

CALIFORNIA HORSE RACING BOARD  
1010 HURLEY WAY, SUITE 300  
SACRAMENTO, CA 95825  
(916) 263-6000  
FAX (916) 263-6042



## REGULAR MEETING

of the California Horse Racing Board will be held on, Thursday, January 20, 2005, commencing at 9:00 a.m., at the Arcadia City Hall, 240 West Huntington Drive, Arcadia, California. The meeting will open at 9:00 a.m., then the Board will adjourn into Executive Session with the regular meeting commencing at approximately 9:30 a.m.

### AGENDA

#### Action Items

1. Discussion and action by the Board on the approval of the **minutes of the regular meeting of December 2, 2004.**
2. Discussion and action on the **proposed policy recommendations of the NTRA Players Panel.**
3. Public hearing by the Board on the **adoption of the proposed CHRB Rule 1843.6 – Total Carbon Dioxide Testing.**
4. Discussion and action **regarding Capitol Racing, LLC.**
5. Report of the efforts by the racing secretaries to voluntarily **address the need for a higher scale of weights for jockeys on a national basis.**
6. Discussion and action by the Board on the **revisions to the CHRB License Application to conduct race meetings.**
7. Report and discussion from Autotote on the **status of the alternate selection option on Pick (n) wagers.**
8. Report and update on the **status of the California Performance Review Commission recommendations.**
9. Discussion and action by the Board on the **policy of releasing names of individuals who have been served with complaints/accusations/rulings for class 1, 2 or 3 medication positives and the best methods to utilize for the release of this information.**

10. Report by the California Marketing Committee on **proposed 2005 programs and evaluation of the 2004 program.**
11. Discussion by the Board and report from staff on the **concluded race meeting of Hollywood Park from November 3 through December 20, 2004.**
12. Discussion and action by the Board on the **request of the Bay Meadows Foundation to distribute charity racing proceeds in the amount of \$64,500 to 23 beneficiaries.**
13. Discussion and action by the Board on the **request of the Del Mar Thoroughbred Club to distribute charity racing proceeds in the amount of \$176,400 to 23 beneficiaries.**
14. Discussion and action by the Board on the **request of the Hollywood Park Racing Charities to distribute charity racing proceeds in the amount of \$192,812 to 29 beneficiaries.**
15. Staff report on the following concluded race meeting:
  - A. **Pacific Racing Association** at Golden Gate Fields from November 10 through December 20, 2004.

#### **Committee Report**

16. Report of the **Ad Hoc Committee on Jockey Guild**  
Commissioner Richard Shapiro, Chairman

#### **Other Business**

17. **General Business:** Communications, reports, requests for future action of the Board.
18. **Old Business:** Issues that may be raised for discussion purposes only, which have already been brought before the Board.
19. **Executive Session:** For the purpose of receiving advice from counsel, considering pending litigation, reaching decisions on administrative licensing and disciplinary hearings, and personnel matters, as authorized by Section 11126 of the Government Code.
  - A. Personnel.
  - B. Board may convene an Executive Session to consider any of the attached pending litigation.

- C. The Board may also convene an Executive Session to consider any of the attached pending administrative licensing and disciplinary hearings.
- (1) Discussion of procedures to review and act on recommended decisions by the Administrative Law Judge.

Additional information regarding this meeting may be obtained from Roy Minami, 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](http://www.chrb.ca.gov). \*Information for requesting disability related accommodation for persons with a disability who requires aids or services in order to participate in this public meeting, should contact Roy Minami.

**CALIFORNIA HORSE RACING BOARD**

John C. Harris, Chairman  
William A. Bianco, Vice Chairman  
Sheryl L. Granzella, Member  
Marie G. Moretti, Member  
Jerry Moss, Member  
Richard B. Shapiro, Member  
John C. Sperry, Member  
Ingrid J. Fermin, Executive Director

**CALIFORNIA HORSE RACING BOARD**  
1010 HURLEY WAY, SUITE 300  
SACRAMENTO, CA 95825  
(916) 263-6000  
FAX (916) 263-6042



**PENDING LITIGATION**  
**JANUARY 2005**

**CASE**

**CASE NUMBER**

**MARTIN, JOHN v.**  
California Horse Racing Board

Sacramento County Superior Court  
No. 98CS00952

**DUFFY, NORMA v.**  
California Horse Racing Board  
and Pacific Racing Association

Hayward Superior Court  
No. VG03079504

**CALIFORNIA HARNESS HORSEMEN'S  
ASSOCIATION and CAPITOL RACING,  
LLC, v.**  
California Horse Racing Board

Sacramento County Superior Court  
No. 03CS01033

## CALIFORNIA HORSE RACING BOARD

**M e m o r a n d u m**

**Date** : January 7, 2005

**To** : **California Horse Racing Board**  
John C. Harris, Chairman  
William A. Bianco, Vice Charirman  
Sheryl L. Granzella, Member  
Marie G. Moretti, Member  
Jerry Moss, Member  
Richard B. Shapiro, Member  
John C. Sperry, Member

**From** : Sharyn S. Jolly  
Administrative Hearings Unit

**Subject** : PROPOSED DECISIONS SCHEDULED FOR ACTION-EXECUTIVE SESSION

The following Proposed Decisions and Administrative Proceedings may be reviewed for action:

**HENDERSON, FRANCES**  
SAC 04-082

Appeal from Board of Stewards Ruling #12, Bay Meadows Operating Company, dated September 29, 2004.

**BAZE, RUSSELL**  
SAC 04-072

Appeal from Board of Stewards Ruling #3, Bay Meadows Operating Company, dated September 18, 2004.

**WISEMAN, STEVE**  
SAC 04-020, 04-021,  
04-022 and 04-023

Appeal from Board of Stewards Ruling #17, #18, #19 and #20, Capitol Racing Assn., dated March 24, 2004.

**NAKATANI, COREY**  
SAC 04-084

Appeal from Board of Stewards Ruling #024, Oak Tree Racing Assn., dated October 20, 2004.

1010 Hurley Way, Suite 300, Sacramento, CA 95825

Phone: (916) 263-6000 □ FAX: (916) 263-6042

**PROCEEDINGS** of the Regular Meeting of the **California Horse Racing Board** held at the **Hollywood Park Race Course Turf Club, Sunset Room**, 1050 South Prairie Avenue, Inglewood, California, on **December 2, 2004**.

Present:        John C. Harris, Chairman  
                  William A. Bianco, Member  
                  Marie G. Moretti, Member  
                  Jerry Moss, Member  
                  Richard B. Shapiro, Member  
                  John C. Sperry, Member  
                  Roy Minami, Acting Executive Director  
                  Derry Knight, Deputy Attorney General

## **MINUTES**

---

Chairman Harris asked for approval of the minutes of the Regular Board Meeting of September 15, 2004; October 5, 2004; and October 14, 2004. Commissioner Sperry **motioned** to approve the minutes. Commissioner Moretti seconded the **motion**, which was **unanimously carried**.

## **PRESENTATION OF THE CALIFORNIA HORSE RACING BOARD RESOLUTION TO ROGER LICHT.**

---

Chairman Harris presented a resolution from the CHRB to ex-Commissioner Roger Licht. Chairman Harris commented that ex-Commissioner Licht cared about horse racing and was an important part of the Board during his tenure.

**DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING OF THE BAY MEADOWS RACING ASSOCIATION (T), FROM FEBRUARY 2, 2005 THROUGH MAY 8, 2005, INCLUSIVE.**

Pat Noble, CHRB staff, said Bay Meadows Racing Association (BMRA) proposed to run 71 days for a total of 611 races. On Wednesday, April 20, 2005, BMRA would offer a simulcast card, as Hollywood Park would be closed. The first post time would be 12:45 p.m. through April 18, 2005, and 1:05 p.m. April 23 through May 8, 2005. Additional post times would be: 11:15 a.m. on February 6, 2005, and 7:20 p.m. on February 4, and April 8, 15, 22 and 29, 2005. Ms. Noble said the horsemen's agreement was missing from the application. She stated staff recommended approval of the application conditioned on receipt of the missing information. Ms. Noble added BMRA did not have a covered receiving barn. She stated staff recommended the Board advise BMRA to have a covered receiving barn in place prior to its September 3, 2005, race meeting. Drew Couto of Thoroughbred Owners of California (TOC) stated the horsemen's agreement was completed. Chairman Harris asked if BMRA would coordinate its racing program with any Southern California late afternoon racing. Bernie Thurman of BMRA said the Friday twilight cards were meant to coordinate with Hollywood Park's Friday evening cards and Santa Anita's (LATC) Friday afternoon card. Commissioner Shapiro said he understood BMRA was a new entity. He asked who the principal investors were. Jack Liebau of BMRA said a real estate partnership funded by a number of pension plans invested in BMRA. The general partner was Stockbridge Partners, which was managed by Terry Fancher. Mr. Liebau said Mr. Fancher was in charge of operating BMRA when PainWebber owned the racetrack. Commissioner Shapiro asked if the investors were looking at maintaining BMRA as a racing facility in the long term. Mr. Liebau said the partnership

was seeking entitlements for the property. He stated the entitlement process had been in effect since 2000 but had not advanced. Commissioner Shapiro asked if BMRA would make investments in the facility to attract new on-track attendance, and if so, what were the improvements? Mr. Liebau said BMRA's marketing budget would exceed that of the spring meeting, which was highly successful. Commissioner Shapiro asked if BMRA planned to conduct total carbon dioxide testing. Mr. Liebau said that was in the horsemen's agreement. Commissioner Shapiro stated LATC would continue the current testing by testing every horse for total carbon dioxide, and a pre-race detention barn for horses that tested positive. He asked if BMRA was prepared to implement LATC's testing program. Mr. Couto said the language in BMRA's horsemen's agreement was identical to LATC's agreement. BMRA would conduct the same testing regimen and would maintain an area for the detention of horses that test positive. Mr. Liebau stated BMRA would place surveillance cameras in the barns. BMRA had five large barns, so the cameras could be placed to allow surveillance over most of the barn area. Chairman Harris asked if BMRA had a head-on camera for its turf course. Ms. Thurman stated there was a camera in place. Commissioner Shapiro **motioned** to approve the application for license to conduct a horse racing meeting of BMRA conditioned on receipt of the missing information and the security and surveillance issues as discussed. Commissioner Sperry **seconded** the motion, which was **unanimously carried**.

**DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING OF ODS TECHNOLOGIES, L.P. D/B/A TVG (ADW), FOR OUT-OF-STATE MULTI-JURISDICTIONAL WAGERING HUB, FROM JANUARY 1, 2005 THROUGH DECEMBER 31, 2006.**

---

Pat Noble, CHRB staff, said ODS Technologies, L.P. (TVG) filed an application for a two-year approval to conduct advance deposit wagering (ADW). Ms. Noble stated TVG proposed to provide ADW services 365 days a year, 24 hours a day. TVG would provide services to Churchill Downs California Operating Company at Hollywood Park (CDCOC); Del Mar Thoroughbred Club at Del Mar; Los Alamitos Quarter Horse Racing Association at Los Alamitos Racecourse (LAQHRA); Los Angeles County Fair at Fairplex; and Oak Tree Racing Association at Santa Anita Park Race Track. Ms. Noble stated the thoroughbred horsemen's agreement was missing from the agreement. She said staff recommended approval of the application conditioned on receipt of the missing information. John Hindman of TVG said his organization would also provide services to Bay Meadows Race Course. Drew Couto of Thoroughbred Owners of California (TOC) stated his organization reached an agreement with TVG and would shortly submit a horsemen's agreement. Ryan O'Hara and Tony Allevato of TVG gave a slide presentation regarding TVG's current and future operations. Alan Horowitz of Capitol Racing (CR) asked if TVG had plans to increase exposure for California harness racing. Mr. Allevato said CR racing was shown on video streaming. Account holders could view every harness race. LAQHRA was a TVG partner track, so its races received priority over other tracks running concurrently. Mr. Horowitz said CR worked with LAQHRA to ensure the signals did not overlap. He stated he hoped that within the time allotted between the night quarter horse product there could be an opportunity to give harness exposure. Mr.

O'Hara said TVG would consider Mr. Horowitz's comments. Commissioner Shapiro commented TVG was doing an exceptional job. He stated, however, he thought TVG's programming was aimed at established racing fans. He asked if there was more TVG could do to introduce new fans to horse racing. Could TVG produce a tutorial to educate novice fans about reading a race form, and the live racetrack experience? Commissioner Shapiro asked if TVG would be willing to produce such a tutorial and would there be a way to air the production in a venue other than TVG. Mr. O'Hara said TVG was open to Commissioner Shapiro's question. He stated TVG was working on technology that explained odds to fans. In addition, TVG was working with the Fox Network to educate the public regarding horse racing. Commissioner Shapiro said one objective of ADW was to create jobs in California. He asked if TVG had begun telephone wagering with staff from California. Mr. O'Hara said TVG was a California company with headquarters in Los Angeles. The company had one hundred seventy five employees at its headquarters office. Commissioner Sperry said there was some discussion about ADW benefiting pari-mutuel operators, but he had not seen it happening. Mr. O'Hara said TVG did not have live operators, as they were not effective. TVG customers used the Internet or voice recognition system. Technology made the business work as it could handle the huge spikes in customers as well as times when very few persons placed wagers. Mr. O'Hara stated at certain tracks TVG did have union personnel who took deposits and opened ADW accounts for fans. Richard Castro of Pari-Mutuel Employees Guild (Guild), Local 280, said his organization opposed the approval of any ADW application. After citing various sections of California Horse Racing Law and the Board rules and regulations regarding ADW, Mr. Castro stated the Guild believed the ADW applications were in violation

of the law and could not be approved without conditions. The Guild wanted to enter into collective bargaining agreements with the ADW providers. Mr. Castro said the Guild did not want to shut down the ADW providers. The Guild only wanted to be a working partner in the industry and join in making horse racing successful. However, Mr. Castro stated the Guild's interests and its support in bringing about ADW in California had been ignored. Chairman Harris said he was not sure the Board could force ADW entities into collective bargaining absent a vote from their employees. Mr. Castro said the Guild only wanted the parties to sit down and negotiate. The Guild had no problems with CHRB staff overseeing the process and it would accept binding arbitration. Mr. Castro commented the Guild would like to have negotiations by July 1, 2005. Commissioner Moretti said when the three ADW entities were first licensed or approved there were extensive discussions regarding the creation of a California hub and the creation of more jobs. She stated she appreciated the high-level jobs TVG created; however, the ADW entities needed to talk to the Guild. Commissioner Moretti said when ADW was being introduced it was inferred that the Guild would see new jobs and California would gain more than it has. Mr. Hindman said TVG understood the Board's concern. He stated TVG's hub was located out-of-state and predated ADW in California. It would be difficult to terminate out-of-state employees to hire others in California. Mr. Hindman added he disagreed with some of the Guild's legal points. The law was specific in its requirements and TVG respected its provisions. Commissioner Bianco said when ADW was introduced in California promises were made about the creation of union positions. Mr. Hindman stated he did not think TVG made such representations. Commissioner Sperry said TVG might not have made such statements, but it was implied the Guild and the tracks would

benefit from the process. He stated he thought ADW entities should take an interest and view job creation as necessary. Mr. Castro said TVG's lobbyist spoke at Board meetings and acknowledged that an agreement was made to create telephone-wagering jobs for the Guild. Rick Baedeker of CDCOC stated in exchange for the Guild's support of the ADW legislation, the racetracks agreed to keep existing pari-mutuel staffing levels for the duration of the contract. Mr. Baedeker said although on-track wagering traffic would have required fewer clerks, the staffing levels remained as high as they were in 1999. He stated in that manner the Guild benefited during the first few years of ADW. Mr. Baedeker added ADW was one of the few success stories in horse racing and it should be allowed to thrive. Commissioner Shapiro asked what specifically did the Guild want from ADW providers. Mr. Castro said the Guild wanted to sit down with the ADW providers and review all their job classifications to determine which jobs were the same or similar to those in the Guild's collective bargaining agreement. Commissioner Shapiro asked if the Guild would waive any issue if it did not have similar job descriptions. Mr. Castro stated that would have to be resolved before an impartial arbitrator. Commissioner Shapiro asked if the Guild had met with any of the ADW providers. Mr. Castro said he was not familiar with any discussions his predecessor at the Guild may have had with ADW providers. Commissioner Shapiro stated he would suggest Mr. Castro contact the ADW providers to determine if there was an issue. Mr. Castro said he could make the calls and stipulated his presentation would apply to the next two agenda items. Ed Halpern of California Thoroughbred Trainers (CTT) stated he was disappointed TVG did not wish to release information regarding its profitability. He said when the Board first approved TVG it stated it would reverse the percentages it paid to the horsemen when it made a profit.

Chairman Harris said that was an issue with TVG's contract with the track and horsemen. He stated he hoped the industry would negotiate aggressively regardless of TVG's profitability. Commissioner Shapiro **motioned** to approve the application for approval to conduct ADW of TVG for out-of-state multi-jurisdictional wagering hub from January 1, 2005, through December 31, 2006. Commissioner Bianco **seconded** the motion, which was **unanimously carried**.

**DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT ADVANCE DEPOSIT WAGERING OF YOBET.COM, INC. (ADW), FOR CALIFORNIA MULTI-JURISDICTIONAL WAGERING HUB AND APPROVAL FOR OUT-OF-STATE MULTI-JURISDICTIONAL WAGERING HUB, FROM JANUARY 1, 2005, THROUGH DECEMBER 31, 2006.**

---

Pat Noble, CHRB staff, said Yobet.Com, Inc. (Yobet) filed an application for a two-year license and a two-year approval to conduct advance deposit wagering (ADW). Yobet would provide ADW services seven days a week from approximately 7:00 a.m. to 7:00 p.m. Pacific time. Service would be provided to Bay Meadows Racing Association (BMRA) at Bay Meadows Racecourse; California Authority of Racing Fairs (CARF); Capitol Racing at Cal-Expo; Churchill Downs California Operating Company at Hollywood Park; Del Mar Thoroughbred Club at Del Mar Race Track; Los Alamitos Quarter Horse Racing Association at Los Alamitos Race Course; Los Angeles County Fair at Fairplex; Los Angeles Turf Club (LATC) at Santa Anita Park Race Track; Oak Tree Racing Association at Santa Anita Park Race Track; and Pacific Racing Association (PRA) at Golden Gate Fields Race Track. Ms. Noble said items missing from the application included the thoroughbred horsemen's agreement, and the horsemen's agreement for BMRA, CARF, LATC and PRA. Staff

recommended approval conditioned on receipt of the missing information. Chairman Harris asked if the contracts with the horsemen and the associations ran the same period as the application for license. Ms. Noble said she believed the contracts ran from meeting to meeting. Jeff True of Youbet stated the contracts for the meetings and Thoroughbred Owners of California (TOC) ran meeting to meeting. Youbet would not provide services if it did not have an agreement. Chairman Harris asked if the Board could receive a breakdown regarding the flow of money within the various contracts. Mr. True said he did not know if he could provide such information. He stated if the Board requested the information, perhaps Youbet could furnish it at the Board discretion, but not as a public matter. Commissioner Shapiro said the Board would like to see such information from all the ADW providers. Commissioner Shapiro asked what steps Youbet was taking to encourage new fans to attend live race meetings. Mr. True said Youbet used non-industry advertising methods to generate a younger fan base. He stated Youbet's fastest group of acquisition was in the 21 to 30 year age group. That demographic grew 22 percent in 2004 and 16 percent in 2003. Mr. True stated Youbet was advertising on ESPN, and was providing live-streaming services on ESPN.com. In addition, Youbet has advertised in non-industry newspapers and used billboards. Mr. True said D. Wayne Lucas, one of the best-known horse racing names outside the industry, was retained as a spokes person, and would be used to raise Youbet's profile among non-horse racing fans. Commissioner Sperry **motioned** to approve the application for license to conduct ADW of Youbet for California multi-jurisdictional wagering hub and approval for out-of-state multi-jurisdictional wagering hub from January 1, 2005, through December 31, 2006. Commissioner Moretti **seconded** the motion, which was **unanimously carried**.

**DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT ADVANCE DEPOSIT WAGERING OF XPRESSBET, INC. (ADW), FOR CALIFORNIA MULTI-JURISDICTIONAL WAGERING HUB, FROM JANUARY 1, 2005, THROUGH DECEMBER 31, 2006.**

---

Pat Noble, CHRB staff, said XpressBet, Inc. (XpressBet) filed an application for a two-year license to conduct advance deposit wagering (ADW). Ms. Noble stated service would be provided to Bay Meadows Racing Association at Bay Meadows Race Course; California Authority of Racing Fairs; Capitol Racing at Cal Expo; Los Angeles Turf Club at Santa Anita Park Race Track; and Pacific Racing Association at Golden Gate Fields Race Track. Ms. Noble said staff recommended approval of the application. Jim McAlpine of Magna Entertainment (ME) stated he had a Power Point presentation. Chairman Harris said the Board would meet in executive session (The Board adjourned to executive session: 11:13 a.m. to 11:38 a.m.) Chairman Harris announced the selection of Ingrid J. Fermin as the new Executive Director. He thanked the search committee for its outstanding job. Mr. McAlpine gave his Power Point presentation regarding ME's ADW activities. Chairman Harris asked if XpressBet's "Horse Wizard" had expanded to other tracks. Mr. McAlpine said XpressBet created centers in Northern and Southern California that would be used to introduce track operators to the Horse Wizard. He added the winter meeting at Santa Anita would see more of the machines to grow that piece of XpressBet's business. Commissioner Moss asked if XpressBet convinced the NBC television network (NBC) to show horse racing on its sports programs to promote the sport. Mr. McAlpine said XpressBet had ongoing discussion with NBC. He stated the network was the television broadcaster of choice for the Triple Crown Productions and had done a good job for the sport. Mr. McAlpine stated he believed there were opportunities to expand horse racing coverage on a series of shows, but the missing

ingredient was educating the public about the on-track experience. In 2005, XpressBet wanted to show the public that exciting things were happening on the track. Commissioner Moss said NBC ran many sports on its shows, and the industry could either buy time or make sure it represented horse racing as part of its programming. Commissioner Sperry **motioned** to approve the application for license to conduct ADW of XpressBet for California multi-jurisdictional wagering hub from January 1, 2005, through December 31, 2006. Commissioner Moretti **seconded** the motion, which was **unanimously carried**.

**DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT SATELLITE WAGERING OF THE BAY MEADOWS RACING ASSOCIATION(S).**

---

Chairman Harris said agenda items seven and eight would be handled concurrently as they were closely related. Pat Noble, CHRB staff, said Bay Meadows Racing Association (BMRA) proposed to operate as a simulcast wagering facility at Bay Meadows Race Course. Ms. Noble stated the application represented a change in ownership, not location. The BMRA satellite facility would operate every day pari-mutuel wagering was conducted by a licensed California racing association. Ms. Noble stated the San Mateo County Fair (SMCF) proposed to operate as a simulcast wagering facility at a new location: the San Mateo County Exposition Center. The proposed simulcast facility would operate all-days simulcasting was conducted in Northern California, except when BMRA was conducting a live meeting. Ms. Noble said there were numerous items missing from the SMCF application. She stated staff recommended the Board hear from representatives of the two organizations. Rod Blonien, representing BMRA, requested his organization's application be approved and the application from SMCF not be

acted upon. He stated BMRA met all the requirements for license while SMCF had many items missing from its application. Mr. Blonien added BMRA was supported by nine labor unions. He stated in recent years substantial improvements had occurred at Bay Meadows Race Track, including upgrade to stables and backstretch employee quarters. Mr. Blonien said in addition, the amenities at BMRA were superior to those at SMCF. BMRA could hold up to 10,000 patrons for satellite wagering while SMCF had room for only 1,700 fans. In 2003 there were one hundred fifty one days of satellite wagering available. The average daily attendance was between 1,638 and 3,319 fans. SMCF's facility would have a difficult time handling such numbers. Mr. Blonien said SMCF's council indicated legislative intent should only be considered if a statute was ambiguous. He stated Business and Professions (B&P) Code Section 19605.45 provided that the Board may authorize satellite wagering from San Mateo County. That indicated the Board's authorization was discretionary, and in using its discretion, the Board needed to examine legislative intent. Mr. Blonien stated the analysis from the Assembly Governmental Organizations Committee said the ability of SMCF to provide satellite wagering was premised on the closure of Bay Meadows Race Course (BMRC). He added, the CHRB bill analysis stated the legislation would allow continuation of satellite wagering at SMCF in the event BMRC closed. Mr. Blonien quoted a number of additional sources that supported the concept that the intent of the legislation was to permit satellite wagering in San Mateo County if BMRC closed. The sources included a letter from the author to the governor; a letter from a member of the San Mateo County Board of Supervisors; two letters from the general manager of SMCF; a copy of the enrolled bill memorandum; and a signing statement from Governor Gray Davis. Mr. Blonien stated one

seldom saw such weight of legislative intent expressed across the board. He said if the Board denied BMRA's application it would be the only racetrack in California without a satellite wagering facility. Mr. Blonien stated horse racing in California was very fragile and BMRA was making a commitment to continue racing into the near future and possibly longer. The proposed San Pablo Indian gaming casino threatened Golden Gate Fields (GGF). The casino was less than seven miles from GGF and had a potential for 2,500 slot machines. This meant the continued operation of GGF was endangered, as experience demonstrated casino gambling and horse racing were incompatible. If GGF were to close BMRC would be the only facility left in Northern California. If the Board looked at what was best for California horse racing, compared facilities, and acknowledged that BMRA had complied with the Board's licensing requirements, it would grant the license to BMRA and set aside SMCF's application. Commissioner Shapiro asked how long could BMRA be counted on to conduct horse racing. Jack Liebau of BMRA said he was not in a position to make a commitment. However, BMRA's management team all had long-term contracts. Mr. Liebau said development of the property could not commence until the entitlements were granted, and there was no way to control the process. In addition, if a referendum were to be initiated, the proposed development could be voted down. Chairman Harris asked if operating as a satellite facility was another reason to stay in business. Mr. Liebau said it was as the revenue stream during the off-season was important to any live track. The operation of a satellite facility was profitable and contributed to the track's ability to stay in business. Chris Carpenter of SMCF said his organization requested the Board approve its application to conduct satellite wagering. Mr. Carpenter said there were items missing from SMCF's application, but it was ready to

move forward. Chairman Harris asked if there was consensus regarding the word “may” in the statute. Would the Board have the right to grant the license to either party, or did SMCF believe the law granted it the right to operate a satellite wagering facility? Neil McCarthy, representing SMCF, said the Board had two options. It could grant the satellite wagering license to SMCF, or it could grant no satellite wagering license. Mr. McCarthy said in all the discussion regarding legislative intent there was no mention of the statute. He stated the statute was clear. It provided that if the entity that was licensed in 2002 was not licensed in subsequent years, SMCF had the right to conduct satellite wagering. Mr. McCarthy said the statute used the word “may” however, the entire sentence stated “The Board may authorize satellite wagering in San Mateo County only as provided in this section.” He added the section then stated SMCF had exclusive right, and if the statute was clear the Board had a duty to discharge the statute. Norm Towne, representing SMCF, said if the legislative intent was to license SMCF upon the closure or cessation of racing at BMRC, the bill would not have been introduced. If BMRC closed the only party that could have run satellite wagering would have been the fair. The fear was that the owner of the property would continue to pursue development and there would be no live racing or satellite wagering to the detriment of both the fair and the then-operator, Magna Entertainment (ME). SMCF and ME sponsored the legislation jointly as it was in their best interest not to have the property owner, or designated licensee of the property owner, be the licensee. Mr. Towne stated the first preference of SMCF was for BMRA to continue operating the live fair race days and the satellite-wagering facility. He said SMCF offered to allow BMRA to do just that – without compensation. The only issue was which entity would hold the license. SMCF was willing to hold the license and allow

BMRA to operate without compensation as long as it conducted live racing. Commissioner Moretti asked if that meant satellite wagering would continue at BMRC, but would be operated by SMCF. Mr. Towne said SMCF's last offer to BMRA was the fair would apply annually for the license to conduct satellite wagering at BMRC and without compensation exclusively appoint BMRA as the operator. Mr. Liebau said under the law the Cow Palace had been authorized to operate a satellite facility. If Section 19605.45 did not exist, SMCF could not operate a satellite facility due to the 20-mile limitation. He added the proposals from the SMCF board were unacceptable. The first offer was for BMRA to pay SMCF \$750,000 annually. The second proposal was for payments of \$250,000 annually after a period of five years. Mr. Liebau said the parties were close to an agreement, but he received a letter from the county counsel that was contrary to what was stated. Mr. Carpenter said he had the same letter, which stated SMCF would grant exclusive right to BMRA to operate the satellite wagering facility without compensation to the fair for five years, or until live racing ceased at BMRC, whichever occurred sooner. Mr. Liebau said the letter did not state what happened if BMRA was still operating live race meetings after five years. Mr. Carpenter stated the assistant county manager for San Mateo County indicated in negotiations that the letter could be amended to whatever number of years BMRA wished to see. He said SMCF stood on that premise. Chairman Harris said he did not see what the purpose of SMCF's offer was, unless the Board could not license BMRA under the law. Mr. McCarthy said the only option available under the law, as it was written, was to license SMCF. He stated BMRA's criticisms and legislative intent were not relevant as the law was clear. The Board's obligation was to follow the licensing requirement under the law. Commissioner Moretti said it did not appear

that SMCF was prepared to operate a satellite wagering facility. Mr. Towne stated if Bay Meadows Land Company received its development rights SMCF was prepared to build a first class satellite wagering facility. Commissioner Shapiro said the real issue was SMCF's contention that under the law, if the entity licensed to operate a live race meeting in 2002 was not licensed to conduct a horse racing meeting, SMCF was the only entity authorized to hold a license. Mr. McCarthy said in layman's terms Commissioner Shapiro was essentially correct. Commissioner Shapiro said there was an association licensed to run a live meeting at a racetrack that was still in operation. He asked if SMCF was not looking at a technicality as a means to obtain the simulcast license. Mr. McCarthy said SMCF was not. Commissioner Shapiro said the law did not recognize that another racing association could conduct racing with the same dates, at the same facility and in support of the overall racing industry. He stated he understood the legislative intent to mean that as long as the track continued to operate as a live racing facility that was where simulcasting should be offered. Commissioner Shapiro added SMCF was claiming it did not matter if BMRA was a live racing association, the technicality in the law stated its ability to conduct simulcasting expired in 2002 when Bay Meadows Operating Company ceased to exist. He stated he did not think that was in the best interest of California's horse racing industry. To take simulcasting away from the operating track would put it at a disadvantage. Mr. Towne said he agreed, but SMCF only wanted the license, not the benefits. He stated BMRA would still operate the satellite wagering, and SMCF wanted no compensation. Chairman Harris said it was less cumbersome to simply license BMRA. Mr. Blonien said Assemblyman Jerome Horton, the Chairman of the Assembly Governmental Organizations Committee when the legislation was introduced, wrote

a letter in support of BMRA's application. He stated Assemblyman Horton wrote that stripping BMRA of its right to conduct satellite wagering would jeopardize the racetrack's economic viability. In addition, Mr. Blonien said a recent case in the Second District Court of Appeal in Los Angeles supported the idea that legislative intent was "...the end and aim of all statutory construction." Commissioner Shapiro said he spoke to Assemblyman Horton who made it clear the intent of the legislation was to continue satellite wagering at the racetrack as long as Bay Meadows was open. He stated the question was: What was BMRA losing if SMCF was willing to stand in as licensee, and commit to a sufficient term, at not cost to BMRA? Mr. Liebau said a term of SMCF's agreement was that BMRA pay \$250,000 for planning on SMCF's property. Commissioner Shapiro asked if SMCF was willing to waive that fee. Mr. Carpenter said he would have to consult with others before he could commit to waiving any monies. Chairman Harris said there was another issue of whether the Board wanted to issue the license to another party unless it absolutely had to. He stated the Board ought to take a straightforward route. Mr. Blonien said BMRA would like any motion granting the license to itself to state the Board granted the license in the best interests of horse racing. Commissioner Moretti asked if the Deputy Attorney General had an opinion. Deputy Attorney General Derry Knight said it was his informal advice that SMCF's position was essentially correct. He stated the language of the statute was unambiguous and though the legislative intent talked about the closure of Bay Meadows, the current situation was not envisioned. Mr. Knight said the same trigger language was added to another bill that allowed the County to look for a new race venue. The legislative change added the trigger language of the licensee no longer existing to a statute that already had the trigger language of the closure of Bay Meadows. Mr. Knight

added his opinion was not an absolute, but was his best advice. Chairman Harris asked how the Court of Appeal opinion affected the issue. Mr. Knight said in some cases, if the law led to an absurd result, the courts have ignored the literal language of the law. However, the intent of the legislation was clearly to continue simulcasting in San Mateo County. He stated the change in licensure triggered language that made the County the exclusive licensee, or allowed it to contract with another entity. Chairman Harris stated if BMOC stayed in place, there would be no issue. Was the law encouraged by ME to strengthen its negotiating with the land owner? Scott Daruty of ME said the legislation was not passed at the behest of ME. The legislation was initiated by an ME employee who was no longer with the organization. Mr. McCarthy said there were various triggering mechanisms in the law. SMCF was talking about the phrase "failure to re-license" but there were other provisions specifically requiring a closure. The legislature had the option of requiring closure of Bay Meadows as the triggering provision, and chose not to do that. Mr. McCarthy stated what really mattered was the law. Commissioner Shapiro said he understood. However, he stated he talked to a person who handled the legislation, and he believed the intent of the law was to allow the racing association to conduct simulcast wagering. Commissioner Shapiro said SMCF's position did not make sense, and he believed it was using a flaw in the language of the statute to its advantage. As long as BMRA was operating a live racetrack, it was the rightful entity to hold the license. Commissioner Bianco **motioned** in the best interests of horse racing to approve the application for license to conduct satellite wagering of the Bay Meadows Racing Association (S) for the calendar year 2005. Commissioner Moss **seconded** the motion, which was **carried** with Commissioner Moretti **abstaining**.

**DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT SATELLITE WAGERING OF THE SAN MATEO COUNTY FAIR (S).**

---

Agenda item was included in the discussions of the previous item.

**DISCUSSION AND ACTION BY THE BOARD ON THE REQUEST BY THE LOS ANGELES TURF CLUB TO IMPLEMENT THE 10-DAY VETERINARIAN'S LIST FOR THE 2004-2005 RACE MEET, FOR ANY HORSE SCRATCHED AFTER SCRATCH TIME (LATE SCRATCHES), EXCEPT FOR HORSES SCRATCHED AT THE GATE.**

---

Ron Charles of Magna Entertainment Corporation (ME) stated the Los Angeles Turf Club (LATC) requested to implement the 10-day veterinarian (vet's) list for the 2004 - 2005 race meeting. He stated the 10-day vet's list was for any horse scratched after scratch time, except horses scratched at the gate. Mr. Charles said the policy was enforced at Hollywood Park and was strongly supported by Thoroughbred Owners of California and California Thoroughbred Trainers (CTT). He added an industry meeting was scheduled for December 13, 2004, to talk about the implementation of the policy. Chairman Harris said the concept was fine and he would support the request, but the industry needed to look at where it was trying to achieve maximum participation and still have a fair system. He asked if the policy was part of LATC's horsemen's agreement. Mr. Charles said it was a house rule. Ed Halpern of CTT said his organization supported the request with strong reservations. Chairman Harris **motioned** to approve the request by LATC to implement the 10-day vet's list for the 2004-2005 race meet. Commissioner Shapiro **seconded** the motion, which was **unanimously carried**.

**DISCUSSION ON THE STATUS OF TOTAL CARBON DIOXIDE TESTING AND RELATED ISSUES AND MEASURES UNDERTAKEN TO COMPLETE THE RULE MAKING PROCESS.**

---

Commissioner Bianco said total carbon dioxide (TCO<sub>2</sub>) testing and related security matters were issues the Board had worked on for many months. He stated interested parties discussed installing security cameras in the backstretch area of racetracks. Del Mar spent a considerable amount of money on such a system with positive results. However, Commissioner Bianco said security cameras were very expensive, so after a year of observing and listening to the industry, he stated his recommendation was to make detention barns mandatory on all California racetracks. Commissioner Bianco said the industry should be congratulated for taking a proactive approach to the perceived TCO<sub>2</sub> problem. Racing associations spent their own funds to initiate and conduct mandatory TCO<sub>2</sub> testing. Chairman Harris asked if the detention barns would be for every horse entered to race, or for horses trained by trainers with past difficulties. Commissioner Bianco said security guards were currently being used on major race days, it would be cost effective to require all horses to enter a detention barn. Commissioner Moss said he would recommend detention barns for horses of trainers who were under surveillance. If a trainer did not have a history of problems with prohibited drug substances, or excessive levels of permitted drug substances, he should not be penalized. Chairman Harris said he agreed. If there was a problem it should be addressed, but he was concerned that across-the-board detention barns would be costly and could impact performance. Commissioner Shapiro said detention barns would be expensive, however, he was in favor of them. As a compromise, Commissioner Shapiro suggested that any trainer with a positive in a certain drug class should be required to report, with his horse, 24 hours in

advance of a race to a pre-race detention barn. In addition, one race per day should be selected randomly. Commissioner Shapiro said he thought the committee did an excellent job on the security report. He noted there appeared to be a problem with security guards lifting the lip of horses to identify them. Commissioner Shapiro stated he would encourage the Board to ask the associations to hire personnel to perform the function. Not knowing which horses were on or off the grounds was unacceptable. Commissioner Bianco said one of the problem areas was having security guards entering horse trailers or confined areas. He stated microchip technology was an alternative, and was actually less expensive than tattooing horses' lips. Chairman Harris said he believed the Jockey Club was working on a national microchip program. He stated the Board could not take action, but could investigate identification systems. In addition, the cost benefits of detention barns needed to be looked at. Acting Executive Director Roy Minami said the issues of lip tattoo reading; microchips and detention barns would be proper subjects for the Security and Licensing Committee. Chairman Harris said he agreed. He stated he did not believe there was a problem with ringers, and there was no prohibition on taking a horse off the grounds, but the entire issue of security needed to be discussed. Ed Halpern of California Thoroughbred Trainers (CTT) said there were rumors regarding taking horses off the grounds for shockwave therapy. He stated, however, the real problem was accuracy in detailing which horses were leaving or entering the grounds. Mr. Halpern said a solution to the problem was not easy, and should be on the agenda of a committee meeting. He added CTT, Santa Anita and Thoroughbred Owners of California (TOC) had reached an agreement for limited security barns for trainers whose horses positive for TCO<sub>2</sub> level over 37. Mr. Halpern said the idea of including positives for other drug

classifications was worth discussion. The same conditions would be included in the agreement for the Bay Meadows meeting. If a trainer had a TCO<sub>2</sub> positive over 37, his horse would be put in a detention barn for the remainder of the meeting. If additional high positives occurred, there would be further penalties. Drew Couto of TOC said the horsemen's agreement language regarding test barns was a good first step in the process. He stated there was a series of steps escalating the consequences of a positive, and as the TCO<sub>2</sub> language was concluded, TOC began to consider extending it to Class I, II and III violations. Mr. Couto said with the help of the Board, the industry could incorporate language that would include other violations. Ron Charles of Magna Entertainment (ME) said that when his organization tried to introduce random testing it seemed as if everyone had prior knowledge of which race would be tested. He stated there needed to be better security so no one was fore warned. Mike Martin, CHRB staff, said the official veterinarian made the decision regarding which race would be tested only minutes before the tests. Mr. Martin stated the backstretch was the source of a lot of unfounded rumors. Mr. Charles said he was reporting what he knew so the industry would be aware that security needed to be double-checked, if only to ensure credibility of the process. Ed Halpern said the rumors were that persons standing outside the detention barn were calling others to warn them tests were being given. He stated regardless of the rumors, associations should be careful and make sure they do the best possible job. Alan Horowitz of Capitol Racing (CR) said the night harness industry supported TCO<sub>2</sub> testing and detention barns. He stated for 10 years CR had been testing the first two finishers of every race as well putting two races in a detention barn every day. The two races were chosen at random, unless they were stakes races, which were automatically put in the detention barn. Chairman Harris asked how

CR sanctioned any offenders. Mr. Horowitz said on the first high test the horse may not be entered for 30-days. If the horse tests positive a second time, it is excluded. If the trainer of record has two successive high tests within a 12-month period, he is no allowed to participate in the race meeting and denied access to the backstretch. Chairman Harris asked if the policy had been challenged. Mr. Horowitz said the policy was in the horsemen's agreement.

