g) The pilot program applicant and selected venues seeking licensure to participate in the pilot program shall fully cooperate with the Commission

in its review of the applications and shall provide all information requested by the Commission on an expedited basis. Failure to provide the Commission with information deemed necessary to complete the applications within 14 days from the date of the Commission's written request may result in a denial of an application.

2.2 Evaluation of completed applications for pilot program licensure

(a) Upon reaching the determination that an application for the pilot program license is complete, the Commission shall have 30 days to review the completed application to insure that it is in due form and meets the requirements of law in all respects.

(b) Upon being satisfied that these requirements are met, the Executive Director shall issue written notification to all New Jersey racetrack permit holders, off-track wagering licensees and simulcasting facilities utilizing the procedure set forth in N.J.A.C. 13:70-1.34 informing them of the location of the selected venues that applied for licensure and the scheduled date upon which the Commission will consider the application at a public meeting. The Executive Director shall also inform the New Jersey racetrack permit holders, off-track wagering licensees and simulcasting facilities that they shall have the opportunity to submit comments to the Commission pursuant to the procedure set forth in N.J.A.C. 13:70-1.35. Comments shall be limited to the issue as to whether the grant of a license for the establishment of electronic wagering terminals at one or more of the identified selected venues would be inimical to the interests of a planned or existing racetrack, off-track wagering facility or simulcasting facility in this State.

2.3 Specific Geographic Proximity and Impact Criteria for Evaluating Proposed Locations

(a) In considering an application for the pilot program license and the pilot program applicant's proposed selected venues, the Commission shall consider the proximity of the selected venues to planned or existing racetracks, off-track wagering facilities and simulcasting facilities in this State.

(b) As required in N.J.A.C. 13:74B-2.2(b), the Commission shall notify all New Jersey racetrack permit holders, off-track wagering licensees and simulcasting facilities of the location of the selected venues that applied for licensure and the scheduled date upon which the Commission will consider the application at a public meeting. The Commission shall also inform these racetrack permit holders, off-track wagering licensees and

simulcasting facilities that they shall have the opportunity to submit comments to the Commission setting forth their positions as to whether the grant of a license for the establishment of electronic wagering terminals at one or more of the identified selected venues would be inimical to their interest as a racetrack, off-track wagering facility or simulcasting facility.

(c) The Commission shall deny a license to a selected venue if, in the opinion of the Commission, the issuance of a license for the establishment of electronic wagering terminals at the selected venue would be inimical to the interests of a planned or existing racetrack, off-track wagering facility or simulcasting facility. The Commission shall deny the license even if the selected venue has otherwise met all eligibility criteria.

(d) In determining whether the location of a selected venue would be inimical to the interests of a planned or existing racetrack, off-track wagering facility or simulcasting facility, the Commission shall consider the following geographic proximity and impact criteria:

- 1) the distance in miles between the proposed selected venue and the racetrack, off-track wagering facility or simulcasting facility;
- 2) the time it takes to travel between the proposed selected venue and the racetrack, off-track wagering facility or simulcasting facility;
- 3) available wagering data or market analyses evaluating the wagering population, its saturation and the wagering draw areas in proximity to the racetrack, off-track wagering facility or simulcasting facility and in proximity to the proposed selected venue;
- 4) any proposed plans of the pilot program applicant and its proposed selected venues intended to attract a new wagering population within the area in proximity to the racetrack, off-track wagering facility or simulcasting facility or in proximity to the proposed selected venue;
- 5) whether the racetrack, off-track wagering facility or simulcasting facility in proximity to one or more of the proposed selected venues opposes, consents or takes no position regarding the licensure of the selected venues; and
- 6) any other information relevant to the impact that pari-mutuel wagering through electronic wagering terminals at a

proposed selected venue may have on the interests of a planned or existing racetrack, off-track wagering facility or simulcasting facility in this State.

2.4 Grant or denial of the pilot program license and licenses authorizing electronic wagering terminals in the proposed selected venues, issuance of licenses and applications for license renewal

(a) The Commission may refuse to issue a license or renewal license if it finds that the pilot program applicant or a selected venue has failed to demonstrate its suitability for licensure by clear and convincing evidence.

