

Thirty-Eighth Annual Report of the California Horse Racing Board

A Summary of
Fiscal Year 2007–08 Revenue and
Calendar Year 2008 racing in California

California Horse Racing Board

Richard B. Shapiro, Chairman
John C. Harris, Vice Chairman
John Andreini, Member
Jesse H. Choper, Member
Bo Derek, Member
David Israel, Member
Jerry Moss, Member
John W. Amerman, Former Member
Marie G. Moretti, Former Member
Kirk Breed, Executive Director
Richard Bon Smith, Assistant Executive Director

This report covers the fiscal year (July 1, 2007, through June 30, 2008) for revenue purposes, including pari-mutuel handle, fines, taxes, license fees, and the distribution of funds.

The report covers the racing year (December 26, 2007, through December 21, 2008) for reports on race meets and CHRB meetings.

*The CHRB general office is located at 1010 Hurley Way, Suite 300, Sacramento, CA 95825.
Field offices are located at all operating racetracks.*

Annual reports can be viewed on the Internet by visiting our Website at www.chrb.ca.gov and clicking on "Publications."

REPORT OF THE CHAIRMAN

This is my third and last Report of the Chairman, as I submitted my resignation to Governor Schwarzenegger on December 16. I did so for personal reasons. I hope to continue working with the Governor, the Legislature, and the California horse-racing industry in some other, yet-to-be-determined role, as I am passionate about horse racing and I want to continue contributing to its survival and hoped-for prosperity.

Horse racing in California is disadvantaged due to its inability to secure additional sources of revenue streams. To survive, California horse racing must find the means and methods to rebuild a viable nationally competitive environment. One look at the racetrack reports in this publication shows this is true (pages 40-52). With a few minor exceptions, California's racetracks and fairs saw drops in wagering this year, and they continued a long trend of declining attendance.

Over the last four years, I believe the Board has been progressive and worked hard in a variety of aspects to improve the state of racing in California. Some of our good intentions have in fact proved beneficial, and in spite of our best efforts, some have not panned out as well as we would have wished. But none of our efforts were done without the sole desire of supporting the industry, the game, and trying to improve the state of racing in California. The most noteworthy of our actions clearly has been the conversion of engineered tracks at our major venues. I admit the results have been mixed, but I feel that they still show promise, and with more science, time, and technology, I remain hopeful that it will lead to safer racing surfaces that will protect the tens of millions of dollars invested in horses each year by horse owners and breeders. We have to continually be mindful that the horses and riders must be protected at all costs.

Four years ago, California was thought to have unlevel playing fields for bettors, and that our efforts were not transparent. Today, I believe most people believe that we are transparent, fair, and have the best testing – nationally known to protect the integrity of the game. We have adopted strict but fair rules and penalties to ensure this level playing field. We test more horses; we have eliminated “milkshaking;” we have abolished the use of anabolic steroids; and we continue to push all stakeholders to look at the common goal, not their own self-interests.

But the truth is the economics of the game and the fundamentals of how we do business in this new age of Internet and off-track wagering have demanded that we reform our business model to remain competitive. The Racing Board cannot be the solution to reforming the structure of the industry. We can enforce the laws, create rules, and regulate the business, but we are powerless to rewrite the business model. As we have seen one major racetrack lost to a different, more profitable use, and another threatened to suffer the same fate, it is time to reinvent how racing in California can exist looking forward. The old models will not endure; we need to all realize the old way of doing business has to change. Racing must restructure the economics so that owners, trainers, breeders, and racetrack operators and owners can economically benefit from the industry. These are difficult challenges, but let's face it, we have no choice but to find the solutions for the tens of thousands of people employed in the business and the millions of fans who want to partake in what the industry has to offer.

And California horse racing does have a lot to offer. Highlighted by the Breeders' Cup World Championships, which were hosted by the Oak Tree Racing Association at Santa Anita this year, and will be again next year, the 2008 racing calendar was dotted by spectacular events and remarkable individual achievements. The Breeders' Cup showcased some of the best horses in the world competing in 14 races with

purses totaling \$25 million. Across town, Los Alamitos offered its richest derby ever – the \$933,750 Los Alamitos Super Derby – and then presented the richest quarter-horse race in North America – the \$2 Million Futurity. And earlier in the year, there were a number of fantastic racing days at venues throughout the state with large crowds, memorable races, excitement, and good fun – reminding us what horse racing is all about and why it prospered for so many decades.