**DISCUSSION AND ACTION BY THE BOARD ON THE REQUEST OF THE CALIFORNIA THOROUGHBRED HORSEMEN'S FOUNDATION, INC., TO APPROVE TWO (2) PERSONS TO ITS BOARD OF DIRECTORS PURSUANT TO CHRB RULE 2049.**

---

John Reagan, CHRB staff, said two directors were appointed to the California Thoroughbred Horsemen's Foundation (CTHF) and under the Board's regulations must be approved. Mr. Reagan stated staff recommended approval of the CTHF request. Commissioner Shapiro **motioned** to approve the request of the CTHF to approve two persons to its board of directors. Chairman Harris **seconded** the motion, which was **unanimously carried**.

**PUBLIC HEARING ON THE ADOPTION OF THE FOLLOWING PROPOSED AMENDMENTS:**

- A. **CHRB RULE 1843.5** - MEDICATION, DRUGS AND OTHER SUBSTANCES PERMITTED AFTER ENTRY IN A RACE.
  - B. **CHRB RULE 1844** - AUTHORIZED MEDICATION.
  - C. **CHRB RULE 1845** - AUTHORIZED BLEEDER MEDICATION.
- 

Dr. Ron Jensen, CHRB Equine Medical Director, said the racing industry had long sought uniformity in drug testing and medication policies. The Racing Medication and Testing Consortium (RMTC), a national organization composed of representatives from all facets of the industry, drafted model rule recommendations that were adopted or modified to fit the

medication rules in California. Dr. Jensen said the proposed amendments to rules 1843.5, Medication, Drugs and Other Substances Permitted After Entry in a Race; 1844, Authorized Medication; and 1845, Authorized Bleeder Medication, were drafted in response to the RMTC recommendations. Dr. Jensen stated Rule 1843.5 was discussed and text was drafted at the August 2004 Medication Committee Meeting. Since that time comments were received that indicated the amendment needed more work. Dr. Jensen said he would recommend the amendment to Rule 1843.5 be put aside so new language could be crafted. Commissioner Shapiro asked if Dr. Jensen would favor Rule 1843.5 being amended only for daytime racing. Dr. Jensen said the amendment, as it was currently written, would present problems for day and night racing. Dr. Jensen stated the amendment to Rule 1844 would change the levels of flunixin and ketoprofen. Flunixin was changed from a level of 0.5 micrograms to 20 nanograms, and ketoprofen was changed from 50 nanograms to 10 nanograms. Dr. Jensen said there were comments that the levels were too low, however, the RMTC recommendations were made after a thorough review of scientific literature concerning the medications. If the medications were given at the manufacturer's recommended dose, by intravenous route, at least 24 hours prior to racing, there should not be any difficulty with the levels. Dr. Jensen stated he would recommend the proposed amendment to Rule 1844 be adopted as presented. Chairman Harris asked if the rule would go into effect immediately if adopted. Dr. Jensen said the proposed amendment would be subject to Office of Administrative Law review and would take at least 60-days to become effective. Chairman Harris said once the regulation was adopted it could be phased in, and the stewards could take the change into consideration. In addition, the majority of trainers used phenylbutazone, which was not changing. Dr. Jensen

stated Chairman Harris was correct. Use of flunixin was only 10 percent throughout the state. Commissioner Shapiro **motioned** to adopt the proposed amendment to Board Rule 1844. Commissioner Bianco **seconded** the motion, which was **unanimously carried**. Dr. Jensen said the proposed amendment to Board Rule 1845 would introduce changes in the authorized bleeder medication procedures. The horse would not be required to demonstrate bleeding to qualify to race with an approved bleeder medication. Dr. Jensen stated most horses would exhibit bleeding at some point, so it became unnecessary to have the requirement. Some jurisdictions required a veterinarian to witness the bleeding, which caused problems for horses from jurisdictions that had no such requirement. Dr. Jensen said the RMTC determined in the interest of uniformity the requirement could be waived. However, trainers with horses running on bleeder medication still had to notify the official veterinarian so the public could be notified via the official program. Dr. Jensen said the proposed amendment to Rule 1845 also changed the maximum and minimum dosages. The maximum dose was currently not more than 250 milligrams. The proposed amendment would have a range of 150 to 500 milligrams. There was a comment that 150 milligrams would not be low enough and some horses should receive as little as 50 milligrams, but that was considerably lower than the manufacturer's recommended dose. Dr. Jensen said 150 milligrams was also less than the recommended dose, and it did not seem unreasonable to expect a detectable level of the drug if the horse was listed as racing with furosemide. Another aspect of the proposed amendment was the specific gravity of urine from horses was subject to testing. Dr. Jensen stated the specific gravity was a measurement of dilution of the urine. The concern with furosemide was that it would dilute urine and make detection of other drugs more difficult. One did not wish to see diluted urine.

If a horse had a specific gravity below 1.010, the corresponding blood sample for the horse would be measured for a quantitation of furosemide. The upper level of furosemide allowed would be 100 nanograms. If the level were in excess of 100 nanograms, it would be considered a violation. Dr. Norm Hester of Truesdail Laboratories said he supported the proposed amendments. He said, however, some studies suggested furosemide might have a performance-enhancing effect. Not everyone agreed with the data, but if there was some controversy, everyone needed to be on a level playing field regarding when and how much furosemide would be administered. The only effective method of determining whether a horse was administered the proper amount at the proper time was to quantitate the plasma. There had to be one criterion that could be enforced. Dr. Hester stated the wording of the regulation implied there had to be a low specific gravity and high plasma level before there was a violation. He recommended the text be made clear that if there was a higher than recommended level in the plasma, it was a violation. Dr. Rick Arthur, a veterinarian and a representative of Oak Tree Racing Association to the RMTC, said the committee discussed Dr. Hester's concerns. He stated the reason the proposed amendment read as it did was horses could have a low specific gravity that was not caused by furosemide. The only issue the RMTC was concerned with was the dilution of the urine. Dr. Arthur said the recommendations had been applied in certain jurisdictions, and he was satisfied with the proposed text as written. Dr. Jensen said the proposed amendment to Rule 1845 also provided that if a urine sample could not be produced, a corresponding blood sample would be quantified. Dr. Hester said he further recommended when prohibited substances were confirmed in the sample, the lab be given the ability to test the plasma to determine if an

attempt had been made to dilute the urine. He stated if that were the case, two penalties would apply. Dr. Hester added that if evidence of an attempt to dilute the urine were found, he believed thresholds should be waived and any level would be a positive. Chairman Harris asked if the diuretic would dilute or concentrate the urine. Dr. Jensen said it would dehydrate the horse, but dilute the urine, and result with a larger volume of fluid in which to look for drug substances. Dr. Hester said he would have the same recommendation if a horse were found with a high TCO<sub>2</sub> level. He stated one of the major effects of bicarbonates was a massive production of urine. Dr. Arthur said Dr. Hester was correct if urine threshold levels were used. He stated, however, the RMTC's goal was to use blood levels, which would not be affected by urine dilution. Dr. Arthur said Dr. Hester's points were well taken, but they were not necessary for the rule and could be addressed another time. Commissioner Shapiro **motioned** to adopt the proposed amendment to Board Rule 1845. Commissioner Bianco **seconded** the motion, which was **unanimously carried**.

**REPORT ON THE CURRENT WORKERS' COMPENSATION, HEALTH INSURANCE AND CATASTROPHIC INSURANCE PACKAGE PROVIDED TO CALIFORNIA JOCKEYS BY THE JOCKEYS' GUILD AND THE CALIFORNIA RACING ASSOCIATIONS.**

---

John Reagan, CHRB staff, stated after jockeys were permanently disabled in accidents in horse racing jurisdictions outside California, staff was requested to determine the insurance available to California jockeys. Mr. Reagan said the State of California offered workers' compensation, so jockeys injured on the job had the program available to them. In addition, California's thoroughbred racetracks offered an additional insurance based on the signature of a waiver and other eligibility requirements. Finally, California Jockeys had a health and welfare program

funded from uncashed refunds. Mr. Reagan said the program cost approximately one million dollars a year and was administered by the Jockeys' Guild (Guild). He stated in comparison to the rest of the nation, California's jockeys had a good program. Commissioner Shapiro said with the recent adverse publicity regarding the Guild the Board wanted to ensure there were funds available for the benefit of jockeys, and to assess the overall situation. He asked if a Guild representative could speak. Albert Fiss of the Guild said in 2002, the Guild had a family health plan insurance plan under Union Labor Life. The policy provided medical insurance for jockeys and their families and medical-claim payments for jockeys injured in non-workers' compensation states. When a jockey was injured at Prescott Downs in Arizona, her medical bills over six months totaled \$650,000. He stated the insurance premiums were then subject to exorbitant increases of 10 percent, 15 percent and 25 percent. Finally, the insurance company announced a 43 percent increase in premiums, so the Guild's executive committee canceled the policy. The Guild management then purchased a one-year catastrophic policy for jockeys injured in non-workers' compensation states. Within a few months the management of the Guild was changed and a person from outside the industry was hired. The Guild's membership subsequently grew from 510 members, who rode approximately 53 percent of all mounts, to around 1,300 members, who rode 95 percent of all mounts. With the increase in membership, insurance premiums also increased. The Guild charged \$3 per mount, but the numbers did not cover the cost of family medical insurance and on-track accident coverage. The Guild was faced with a choice: buy catastrophic insurance to cover jockeys in non-workers' compensation states, or health insurance to cover jockeys, and their spouses and children. Chairman Harris said he understood California jockeys had a million dollars in catastrophic insurance if they

signed a waiver. Mr. Fiss said the insurance was provided through the Thoroughbred Racing Association (TRA). He stated TRA member racetracks could agree to abide by the contract, or could disavow themselves from it. All the thoroughbred tracks in California abided by the TRA agreement. Commissioner Shapiro asked who managed the funds from uncashed pari-mutuel tickets. Mr. Fiss said the CHRB and TRA managed the funds. The Guild was currently contracted as the administrator of the money, and provided the Board with audited financial statements on an annual basis. The 2004 financials would soon be due. Commissioner Shapiro commented that recent articles that alluded to irregularities within the Guild were a cause for concern. He stated the Board wanted to ensure that California jockeys received the coverage they were paying for. Commissioner Bianco asked if there had been a decrease in uncashed pari-mutuel ticket funds since the inception of advance deposit wagering. Mr. Fiss said under the statute the fund received 20 percent of the uncashed tickets, and he did not know if the total value of uncashed tickets had changed. He added he had warned California jockeys that with new technology there could be a significant decrease in the funds and a source of new funding would have to be found. Chairman Harris said new funding would be a subject for legislation; however, the current California system was in good shape. Mr. Fiss stated California was a model state. In other states there was nothing distinguishing the various needs of jockeys. A catastrophic policy might cover immediate medical expenses, but would not cover the jockey's on-going needs. Chairman Harris asked if the waivers signed by California jockeys covered owners and trainers. Drew Couto of Thoroughbred Owners of California (TOC) said he was unsure of the coverage, but workers' compensation covered all medical and associated benefits with an industrial-related accident. Jack Liebau of Bay

Meadows Racing Association said if the jockey signed the waiver, he gave up his claim against the racetrack. He stated he thought the tracks had not been as aggressive as they could in educating jockeys regarding their options. Mr. Couto said the TOC was the party responsible for negotiating with the Guild for jockey's health and welfare benefits paid under unclaimed refunds. He stated TOC was not aware of any documents indicating what coverage the Guild purchased, and what benefits had been paid, or the cost of those benefits. Mr. Couto said it was unclear if the Guild was self insured, or if the insurance was carried by a third party. He stated the TOC requested the Board to ask the Guild for clarification regarding policies purchased under the program. Mr. Fiss said TOC could request the information absent the Board's involvement. He thought the information had been provided, but if not, he would make sure it was. Mr. Fiss added the family health insurance policy was the same policy provided to all jockeys. Commissioner Shapiro asked if the Guild had given thought to purchasing a policy above a million dollars for the benefit of jockeys? Mr. Fiss said the Guild had not as there were no funds to cover such costs. Chairman Harris commented that individual jockeys needed to be counseled on the options for disability insurance or other such vehicles. He stated he did not think the industry could provide unlimited benefits. Commissioner Shapiro asked if the Guild talked to jockeys about signing the track waiver, or about insurance options. Mr. Fiss said the Guild did speak to jockeys about insurance, but it was also the Guilds position that racetracks were responsible for providing coverage. Chairman Harris said he agreed the tracks should have some coverage, but the Guild was doing a disservice to its members if it gave them the impression it was taking care of everything. Individual jockeys needed to take some responsibility for their insurance needs as

the industry did not have unlimited funds. Drew Couto said if a jockey were injured on the racetrack the workers' compensation system would provide full coverage. He added, though, it would be wise to carry an individual disability policy to cover loss of income. Mr. Fiss said jockeys should be looked at in two classifications. There were those whose income allowed them to purchase insurance, and there was the majority, who could not afford such insurance. Commissioner Shapiro agreed, but he said many jockey might not understand or were not being educated enough to make informed decisions. Commissioner Shapiro stated it did not appear that was happening, as there was currently a jockey who thought he had insurance, was paralyzed, and was penniless. He said that was an intolerable situation for an industry that dealt with billions of dollars.

**DISCUSSION AND ACTION BY THE BOARD ON THE MATTER OF THE BOARD FORMING AN AD-HOC COMMITTEE TO STUDY, EXAMINE AND RECOMMEND MEASURES TO IMPROVE CALIFORNIA HORSE RACING'S POPULARITY AND PERFORMANCE.**

---

Commissioner Shapiro said anyone who had been involved in horse racing for a number of years was aware that the industry was in decline. He stated he believed the industry needed to take dramatic steps to revive racetrack attendance. Commissioner Shapiro commented it did not appear the industry would soon get relief from slot machines, so to help accomplish that goal he suggested a committee be formed to explore stopgap measures. He stated great strides had been made in security and medication, but the industry needed to revive on-track attendance, or it would become a studio sport. Commissioner Shapiro added he was not a fan of committees, but he was hopeful the industry could get some relief if it could go to the governor with a plan and demonstrate the sport needed a break. Chairman Harris asked how

Commissioner Shapiro proposed to form the committee. Commissioner Shapiro said he would be contacting racetrack management to determine interest, and he hoped owners, trainers and jockeys would also participate. He added Commissioner Moss would join him on the committee. Commissioner Bianco asked if a report on the expenditure of marketing dollars could be generated. He stated he did not believe the industry was getting the return it should see. Acting Executive Director Minami said staff would act as a clearinghouse for the names of any interested parties.

**ELECTION OF CHRB CHAIRMAN AND VICE-CHAIRMAN.**

---

Commissioner Shapiro **motioned** to re-elect Chairman Harris as Chairman and elect Commissioner Bianco as Vice-Chairman. Commissioner Moss **seconded** the motion, which **unanimously carried**. Chairman Harris said item 15 of the agenda would be postponed.

**MEETING ADJOURNED AT 2:38 P.M.**

A full and complete transcript of the aforesaid proceedings are on file at the office of the California Horse Racing Board, 1010 Hurley Way, Suite 300, Sacramento, California, and therefore made a part hereof:

---

Chairman

---

Executive Director

**STAFF ANALYSIS  
NTRA PLAYERS PANEL**

**REGULAR BOARD MEETING  
JANUARY 20, 2005**

**Background:**

The NTRA Players Panel was formed in 2003 as an advisory body to the NTRA. The attached report is the result of the Panel's work and is a substantial list of far-reaching recommendations that touch on matters of Pool Mergers, Taxation of Winnings, Alternate Selection Policies, and Customer Service to name just a few. A number of these subjects have been addressed by the Board in the last few years, but the Panel's recommendations are very specific and deserve a closer look.

Although the list can be reviewed in a few minutes, the matters pertain to serious subjects that will need time for full discussion and resolution. Staff believes that the Panel's report should be assigned to suitable CHRB committees for further discussion.

**Recommendation:**

Staff recommends that the Board refer this matter to appropriate committees.

**NTRA Players Panel**  
Policy Recommendations  
November 14, 2003

Accompanied by a brief statement of the problem, below is a list of the policy recommendations that have followed from investigations and the panel's position papers on seven subjects of serious concern and importance to the customers of Thoroughbred racing. The NTRA Players Panel was formed in spring of 2003 as an advisory body to the National Thoroughbred Racing Association (NTRA) and broader industry on pari-mutuel matters of greatest concern to the bettors.

Members of the NTRA Players Panel:

Ponti Compagna, Texas  
Paul Cornman, New York  
Dave Cuscuna, Florida  
Andy Cylke, California

Cary Fotias, New York  
David Gutfreund, Illinois  
Ken Kirchner, Kentucky  
Mike Maloney, Kentucky

Barry Meadow, California  
Jim Mineo, Florida  
James Quinn, California  
Maury Wolff, Maryland

**Subject.** *Integrity of the Pools/Late Mergers*

The late mergers of simulcast pools at the host tracks following the off-times have resulted in unacceptably late and significant drops in the odds after the horses have left the starting gates. The phenomenon has contributed to a perception that sophisticated bettors are using technology to past-post the races, and to a real loss of value that subverts the handicapping and wagering goals of all the bettors.

*Recommendations:*

1. Until the technology of the tote companies has been upgraded to facilitate real-time transmission of the wagering data from the simulcast sites to the hubs to the host tracks, reduce the final two cycles of data processing and odds changes to 15-10 seconds.

2. Eliminate the cancellation times at all tracks (hosts) and simulcast sites (guests).
3. Transmit the win-wagers from the hubs to the hosts before the several pari-mutuel pools have been aggregated at the hubs.
4. Transmit the exacta-wagers in priority to the other exotic pools, provided the transmission would not delay the calculations and postings of the win-odds.
5. Post the odds-changes to the closed circuit broadcasting system prior to posting the odds-changes on the tote boards.
6. Post the final two cycles of wagering data at the host tracks and on the host tracks' web sites.
7. Require the totes to post reports of cancelled wagers during the final three cycles of wagering, including amounts, wagering sites, and window numbers.
8. Inform the bettors as to how their wagers are being processed from the guests to the hubs to the hosts.
9. Do not merge simulcast pools at the host tracks after 30 seconds following the off-times.

**Subject.** *The Takeout Rates*

Takeout rates can be considered artificially high, notably in the era of full-card simulcasting, whereby bettors can make dozens to hundreds of wagers a day. The system of legislated takeout rates in the several states robs the tracks of the flexibility they need to identify and set optimal takeout rates for the several pools. Virtually all known studies of the dynamics of pari-mutuel wagering indicate an inverse relationship between takeout rates and handle, such that a reduction in takeout inevitably results in significantly greater handle.

*Recommendations:*

1. Conduct a series of 'executive seminars' on the history and effects of takeout rates for state legislators, track officials, and horsemen.
2. Beyond minimal standards, gradually shift the authority and responsibility for establishing takeout rates from legislatures and state racing boards to the local tracks, the transition and its effects to be monitored by the racing boards and state commissions, and reported to the legislatures.

3. Promote the incremental reductions of takeout rates on exotic wagers, as the local tracks prefer.
4. Deregulate the setting of takeout rates, the takeout rates for the several pools to be determined ultimately by the market.

