

CALIFORNIA HORSE RACING BOARD
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SECURITY AND LICENSING COMMITTEE MEETING

of the **California Horse Racing Board Security and Licensing Committee** will be held on, **Friday, October 19, 2007**, commencing at **9:00 a.m.**, in the **Baldwin Terrace Room at the Santa Anita Race Track, 285 West Huntington Drive, Arcadia, California**. Non-committee Board members attending the committee meeting may not participate in the public discussion, official committee vote or committee closed session.

Agenda

The agenda for the meeting will consist of the following matter:

Action Items

1. Discussion and action regarding the proposed amendment of **CHRB Rules 1481, Occupational Licenses and Fees, Rule 1783, Registration of Stable Names, and Rule 1784 Registration to Disclose All Partners**, to permit the licensing of "stable name groups" which would allow multiple entities, each owning multiple horses with different sets of owners under one stable name.

Additional information regarding this meeting may be obtained from Jacqueline Wagner at the CHRB Administrative Office, 1010 Hurley Way, Suite 300, Sacramento, CA 95825; telephone (916) 263-6000; fax (916) 263-6042. A copy of this notice can be located on the CHRB website at www.chrb.ca.gov. *Information for requesting disability related accommodation for persons with a disability who require aids or services in order to participate in this public meeting, should contact Jacqueline Wagner.

SECURITY AND LICENSING COMMITTEE

Commissioner John W. Andreini, Chairman
Commissioner Jesse H. Choper, Member
Commissioner Jerry Moss, Member
Ingrid Fermin, Executive Director

STAFF ANALYSIS
PROPOSED AMENDMENT OF
RULE 1481. OCCUPATIONAL LICENSES AND FEES
RULE 1783. REGISTRATION OF STABLE NAMES
RULE 1784. REGISTRATION TO DISCLOSE ALL PARTNERS
TO PERMIT LICENSING OF
STABLE NAME GROUPS

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BACKGROUND

Business and Professions (B&P) Code Section 19440 states the Board shall have all powers necessary and proper to enable it to carry out fully and effectually the purposes of Chapter 4, B&P Code. Responsibilities of the Board shall include licensing of each racing association and all persons, other than the public at large, who participate in a horse racing meeting with pari-mutuel wagering. B&P Code Section 19520 provides that every person not required to be licensed under Article 4 (commencing with Section 19480) who participates in, or has anything to do with, the racing of horses shall be licensed by the Board pursuant to rules and regulations that the Board may adopt. No person required to be licensed may participate in any capacity in any horse race meeting without a valid and unrevoked license authorizing the participation.

The CHRB has multiple regulations governing the occupational licensing of individuals who participate in horse racing, and the registration of stable names, partnerships, corporations and limited liability companies (LLC). These regulations fit well with individuals, small partnerships and persons or single entities wishing to run under a stable name; however, this is not necessarily the case with larger groups, especially groups that sell many shares in one or more horses. Little Red Feather Racing (LRFR) is an example of one such group that does not fit the norm with regards to licensing. LRFR is a registered stable name that buys thoroughbred horses, which it markets as an LLC in ownership units of 5 percent to 10 percent. Each horse owned by LRFR is a separate entity with distinct ownership.

In 2006 LRFR contacted staff with a number of licensing issues it felt needed to be addressed. LRFR contended the Board's regulations were "*not practical to modern day partnership groups,*" and made suggestions regarding changes to rules governing stable name registrations. LRFR's main complaint was the manner in which it was listed in the program. Staff worked with LRFR, and it was determined that LRFR would run as "LRFR, et. all." This arrangement worked for approximately 18 months, but in May 2007 LRFR again contacted staff with the same concerns. LRFR wished to be listed in the program under its stable name, without the "et. all." LRFR stated it wanted its statistics accounted in that manner, as it was a "*critical sales tool.*"

The issues regarding LRFR were discussed at the July 2007 Security and Licensing Committee meeting. To accommodate the LRFR model, and to allow it to run only under its stable name, staff proposed amending Rule 1783, Registration of Stable Names, and Rule 1784, Registration to Disclose All Partners. Rule 1481, Occupational Licenses and Fees would also have to be amended to reflect the new Stable Name Group registration.