(b) The Commission shall deny a license or renewal license if, in the opinion of the Commission, the issuance of that license authorizing electronic wagering terminals at a selected venue would be inimical to the interests of a planned or existing racetrack, off-track wagering facility or simulcasting facility. The Commission shall deny the license or renewal license even if the selected venue has otherwise met all eligibility criteria.

(c) The Commission shall deny a license or renewal license if, in the opinion of the Commission, the pilot program applicant or selected venue has failed to meet its burden of establishing:

- 1) proof of financial resources sufficient to establish and operate electronic wagering terminals in compliance with these rules with appropriately staffed and managed operations;
- 2) evidence of good character, honesty, competency and integrity;
- 3) the absence of a conviction for a crime involving fraud, dishonesty or moral turpitude; and
- 4) compliance with all requirements and considerations set forth in N.J.A.C. 13:74-5.8.

(d) The Commission may refuse to issue a license or renewal license if it finds that the application and internal control procedures for a selected venue do not, as required by N.J.A.C. 13:74B-3.1, provide:

- 1) adequate security to ensure the safety of its patrons and to enhance the integrity of wagering and the integrity of proceeds from wagering;
- 2) necessary safeguards to ensure that persons under the age

of 18 years shall not be permitted within the space in the venue where electronic wagering terminals are placed; or

3) necessary safeguards to prevent persons under the age of 18 years from wagering.

(e) Upon reaching a determination to grant or deny the initial pilot program license to the pilot program applicant and the initial licenses sought by those selected venues which filed joint applications with the Commission, the Commission shall issue written notification to all such applicants of its decision within 14 days from the date of the Commission's decision. The Commission shall follow the same procedure when reaching a determination to grant or deny the renewal of the pilot program license to the pilot program licensee and the renewal of licenses issued to authorized venues upon the proper completion and filing of applications or joint applications seeking the renewal of these licenses.

(f) All licenses and renewal licenses issued by the Commission authorizing participation in the pilot program shall expire at midnight, eastern standard time, on the 365th day after the effective date of the license. All licenses and renewal licenses issued by the Commission shall include the effective date of the license, the expiration date of the license, the expiration date of the pilot program, the name of the pilot program licensee, the name and location of the authorized venue to whom the license is issued. All licenses and renewal licenses shall also prescribe any other conditions or terms attached to that license which the Commission deems appropriate.

(g) When issuing a license or renewal license authorizing participation in the pilot program, the Commission shall require the person or entity accepting that license to sign a waiver which documents that the licensee understands the terms and conditions of the license.

(h) Renewal applications for all licenses issued by the Commission authorizing participation in the pilot program shall be completed and filed with the Commission at least 60 days prior to the expiration date of the license on an application form prescribed by the Commission. A renewal application filed by the pilot program licensee shall be accompanied by a non-refundable filing fee of \$1,000.

1) An application for the renewal of a license issued by the Commission authorizing participation in the pilot program shall not be considered complete unless the information required by N.J.A.C. 13:74B-2.1(d) and 2.1(f) has been submitted to the Commission.

2) An application for the renewal of a license issued by the

Commission authorizing participation in the pilot program shall include:

a) a report of all wagering activity that took place at each authorized venue since the initial date of licensure; and

b) a report of all violations of the Commission's rules applicable to the pilot program that occurred since the initial date of licensure including, but not limited to:

i) security breaches and the placement of wagers by persons under the age of 18 years in violation of N.J.A.C. 13:74B-3.2;

ii) malfunction of any equipment and software used in connection with the simulcasting of horse races, availability of race information and pari-mutuel wagering;

iii) failure of persons requiring licensure as required by N.J.A.C. 13:74B-3.1 to obtain the necessary license; and

iv) a summary of all patron complaints and the licensee's response as required by N.J.A.C. 13:74B-3.6 and N.J.A.C. 13:74-6.13.

3) The pilot program licensee and authorized venues seeking renewal of their licenses to participate in the pilot program shall fully cooperate with the Commission in its review of the applications and shall provide all information requested by the Commission on an expedited basis. Failure to provide the Commission with information deemed necessary to complete the applications to renew licenses within 14 days from the date of the Commission's written request may result in a denial of an application.