**Subject.** *Taxation*

The federal withholding thresholds and accompanying rates are obsolescent in the contemporary context of exotic wagering, whereby even small bettors routinely are cashing superfectas and pick-4s which will have severe tax consequences. Not only do the current tax rules erode the bettors' cash flow, but also they reduce the tracks' daily and weekly churn by millions of dollars. High-end bettors are being penalized so seriously the reductions in cash flow for as long as 18 months can cause serious financial complications in their personal and family lives. In addition, the reporting requirements of the tax code should be regarded as overly complicated and unfair to racetrack bettors.

*Recommendations:*

1. Increase the federal withholding threshold on racetrack winnings from the current \$5,000.00 to \$25,000.00.
2. Raise the IRS reportable income threshold from the current \$600.00 (300-1) to \$1,500.00 (750-1) on a \$2.00 wager.
3. Lower the federal withholding tax rate on racetrack winnings from the current 25 percent to five-ten percent.
4. Instead of the \$2.00 base bet, deduct the actual amount wagered on a winning ticket from the pari-mutuel payoff to determine whether the IRS reporting threshold of 300-1 has been reached.
5. Racetrack wagering losses should be reported as an adjustment to gambling income, or as a deduction against winnings 'above the line,' and not as an itemized deduction.
6. Allow racetrack bettors who use Schedule C to opt out of withholding requirements, similar to other businesses and self-employed individuals, i.e., to pay quarterly estimated taxes instead, and to obtain quarterly refunds where withholding taxes have been excessive.
7. Net racetrack wagering losses in any tax year should carry forward to future tax years against wagering winnings, similar to capital losses and net operating losses, et.al.

8. Racetrack bettors having off-track wagering accounts should be subject to withholding based upon their net income in the accounts at the time of their winnings. (*subject to revision*)

**Subject.** *Rebate Policy*

A relatively small number of bottom line oriented bettors are responsible for a significant percentage of industry handle. These bettors are extremely price sensitive. The explosion of available racing information, combined with high takeout rates, has made it very difficult to bet large amounts and still show a profit. One or two percent changes in their effective takeout rate will result in significant changes in their handle. If tracks continue to raise fees there will be a dramatic decrease in handle from this group. Pricing some off track distribution partners out of the market through higher fees will not bring handle back on track, but rather will reduce total handle and net revenues, as happened in Nevada in the late 1990's.

Businesses that pay a rebate and go into the pari-mutuel pools pay tens of millions of dollars in host track and horsemen's fees due to the high volume their discounting creates. The competitive nature of their business has forced them to trim their margins to one or two cents on the dollar. Any changes in fees are directly passed on to their price-sensitive customers. Rebates have created a new set of opportunities for bottom line oriented bettors resulting in hundreds of millions of new dollars being brought into the industry, as well as dramatically increasing levels of play from those already in it.

*Recommendations:*

1. An industry rebate policy that lowers takeouts in some fashion is desirable. The current system, which takes advantage of the differences in regulatory climates across jurisdictions, and competition among vendors, has succeeded in lowering takeouts to most of these customers, and substantially increased wagering on horse racing.
2. Rather than increasing the costs to their most price-sensitive customers through higher fees to certain distribution partners, racing should look for ways to decrease the costs to all. The number of wagering opportunities simulcasting presents allows racing to come closer to the higher volume, lower takeout models that casinos have effectively used to achieve an optimal hold.
3. Racing should continue to take advantage of the efficiency created by the current system in pricing its product to these bottom line oriented bettors.

This will enable racetracks and horsemen's groups to continue to benefit from the increased handle created by rebates.

4. There are large numbers of customers betting without rebates that can be better served by racetracks than they are today. Many of these bettors are more interested in the social interaction and entertainment provided by the on-track experience than are the high-end gamblers motivated by strictly bottom line considerations. The intrinsic value of being on track is high enough to these bettors that a small rebate offered in conjunction with a package of individually customized services would provide enough incentive for them to remain on track.  
Dining-room tables, private high-roller rooms, comped food, box seats, and parking stickers are some of the basic rewards that tracks can provide. A concierge service similar to Del Mar's great program is a more direct and personalized approach the tracks can use with their best on-track patrons.
5. Any mechanism that either directly or indirectly lowers takeout rates will result in greater handle, profits, and a healthier industry.

***Subject. Arbitrary Transfer of Wagers to the Favorites Following Late Scratches in Pick-3 and Pick-4 Wagering***

When late scratches occur in Pick-3 and Pick-4 wagering, after betting has begun, most tracks arbitrarily transfer the combinations that include the scratched horses to the betting favorites. The practice is patently and irredeemably unfair to the bettors. Racing's regular customers and bigger bettors have been abused most often, as when the key horse they have singled in the middle leg of a \$200.00 Pick 3 wager has been scratched en route to the gate, and the bettors are assigned instead the favorite they were betting against. The losses for most regular larger bettors already have added to thousands. The changes advocated below are modeled on current practices already in place in New York.

***Recommendations:***

1. Where late scratches occur in the first legs, refund all monies for the combinations that include the scratched horses.
2. Where late scratches occur in the middle and final legs, provide consolation payoffs to the bettors that have combined the scratched horses with the winners in the other legs, similar to traditional procedures applied to late scratches in the daily doubles.
3. In Pick-3 and Pick-4 wagering, where one horse of an entry is a late scratch, the other horse(s) runs as a non-betting interest for purse money only, and the

bettors obtain refunds or consolation payoffs, as determined by the situations above.

4. In Pick-6 wagering, provide bet cards that allow bettors to select alternate horses in each of the six legs; no consolation payoffs.

**Subject.** *Integrity of the Entries/Late Scratches*

Stakes races apart, horses not intended to run after being entered to run are supposed to be scratched at a specified hour on the day before the races will be run. Late scratches routinely should occur only for legitimate medical and soundness reasons, as validated by the track veterinarians. Many horsemen have been scratching out late for competitive reasons instead, after examining the entries, the assigned posts, and the probable pace. The illicit practice has exacerbated the problems associated with small fields, and should be considered annoyingly complicating and unfair to handicappers and bettors.

*Recommendations:*

1. Horses that qualify as late scratches for designated medical and soundness reasons must remain on the vet list, unable to race, for 10 days.
2. The use of two arbitrary late scratches in fields of 10 or more should be limited instead to full fields of 12 or more horses.
3. Accountability procedures should be implemented to document the integrity of late scratches, i.e.
  - vets would indicate in writing when horses have been treated, for what conditions, by what procedures, and by whom
  - trainers would indicate in writing when horses on the vet lists will have worked out and when they might be intended to run
  - stewards would indicate in writing the horses on the vet lists that have been randomly selected to be tested to verify that the intended medical treatments have been administered
  - the results of random testing of horses on the vet lists should be provided to the public on a periodic schedule
4. Punitive measures, to include fines and suspensions, should be invoked against repeated abusers of the scratch rules, as determined by the stewards.
5. Abolish the use of conditional entries.

6. Following gate scratches of favorites and low-priced contenders, allow a three-minute delay so that bettors might cancel or restructure wagers; following gate scratches of longer-priced horses above 6-1, allow a one-minute delay.

**Subject.** *Customer Service*

Full-card simulcasting and the advances in the exotic-wagering menus have held out serious implications for customer services. Most tracks have not recognized their on-track and off-track customers' contemporary needs and wants. The important enhancements and reforms can be grouped under two broad categories, *information services* and *simulcast productions*. A third category of preferred services can be designated *miscellaneous services*. Track officials should be mindful that on-track customers will be playing multiple tracks simultaneously, and that approximately 85 percent of the handle on the live product will be wagered at simulcast sites.

*Recommendations:*

1. Information services

- 1.1 Will-Pays

- Win-Place-Show payoffs, Doubles, Exactas, and Quinellas should be posted in \$2.00 denominations.
- Trifectas, Superfectas, and the serial bets of three races or more should be posted in \$1.00 denominations.
- The Pick-6 should be posted as a \$2.00 bet, as usual.
- Reason: this is the way the great majority of horseplayers bet, and the reporting standards should reflect the wagering habits of the customers.

- 1.2 Late Changes

- Late scratches, surface changes, jockey changes, and equipment & medication changes should be updated continuously throughout the programs.
- Electronic "crawl" boards should be a continuous part of the on-track closed-circuit programs, or an adjunct to the tote boards in the infields.
- Designate special "fields" on scratch vouchers for surface changes from turf to dirt.
- Designate special "fields" on scratch vouchers for the parts of entries, i.e. 1, 1A, 1B and 2, 2A, and 2B.

### 1.3 The Probables

- Exacta probables are best reported on electronic matrix boards that display all the possible combinations, in preference to the customary scrolls on the monitors that can be inefficient and time-consuming.
- No need to display the probables for trifecta combinations; instead tracks might display the amounts to win-place-show for each horse in the trifecta pools, as well as the odds equivalents in percentages as between the win pools and the trifecta pools, i.e., Horse A has 25% of the win pool, but only 10% to win of the trifecta pool.
- The odds equivalents in percentages can be reported for each horse in each of the exotic pools available for the race, i.e. Horse A has 15% to win of the trifecta pool, 12% to win of the superfecta pool, and 10% to win of the Pick-3 pools.

### 1.4 Workouts

- Procedures for monitoring and reporting workouts should be modeled on the California system, including official clockers.
- All workouts must be reported accurately and in a timely manner to the wagering public and to the Daily Racing Form.

## 2. Simulcast productions

### 2.1 Graphics

- Basic race information is best displayed top left, or top right, in a way that does not obscure the inspection of the horses from head to toe.
- Provide a continual electronic "crawl" of the late changes at all the simulcast tracks, updated throughout the programs, as simulcast bettors cannot hear the simulcasts' audio feeds and track announcers.
- Race information should include the next post times at the simulcast tracks.

### 2.2 Body language

- Horses must be shown from head to toe
- Each horse should be shown in post-position order in the paddock and while walking during the post parade.
- Show the warm-ups as continuously as tracks can, especially when favorites and low-priced contenders begin to stride out, as well as any unusual galloping incidents.
- White wraps front and back should be preferred to dark wraps and gray wraps.

## 2.2 Camera positions

- Improve the consistency of camera angles from track to track.
- Pan shots of the breaks from the starting gates are preferred to head-on shots.
- During the runnings of the races, provide split screens of the leaders and the entire fields.
- Use wide-angle shots of the entire fields coming off the far turn and into the upper stretch.
- Toward the finishes, provide close-up shots or wide-angle shots of the winners and close runners-up, as dictated by the competition.

## 3. Miscellaneous

STAFF ANALYSIS  
PROPOSED ADDITION OF RULE  
1843.6. TOTAL CARBON DIOXIDE TESTING

**ITEM - 3**

Regular Board Meeting  
January 20, 2005

**BACKGROUND**

Business and Professions (B&P) Code Section 19580 provides that the Board shall adopt regulations relating to equine medication to preserve and enhance the integrity of horse racing. B&P Code Section 19581 states that no substance of any kind shall be administered by any means to a horse after it has been entered to race unless the Board has, by regulation, specifically authorized the use of the substance and the quantity and composition thereof.

Some persons believe lactic acid, which is produced by intense exercise, and is a factor in causing fatigue, can be neutralized by the administration of an alkaline substance such as bicarbonate. This has resulted in the use of alkalizing agents, or "milkshakes," which are administered to a racehorse in an attempt to alter the performance of the horse. To determine if alkalizing substances are being administered, the CHRB and the racing industry conducted a non-regulatory survey of total carbon dioxide (TCO<sub>2</sub>) levels in horses racing in California. Over 700 horses have been included in the survey. The survey demonstrated alkalizing substances are being administered to some horses. This has resulted in the proposed addition of Rule 1843.6, Total Carbon Dioxide Testing.

**ANALYSIS**

The proposed addition of Rule 1843.6 will allow the official veterinarian, a veterinarian licensed by the Board or a registered veterinary technician licensed by the Board to collect blood samples for the purpose of TCO<sub>2</sub> testing from any horse that is entered to race. The stewards or the official veterinarian must select the horse, and samples may be taken pre-or-post race. Entry of a horse constitutes permission for the taking of such samples. An owner, trainer or any person responsible for the horse that refuses or fails to permit the taking of a sample shall be considered in violation of Rule 1930, Obedience to Security Officers and Public Safety Officers, and shall have the horse declared ineligible to race by the stewards. Rule 1843.6 sets maximum levels of TCO<sub>2</sub> at 37.0 millimoles per liter of blood serum or plasma. Because TCO<sub>2</sub> test samples have a short shelf life it may be difficult or impossible to provide a split sample. Therefore, the provisions of Rule 1859.25, Split Sample Testing, shall not apply to samples collected under Rule 1843.6.

**RECOMMENDATION**

Staff recommends the Board adopt the proposed regulation as presented.

CALIFORNIA HORSE RACING BOARD  
TITLE 4. CALIFORNIA CODE OF REGULATIONS  
ARTICLE 15. VETERINARY PRACTICES  
PROPOSED ADDITION OF  
RULE 1843.6  
Total Carbon Dioxide Testing

Regular Board Meeting  
January 20, 2005

1843.6. Total Carbon Dioxide Testing.

(a) At the direction of the official veterinarian, a veterinarian licensed by the Board or a registered veterinary technician licensed by the Board may collect blood sample(s) from a horse for the purpose of testing for total carbon dioxide (TCO<sub>2</sub>) concentrations. Such blood sample(s) shall be collected under the provision of Rule 1859 of this article, and may be collected pre-race or post-race.

(b) Any horse on a facility under the jurisdiction of the Board may be selected by the stewards or the official veterinarian for TCO<sub>2</sub> testing.

(c) Any owner, trainer, or other person responsible for a horse who refuses or fails to permit the taking of test sample(s) from such horse shall be deemed in violation of Rule 1930 of this division and shall have the horse declared ineligible to race by the stewards.

(d) TCO<sub>2</sub> levels in the blood serum or plasma shall not exceed:

(1) 37.0 millimoles per liter of serum or plasma.

(2) If the official laboratory reports TCO<sub>2</sub> levels in excess of 37.0 millimoles the penalty for administrative purposes shall be considered a Class three-medication violation.

(e) The provisions of Rule 1859.25 of this article shall not apply to blood sample(s) collected for TCO<sub>2</sub> testing.

Authority: Sections 19420, 19440, 19580 and 19582.5,  
Business and Professions Code.

Reference: Sections 19581 and 19582,  
Business and Professions Code.

**STAFF ANALYSIS**  
**UPDATE ON CAPITOL RACING LLC**

REGULAR BOARD MEETING  
JANUARY 20, 2005

**Background:**

At the October 2004 Board meeting the license of Capitol Racing, LLC, was approved by the Board with two conditions: that audited financial statements for 2003 be forwarded to the Board and that the \$1 million bond currently on file with the Board be supplemented with another \$1 million bond or irrevocable letter of credit. Capitol Racing has met those conditions and the items are included here for your review. With regard to the financial statements, staff has serious concerns about the merit of assets such as the "restricted assets for impact fees". The bulk of this item (\$1.4 million) is a receivable from Los Alamitos that has been linked with the impact fee dispute. This item has not been booked before and placing it in the asset category at this time does not seem advisable. Also, Note 9 to the financial statements is missing. Overall, the balance sheet of Capitol Racing as of 12/31/2003 is not a strong one.

In addition, since the October meeting letters from Friedberg & Parker, and a letter to Ben Kenney of the CHHA from Richard English, have been received questioning Capitol's handling of some of the distributions of the handle and of the outstanding tickets and refunds. Staff has had time to resolve some of the issues raised in the letters and continues to work with all parties to resolve the remaining issues.

First, as indicated above, the financial statements have been received addressing the first two items in the Friedberg letter. Both the Friedberg letter and the English letter question the handling of the distribution of the .5% funds pursuant to Section 19605.7(c). This section (included in this package) allows the association and horsemen to make a written agreement as to how to distribute those funds. Although prior agreements do not specifically address this particular .5%, they do indicate that funds generated from simulcast wagering will be split 50-50. However, Alan Horowitz of Capitol Racing has asserted to CHRB staff that prior non-written agreements with the harness horsemen allowed Capitol to retain those funds over the course of four years totaling approximately \$2 million (if split it would amount to \$1 million for each of the parties).

Another item in the two letters is the handling of the SCOTWINC surpluses. These surpluses arise when the 6% expense fund for simulcasting accumulates more than needed during a given year. The surplus is then returned to the association and the amount is split with the horsemen. Staff has reviewed Capitol's purse account and has found these funds are being handled properly.

The final item is still under review. It is in regard to the distribution of the outstanding tickets and refunds from imported racing. The law requires that these funds be split between the association and the horsemen. Staff will advise the Board when this matter is resolved.

**Recommendation:**

Staff recommends that the Board hear from interested parties regarding these issues.

CAPITOL RACING, LLC

BALANCE SHEET

DECEMBER 31, 2003

Independent Auditors' Report

Board of Directors and Members  
Capitol Racing, LLC

We have audited the balance sheet of Capitol Racing, LLC as of December 31, 2003. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Capitol Racing, LLC as of December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

*Sense, Zezoff + Co.*

Sense, Zezoff & Co.  
Certified Public Accountants

December 31, 2004

CAPITOL RACING, LLC  
(A Limited Liability Company)  
BALANCE SHEET  
DECEMBER 31, 2003

ASSETS

Current assets:

Cash and cash equivalents	\$ 147,455
Accounts receivable	876,961
Prepaid expenses	168,006
Overpaid purses receivable	754,531
Total current assets	1,946,953
Restricted assets for impact fees	1,936,137
Equipment, net of accumulated depreciation of \$792,175	420,034
Goodwill	139,207
Advances to horsemen, net of allowance for uncollectable accounts of \$1,424,088	161,048
Long-term deposits and other assets	258,333
Total assets	\$ 4,861,712

LIABILITIES AND MEMBERS' CAPITAL

Current liabilities:

Accounts payable	\$ 2,723,221
Line of credit	-
Notes payable to horsemen	126,000
Total current liabilities	2,849,221

Commitments and contingencies

Members' capital	2,012,491
Total liabilities and members' capital	\$ 4,861,712

The accompanying notes are an integral part of this financial statement.

CAPITOL RACING, LLC  
(A Limited Liability Company)  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2003

NOTE 1 - DESCRIPTION OF BUSINESS:

Capitol Racing, LLC (the "Company") is a California limited liability company which engages in the operation of harness races and the transmission of television simulcasts of these races. The Company operates harness racing meets in accordance with California Horse Racing Law. The meets are held at the racetrack on the grounds of the California Exposition and State Fair in Sacramento.

The Company leases its facility from the State of California and is granted a license to conduct its meets by the California Horse Racing Board. The granting of the license and the continuing ability to lease the facility are critical elements in the continuation of the business in its current form.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES:

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reporting amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers financial instruments with a fixed maturity date of less than three months to be cash equivalents.

CAPITOL RACING, LLC  
(A Limited Liability Company)  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

(Continued):

Accounts receivable

At December 31, 2003, the Company's accounts receivable consisted of the following:

Southern California Off-Track Wagering, Inc.	\$ 292,118
Various other in-state and out-of-state wagering facilities	61,635
Advanced deposit wagering facilities	492,505
Employee and other advances	30,703
	<u>\$ 876,961</u>

Advertising costs

The Company expenses advertising costs as incurred.

Equipment

Equipment is recorded at cost. Depreciation is computed using the double declining balance method of depreciation over the assets' estimated useful lives of five to seven years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

Income taxes

The Company is not a taxpaying entity for federal or California income tax purposes, and thus no income tax expense has been recorded in the statements. Income from the Company is taxed to the members in their individual tax returns.

California Horse Racing Law

The California Horse Racing Law has established the fixed percentages of the total pari-mutuel handle, which have been retained or paid for license fees, commissions, breakage, purses and awards.