ANALYSIS

The CHRB has received recommendations from LRFR and West Point Thoroughbreds (WPT) for regulatory and procedural changes that would benefit partnership groups such as theirs and, in their opinions, lead to increased horse ownership and revenue to the sport of horse racing. The suggestions fall into two broad categories. The first category is keeping and reporting of statistics on horse ownership (e.g. earnings and wins). This is largely an industry issue and falls outside the Board's rules and regulations. It involves the two major databases utilized by racetracks: InCompass and Equibase.

The second category involves suggested rule changes; specifically, the proposals involve amendments to CHRB Rules 1481, 1783, and 1784:

- 1) Under Rule 1783 and Rule 1784 the Board would create a separate license classification for stable name groups, which would be based on the LRFR business model. A stable name group would allow for multiple entities to run under one stable name. Each entity would be comprised of a unique set of investors, and each would own one or more horses. Any Board licensed horse owner, including horse owners with registered stable names, can invest in a stable name group. These revisions are incorporated in the proposed amendment to Rule 1783 and Rule 1784.
- 2) LRFR wishes to allow investors in stable name groups to have the choice of being licensed or not licensed by the CHRB. This is allowable if the investor is a limited partner, as under the Board's rules limited partners are not licensed. However, if the investor is a general partner, this is *contrary to Horse Racing Law*. B&P Code Section 19520 states that every person who participates in, or has anything to do with, the racing of horses shall be licensed by the Board. Current practice is if a group stable gives CHRB a list of owners, each person on that list must be licensed, as it is assumed they are general partners. However, under the proposed amendment to Rule 1783, the stable name group must indicate if an owner is a limited or general partner. If an owner is a general partner, they must be qualified for a horse owner license. If an owner is a limited partner, they will not be licensed.

RECOMMENDATION

This item is presented for discussion and action.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 4. OCCUPATIONAL LICENSES
PROPOSED AMENDMENT OF
RULE 1481. OCCUPATIONAL LICENSES AND FEES

Security and Licensing Committee
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1481. Occupational Licenses and Fees.

No person required to be licensed shall participate or attempt to participate in a race meeting without holding a valid license authorizing that participation.

(a) A person acting in any capacity within the restricted area of an inclosure, simulcast facility or auxiliary stabling area shall procure the appropriate license(s) and pay the fee required.

(b) A person acting in any of the following capacities shall procure the appropriate license(s) and pay the fee required:

- (1) Horse Owner by Open Claim.....\$250
- (2) Officer, Director, Partner or any individual or person who holds 5% or more of the outstanding shares of a racing association, simulcast service supplier or totalizator company.
\$200
- (3) Horse Owner\$150
- (4) Trainer, Assistant Trainer, Driver, Jockey, Apprentice Jockey, Jockey Agent\$150
- (5) Veterinarian\$150
- (6) Steward, Associate Steward, Steward (Veterinary Service), Simulcast Facility Supervisor, Assistant Simulcast Facility Supervisor, Racing Official, Administrative or Managerial personnel including General Manager of a racing association, simulcast organization or an

- intrastate guest association, who exercise control over other licensees, horse racing, pari-mutuel wagering or simulcast operations, or whose duties routinely require access to restricted areas of the inclosure\$150
- (7) Bloodstock Agent.....\$150
- (8) Valet, Jockey Room or Drivers' Room Attendant or Custodian or Service Person, Colors Attendant, Paddock Attendant \$75
- (9) Assistant to a Racing Official or Official, Assistant General Manager of a racing association, simulcast organization or an intrastate guest association, Assistant Starter, Assistant to the Veterinarian, Assistant Manager, Announcer, Paymaster of Purses, Superintendent, Starting Gate Driver, Flagman, Marshal, Stewards' Aide \$75
- (10) Exercise Rider, Pony Rider, Outrider \$75
- (11) Horseshoer, Stable Agent, Vendor or Vendor's Employee when duties require access to the restricted area, Stable Foreman \$75
- (12) Pari-mutuel Employee, Totalizator Technician, Video Operator, Photofinish Operator. \$75
- (13) Security Officer, Security Guard, Stable Gateman, Fire Guard, Security Investigator .. \$75
- (14) Clerical Employee or Uncategorized Employee of a racing association, intrastate guest association, simulcast organization, simulcast service supplier, totalizator company, horsemen's organization or concessionaire when employed in a restricted area..... \$75
- (c) A person acting in the capacity of Backstretch Event Personnel, Groom, Stable Employee or Stable Assistant shall procure the appropriate annual license. The fee for an original license is \$35, and the annual renewal of license is \$20.