My parting words are ones of encouragement and hope – hope that we can work together and find ways to stabilize and rejuvenate horse racing, so that it continues to provide jobs for California residents, continues to benefit our economy, and future generations will know the thrill of experiencing horse racing at California racetracks and fairs, and be proud of the fact that California is recognized as having some of the best horse racing in the world.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard B. Shapiro". The signature is fluid and cursive, with a large initial "R" and "S".

Richard B. Shapiro

Names and Locations of All Wagering Facilities Regulated by the California Horse Racing Board

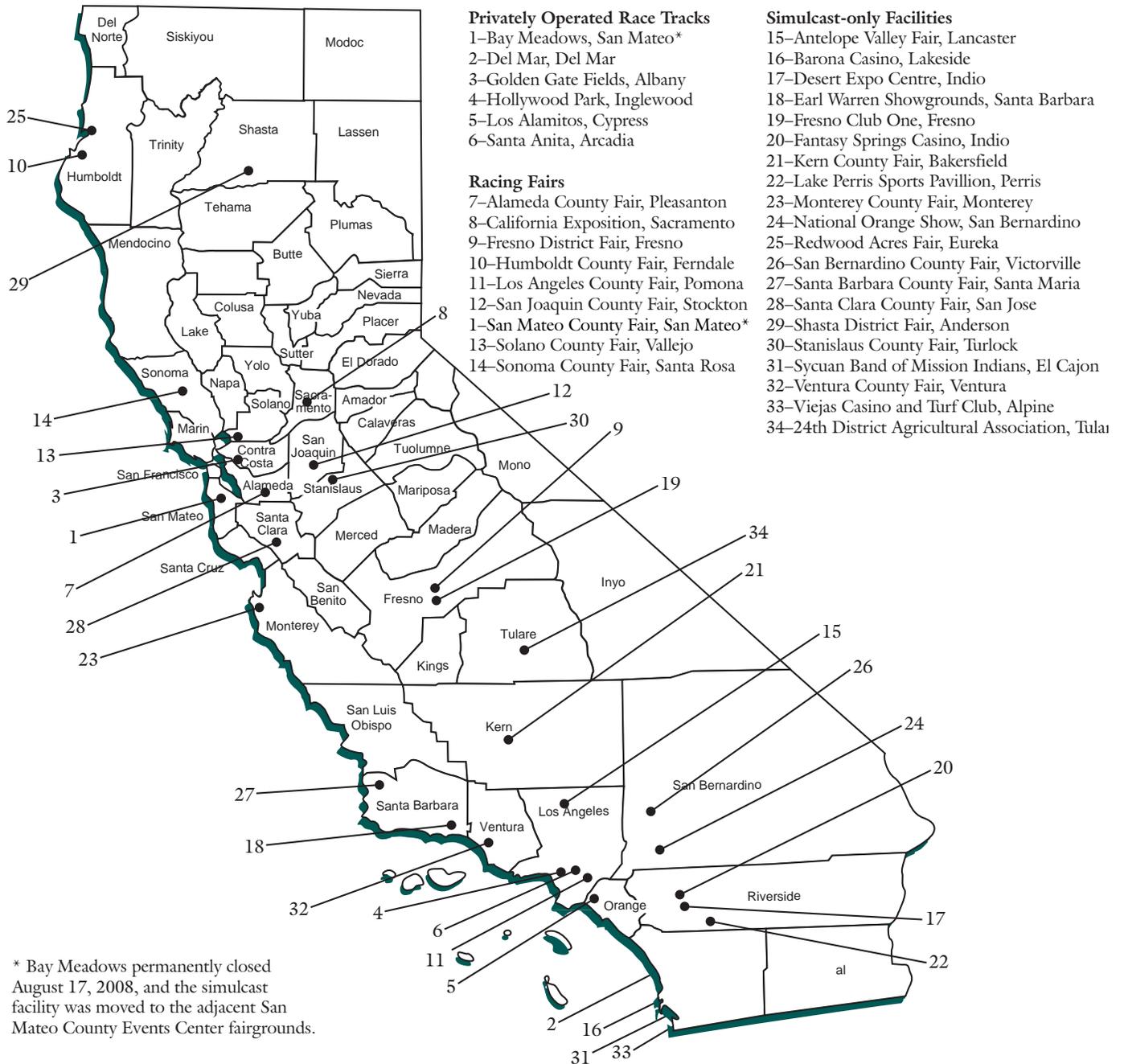


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California

December 26, 2007 – The 2008 racing season opened at Santa Anita Park and Golden Gate Fields. A crowd of 30,156 helped kick off the season in Arcadia.