CAPITOL RACING, LLC  
(A Limited Liability Company)  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES  
(Continued):

Accounting for Impairment of Long-Lived Assets

The Company accounts for the impairment of long-lived assets and certain identifiable intangibles by reviewing these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

NOTE 3 - EQUIPMENT:

Equipment is summarized by major classification as follows:

Track equipment, vehicles and other equipment	\$ 866,763
Paddock tent	256,989
Office equipment	88,457
	<hr/>
	1,212,209
Less accumulated depreciation	(792,175)
	<hr/>
	\$ 420,034

NOTE 4 - ADVANCES TO HORSEMEN:

The Company made advances to several horsemen in the aggregate amount of \$1,585,136 during the years 2000 through 2003. The advances are undocumented and therefore bear no rate of interest and no terms for repayment. Management has established a reserve of \$1,424,088 for potentially uncollectable accounts. The amount of \$161,048 shown on the December 31, 2003 balance sheet is the net of these amounts.

CAPITOL RACING, LLC  
(A Limited Liability Company)  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2003

NOTE 5 - IMPACT FEES LITIGATION:

Los Alamitos Race Course (Los Alamitos) claims that it is entitled to receive impact fees for taking the harness racing satellite signal from the Company. The Company believes that, under legislation passed in 1999, they are not legally obligated to pay the impact fees. The matter was taken before an Administrative Law Judge (ALJ) who ruled in the Company's favor and denied the claim of Los Alamitos. The California Horse Racing Board (CHRB), despite the ALJ's ruling, subsequently directed the Company to pay impact fees to Los Alamitos.

The Company has taken exception and is currently litigating the CHRB's directive. The Company's legal counsel believes that the Company is likely to prevail and will not be obligated to pay the fees. Los Alamitos' claim for impact fees, as of December 31, 2003 is in excess of \$3,500,000. In the event the litigation is settled unfavorably to the Company, management contends that 50%, or approximately \$1,750,000 of this amount would be paid by the horsemen's purse pool. The amount of the impact fees liability has not been determined because it is contingent upon the outcome of the current litigation and is therefore not recorded on the Company's financial statements.

In conjunction with the pending litigation, the Company has deposited \$553,419 into a restricted cash account and the members of the Company have posted a \$1,000,000 bond. In February 2004, the CHRB ordered the Company to pay \$500,000 of this amount held in the restricted cash account to Los Alamitos so Los Alamitos could hold these funds until the impact fee matter is resolved. The CHRB also allowed Los Alamitos to retain amounts due to the California harness horsemen's purse pool related to unopposed imported races which amounts to \$1,382,718 as of December 31, 2003. In addition, commencing in March 2004, the CHRB required the Company to deposit amounts equal to 50% of potential future impact fees, based on the original formula, into an account held by the CHRB. All of these assets will be returned to the Company if the impact fee matter is resolved in favor of the Company or will be used to pay impact fees.

CAPITOL RACING, LLC  
(A Limited Liability Company)  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2003

NOTE 5 - IMPACT FEES LITIGATION - (Continued):

Restricted assets for impact fees consist of the following as of December 31, 2003:

Restricted cash account	\$ 553,419
Receivable from Los Alamitos	<u>1,382,718</u>
	<u>\$ 1,936,137</u>

NOTE 6 - OVERPAID PURSES RECEIVABLE:

The Company has in many cases paid purses that were in excess of the amount paid by the horsemen's purse pool based on the pari-mutuel formula. At December 31, 2003, overpaid purses amounted to \$754,531. The Company has substantially collected this amount in 2004.

NOTE 7 - NOTES PAYABLE TO HORSEMEN:

At December 31, 2003 the Company holds notes payable to horsemen in the amount of \$126,000 which bear interest at 10%. The notes were entirely repaid during 2004.

NOTE 8 - LEASE AGREEMENTS:

The Company leases the racetrack at the California Exposition and State Fair (Cal Expo) from the State of California which expires on July 31, 2005. The lease calls for annual lease payments of \$2,100,000 and requires the Company to expend \$200,000 per year on capital improvements. The Company can terminate the lease if the California Horse Racing Board fails to grant the Company a license to hold its harness racing meets for a minimum number of days. The lease agreement also requires the Company to provide maintenance for the facility, carry certain minimum insurance, and provides rules for sharing concessions and gate revenue.

CAPITOL RACING, LLC  
(A Limited Liability Company)  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2003

NOTE 8 - LEASE AGREEMENTS - (Continued):

The Company also leases certain office space under a three-year lease, which expires in August 2005. The approximate future minimum lease payments due under the office lease at December 31, 2003 are as follows:

Years ended December 31,	
2004	\$ 38,784
2005	<u>22,624</u>
	<u>\$ 61,408</u>

NOTE 10 - LINE OF CREDIT:

The Company maintains a line of credit with Merrill Lynch Business Financial Services, Inc. The agreement expires on March 31, 2005 and provides for borrowings up to \$600,000 at an interest rate equal to the "30 - Day Commercial Paper Rate" plus 3.15%. At December 31, 2003, the rate was 4.16%, and the Company had no outstanding borrowings. The agreement is guaranteed by the members of the Company.

NOTE 11 - CONCENTRATIONS OF CREDIT RISK:

The Company maintains its cash balances in two financial institutions in California. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of December 31, 2003, the Company's uninsured balances were \$69,605.

NOTE 12 - COMMITMENTS AND CONTINGENCIES:

Besides the Impact Fee Litigation described in Note 5, the Company is subject to various legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, and legal counsel where appropriate, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Company.



**IRREVOCABLE STANDBY  
LETTER OF CREDIT #42**

December 28, 2004

To: California Horse Racing Board

We hereby establish our Irrevocable Standby Letter of Credit in favor of the California Horse Racing Board ("CHRB") for the account of Capitol Racing LLC, a California limited liability company ("Capitol Racing"), 16935 W. Bernardo Drive, Suite 190, San Diego, CA 92127, in the amount of One Million and 00/100 (\$1,000,000.00) U. S. Dollars available at Rancho Bernardo Community Bank by payment against your drafts at sight to be accompanied by:

A signed statement by a representative of CHRB that the amount drawn under this Letter of Credit represents an amount owed to CHRB and unpaid by Capitol Racing, and that the special conditions detailed below have been met.

Partial drawings permitted.

This Letter of Credit shall expire on December 28, 2005, provided, however, that it shall be deemed automatically renewed without amendment for an additional 365 days from the present or any future expiration date hereof, unless thirty (30) days prior to any such date, CHRB shall have received notice by certified mail, return receipt requested, that we elect not to consider this letter of credit renewed for any such additional period.

**SPECIAL CONDITIONS:** Notwithstanding the above, this letter of credit shall be available by CHRB's drafts at sight accompanied by:

- (a) A final judgment or order against Capitol Racing in the litigation entitled *Capital Racing v. CHRB*, Superior Court of Sacramento County, Case No. 02CS01033 (the "Case"), where said final judgment or order requires Capitol Racing to pay monies to the Los Alamitos Quarter Horse Association ("LAQHRA") after all of Capitol Racing's appeals based on any of the issues presented in the Case are exhausted; and

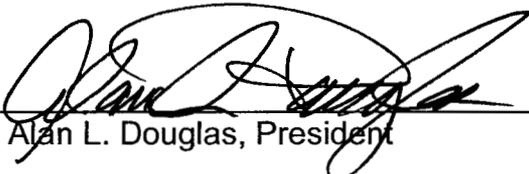
The sum of 1,000,000.00 Dollars

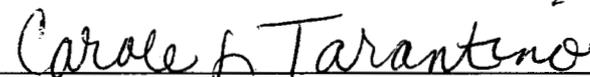
- (b) The following sources of funds are not sufficient to satisfy the amount of the final monetary judgment or order against Capitol Racing in the Case: (i) the \$500,000 previously deposited by Capitol Racing with LAQHRA as security for a potential final monetary judgment against Capitol Racing; (ii) the approximately \$1.3 million that Los Alamitos Race Course currently owes the horsemen racing for Capitol Racing for reasons unrelated to the dispute that is the subject of the CHRB's May 12, 2003 Decision, or the issues in the Case; and (iii) the total amount of the weekly deposits Capitol Racing is paying to the CHRB pursuant to that certain agreement between Capitol Racing and CHRB, which was entered into between Capitol Racing and the CHRB at a meeting of the California Horse Racing Board on February 19, 2004 (which deposits CHRB is accumulating and holding in a trust account, the purpose of which is to pay a potential monetary judgment against Capitol Racing); and
- (c) Capitol Racing fails to pay any remaining balance of a final monetary judgment against Capitol Racing; and
- (d) 90 days have elapsed since CHRB provided Capitol Racing with written notice that the funds identified in "(b)" above are exhausted and insufficient to meet Capitol Racing's obligations.

We engage with you that drafts drawn and presented under and in compliance with the terms of this Letter of Credit will be duly honored.

This Letter of Credit is subject to the Uniform Customs and Practices for Documentary Credits (1983 Revision), published by the International Chamber of Commerce, ICC Publication 500, to the extent it is not inconsistent with applicable laws of the State of California.

**RANCHO BERNARDO COMMUNITY BANK**

By:   
Alan L. Douglas, President

By:   
Carole Tarantino, Senior Vice President

**FREIDBERG & PARKER**

A LAW CORPORATION

Edward Freidberg  
Port J. Parker  
Wendy A. Taylor  
Kathleen M. Kerokes  
Jesmin Alam  
Floyd Cranmore

December 23, 2004

Susanna V. Pullen,  
Of Counsel

VIA FACSIMILE AND U.S. MAIL  
(916) 263-6042

John C. Harris, Chairman  
California Horse Racing Board  
1010 Hurley Way, Room 101  
Sacramento, California 95825

Re: Request for items to be placed on the agenda for the CHRB January 20, 2005 meeting.

Dear Chairman Harris:

I have appeared before the board and written a number of letters to the board representing clients who are harness horse owners and breeders with regard to Capitol Racing's license to operate harness horse meets at Cal Expo.

I request on behalf of my clients the following items be placed on the agenda for the upcoming January 20, 2005 CHRB meeting:

1. Capitol Racing's compliance or lack of compliance with CHRB's requirement that they file an audited financial statement for their operations for the year 2003;
2. Whether the CHRB needs to take action with regard to Capitol Racing's license if they failed to provide the board with an audited financial statement for the year 2003.
3. Capitol Racing's breach of their obligation to share the distribution of takeout in accordance with § 19605.7(c) of the California Horse Racing Law equally with the horsemen in accordance with the provisions of section XIII(b) of the agreement between Capitol Racing LLC and California Harness Horsemen's Association. See enclosed letter by Richard M. English.

450 University Ave., Suite 205 Sacramento, CA 95825  
Tel. (916) 929-9060 Fax. (916) 929-9068  
www.fplawcorp.com

John C. Harris, Chairman  
California Horse Racing Board  
December 23, 2004  
Page 2

4. Capitol Racing's obligation to share equally with the horsemen the amount of breakage and unclaimed tickets from simulcasted races. See the English letter;
5. Whether Capitol Racing has complied with its obligations to share equally with the horsemen the surplus refunded by Scotwinc. This surplus, as set forth in Mr. English's letter, is believed to be approximately \$3 million for the year ended September 30, 2004;
6. To investigate whether loans to horsemen set forth in the unaudited financial statements of Capitol Racing as being in excess of \$1 million are made to officers or directors of California Harness Horsemen's Association and, if so, whether such loans constitute a conflict of interest, making such loans prohibited.

Your considered attention to this request will be greatly appreciated.

Very truly yours,

FREIDBERG & PARKER

Dictated but not read by Edward  
Freidberg; sent on his behalf to avoid  
delay.

EDWARD FREIDBERG

EF/jt

12/22/2004 00:01 8316256661

PAGE 01

**Richard M. English**  
 Certified Public Accountant  
 6923 Cheryon Heights Lane  
 Los Angeles, CA 90068  
 (323) 460-7023 Fax (323) 460-7084

December 13, 2004

Mr. Ben Kenney  
 California Harness Horsemen's Association  
 P.O. Box 254767  
 Sacramento, Ca 95865

Dear Mr. Kenney,

At the request of Mr. Christo Bardis I have analyzed the Purse Account Activity reports prepared for Capitol Racing for the period December 2000 through July 2004. My analysis consisted of comparing the reported purses earned from permutuel wagering, including Advanced Deposit Wagering, Norwinic revenues, and Scotwinic surpluses to information available from CHRIMS and Scotwinic. My analysis did not include any other possible sources of purses nor did it include any charges against the purses earned.

In the course of performing my analysis I noted the following items which I present for your consideration.

**Distribution of Take-out**

Section 19605.7 (c) of the California Horse Racing Law provides that, for harness meetings, 0.5% of the total amount handled by each satellite shall be distributed according to a written agreement for each race meeting between the association and the horsemen's organization. The agreements between Capitol Racing and California Harness Horsemen's Association do not specifically address this issue. The agreements do address simulcasting income. Section XIII (B) states "gross income derived from simulcasting of live racing shall be split equally as commissions and purses in accordance with California statutes."

Total satellite handle during the period was \$407,385,126 and the 0.5% discussed in 19605.7 (c) was \$2,036,926. Capitol allocated 100% of these funds to commissions and nothing to purses. Details are provided on Exhibit A. The Quarter Horse industry is also covered by Section 19605.7 (c). Quarter Horses allocate 100% of these funds to purses.

**Unclaimed Tickets**

Section 19601.(d) provides, in part, that all breakage and unclaimed tickets from imported races shall be distributed equally between the association and the horsemen in

RICK ENGLISH

12/16/2004 15:37 13224687025

12/22/2004 08:01 8315256661

PAGE 02

the form of purses. The Purses Account Activity reports do not reflect any provision for unclaimed tickets.

I estimate the purse portion of unclaimed tickets are approximately \$229,000. My estimate is based on the historic ratio of unclaimed tickets to handle on imported races experienced by Los Alamitos. My estimate is detailed in Exhibit B.

#### Seotwine Surplus

Section 19605.7(b) provides that satellite operations be funded by a deduction of 6% of satellite handle to be paid to Seotwine. At the conclusion Seotwine's year end, September 30, the surplus is refunded and is split equally between commissions and purses. Capitol's annual surplus is approximately \$3,000,000, half of which is due the horsemen. The surpluses are estimable and should be reflected on the purse schedule when generated.

Capitol generally uses the "cash" method of recognizing these proceeds when received. The cash method understates the purses earned and overstates the overpayment of purses.

As previously discussed, my analysis was limited to certain elements of the Purses Account Activity reports prepared by Capitol Racing and does not constitute an audit. Accordingly, I do not express an opinion on the aforementioned reports.

Yours truly,



Richard M. English

RICK ENGLISH

19234687026

12/14/2004 15:37

EXHIBIT A

CAPITOL RACING  
PROMOTION FUNDS - SECTION 18808.7(c)

PERIOD	SAT. HANDLE	RATE	AMOUNT
12/20/00 - 8/31/01	\$ 80,982,204	0.5%	\$ 401,811
09/01/01 - 8/31/02	\$ 114,521,009	0.5%	\$ 572,605
09/01/02 - 8/31/03	\$ 108,821,136	0.5%	\$ 534,108
09/01/03 - 8/31/04	\$ 105,880,887	0.5%	\$ 528,403
<b>TOTAL</b>	<b>\$ 407,386,128</b>		<b>\$ 2,098,928</b>

Handle amounts obtained from Chitina reports.

EXHIBIT B

LOS ALAMITOS  
UNCLAIMED TICKETS

<u>YEAR END</u>	<u>IMPORT HAND</u>	<u>OUTS</u>	<u>RATE</u>
12/24/01	\$ 68,482,388	\$ 132,336	0.23%
12/24/02	\$ 54,832,518	\$ 116,787	0.21%
12/24/03	\$ 50,811,383	\$ 99,056	0.20%
	<u>\$ 161,828,287</u>	<u>\$ 348,768</u>	<u>0.22%</u>

Import handle amounts are taken from Chrims' reports.  
"Outs" obtained from annual letter reports from perimutuel auditor to the CHRIB

CAPITOL RACING  
UNCLAIMED TICKETS

<u>YEAR END</u>	<u>IMPORT HAND</u>	<u>RATE</u>	<u>PURSES</u>
12/24/01	\$ 38,481,229	0.20%	\$ 78,822
12/24/02	\$ 38,774,487	0.20%	\$ 77,648
12/24/03	\$ 38,919,730	0.20%	\$ 72,627
	<u>\$ 114,549,446</u>		<u>\$ 229,099</u>

Import handle amounts are taken from Chrims' reports

- 19605.7. (c) In addition to the distributions specified in subdivision (a) and (b), for mixed breed meetings, 1 percent of the total amount handled by each satellite wagering facility shall be distributed to an organization described in Section 19608.2 for promotion of the program at satellite wagering facilities. For harness meetings, 0.5 percent of the total amount handled by each satellite wagering facility shall be distributed to an organization described in Section 19608.2 for the promotion of the program at satellite wagering facilities, and 0.5 percent of the total amount handled by each satellite wagering facility shall be distributed according to a written agreement for each race meeting between the licensed racing association and the organization representing the horsemen participating in the meeting. For quarter horse meetings 0.5 percent of the total amount handled by satellite wagering facility on races run in California shall be distributed to an organization described in Section 19608.2 for the promotion of the program at satellite wagering facilities, 0.5 percent of the total amount handled by each satellite wagering facility on out-of-state and out-of-country imported races shall be distributed to the official quarter horse registering agency for the purposes of Section 19617.75, and 0.5 percent of the total amount handled by each satellite wagering facility on all races shall be distributed according to a written agreement for each race meeting between the licensed racing association and the organization representing the horseman participating in the meeting.
- (d) Additionally, for thoroughbred, harness, quarter horse, mixed breed, and fair meetings, 0.33 percent of the total amount handled by each satellite wagering facility shall be paid to the city or county in which the satellite wagering facility is located pursuant to Section 19610.3 or 19610.4.
- (e) Notwithstanding any other provision of law, a racing association is responsible for the payment of the state license fee as required by this section.

**ITEM 5**

**CALIFORNIA HORSE RACING BOARD**

**January 20, 2005 Regular Board Meeting**

There is no board package material for this item.

Information to be presented at the board meeting.

STAFF ANALYSIS  
ARTICLE 3. RACING ASSOCIATION  
RULE 1433  
APPLICATION FOR LICENSE TO CONDUCT  
A HORSE RACING MEETING

Regular Board Meeting  
January 20, 2005

**BACKGROUND**

Business and Professions (B&P) Code Section 19440 provides that the California Horse Racing Board (Board/CHRB) shall have all powers necessary and proper to enable it to carry out fully and effectually the purposes of the Horse Racing Law. Responsibilities of the Board include adopting rules and regulations for the protection of the public and the control of horse racing and pari-mutuel wagering. B&P Code Section 19480 states that the Board may issue licenses to conduct horse racing meetings. CHRB Rule 1433, Application for License to Conduct A Horse Racing Meeting, provides that every association and fair that intends to conduct a horse racing meeting must file a completed application with the Board at least 90 days prior to its proposed meeting. Form CHRB-17, Application for License to Conduct a Horse Racing Meeting, is incorporated by reference in Rule 1433; therefore, any revisions to the application would necessitate an amendment to the rule.

**ANALYSIS**

Form CHRB-17 has been revised to require that applicants file an audited annual financial statement with their application for license. An audited financial statement would provide more information regarding the applicant's financial status than has previously been available. The CHRB-17 has also been revised to collect information about the applicant's electronic security system and emergency lighting system in the case of the night racing industry. In addition, a new item 14 has been added to identify steps an applicant may be taking to increase on-track attendance and in the development of new horse racing fans. Questions in section 14 include advertising budget; promotional plans; the number of hosts/hostesses employed by the association; and facilities set aside for new fans as well as any improvements to the physical facility. Other changes to the form eliminate redundant words and phrases, and renumbering as needed.

**RECOMMENDATION**

This item is presented for Board discussion and action.