(d) A person acting in the capacity of Authorized Agent shall register an authorized agent agreement and registration of authorized agent and pay a fee of \$25 for each registration.

(e) A person or persons electing to conduct racing operations by use of a Stable Name or Stable Name Group shall register the Stable Name and pay a fee of \$300.

(f) A person or persons conducting racing operations as a syndicate, an entity running under a stable name group or as a partnership having more than ten general partners or having one or more limited partners shall register the syndicate, stable name group or partnership as a multiple ownership and pay a fee of \$300.

(g) A person participating in any capacity required to be licensed under this rule who participates or attempts to participate at a mule racing meeting shall procure an annual Mule Racing Participant license and pay an annual fee of \$25. A license for participating in a mule racing meeting is valid only at mule racing meetings and any license otherwise valid for horse racing meetings is not valid for mule racing meetings.

(h) A person whose license-identification card is lost, destroyed or mutilated shall procure a replacement license-identification card and pay a fee of \$15.

(i) A person who elects to participate in the Association of Racing Commissioners International (ARCI) Licensing Reciprocity Program shall pay the associated costs charged by the ARCI and the Federal Bureau of Investigation.

(j) The date the payment of the required fee is received and recorded by the Board is the effective date of issuance of a continuous occupational license for the capacity in which licensed. The fees required herein are for the entire period for which the issued license is to be valid.

Authority: Sections 19440, 19510, 19520 and 19703,
Business and Professions Code.

Reference: Sections 19510, 19512 and 19704,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 12. COLORS, STABLE NAMES, AGENTS
PROPOSED AMENDMENT OF
RULE 1783. REGISTRATION OF STABLE NAMES AND STABLE NAME GROUPS

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1783. Registration of Stable Names and Stable Name Groups.

(a) A licensed owner may register a stable name with the Board by filing an application and paying the fee for such stable name.

(1) A stable name is subject to the approval of the Board.

(2) No person may register more than one stable name at the same time.

(3) No person may use the real name of any owner of ~~race horses~~ racehorses as his stable name.

(4) No stable name registration may be used for advertising purposes.

(5) A stable name which that has already been registered may not be registered by another owner.

(b) A licensed owner may register a stable name group with the Board by filing an application and paying the fee for the stable name group. The stable name group shall be subject to Subparagraphs (a)(1) through (a)(5) above. The stable name group may establish multiple entities that shall run under the name of the registered stable name group.

(1) Each entity shall be registered, as applicable, in accordance with Rule 1506; Rule 1507 and Rule 1784 of this division.

(2) The entity shall name the horse(s) it owns, and such horse(s) shall be owned separately from the other entities within the stable name group.

(3) Each entity shall possess a unique roster of owners. The roster shall name each owner and state if the owner is a general or a limited partner as well as the percentage of ownership of each. The roster shall be filed with the racing office and with the Board occupational licensing office.

(5) A licensed owner may participate in the horse ownership of one or more entities that run under a stable name group.

(bc) The granting of a stable name or stable name group registration by the Board shall not relieve any person from his obligation to file or register a fictitious name as provided by the laws of the State of California.

Authority: Sections 19440 and 19460,
Business and Professions Code.

Reference: Sections 19460 and 19520,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 12. COLORS, STABLE NAMES, AGENTS
PROPOSED AMENDMENT OF
RULE 1784. REGISTERED STABLE NAMES

Security and Licensing Committee Meeting
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1784. Registration to Disclose All Partners.

(a) An application to register a stable name shall disclose the real names of all partnership or ownership interests participating in the stable and the percentage of ownership interest of each, including the interest owned by any corporation, limited liability company (Corporations Code section 17000 et seq.), general partnership, limited partnership, trust, estate, person or individual.

(b) A registered stable name group shall comply with the provisions of Subparagraph (a) of this regulation for each entity that runs under the stable name group.

Authority: Sections 19440 and 19460,
Business and Professions Code.

Reference: Sections 19460 and 19520,
Business and Professions Code.