February 7 – Breeders' Cup Limited announced the Breeders' Cup World Championships would be held for two consecutive years during the Oak Tree meets at Santa Anita Park in 2008 and 2009.

February 7 – Governor Arnold Schwarzenegger reappointed Commissioner Jerry Moss to the California Horse Racing Board.

February 18 – One person received a record Santa Anita Park Pick Six payout of \$3,120,256, which included a three-day carryover of \$1.2 million.

February 20 – The CHRБ conducted a special meeting for a comprehensive discussion of California's racing surfaces. Horse owners, trainers, jockeys, veterinarians, racing secretaries, handicappers, and manufacturers of synthetic surfaces participated in the panel discussions.



February 1 – Russell Baze, the jockey with the most wins in North American racing history, recorded his 10,000th career victory aboard Two Step Cat in the third race at Golden Gate.

February 25 – The Board appointed Kirk Breed – a lifelong horseman and in recent years a lobbyist in Sacramento specializing in horse-racing matters – to the position of executive director of the CHRБ.

February 28 – The Board authorized the California Exposition and State Fair to operate harness meets at Cal Expo, ensuring the continuation of harness racing in Sacramento.

March 1 – Heatseeker established himself among the top handicap horses in the country by winning the Santa Anita Handicap before a crowd of 41,377.

March 4 – CHRБ supervisors convened in Sacramento for a training conference dealing with enforcement, veterinary medical practices and drug testing, administrative hearings, and other matters critical to the regulation of horse racing.

March 8 – Autism Awareness, a horse so named to bring awareness to the disease that typically affects children, pulled off a

Highlights

\$126 upset in the El Camino Real Derby at Bay Meadows.

April 1 – The California Senate voted unanimously to confirm Governor Schwarzenegger’s reappointment of John Harris and appointment of Jesse Choper to the California Horse Racing Board.

April 5 – The Santa Anita Derby attracted 50,358 fans, which was the largest on-track attendance of the winter meet. The \$3,452,672 wagered on the single race was a record for the meet.

April 26 – Bold Chieftain won the Bay Meadows Handicap to notch his third stakes win at the final meet of the San Mateo racetrack.

May 3 – Kentucky Derby Day proved popular at Hollywood Park, where a record \$29,773,657 was wagered (all sources) – highest handle of the spring-summer meet.

June 19 – CHRB Chairman Richard B. Shapiro was

among those who testified before a congressional subcommittee during a hearing that focused on the health and safety of racehorses.

June 28 – Leading from start to finish, Mast Track pulled an upset in the \$750,000 Hollywood Gold Cup with 9,047 on hand for the meet’s signature race.



June 22 – William Morey (shown) completed the spring meet at Golden Gate with 25 victories – two more than Jerry Hollendorfer – to unseat Hollendorfer as the leading trainer for the meet. Hollendorfer had won 32 consecutive training titles at Golden Gate with a streak that began in 1986.

July 15 – Bo Derek and David Israel were appointed by Governor Schwarzenegger to the California Horse Racing Board.

July 16 – Opening day at Del Mar attracted a huge crowd (43,459), as usual. This was the first of three 30,000-plus days during the popular summer meet.

July 17 – The Board adopted a regulation effectively banning the administration of anabolic steroids in California horse racing. Strict penalty guidelines that later went into effect call for a minimum 30-day suspension for anabolic steroid violations.

California

August 17 – Bay Meadows, the historic track that opened in 1934 and showcased such racing greats as Seabiscuit, Round Table, and Native Diver, closed its doors forever after the final race of the San Mateo County Fair meet. Larry Stumes wrote in the San Francisco Chronicle: *“As the six horses made their way out of the saddling ring and onto the track for the final post parade, bugler David Hardiman played “Auld Lang Syne.” Then came the “Call to the Post,” which drew a standing ovation, followed by “Taps.” The horses broke their parade to stand in front of the crowd while their jockeys gave a salute.”*

August 24 – The eastern invader Go Between impressed a crowd of 30,102 at Del Mar by winning the Pacific Classic.

August 31 – Santa Anita opened its newly reconstituted racing surface well before the start of the Oak Tree meeting. In this photo, Ian Pearse, director-developer of Pro-Ride, is shown inspecting the new surface. (Benoit Photo)



September 5 & 7 – After Martin Pedroza set a record by being the first jockey to ride seven winners on one card at Fairplex Park, he accomplished the same feat two days later by riding another seven winners.