CALIFORNIA HORSE RACING BOARD  
TITLE 4. CALIFORNIA CODE OF REGULATIONS  
ARTICLE 3. RACING ASSOCIATION  
RULE 1433  
APPLICATION FOR LICENSE TO  
CONDUCT A HORSE RACING MEETING

Regular Board Meeting  
January 20, 2005

1433. Application for License to Conduct a Horse Racing Meeting.

Unless the Board requires an earlier filing, at least 90 days before the time allocated by the Board for a race meeting to start, the association shall file with the Board an Application for License to Conduct a Horse Racing Meeting, CHRB-17 (Rev. ~~7/01~~ 01/05), which is hereby incorporated by reference. Note: CHRB-17 incorporates by reference, the Personal History Record, CHRB-25A (Rev. 7/93). A California fair shall file with the Board an Application for License to Conduct a Horse Racing Meeting of a California Fair, CHRB-18 (Rev. ~~7/01~~ 01/05), which is hereby incorporated by reference. Copies of CHRB-17 and CHRB-18 may be obtained at the California Horse Racing Board headquarters office.

Authority: Sections 19420 and 19440,  
Business and Professions Code.

Reference: Sections 19480 and 19568,  
Business and Professions Code.

STATE OF CALIFORNIA  
CALIFORNIA HORSE RACING BOARD  
**APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING**  
**CHRB-17 (Rev. 7/01 01/05)**

Application is hereby made to the California Horse Racing Board (CHRB) for a license to conduct a horse racing meeting in accordance with the California Business and Professions (B&P) Code, Chapter 4, Division 8, Horse Racing Law, and the California Code of Regulations, Title 4, Division 4, CHRB Rules and Regulations.

**1. APPLICANT ASSOCIATION**

- A. Name, mailing address, telephone and fax numbers of association:
- B. Breed of horse:  TB  QH  H
- C. Racetrack name:
- D. Attach a certified check payable to the Treasurer of the State of California in the amount of \$10,000 as deposit for license fees pursuant to B&P Code Section 19490.

**NOTICE TO APPLICANT:** Application must be filed not later than 90 days before the scheduled start date for the proposed meeting pursuant to CHRB Rule 1433.

**2. DATES OF MEETING**

- A. Inclusive dates for the entire meeting:
- B. Actual dates racing will be held:
- C. Total number of days or nights of racing:
- D. Days or nights of the week races will be held:  
 Wed - Sun  Tues - Sat  Other (specify)
- E. Number of days or nights of racing per week:

**3. RACING PROGRAM**

- A. Total number of races:
- B. Number of races for each day or night:
- C. Total number of stakes races:
- D. Attach a listing of all stakes races and indicate the date to be run and the added money or guaranteed purse for each. Note the races that are designated for California-bred horses.

**CHRB CERTIFICATION**

**Application received:**  
**Deposit received:**

**Hearing date:**  
**Approved date:**

E. Will provisions be made for owners and trainers to use their own registered colors?

Yes

No

If no, what racing colors are to be used:

F. List all post times for the daily racing program:

**NOTICE TO APPLICANT:** Every licensee conducting a horse racing meeting shall each racing day provide for the running of at least one race limited to California-bred horses, to be known as the "California-bred race" pursuant to CHRB Rule 1813. For thoroughbred and quarter horse meetings, the total amount distributed for California-bred stakes races from the purse account, including overnight stakes, shall not be less than 10% of the total amount distributed for all stakes races pursuant to B&P Code Section 19568(b).

#### 4. RACING ASSOCIATION

A. Association is a:  Corporation (complete subsection C)

LLC (complete subsection D)

Other (specify, and complete subsection E)

B. Complete the applicable subsection and attached Addendum, Background Information and Ownership.

#### C. CORPORATION

1. Registered name of the corporation:

2. State where incorporated:

3. Registry or file number for the corporation:

4. Names of all officers and directors, titles, and the number of shares of the corporation held by each:

5. Names (true names) of all persons, other than the officers and directors listed above, that hold 5% or more of the outstanding shares in the corporation and the number of shares held by each:

6. Number of outstanding shares in the corporation:

7. Are the shares listed for public trading?

Yes

No

If yes, on what exchange and how is the stock listed:

8. Name of the custodian of the list of shareholders and/or the transfer agent for the share holdings of the corporation:

9. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity:

10. Attach the most recent audited annual financial statement for the licensee corporation, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the corporation and/or the Securities and Exchange Commission and/or the California Corporations Commission.

D. LLC

1. Registered name of the LLC:
2. State where articles of organization are filed:
3. Registry or file number for the LLC:
4. Names of all officers and directors, titles, and the number of shares of the LLC held by each:
5. Names (true names) of all members, other than the officers and directors listed above, that hold 5% or more of the outstanding shares in the LLC and the number of shares held by each:
6. Are the shares listed for public trading?  Yes  No  
If yes, on what exchange and how is the stock listed:
7. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity:
8. Attach the most recent audited annual financial statement for the licensee LLC, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the LLC and/or the Securities and Exchange Commission and/or the California Corporations Commission.

E. OTHER

1. Name(s) of partners/sole proprietor:
2. If a partnership, attach partnership agreement.

F. Management and Staff

1. Name and title of the managing officer and/or general manager of the association and the name and title of all department managers and staff, other than those listed in 10B, who will be listed in the official program:
2. Name and title of the person(s) authorized to receive notices on behalf of the association and the mailing address of such person(s) if other than the mailing address of the association:

5. PURSE PROGRAM

A. Estimated purse distribution:

1. All races other than stakes:
2. Overnight stakes:
3. Non-overnight stakes:

B. Stakes Races:

1. Estimated purse distribution for all stakes races:
  2. Percentage of the estimated purse distribution for all stakes races that will be distributed for California-bred stakes races:
- C. Estimated funds to be generated for all California-bred incentive awards:
- D. Estimated amount of payment to each recognized horsemen's organization contracting with the association and the name(s) of the organization(s):
- | Recognized Horsemen's Organization | Estimated Payment |
|------------------------------------|-------------------|
|------------------------------------|-------------------|
- E. Total estimated amount from all sources to be distributed at the meeting in the form of purses or other benefits to horsemen:
- F. Estimated purse funds to be generated from on-track handle and intrastate off-track handle:
- G. Estimated purse funds to be generated from interstate handle:
- H. ~~Bank or depository and account number~~ for the Paymaster of Purses' purse account; ~~and the account number:~~
- I. Name, address and telephone number of the pari-mutuel audit firm engaged for the meeting:

**NOTICE TO APPLICANT:** All funds generated and retained from on-track pari-mutuel handle which are obligated by law for distribution in the form of purses, breeders' awards or other benefits to horsemen, **shall not** be deemed as income to the association and **shall**, within 3 calendar days following receipt, be deposited in a segregated and separate liability account in a depository approved by the CHRB and shall be at the disposition of the Paymaster of Purses, who shall pay or distribute such funds to the persons entitled thereto. All funds generated from off-track simulcast wagering, interstate wagering, and out-of-state wagering which are obligated by law for distribution in the form of purses and breeders' awards, shall also be deposited within 3 calendar days following receipt, into such liability account. In the event the association is obligated to the payment of purses prior to those obligated amounts being retained from pari-mutuel wagering for such purpose, or as a result of overpayment of earned purses at the conclusion of the meeting, the association shall transfer from its own funds such amounts as are necessary for the Paymaster of Purses to distribute to the horse owners statutorily or contractually entitled thereto. The association is entitled to recover such transferred funds from the Paymaster of Purses' account; and if insufficient funds remain in the account at the conclusion of the meeting, the association is entitled to carry forward the deficit to its next succeeding meeting as provided by B&P Code Section 19615(c) or (d). In the event of **underpayment** of purses which results in a balance remaining in the Paymaster of Purses' account at the conclusion of the meeting after distribution of amounts due to horsemen and breeders and horsemen's organizations, the association may carry forward the surplus amount to its next succeeding meeting; provided, however, that the amount so retained does not exceed an amount equivalent to the average daily distribution of purses and breeders' awards during the meeting. All amounts in excess shall be distributed retroactively and proportionally in the form of purses and breeders' awards to the horse owners and breeders having earned purses or awards during the conduct of the meeting.

## 6. STABLE ACCOMMODATIONS

- A. Number of usable stalls available for racehorses at the track where the meeting is held:
- B. Minimum number of stalls believed necessary for the meeting:
- C. Total number of usable stalls to be made available off-site at approved auxiliary stabling areas or approved training centers:
- D. Name ~~and~~ location of each off-site auxiliary stabling area and the number of stalls to be maintained

at each site:

- E. Attach each contract or agreement between the association and the person(s) furnishing off-site stabling accommodations for eligible racehorses ~~that~~ which cannot be provided stabling on-site.

Complete subsections F through I if the association will request reimbursement for off-site stabling as provided by B&P Code Sections 19607, 19607.1, 19607.2, and 19607.3; otherwise, skip to Section 7.

- F. Total number of usable stalls made available on-site for the **1986** meeting:
- G. Estimated cost to provide off-site stalls for this meeting. ~~:-~~ Show cost per day per stall:
- H. Estimated cost to provide vanning from off-site stalls for this meeting. Show fees to be paid for vanning per-horse:
- I. ~~Estimated cost for off-site stabling and vanning for this meeting. Show cost per day per stall:~~

**7. PARI-MUTUEL WAGERING PROGRAM**

- A. Pursuant to B&P Code Section 19599, and with the approval of the CHRB, associations may elect to offer wagering programs using CHRB Pari-mutuel Rules, the Association of Racing Commissioners International (RCI) Uniform Rules of Racing, Chapter 9, Pari-mutuel Wagering, or a combination of both. Please complete the following schedule for the types of wagering other than WPS and the minimum wager amount for each:

Use DD for daily double, E for exacta (special quinella), LS for limited sweepstakes (pick 6), PK3 for pick three, PK4 for select four, PK6 for pick 6 one pool, PK7 for pick 7, PNP for pick (n) pool, PPN for place pick (n), Q for quinella, SF for superfecta, SS1 for special sweepstakes (pick 6) alternate 1, SS2 for special sweepstakes (pick 6) alternate 2, SS3 for special sweepstakes (pick 6) alternate 3, SRUS for special reserved unlimited sweepstakes (pick 9), SUS for special unlimited sweepstakes (pick 9), TRI for trifecta, and US for unlimited sweepstakes (pick 9).

	TYPE OF WAGERS	APPLICABLE RULES
Example Race:	\$1 E; \$2 Twin Trifecta	CHRB #1959; RCI #VP

- Race #1
- Race #2
- Race #3
- Race #4
- Race #5
- Race #6
- Race #7
- Race #8
- Race #9
- Race #10
- Race #11
- Race #12
- Race #13

- B. ~~The~~ Mmaximum carryover pool to be allowed to accumulate before its distribution **OR** the date(s)

designated for distribution of the carryover pool:

- C. List any options requested with regard to exotic wagering:
- D. Will "advance" or "early bird" wagering be offered?  Yes  No  
If yes, when will such wagering begin:
- E. Type(s) of pari-mutuel or totalizator equipment to be used by the association and the simulcast organization, name of the person(s) supplying equipment, and expiration date of the service contract:

**8. SIMULCASTING WAGERING PROGRAM**

- A. Simulcast organization engaged by the association to conduct simulcast wagering:
- B. Attach the agreement between the association and simulcast organization permitting the organization to use the association's live audiovisual signal for wagering purposes and providing access to its totalizator for the purpose of combining on-track and off-track pari-mutuel pools.
- C. California simulcast facilities the association proposes to offer its live audiovisual signal:
- D. Out-of-state wagering systems the association proposes to offer its live audiovisual signal:
- E. Out-of-state wagering systems that will combine their pari-mutuel pools with those of the association:
  - 1. Include a list of out-of-state sites with the percentage the association is charging the site for the simulcasting activity.
- F. For **THOROUGHBRED** racing associations, list the host track from which the association proposes to import out-of-state and/or out-of-country thoroughbred races. Include the dates imported races will be held, and whether or not a full card will be accepted. If the full card will not be imported, state "selected feature and/or stakes races":

**NOTICE TO APPLICANT:** B&P Code Section 19596.2(a) stipulates that on days when live thoroughbred or fair racing is being conducted in the state, the number of thoroughbred races which may be imported by an association or fair during the calendar period the association or fair is conducting its racing meeting cannot exceed a combined daily total of 23 imported thoroughbred races statewide. The limitation of 23 imported thoroughbred races per day statewide does not apply to those races specified in B&P Code Section 19596.2(a)(1), (2), (3) and (4).

**THOROUGHBRED SIMULCAST RACES TO BE IMPORTED**

Name of Host Track	Race Dates	Full Card or Selected Feature and/or Stakes Races
--------------------	------------	---

Examples:

Calder Race Course	1/1 & 1/2/99	Full Card
Fair Grounds	3/14/99	Selected Feature and/or Stakes Races

- G. For **QUARTER HORSE** racing associations, list the host track from which the association proposes to import out-of-state and/or out-of-country quarter horse races. Include the dates imported races will be held, and whether or not a full card will be accepted. If the full card will not be imported, state "selected feature and/or stakes races":

**QUARTER HORSE SIMULCAST RACES TO BE IMPORTED**

Name of Host Track      Race Dates      Full Card or Selected Feature and/or Stakes Races

Examples:

~~Retama Park      4/8 & 4/9/99      Full Card~~

~~Ruidoso Downs      9/6/99      Selected Feature and/or Stakes Races~~

H. For **STANDARD BRED** racing associations, list the host tracks from which the association proposes to import out-of-state and/or out-of-country harness races. Include the dates imported races will be held, and whether or not a full card will be accepted. If the full card will not be imported, state "selected feature and/or stakes races":

**HARNESS SIMULCAST RACES TO BE IMPORTED**

Name of Host Track      Race Dates      Full Card or Selected Feature and/or Stakes Races

Examples:

~~Saratoga Raceway      5/8/99      Full Card~~

~~Meadowlands      8/7/99      Selected Feature and/or Stakes Races~~

I. For **ALL** racing associations, list imported simulcast races the association plans to receive which use breeds other than the breed of the majority of horses racing at its live horse racing meeting. Include the name of the host track, the dates imported races will be held, and how many races will be imported:

**OTHER BREED SIMULCAST RACES TO BE IMPORTED**

Name of Host Track      Breed of Horse      Race Dates      Number of Races to be Imported

J. For **ALL** racing associations, if any out-of-state or out-of-country races will commence outside of the time constraints set forth in B&P Code Section 19596.2(d), attach a copy showing the agreement by the appropriate racing association(s).

**NOTICE TO APPLICANT:** All interstate wagering to be conducted by an association is subject to the provisions of Title 15, United States Codes, which require specific written approval of the CHRB and of the racing commission having jurisdiction in the out-of-state venue. All international wagering to be conducted by an association is subject to the provision of B&P Code Sections 19596, 19596.1, 19596.2, 19601, 19602, and 19616.1, and will require specific written approval of the CHRB.

Every association shall pay over to the simulcast organization within 3 calendar days following the closing of wagering for any day or night racing program, or upon receipt of the proceeds, such amounts that are retained from off-track simulcast wagering, interstate and out-of-state wagering, and which are obligated by statute for guest commissions, simulcast operator's expenses and promotions, equine research, local government in-lieu taxes, and stabling and vaning deductions. Every association shall pay to its Paymaster of Purses' account within 3 calendar days following the closing of wagering for each day or night racing program, or upon receipt of the proceeds, such amounts that are retained or obligated from off-track simulcast wagering, interstate and out-of-state wagering for purses, breeders' awards or other benefits to horsemen. (See Notice to Applicant, Section 5.)

**9. CHARITY RACING DAYS**

- A. Name and address of the distributing agent (charity foundation) for the net proceeds from charity racing days held by the association:
- B. Names and addresses of the trustees or directors of the distributing agent:

- C. Dates the association will conduct races as charity racing days OR:
- D. Will the association pay the distributing agent an amount equal to the maximum required under B&P Code Section 19550(b)?  Yes

**NOTICE TO APPLICANT:** Net proceeds from charity racing days shall be paid to the designated and approved distributing agent within 180 days following the conclusion of the association's race meeting in accordance with the provisions of B&P Code Section 19555. Thereafter, the distributing agent shall distribute not less than 90% of the aggregate proceeds from such charity racing days within 12 calendar months after the last day of the meeting during which the charity racing days were conducted and shall distribute the remaining funds as soon thereafter as is practicable. At least 20% of the distribution shall be made to charities associated with the horse racing industry in accordance with the provisions of B&P Code Section 19556(b).

## 10. RACING OFFICIALS, OFFICIALS, AND OFFICIATING EQUIPMENT

- A. Racing Officials nominated:

Associate Judges  
Association Veterinarian(s)  
Clerk of Scales  
Clerk of the Course  
Horse Identifier  
Horseshoe Inspector  
Paddock Judge  
Patrol Judges  
Placing Judges  
Starter  
Timer

- B. Management officials in the racing department:

Director of Racing  
Racing Secretary  
Assistant Racing Secretary  
Paymaster of Purses  
Others (identify by name and title)

- C. Name, address and telephone number of the reporter employed to record and prepare transcripts of hearings conducted by the stewards:
- D. Photographic device to be used for photographing the finish of all races, name of the person supplying the service, and expiration date of the service contract:
- E. Photo patrol video equipment to be used to record all races, name of the person supplying the service, and expiration date of the service contract: Specify the number and location of cameras for dirt and turf tracks.
- F. Type of electronic timing device to be used for the timing of all races, name of the person supplying the service, and expiration date of the service contract:

**11. SECURITY CONTROLS AND ~~EMERGENCY SERVICES~~**

- A. Name and title of the person responsible for security controls on the premises:
- B. Estimated number of security guards, gatemen, patrolmen or others to be engaged in security tasks on a regular full-time basis: Describe the electronic security system:
  - 1. Attach a written plan for enhanced security for graded/stakes races.
  - 2. Attach a written plan for enhanced surveillance barns.
- C. Describe the electronic security system:
  - 1. Location and number of video surveillance cameras for the detention barn and stable gate.
- D. For night racing associations: Describe emergency lighting system:

**12. EMERGENCY SERVICES**

- AC. Name, address and emergency telephone number of the ambulance service to be used during workouts and the running of the races:
- BD. Name, address and emergency telephone number of the ambulance service to be used during workouts at auxiliary sites:
- CE. Attach a fire clearance from the fire authority having jurisdiction over the premises.
- DF. Name of the workers' compensation insurance carrier for the association and the number of the insurance policy (if self-insured, provide details):
- EG. Attach a Certificate of Insurance for workers' compensation coverage. The CHRB is to be named as a certificate holder and given not less than 10 days' notice of any cancellation or termination of insurance that which secures the liability of the association for payment of workers' compensation.

**1312. CONCESSIONAIRES AND SERVICE CONTRACTORS**

Names and addresses of all persons to whom a concession or service contract has been given, other than those already identified, and the goods and/or services to be provided by each:

**14. ON-TRACK ATTENDANCE/FAN DEVELOPMENT**

- A. Estimated advertising budget for meeting:
- B. Describe any promotional plans and estimated budget for each promotional activity for meeting:
- C. Number of hosts and hostesses employed for meeting:
- D. Describe facilities set aside for new fans:
- E. Describe any improvements to the physical facility in advance of the meeting that directly benefit:
  - 1. Horsemen.

2. Fans

3. Facilities in the restricted areas.

**1513. SCHEDULE OF CHARGES**

A. Proposed charges, ~~for admissions, seating or boxes, parking and programs.~~ Note note any changes from the previous year:

- Admission (general)
- Admission (clubhouse)
- Reserved seating (general)
- Reserved seating (clubhouse)
- Parking (general)
- Parking (preferred)
- Parking (valet)
- Programs (on-track)
- (off-track)

B. Describe any "Season Boxes" and "Turf Club Membership" fees:

C. Describe any "package" plans such as combined parking, admission and program:

**1614. JOCKEYS/DRIVERS' QUARTERS**

A. Check the applicable amenities available in the jockeys/drivers' quarters:

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Corners (lockers and cubicles) | How many   | <input type="text"/>                              |
| <input type="checkbox"/> Showers                        | <input type="checkbox"/> Steam room, sauna or steam cabinets | <input type="checkbox"/> Lounge area              |
| <input type="checkbox"/> Masseur                        | <input type="checkbox"/> Food/beverage service               | <input type="checkbox"/> Certified platform scale |

B. Describe the quarters to be used for female jockeys/drivers:

**1715. BACKSTRETCH EMPLOYEE HOUSING**

A. ~~Attach written certification that an inspection of the backstretch employee housing has been conducted by a lead agency designated by the CHRB and the applicant is not aware of any known violations of the local housing ordinances.~~ Inspection of backstretch housing was completed by (name) \_\_\_\_\_ on (date) \_\_\_\_\_.