Subchapter 3: Operation of Authorized Taverns, Restaurants or Similar Venues Licensed by the Commission

3.1 Persons requiring licensure

(a) All individuals employed at an authorized tavern, restaurant or similar venue, all persons regardless of location who are responsible for the supervision or oversight of any aspect of the authorized venue and all persons who engage in the profession or business of selling any kind of

equipment or merchandise to the authorized venue shall be required to apply for and receive an appropriate license from the Commission. The annual application fee for each license shall be as follows:

- 1) Pari-mutuel employee - \$25.00;
- 2) Identification license - \$10.00; and
- 3) Vendor license - \$50.00.

(b) Unless the Commission or Executive Director shall determine the issuance of a license to be unnecessary upon the filing of a petition by a prospective applicant for an exemption from the vendor license requirements of this section, based upon the nature of the service provided and volume of business, the following vendors shall be required to take out a license from the Commission:

- 1) any vendor who maintains an on-site presence at the authorized venue; and
- 2) and any vendor who supplies racing related or pari-mutuel wagering related equipment, supplies, information or data to the authorized venue.

(c) All persons licensed by the Commission shall be required to be fingerprinted and photographed. An applicant for a license shall pay the cost of the fingerprint card consistent with the charge set by the federal and/or State reviewing agencies for the type of inquiry requested.

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3.2 Security

(a) The authorized venue shall provide adequate security to ensure the safety of its patrons and to enhance the integrity of wagering and the integrity of proceeds from wagering.

(b) The authorized venue shall provide necessary safeguards to ensure that persons under the age of 18 years shall not be permitted within the space in the venue where electronic wagering terminals are placed.

(c) The authorized venue shall provide necessary safeguards to prevent persons under the age of 18 years from wagering.

3.3 Testing of equipment and software

(a) Prior to receiving approval from the Commission to begin wagering at

an authorized venue the pilot program licensee shall provide written notice to the Commission that all equipment and software used in connection with pari-mutuel wagering has been tested. The written notice shall set forth what testing has been accomplished and the results of the testing to ensure the integrity of the wagering and related proceeds. The Commission may require additional testing as it deems appropriate, before approval is granted to begin pari-mutuel wagering at the authorized venue.

(b) Unless an emergency situation exists, in which case verbal notice to the Executive Director or his designee shall be acceptable, the pilot program licensee shall provide written notice to the Commission of any new equipment or software, or change in equipment or software, to be utilized at the authorized venue. The written notice shall identify the testing that has been accomplished with regard to the new equipment or software, or change in equipment or software, and the results of the testing, to insure the integrity of the wagering and related proceeds. The Commission may require such additional testing as it determines appropriate, before authorizing the implementation of such equipment or software at the authorized venue.

(c) The pilot program licensee shall comply with the commingling and transmission failure notices required by N.J.A.C. 13:74-6.4.

3.4 Availability of race information

(a) An authorized venue shall make race information available to patrons in a manner consistent with N.J.A.C. 13:70 in the case of thoroughbred races, and in a manner consistent N.J.A.C. 13:71 in the case of harness races.

(b) An authorized venue shall prominently display in its facility the approximate odds for each horse in a simulcast race for the purpose of informing the patrons of the actual wagering on each horse.

3.5 Wagering tickets

(a) All electronic wagering terminals in an authorized venue shall be locked at off-time and wagering shall cease no later than off-time. No pari-mutuel ticket may be issued for any particular race at an individual sending racetrack after the totalisator has been locked or wagering has ceased, whichever occurs first. No wager shall be honored for payment, and no payment shall be made on any wager, where the corresponding pari-mutuel ticket is found to have been issued in violation of this section.

(b) Wagering on all races offered at an authorized venue from an in-State sending racetrack shall be subject to the refund rule set forth at N.J.A.C. 13:70-29.29 for wagers placed on thoroughbred races and the refund rule set forth at N.J.A.C. 13:71-27.28 for wagers placed on harness races.

(c) Wagering on all races offered at an authorized venue from an out-of-state sending racetrack shall be subject to the provisions of N.J.A.C. 13:74-8.6(b) where an interstate common pool is formed and the provisions of the refund rule set forth at N.J.A.C. 13:74-8.5.

(d) For pari-mutuel tickets issued at an authorized venue, the cancellation rule as set forth at N.J.A.C. 13:74-6.7 shall apply.

(e) Subject to the time limitations set forth in N.J.A.C. 13:74-6.9(a) as to claiming of a pari-mutuel tickets, a winning pari-mutuel ticket, a refundable pari-mutuel ticket or credit voucher issued at an authorized venue the ticket claims rule set forth at N.J.A.C. 13:74-6.8 shall apply.