October 5 – California Cup Day showcased 87 California-breds in 10 races offering a total of \$1,325,000 in purses during the Oak Tree meet at Santa Anita. With a crowd of 20,622 on hand, Mr. Chairman won a thrilling photo finish over the filly Romance is Diane to take the featured \$250,000 California Cup Classic.

October 15 – The San Mateo simulcast facility opened for year-round operations. The 56,000-square-foot facility is located on the San Mateo County Event Center fairgrounds, adjacent to the Bay Meadows Race Course property.

October 16 – Governor Schwarzenegger announced the reappointment of Commissioner Richard B. Shapiro to the California Horse Racing Board.

October 24 & 25 – The Breeders’ Cup World Championships were hosted by the Oak Tree Racing Association at Santa Anita Park. Crowds of 31,257 (Friday the 24th) and 51,331 (Saturday) witnessed a parade of champions winning the 14

Highlights

October 18 – Sandy Hawley won the Legends of Racing special pari-mutuel wagering event aboard Tribal Chief over seven other retired Hall of Fame jockeys during the Oak Tree meet at Santa Anita. (Benoit Photo)



Breeders' Cup events – five on Friday and nine on Saturday – while handle from all sources exceeded \$155 million for the two days. (Photo display on the following pages)

November 9 – Los Alamitos offered its richest derby ever when the Los Alamitos Super Derby featured a purse of \$933,750, won by One Famous Eagle.

November 29 & December 20– California-breds were featured in two Championship Nights at Cal Expo. The eight \$25,000 races were for colt pacers, filly pacers, colt trotters, and filly trotters.

November 30 – Eastern-based jockey Ramon Dominguez scored back-to-back victories at Hollywood Park aboard Cocoa

Beach in the Matriarch and Court Vision in the Hollywood Derby – highlights of the three-day Autumn Turf Festival.

December 4 – John Alkire, C.E.O. of the Big Fresno Fair, was elected Chairman of the Board of Directors for the California Authority of Racing Fairs.

December 12 – Los Alamitos presented the \$2 million Futurity, or “The Deuce” – the richest race in track history and the richest race in North American quarter-horse racing with a purse of \$2,038,500, won by Tres Passes.

December 15 – Indicating a “personal decision,” Chairman Richard B. Shapiro announced his resignation from the Board, effective December 16, 2008.

December 15 – As many as 45 new “minisatellite” wagering facilities could be opened throughout California under a regulation approved by the Board, in accordance with AB 241 (2007).

December 20 – Pioneerofthe Nile won the \$750,000 Cash Call Futurity, richest race of the fall meet at Hollywood Park.