B. Number of rooms used for housing on the backstretch of the racetrack:

C. Number of restrooms available on the backstretch of the racetrack:

D. Estimated ratio of restroom facilities to the number of backstretch personnel:

**1816. TRACK SAFETY**

A. Total distance of the racecourse - measured from the finish line counterclockwise (3' from the inner railing) back to the finish line:  feet.

- B. Describe the type(s) of materials used for the inner and outer railings of the race course, the type of inner railing supports (i.e., metal gooseneck, wood 4" x 4" uprights, offset wood 4" x 4" supports, etc.), the coverings, if any, on the top of the inner railing, and the approximate height of the top of the inner railing from the level of the race course.
- C. Name of the person responsible for supervision of the maintenance of the racetrack safety standards pursuant to CHRB Rule 1474:
- D. Attach a Track Safety Maintenance Program pursuant to CHRB Rule 1474.
- E. If the association is requesting approval to implement alternate methodologies to the provisions of Article 3.5, Track Safety Standards, pursuant to CHRB Rule 1471, attach a Certificate of Insurance for liability insurance which will be in force for the duration of the meeting specified in Section 2. The CHRB is to be named as a certificate holder and given not less than 10 days' notice of any cancellation or termination of liability insurance. Additionally, the CHRB must be listed as additionally insured on the liability policy at a minimum amount of \$3 million per incident. The liability insurance certificate must be on file in the CHRB headquarters office prior to the conduct of any racing.

**1917. DECLARATIONS**

- A. All labor and lease agreements and concession and service contracts necessary to conduct the entire meeting have been finalized except as follows (if no exceptions, so state):
- B. Attach each horsemen's agreement pursuant to CHRB Rule 2044.
- C. Attach a lease agreement permitting the association to occupy the racing facility during the entire term of the meeting. (In the absence of either a lease agreement or a horsemen's agreement, a request for an extension pursuant to CHRB Rule 1407 shall be made).
- D. All service contractors and concessionaires have valid state, county or city licenses authorizing each to engage in the type of service to be provided and have valid labor agreements, when applicable, which remain in effect for the entire term of the meeting except as follows (if no exceptions, so state):
- E. Absent natural disasters or causes beyond the control of the association, its service contractors, concessionaires or horsemen participating at the meeting, no reasons are believed to exist that may result in a stoppage to racing at the meeting or the withholding of any vital service to the association except as follows (if no exceptions, so state):

**NOTICE TO APPLICANT:** Pursuant to CHRB Rules 1870 and 1871, the CHRB shall be given 15 days' notice in writing of any intention to terminate a horse racing meeting or the engagements or services of any licensee, approved concessionaire, or approved service contractor.

**2018. CERTIFICATION BY APPLICANT**

I hereby certify under penalty of perjury that I have examined this application, that all of the foregoing statements in this application are true and correct, and that I am authorized by the association to attest to this application on its behalf.

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Title

\_\_\_\_\_  
Date

## **ADDENDUM**

### **Background and Ownership Information**

**FULL DISCLOSURE:** By authority of Sections 19440 and 19480 of the California Business and Professions Code, Chapter 4, Division 8, Horse Racing Law, and in order to allow an evaluation of the competency, integrity, and character of potential racetrack operator, contractor, subcontractor and concessionaire licensees of the California Horse Racing Board (CHRB), any applicant for such a license shall comply with the provisions set forth below. Where applicable, supply the requested information and submit with your application documents. (If necessary, attach additional pages showing the corresponding numbers for the questions you are answering.) If a question does not apply to you, so state with "N/A".

**NOTE:** All information contained in this Addendum may be disclosed pursuant to the California Public Records Act.

#### **I. BACKGROUND INFORMATION**

- A. **PERSONAL INFORMATION** - Application documents must include for each individual who is a director, officer, or partner in the application, or an owner of an interest in the applicant of 5% or more:
1. Full name and any previous names or aliases;
  2. date of birth;
  3. physical description;
  4. business address and telephone number; and
  5. disclosure of employment, education and military history for the past 20 years or since the age of 18.
- B. **PERSONAL HISTORY** - Application documents must include a completed Personal History Record, CHRB-25A, for each individual named in Addendum Section I, A.
- C. **RELATIONSHIP** - The application documents must state, for each individual providing information under Addendum Section I, A, whether the individual is related to a member or an employee of the CHRB. A half-relationship or step-relationship is considered to be a familial relationship.
- D. **CORPORATIONS** - If the applicant is a corporation, the application documents must state:
1. The state in which the applicant is incorporated; and
  2. name and address of the applicant's agent for service of process in California.
- E. **INDICTMENTS OR CONVICTIONS** - If the applicant is a corporation, the application documents must include a statement disclosing whether the corporation is presently or has ever been indicted or convicted of a criminal offense, e.g., felony or misdemeanor.
- F. **PENDING LEGAL PROCEEDINGS** - An applicant for a license to operate a racetrack must describe any pending legal proceedings of \$250,000 or more:
1. To which the applicant, a director, officer, or partner of the applicant, or an individual who owns an interest in the applicant of 5% or more is a party; or
  2. that involves property owned by the applicant, a director, officer, or partner of the applicant, an individual who owns an interest in the applicant of 5% or more, or a related entity identified under Addendum Section I.
  3. Applicant must state the name of the court or agency before which the proceeding is or was pending, the case number, date the proceeding was instituted, and the names of the principal parties to the proceeding.

#### **II. OWNERSHIP**

- A. **IDENTIFICATION AND LOCATION** - The application documents must include:
1. All names used by the applicant; and
  2. name of the agent and the address and telephone number of the office of the applicant for service of process in

- B. BUSINESS STRUCTURE - The application documents must describe the applicant's business structure and include an organizational chart.
- C. ORGANIZERS - If the applicant is not an individual and was organized less than five years before the date on which the application documents are submitted to the CHRB, the application documents must state:
  - 1. Name of each individual who was an organizer or promoter of the applicant;
  - 2. nature and amount of assets, services, or other consideration contributed to the applicant by an organizer or promoter of the applicant; and
  - 3. nature and amount of anything of value given by the applicant to an organizer or promoter of the applicant.
- D. ORGANIZATIONAL DOCUMENTS
  - 1. If the applicant is a corporation, the application documents must include:
    - a. Statement of when and in what state the corporation was organized;
    - b. certified copy of the articles of incorporation and bylaws of the applicant;
    - c. statement and documentation of whether the corporation has been reorganized or reincorporated during the five-year period preceding the date on which the application documents are submitted to the CHRB; and
    - d. statement and documentation of whether the corporation has filed restated articles of incorporation.
  - 2. If the applicant is an unincorporated business association, the application documents must include:
    - a. Certified copy of each organizational document for the applicant, including any partnership agreement; and
    - b. description of any oral agreements involving the organization of the partnership.
- E. CAPITOL STOCK
  - 1. If the applicant is authorized to issue capital stock, the application documents must state the classes of stock authorized and the total shares of each class authorized.
  - 2. For each class of stock, applicant must also state:
    - a. Par value, if any;
    - b. voting rights;
    - c. current rate of dividend; and
    - d. number of shares outstanding and the market value of each share.
  - 3. Application documents must list the name and address of each person who owns, of record or beneficially, at least 5% of stock. For each person listed under this subsection, the application documents must describe the nature of the person's ownership interest and the person's percentage of the total ownership interest.
  - 4. Application documents must include a certified copy of each voting trust or voting agreement in which at least 5% of the capital stock is held and must state:
    - a. Name and address of each stockholder participating in the trust or agreement;
    - b. class of stock involved; and
    - c. total number of shares held by the trust or agreement.
- F. DIRECTORS, OFFICERS, AND PARTNERS
  - 1. If the applicant is not an individual, the application documents must include a list of the individuals who are serving or who are designated to serve, during the first year after the date the application documents are submitted

to the CHRB, as a director, officer, or partner of the applicant. The list must state for each individual:

- a. Name and business address;
  - b. each position or office of the applicant held by the individual;
  - c. principal occupation during the five-year period preceding the date on which the application documents are submitted to the CHRB; and
  - d. nature and extent of any ownership interest in the applicant.
2. Application documents must include a completed Personal History Record, CHRB-25A, for each individual named under Addendum Section II, F, 1.

G. CONTROLLING ENTITY

1. Application documents must state whether another entity exercises or is in a position to exercise control in the management or financial affairs of the applicant. The documents must describe the nature of the relationship between the entity and the applicant and the extent of control exercised by the entity.
2. If a nonindividual entity owns an interest of 5% or more in the applicant, the application documents must include the information required by Addendum Section II, G, 1, as it relates to the nonindividual entity.
3. Application documents must include information required by Addendum Section II, G, 2, for each nonindividual entity identified in the application documents to the extent necessary to determine the identity of each individual who is an indirect holder of an ownership interest in the applicant.

H. OUTSIDE INTERESTS AND LICENSE HISTORY - Application documents must state whether the applicant or a director, officer, or partner of the applicant:

1. Ever held an ownership interest in a licensee of the CHRB; or
2. is currently engaged in the business of racing in another state.

**STAFF ANALYSIS  
ALTERNATE SELECTION UPDATE**

**REGULAR BOARD MEETING  
JANUARY 20, 2005**

**Background:**

The Breeders' Cup Pick Six scandal caused the tote companies to upgrade their software security for multiple leg wagers. One unfortunate outcome of these changes was the loss of the patron to make alternate selections in the Pick Six. The CHRB has made it abundantly clear that this option should be returned to California ASAP. Representatives of Scientific Games Racing (SGR)/ Autotote will be at the meeting to update the Board on the status of that project.

**Recommendation:**

This item is for information and discussion.

STAFF ANALYSIS  
CALIFORNIA PERFORMANCE REVIEW  
Regular Board Meeting  
January 20, 2005

**ITEM - 8**

**BACKGROUND**

In 2004, Governor Schwarzenegger initiated a top-to-bottom review of California state government called the California Performance Review (CPR). The purpose of the CPR was to provide recommendations to the Governor regarding restructuring, reorganizing and reforming state government to make it more responsive to the needs of California citizens and the business community. Included in the CPR report was the recommendation to eliminate 117 boards and commissions, including the California Horse Racing Board (CHRB).

**On August 3, 2004**, the CPR Report was issued and it contained the following recommendations pertaining to the CHRB:

- The CHRB to be transferred from an independent board to the Office of Gaming and the Board eliminated. The Office of Gaming will be in the newly proposed "Department of Commerce and Consumer Protection" (Department).
- Except for the CHRB, gaming entities (i.e., Gambling Control Commission and State Lottery Commission) will retain their independence within the new Department. However, a uniform and coordinated enforcement strategy will be utilized.
- In place of the seven-member Board, a Secretary, appointed by the Governor, will head the new Department.
- CHRB's regulatory and licensing function will be transferred to the new Department, with the licensing function being assigned to the "Commercial Licensing Division" within the new Department.
- The Office of Hearings and Appeals will hear appeals and administer disciplinary actions and license denials for all entities transferred to the new Department

**On October 20, 2004**, the CPR Commission concluded the last of eight public hearings on the CPR recommendations.

**On November 4, 2004**, the Commission submitted its own report and recommendations to the Governor. Although the CHRB was not specifically mentioned in the CPR Commission's report to the Governor, the Commission did recommend to the Governor that the administration evaluate the boards and commissions proposed for elimination.

**On December 10, 2004**, the Little Hoover Commission (LHC) issued a report in anticipation of the Governor submitting a formal reorganization plan to the legislature (note that this LHC report is not the formal report that the LCH will submit once the Governor makes public his formal recommendations).

Contained in the LHC report were the following comments regarding boards and commissions:

- “The CPR made an important point that many of the State’s boards and commissions have outlived their usefulness, while others are in need of structural and other changes to ensure they are serving the public. *But a comprehensive solution must go beyond deciding which board California can live without. If nothing else, some boards that are not working well, need to work well, rather than being eliminated. In other cases, well functioning boards need to be focused on activities that only boards can perform*” (emphasis added).
- “The CPR recommends eliminating one in three boards. The CPR Commission contributed to this debate by outlining principles for more consistent applications of boards and commissions. *Before determining the fate of specific boards, criteria should be established that would allow policy makers to make consistent and rational decisions and for the public to understand the basis of those decisions*” (emphasis added).

## **CURRENT STATUS**

**On January 6, 2005**, the Governor submitted a governmental reorganization plan to the Little Hoover Commission. Included in the plan are the following proposals:

- Reorganize the Youth and Adult Correctional Agency
- Reform or eliminate ninety-four (94) boards and commissions that are either obsolete or whose functions are duplicated elsewhere within state government.

The CHRB was **not** included in the group of 94 boards and commissions slated for reforming or elimination.

However, recent statements made by the Governor’s Office to the media indicate that any board on the target list in July 2004, that wasn’t included on the list submitted to the LHC on January 6, 2005, is still under review.

Any formal State government reorganization plan is subject to the following process:

- The Governor is required to submit any reorganization plan to the Little Hoover Commission at least 30 days prior to submitting the plan to the Legislature.
- The Little Hoover Commission submits an advisory report to the Governor and the Legislature within 30 days of the reorganization plan being sent to the Legislature, i.e., the minimum amount of time for the Commission’s review is 60 days.
- A reorganization plan may be delivered to the Legislature at any time during a regular session. The Legislature, however, must have 60 calendar days of a continuous session to consider the plan.
- The Governor’s plan becomes effective on the 61<sup>st</sup> day after it has been given to the Legislature unless either the Senate or Assembly adopts by majority vote or a resolution rejecting the plan.
- Actual statutory language to enact the reorganization is processed in the following year, but the reorganization is effective even without the statues being on the books

## **RECOMMENDATION**

This item is for discussion only, however CHRB staff will continue to closely monitor any/all reorganization plans initiated by the Governor for potential impact on the CHRB.

**STAFF ANALYSIS  
RELEASE OF INFORMATION FOR  
CLASS I, II & III DRUG POSITIVES**

**ITEM - 9**

**Regular Board Meeting  
January 20, 2005**

**BACKGROUND**

State and Federal laws govern the protection and disclosure of personal information, public records and documents. Business and Professions Code 19577, subdivision (e), which in part reads

*...the results of the tests from the official laboratory shall be confidential until or unless the board files an official complaints.*

In the spirit of open government, the Board is considering releasing some details relating to Class I, II & III drug positive cases, prior to the conclusion of the case. The chain of events leading up to complaints filed as a result of a drug positive, is as follows:

- ❖ CHRB receives a report of a positive finding from the Official Laboratory.
- ❖ Headquarters enforcement staff prepares a notification for review by the Executive Director and CHRB Equine Medical Director.
- ❖ Supervising Investigators at race track of subject horse receives positive test finding notification and trainer is informed of positive test result.
- ❖ Trainer is given opportunity to request a split sample from a CHRB approved laboratory.
- ❖ CHRB enforcement staff at track conducts an investigation, which could include interviews, barn searches, and witness questioning.
- ❖ If initial positive finding is confirmed by split sample, CHRB then initiates and serves complaint/accusation on the trainer.
- ❖ If the split sample does not confirm the findings of the primary laboratory, there is no further administrative action.

**ANALYSIS**

The Board is considering adopting a policy of releasing the trainers name, the track name and the drug type involved in Class I, II & III drug positives cases, after the complaint or accusation has been filed. A complaint or accusation will not be served if the split sample does not confirm the initial findings of the primary laboratory. When the complaint or accusation has been served on the trainer, CHRB enforcement staff has determined there is enough evidence to proceed to hearing. It is at this point the name of the trainer, the drug substance and classification, name of horse, name of track and date of race can be released.

**RECOMMENDATION**

Staff recommends the Board approve a policy/procedure of releasing the name of the trainer, the drug substance and classification, horses name, name of track and date of race, for Class I, II & III drug positives upon initiating the complaint or accusation to the trainer.

**STAFF ANALYSIS**  
**CALIFORNIA MARKETING COMMITTEE UPDATE**

**REGULAR BOARD MEETING**  
**JANUARY 20, 2005**

**Background:**

The California Marketing Committee (CMC) was created by law (B&P Code Section 19605.73) and is funded by .4% of the simulcast handle. The law requires the CMC to report to the Board annually. The Executive Director of the CMC will be at the meeting to discuss the CMC's plans for 2005.

**Recommendation:**

This item is for information and discussion.

**STAFF ANALYSIS**  
**REPORT ON RECENT HOLLYWOOD PARK MEET**

REGULAR BOARD MEETING  
JANUARY 20, 2005

**Background:**

The Churchill Downs Fall Operating Company concluded its 36-day race meet at Hollywood Park on December 20, 2004. The attached documents include a summary of the pari-mutuel results for the meet as well as comments and concerns from the CHRB investigators, veterinarian, and stewards.

**Recommendation:**

This item is for information and discussion.

CALIFORNIA HORSE RACING BOARD  
1010 HURLEY WAY, SUITE 300  
SACRAMENTO, CA 95825  
(916) 263-6000  
FAX (916) 263-6042



## HOLLYWOOD PARK RACE MEET CONCERNS

### INVESTIGATIONS

#### **Computer Lines**

The CHRB Hollywood Park field office computers were "down" for approximately 2 weeks during the fall meeting. Both SBC and our CHRB technician from our Sacramento office attempted to resolve the problem. Finally, our staff was instructed to resume the old format of logging into the computer. The investigative staff would like to request that the computer lines be operational and that my staff can verify the repairs prior to the opening of the spring meeting.

#### **Photo Imaging**

Neither the Hollywood Park nor the Santa Anita field offices are on-line with the new photo imaging process. Previously, there had been concerns expressed about the lighting. We believe that it has been resolved with the cameras and our office looks forward to working with the managements so that our program can become operational as soon as possible.

#### **Security**

During the Hollywood Park meeting, we observed only one uniform guard present in the stable security office on an assigned basis. Hollywood Park did in fact assign two (2) agents to supervise the Grade I-III barn surveillances on a daily basis. Hollywood Park has roving security personnel that patrol both the front side and back side. It is my understanding that Hollywood Park does not have officers permanently assigned to the restricted barn area during both the live and simulcast race meet. Our offices believe that the 'presence' of security officers is important and would encourage the Board to request an increase of personnel in the restricted area on race days.

### CHRB VETERINARIAN

#### **TCO<sub>2</sub> Testing**

During the Hollywood Park meeting in the fall, there were Five (5) days when all of the horses in two (2) races were tested. The remainder of the days, I tested three (3) races. The races to be tested we selected by random. We tested 807 horses during the meet, which was about 35% of the horses that ran.

**The Receiving Barn**

I have an excellent staff and there were no problems. Everyone worked as a team. I have an excellent security guard, and the security of the Receiving Barn was well maintained.

**Surveillance of in-today  
Horses**

The members of the surveillance team that was contracted by Hollywood Park were very poorly prepared as to their duties. I have offered to help Hollywood Park in April to instruct these security people on how to conduct themselves in their duties at the summer meet. It would be helpful if it were mandated that the surveillance team were to satisfactorily complete a training program

**Dirt Track Condition**

In my conversations with trainers and jockeys, it is my opinion that the dirt track has soft areas that makes for an inconsistent racing surface resulting in too many catastrophic injuries.