(f) Expiration of pari-mutuel tickets and vouchers presented at an authorized venue shall be subject to the expiration rules set forth at N.J.A.C. 13:74-6.9.

3.6 Patron complaints

(a) An authorized venue comply with the patron complaint rule set forth at N.J.A.C. 13:74-6.13.

Subchapter 4: Conduct of Wagering

4.1 Distribution of pari-mutuel pools

(a) The pilot program licensee shall ensure that the amounts wagered through the electronic wagering terminals located in the authorized venues be properly distribute to winning bettors, the licensed venue, and others including for funding of horse racing purses, in a manner similar to that provided under section 44 of P. L. 1940, c. 17 (C.5:5-64), section 21 of P. L. 2001, c. 199 (C.5:5-147) for sums wagered on in-State races, and sections 22 through 25, of P. L. 2001, c. 199 (C.5:5-148 through C: 5:5-151) for sums wagered on out-of-State races, except that a local impact fee of 1% of the pilot program licensee's share shall be paid to the host municipality for general municipal purposes.

(b) The pilot program licensee shall be required to distribute the 1% local impact fee from its share directly to the host municipality and provide the commission with documentation that such payments have been made on

a monthly basis.

4.2 Hub requirements and receipt of simulcast horse races

(a) Pari-mutuel wagering conducted at an authorized venue is subject to the minimum standards for a hub facility as set forth at N.J.A.C. 13:74-9.1 through 9.6.

(b) The receipt of simulcast horse races from in-State racetracks at an authorized venue are subject to the requirements as set forth at N.J.A.C. 13:74-8.29(a) and (b).

(c) The receipt of simulcast horse races from out-of-State racetracks are subject to the requirements as set forth at N.J.A.C. 13:74-8.3(a) and (b).

4.3 Formation of pari-mutuel pool

(a) The formation of pari-mutuel pool for horse races from in-State sending racetracks or in-State host racetracks at an authorized venue are subject to requirements set forth at N.J.A.C. 13:74-8.4(a) and (b).

(b) The formation of pari-mutuel pool for horse races from out-of-State sending racetracks or out-of-State host racetracks at an authorized venue are subject to requirements set forth at N.J.A.C. 13: 74-8.5.

(c) The formation of interstate common pool at an authorized venue are subject to requirements set forth at N.J.A.C. 13:74-8.6(a) and (b).

4.4 Simulcast Agreements with sending racetracks

(a) A simulcast agreement between an authorized venue and a sending racetrack or host racetrack are subject to the requirements set forth at N.J.A.C. 13:74-8.7(a) and (b).

Subchapter 5: Cooperation of Licensees and Access by Commission

5.1 Cooperation and Full Access

(a) A person or entity that is licensed to participate in the pilot program who comes into possession of knowledge concerning any violation of the statute and rules applicable to the pilot program shall immediately report the information to the Commission for investigation and such action as the case may warrant.

(b) All persons licensed to participate in the pilot program shall have the duty to fully cooperate in any investigation being conducted by the Commission and shall give every possible cooperation, aid and assistance to any department, bureau, division, officer, agent or inspector, or any other person connected with the United States government or with this State, who may be investigating or prosecuting any matter involving a violation of law, or any rules of the Commission. Failure to cooperate shall subject the person or persons involved to a fine, suspension or both.

(c) The Commission, its agents and representatives in furtherance of its regulatory responsibilities shall have unrestricted access to all authorized venues licensed to participate in the pilot program.

Subchapter 6: Expiration of Pilot Program

6.1 Expiration of pilot program and termination of licensure

(a) All licenses issued by the Commission authorizing participation in the pilot program shall expire within three years after the effective date of the first pilot program license issued by the Commission. Within three years after the effective date of the first pilot program license issued by the Commission, the Commission shall issue a report to the Governor, and to the Legislature as provided under section 2 of P.L. 1991, c. 164 (C.52:14-19.1), which shall contain an evaluation of the pilot program. The report shall also provide the Commission's opinion as to whether the pilot program should be continued and, if so, recommendations for further improvement and implementation. The pilot program shall end upon the expiration of the licenses issued under the pilot program unless the Legislature enacts a law to continue the program.

Subchapter 7: Reserved

7.1 Reserved