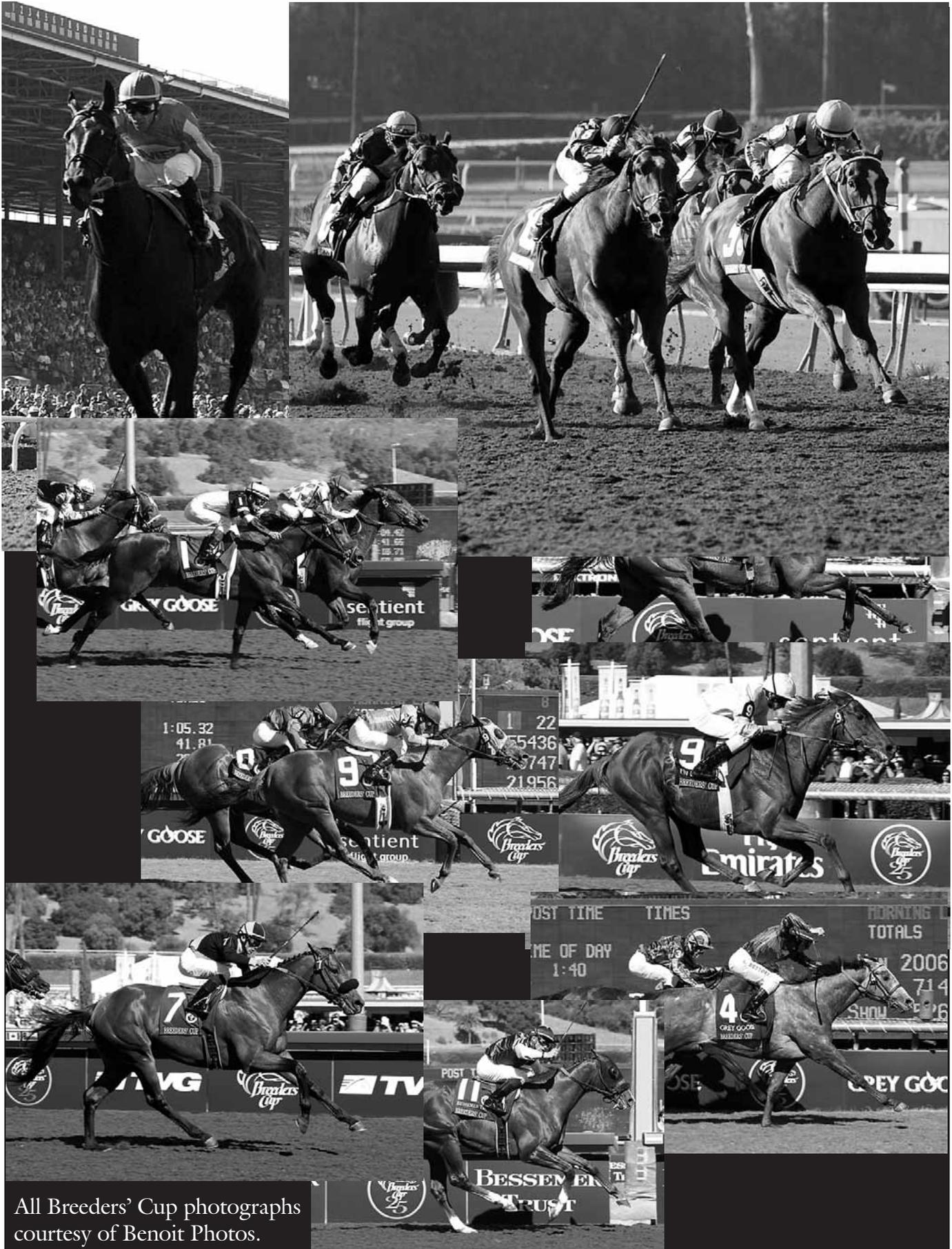


Undeclared Zenyatta (top photo, left) won the main Breeders' Cup event on October 24 – the Ladies' Classic. The other Breeders' Cup winners that day were (from bottom left) Ventura, Filly and Mare Sprint; Forever Together, Filly and Mare Turf; Stardom Bound, Juvenile Fillies; and Maram (inside), who narrowly edged Heart Shaped in the Juvenile Fillies Turf.



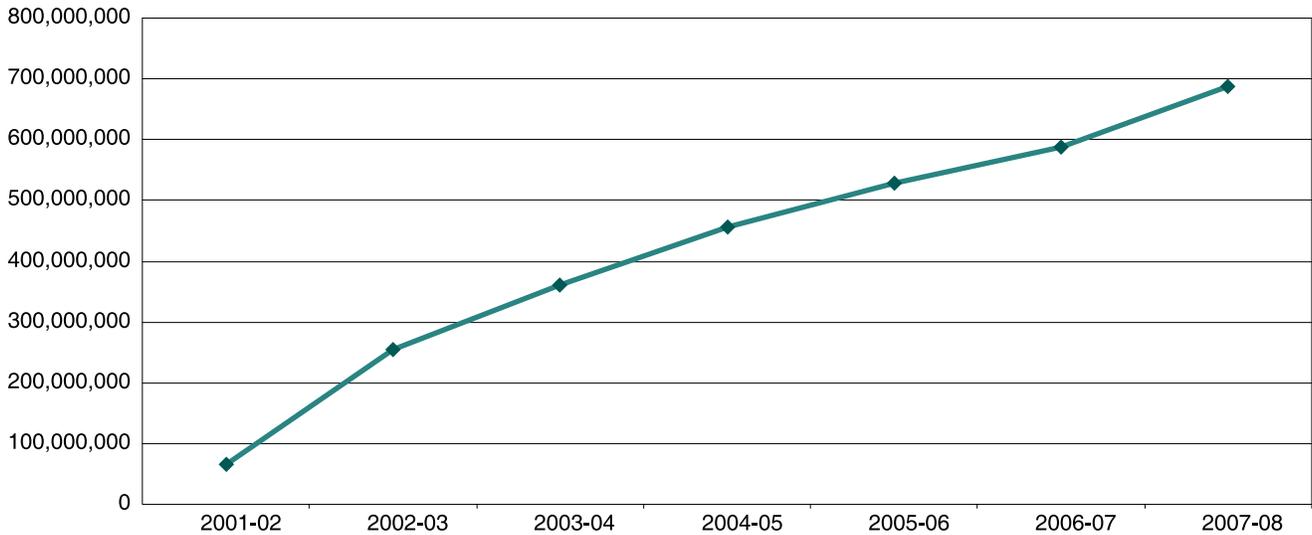
A strong force from Europe took on North America's 2007 Horse of the Year Curlin in the \$5 million Classic on October 25, won by one of the invaders, Raven's Pass (next page, top right photo), shown passing outside of Curlin. The other Breeders' Cup winners that day were (top left, counterclockwise) Midnight Lute, Sprint; Muhannak (inside), Marathon; Desert Code (outside), Turf Sprint; Albertus Maximus, Dirt Mile; Midshipman, Juvenile; Goldikova, Mile; Conduit, Turf; and Donativum, Juvenile Turf.