**STEWARDS****Video/Patrol Judge**

We need a full time Video Analyst and Patrol Judge. We have had several discussions with Hollywood Park management about the shortage of personnel, but the problem has continued. Currently, there is no one, other than the Stewards, to show previous day races to owners, trainers, and jockeys. Jockeys are often required to review the tapes of previous day's races and there is not a Junior Racing Official available to handle that important task. If there is a disqualification, we often require several riders to attend the review, and it is not being done during the Hollywood Park meetings. Additionally, since the third Patrol Judge works in the Racing Office during the morning, and often into the afternoon, if the "draw" is not complete, there are numerous times that we do not have a full compliment of Junior Racing Officials until well into the racing program.

**Camera Problem**

We need a true "head on" shot camera for the backstretch of the turf course. At the present time, the 3/8 main track camera is being used during turf course races, and the angle it presents has caused problems at times.

## END-OF-MEET OUTLINE SUMMARY

For the California Horse Racing Board meeting, January 20, 2005. This report includes a summary for the following racing meeting: the CHURCHILL DOWNS CALIFORNIA FALL OPERATING COMPANY at HOLLYWOOD PARK.

### Church Downs California Fall Operating Company at Hollywood Park

November 3-December 20, 2004

Race days: 36

#### AVERAGE DAILY STATISTICS

	PERCENTAGE CHANGE
Ave. daily handle	-0.41%
Ave. On-track	-4.06%
Ave. Off-track	-1.90%
Ave. Interstate-exported	-3.44%
Ave. ADW	25.40%
Ave. daily attendance	-5.09%
Ave. daily on-track	-4.61%
Ave. daily off-track	-5.46%

**CHURCHILL DOWNS FALL OPERATING COMPANY AT HOLLYWOOD PARK**

YEAR	2000	2001	2002	2003	2004
TOTAL DAYS	35	31	35	30	36
TOTAL HANDLE	293,474,456	268,792,959	302,141,319	258,255,390	308,623,025
ON-TRACK	59,092,585	51,596,214	50,560,841	40,190,594	46,270,068
OFF-TRACK	100,515,659	94,141,517	95,384,333	77,753,538	91,531,818
INTER-STATE	133,866,213	123,055,228	136,460,249	116,503,255	134,993,968
ADW	-	-	19,735,896	23,808,002	35,827,172
LIVE	229,303,748	206,406,329	238,453,259	206,813,507	246,821,844
INTRA-STATE	39,045,277	33,521,786	32,947,911	25,791,121	31,381,784
INTER-STATE IMPORTED	25,125,431	28,864,844	30,693,383	25,650,762	30,419,398
INTERNATIONAL IMPORTED	-	-	46,766	-	-
AVE. DAILY HANDLE	8,384,984	8,670,741	8,632,609	8,608,513	8,572,862
ON-TRACK	1,688,360	1,664,394	1,444,595	1,339,686	1,285,280
OFF-TRACK	2,871,876	3,036,823	2,725,267	2,591,785	2,542,551
INTERSTATE	3,824,749	3,969,523	3,898,864	3,883,442	3,749,832
ADW	-	-	563,883	793,600	995,199
AVE. CALIFORNIA HANDLE	4,560,236	4,701,217	4,169,862	3,931,471	3,827,830
AVE. LIVE	6,551,536	6,658,269	6,812,950	6,893,784	6,856,162
INTRASTATE IMPORTED	1,115,579	1,081,348	941,369	859,704	871,716
INTERSTATE IMPORTED	717,869	931,124	876,954	855,025	844,983
INTERNATIONAL IMPORTED	-	-	1,336	-	-
TOTAL TAKEOUT	56,791,801	51,710,808	54,842,475	48,917,136	60,467,804
EFFECTIVE TAKEOUT	19.35%	19.24%	18.15%	18.94%	19.59%
STATE LICENSE FEES	3,595,723	3,266,883	3,345,482	2,740,254	3,227,706
STATE %	1.23%	1.22%	1.11%	1.06%	1.05%
TRACK COMMISSIONS	11,804,884	10,540,074	10,550,267	8,708,949	10,159,702
ADW COMMISSIONS	-	-	833,797	1,054,810	1,567,885
TOTAL COMMISSIONS	11,804,884	10,540,074	11,384,064	9,763,760	11,727,587
TRACK %	4.02%	3.92%	3.77%	3.78%	3.80%
HORSEMENS PURSES	11,555,468	10,310,909	10,324,193	8,511,829	9,938,557
ADW PURSES	-	-	813,347	1,028,866	1,526,696
TOTAL PURSES	11,555,468	10,310,909	11,137,540	9,540,694	11,465,253
HORSEMENS %	3.94%	3.84%	3.69%	3.69%	3.71%

**CHURCHILL DOWNS FALL OPERATING COMPANY AT HOLLYWOOD PARK**

YEAR	2000	2001	2002	2003	2004
CAIIFORNIA ATTENDANCE	583,094	525,213	538,144	444,524	506,303
ON-TRACK	240,807	227,663	226,033	195,475	223,766
OFF-TRACK	342,287	297,550	312,111	249,049	282,537
DAILY ATTENDANCE	16,660	16,942	15,376	14,817	14,064
AVERAGE DAILY ON - TRACK	6,880	7,344	6,458	6,516	6,216
AVERAGE DAILY OFF - TRACK	9,780	9,598	8,917	8,302	7,848
TOTAL RACE EVENTS	301	270	299	258	308
STARTS	2,254	2,046	2,204	1,920	2,320
AVERAGE STARTS PER EVENT	7.5	7.6	7.4	7.4	7.5
AVERAGE HANDLE PER START	101,732	100,883	108,191	107,715	106,389

**STAFF ANALYSIS  
REQUEST FOR APPROVAL OF  
CHARITY DISTRIBUTION**

**REGULAR BOARD MEETING  
JANUARY 20, 2005**

**Background:**

The Bay Meadows Foundation is requesting that the Board approve its proposed distribution of charity racing day proceeds in the amount of \$64,500. The list of 23 beneficiaries is attached for your review. The distribution will give 50% to industry-related organizations. Staff finds this request to be in order.

**Recommendation:**

Staff recommends that the Board approve this request.

Bay Meadows Foundation  
P.O. Box 4687  
Burlingame, Ca. 94011-4687

RECEIVED  
CHRB

December 6, 2004

2004 DEC -8 AM 12:14

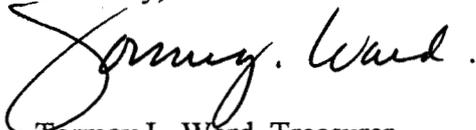
Mr. John Reagan  
California Horse Racing Board  
1010 Hurley Way, Ste. 300  
Sacramento, Ca. 95825

Dear Mr. Reagan,

Enclosed is a list of grants proposed by the Bay Meadows Foundation at our December 1, 2004 Board Meeting. The total of \$64,500 in grants includes the proper percentages for horse racing related charities. The Bay Meadows Foundation received \$64,679 from Bay Meadows in 2004 representing Charity Day proceeds from the 2003 Spring and Fall meets.

Your approval of our grants will be appreciated. If you have any questions, please contact me at 650-327-2509. Thank you.

Sincerely,



Tormey L. Ward, Treasurer

**BAY MEADOWS FOUNDATION  
GRANT AMOUNTS - 2004 MEETINGS**

NO.	CHARITY	AMOUNT GRANTED
<b>TRADITIONAL CHARITIES:</b>		
1	ASSISTANCE LEAGUE OF SAN MATEO COUNTY	\$0
2	BLIND BABIES FOUNDATION	\$0
3	COASTSIDE ADULT DAY HEALTH CENTER	\$1,500
4	COMMUNITY GATEPATH	\$2,500
5	CORA	\$2,500
6	COYOTE POINT MUSEUM	\$0
7	FRIENDS OF THE SAN CARLOS SENIOR CENTER	\$1,500
8	FRIENDS FOR YOUTH	\$1,000
9	GLEN ELLEN VOCATIONAL ACADEMY	\$0
10	GOOD SHEPHERD GRACENTER	\$1,000
11	HILLER AVIATION INSTITUTE	\$0
12	INT'L PRINTING MUSEUM	\$0
13	JUNIOR ACHIEVEMENT OF THE BAY AREA	\$1,000
14	JUNIPERO SERRA HIGH SCHOOL	\$0
15	KAINOS	\$2,500
16	LOAVES & FISHES FAMILY KITCHEN	\$0
17	MID-PENINSULA BOYS & GIRLS CLUB	\$3,000
18	MISSION HOSPICE, INC. OF SAN MATEO COUNTY	\$1,750
19	(THE) NEW CONSERVATORY THEATRE	\$0
20	PENINSULA HUMANE SOCIETY	\$2,500
21	POLICE ACTIVITIES LEAGUE (PAL) RC	\$2,000
22	RAPHAEL HOUSE	\$1,000
23	ROSE RESNICK LIGHTHOUSE	\$1,000
24	SAINT LUKE'S HOSPITAL FOUNDATION	\$0
25	SAMARITAN HOUSE	\$2,500
26	SHELTER NETWORK	\$3,000
27	SITIKE COUNSELING CENTER	\$1,000
28	ST. ANNE'S HOME/LITTLE SISTERS OF THE POOR	\$1,000
29	TRIP FOR KIDS (MARIN)	\$0
<b>SUB-TOTAL</b>		<b>\$32,250</b>

NO.	CHARITY	AMOUNT GRANTED
<b>HORSERACING RELATED CHARITIES:</b>		
---	CALIFORNIA COUNCIL ON PROBLEM GAMBLING	\$6,450
---	CALIFORNIA THOROUGHBRED HORSEMEN'S FOUNDATION	\$3,225
---	DISABLED RIDERS ENDOWMENT	\$12,900
---	RACE TRACK CHAPLAINCY OF AMERICA (NORTHERN CALIFORNIA COUNCIL)	\$6,450
---	WINNERS FOUNDATION	\$3,225
SUB-TOTAL		\$32,250
TOTAL		\$64,500

**STAFF ANALYSIS  
REQUEST FOR APPROVAL OF  
CHARITY DISTRIBUTION**

**REGULAR BOARD MEETING  
JANUARY 20, 2005**

**Background:**

The Del Mar Thoroughbred Club is requesting that the Board approve its proposed distribution of charity racing day proceeds in the amount of \$176,400. The list of 23 beneficiaries is attached for your review. The distribution will give nearly 72% to industry-related organizations. Staff finds this request to be in order.

**Recommendation:**

Staff recommends that the Board approve this request.



**Michael R. Ernst**  
Senior Vice President and  
Chief Financial Officer

December 22, 2004

Ingrid Fermin  
Executive Director  
California Horse Racing Board  
1010 Hurley Way, Suite 300  
Sacramento, CA 95825

Dear Ingrid:

The Del Mar Thoroughbred Club Board of Directors has allocated charity day proceeds as set forth below.

Disabled Jockeys*	\$35,400
California Center for Equine Health and Performance*	20,000
California Thoroughbred Horsemen Foundation*	10,000
Grayson-Jockey Club Research Foundation*	10,000
University of Arizona Racetrack Industry Program*	10,000
Winners Foundation*	10,000
California Equine Retirement Foundation*	7,500
Del Mar Foundation	7,500
Children's Hospital of San Diego	5,000
California Thoroughbred Breeders Foundation*	5,000
Del Mar Village Association	5,000
Don Diego Scholarship Fund	5,000
Don MacBeth Memorial Jockey Fund*	5,000
Edwin J. Gregson Foundation*	5,000
Junior League of San Diego	5,000
Las Patronas	5,000
Magdalena Ecke YMCA	5,000
San Diego Hospice	5,000
The Country Friends	5,000
Tranquility Farms*	3,500
Kids to the Cup*	2,500
Rancho Coastal Humane Society	2,500
Shoemaker Foundation*	2,500
<b>TOTAL:</b>	<b><u>\$176,400</u></b>
Equine Related Charities*	\$126,400
Non-Equine Related	50,000
Percentage of Equine Related Charities	71.7%

Thank you for your attention to this matter and I look forward to hearing from you soon. If you need further information, please call me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael R. Ernst", written over a white background.

Michael R. Ernst

**STAFF ANALYSIS  
REQUEST FOR APPROVAL OF  
CHARITY DISTRIBUTION**

**REGULAR BOARD MEETING  
JANUARY 20, 2005**

**Background:**

The Hollywood Park Racing Charities is requesting that the Board approve its proposed distribution of charity racing day proceeds in the amount of \$192,812. The list of 29 beneficiaries is attached for your review. The distribution will give 65% to industry-related organizations. Staff finds this request to be in order.

**Recommendation:**

Staff recommends that the Board approve this request.

**Hollywood Park Racing  
Charities, Inc.**

1050 South Prairie Avenue  
Inglewood, California 90301

**Mailing Address:**  
P.O. Box 309  
Inglewood, California 90306

(310) 419-1500

**President and Chairman:**  
Tirso Del Junco, M.D.

**Secretary:**  
Barbara Richardson Knight

**Treasurer:**  
Angie Dickinson

**Vice Presidents:**  
Willie D. Davis  
Alvin Segel, Esq.

November 22, 2004

*Revised*

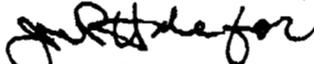
**Mr. John Reagan  
Senior Management Auditor  
California Horse Racing Board  
1010 Hurley Way, Suite 300  
Sacramento, CA 95825**

Dear Mr. Reagan:

Attached is a copy of our 2004 grants. We would appreciate having this included on the December agenda, if possible.

If you have any questions, please call (310) 419-1518.

Sincerely,

  
Tirso del Junco, M.D.  
Chairman & President

jh  
Enclosures

**Hollywood Park Racing Charities, Inc. - 2004****Education**

Inglewood ROTC	\$1,000
Morningside ROTC	\$1,000
Inglewood Educational Fund	<u>\$15,000</u>
	\$17,000

**Health**

Inglewood Children's Dental Center	\$2,500
Villa Scalabrini	<u>\$1,000</u>
	\$3,500

**Miscellaneous**

Los Angeles NAACP	\$2,000
Los Angeles Urban League	\$5,500
Stop the Violence Foundation	<u>\$7,500</u>
	\$15,000

**Racing**

California Thoroughbred Horsemen's Foundation	\$25,000
Disabled Jockeys Endowment	\$38,562
Edwin Gregson Foundation	\$ 9,000
Don MacBeth Memorial Jockey Fund	\$ 4,250
Race Track Chaplaincy	\$ 5,000
Shoemaker Foundation	\$21,500
Southern California Equine Foundation	\$ 5,000
Winners Foundation	<u>\$17,500</u>
	\$125,812

**Social Services**

Alzheimer Association	\$4,000
Centinela Valley Juvenile Diversion Project	\$2,500
Children's Bureau of So. California	\$2,500
Inglewood After School Program	\$2,000
Inglewood Business Opportunity Network	\$5,000
Inglewood Recreation Department	\$2,000
Inglewood Senior Citizens Center	\$2,000
International Life Services	\$2,000
National MS Society	\$ 500
Saint Margaret's Center	\$3,500
Salesian Boys & Girls Club	\$2,000
Watts/Willowbrook Boys & Girl Club	\$2,000
YMCA - Inglewood Branch	<u>\$1,500</u>
	<b>\$31,500</b>
	<b><u>\$192,812</u></b>

**STAFF ANALYSIS**  
STAFF REPORT ON END-OF-MEET RESULTS

REGULAR BOARD MEETING  
JANUARY 20, 2005

**Background:**

This item contains end-of-meet reports for recently concluded race meets. Staff is prepared to answer questions regarding the information presented.

**Recommendation:**

This item is for information and discussion.

## END-OF-MEET OUTLINE SUMMARY

For the California Horse Racing Board meeting, January 20, 2005. This report includes a summary for the following racing meeting: the PACIFIC RACING ASSOCIATION.

### **Pacific Racing Association at Golden Gate Fields**

November 10, 2004-December 20, 2004

Race days: 31

#### AVERAGE DAILY STATISTICS

	PERCENTAGE CHANGE
Ave. daily handle	1.76%
Ave. On-track handle	-6.67%
Ave. Off-track handle	-7.85%
Ave. Interstate-exported handle	7.73%
Ave. ADW	25.17%
Ave. daily attendance	-6.03%
Ave. daily on-track attendance	-2.28%
Ave. daily off-track attendance	-8.28%

**PACIFIC RACING ASSOCIATION - FALL**

YEAR	2000	2001	2002	2003	2004
TOTAL RACE DAYS	30	31	34	35	31
TOTAL HANDLE	124,811,483	142,462,753	155,078,062	145,493,982	131,139,313
ON-TRACK	19,512,607	20,210,191	21,609,462	20,937,158	17,307,352
OFF-TRACK	41,972,757	44,504,418	45,949,374	45,147,447	36,850,435
INTERSTATE-EXPORT	63,326,119	77,748,144	83,959,642	71,566,717	68,286,660
ADW	-	0	3,559,583	7,842,661	8,694,867
LIVE	89,557,474	104,379,760	114,224,290	104,317,963	97,984,291
INTRASTATE-IMPORT	22,623,140	22,087,824	23,083,523	22,765,472	18,358,045
INTERSTATE-IMPORT	12,630,869	15,995,169	17,737,598	18,410,548	14,796,978
INTERNATIONAL-IMPORT	0	0	32,650	0	0
AVE. DAILY HANDLE	4,160,383	4,595,573	4,561,119	4,156,971	4,230,300
AVE. ON-TRACK	650,420	651,942	635,572	598,205	558,302
AVE. OFF-TRACK	1,399,092	1,435,626	1,351,452	1,289,927	1,188,724
AVE. INTERSTATE-EXPORT	2,110,871	2,508,005	2,469,401	2,044,763	2,202,795
AVE. ADW	0	0	104,694	224,076	280,480
AVE. LIVE	2,985,249	3,367,089	3,359,538	2,980,513	3,160,784
AVE. INTRASTATE-IMPORT	754,105	712,510	678,927	650,442	592,195
AVE. INTERSTATE-IMPORT	421,029	515,973	521,694	526,016	477,322
AVE. INTERNATIONAL-IMPORT	0	0	960	0	0
TOTAL TAKEOUT	24,157,318	27,573,003	29,733,377	28,173,335	25,818,781
EFFECTIVE TAKEOUT %	19.36%	19.35%	19.17%	19.36%	19.69%
STATE LICENSE FEES	893,928	927,980	976,227	935,486	797,654
STATE %	0.72%	0.65%	0.63%	0.64%	0.61%
TRACK COMMISSION	4,691,295	5,091,863	5,279,795	5,089,289	4,277,032
ADW COMMISSION	0	0	223,658	369,029	415,700
TOTAL COMMISSION	4,691,295	5,091,863	5,503,454	5,458,319	4,692,732
TRACK %	3.76%	3.57%	3.55%	3.75%	3.58%
HORSEMEN PURSES	4,606,641	4,953,205	5,134,282	4,940,117	4,163,419
ADW PURSES	0	0	216,623	359,481	404,709
TOTAL PURSES	4,606,641	4,953,205	5,350,905	5,299,598	4,568,128
HORSEMEN %	3.69%	3.48%	3.45%	3.64%	3.48%

**PACIFIC RACING ASSOCIATION - FALL**

YEAR	2000	2001	2002	2003	2004
CALIFORNIA ATTENDANCE	204,526	215,104	220,378	221,432	184,297
ON-TRACK	71,466	81,710	80,476	82,999	71,834
OFF-TRACK	133,060	133,394	139,902	138,433	112,463
DAILY ATTENDANCE	6,818	6,939	6,482	6,327	5,945
AVE. DAILY ON-TRACK	2,382	2,636	2,367	2,371	2,317
AVE. DAILY OFF-TRACK	4,435	4,303	4,115	3,955	3,628
TOTAL RACE EVENTS	255	264	286	295	261
STARTS	2,060	2,175	2,307	2,241	1,977
AVE. PER EVENT	8.1	8.2	8.1	7.6	7.6
AVE. HANDLE PER START	43,475	47,991	49,512	46,550	49,562

**PACIFIC RACING ASSOCIATION - FALL  
AVERAGE DAILY HANDLE**