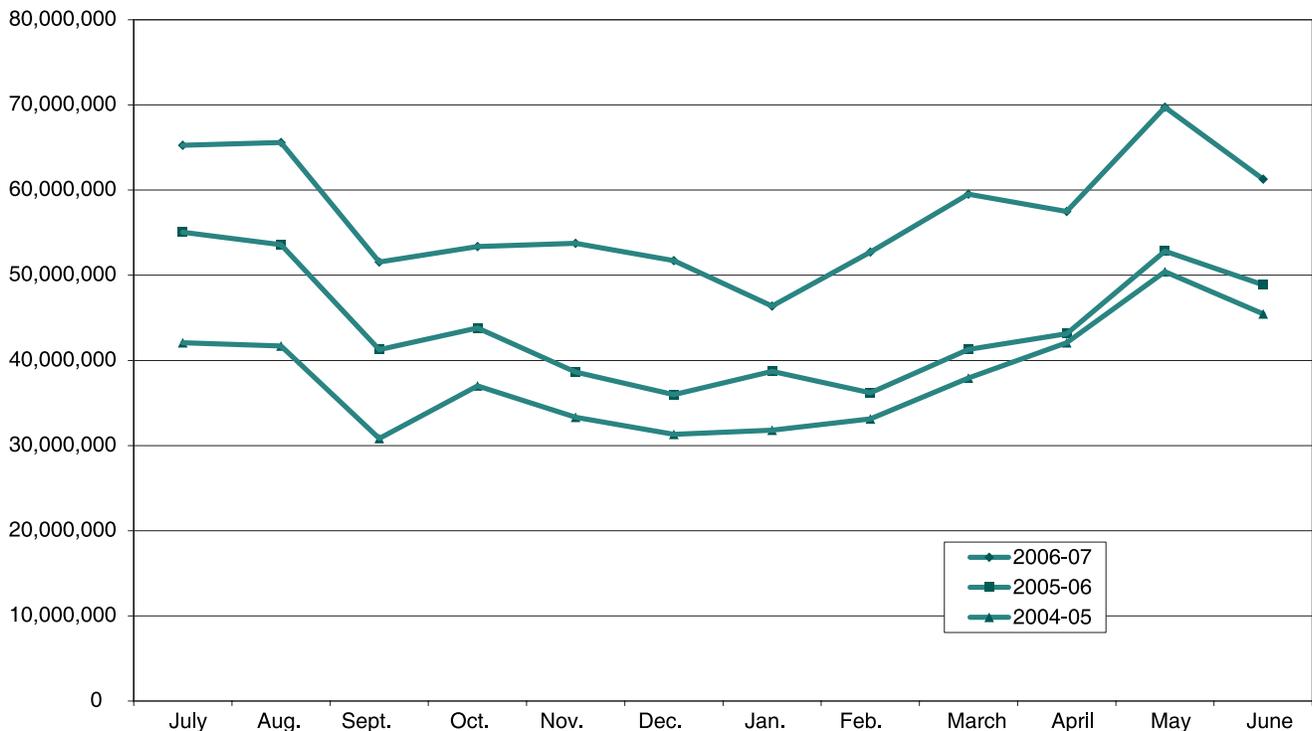


All Breeders' Cup photographs courtesy of Benoit Photos.

Total ADW Handle Seven-Year Fiscal 2001-2008



Monthly ADW Handle Fiscal Years 2005-06, 2006-07, 2007-08



ADVANCE DEPOSIT WAGERING

The California horse-racing industry entered a new era in 2002 with the advent of Advance Deposit Wagering (ADW), which allows customers to deposit funds into accounts in order to wager online and over the telephone. These wagers are funneled into pools at host tracks where the races are being run, and are within the pari-mutuel wagering system regulated by the California Horse Racing Board.

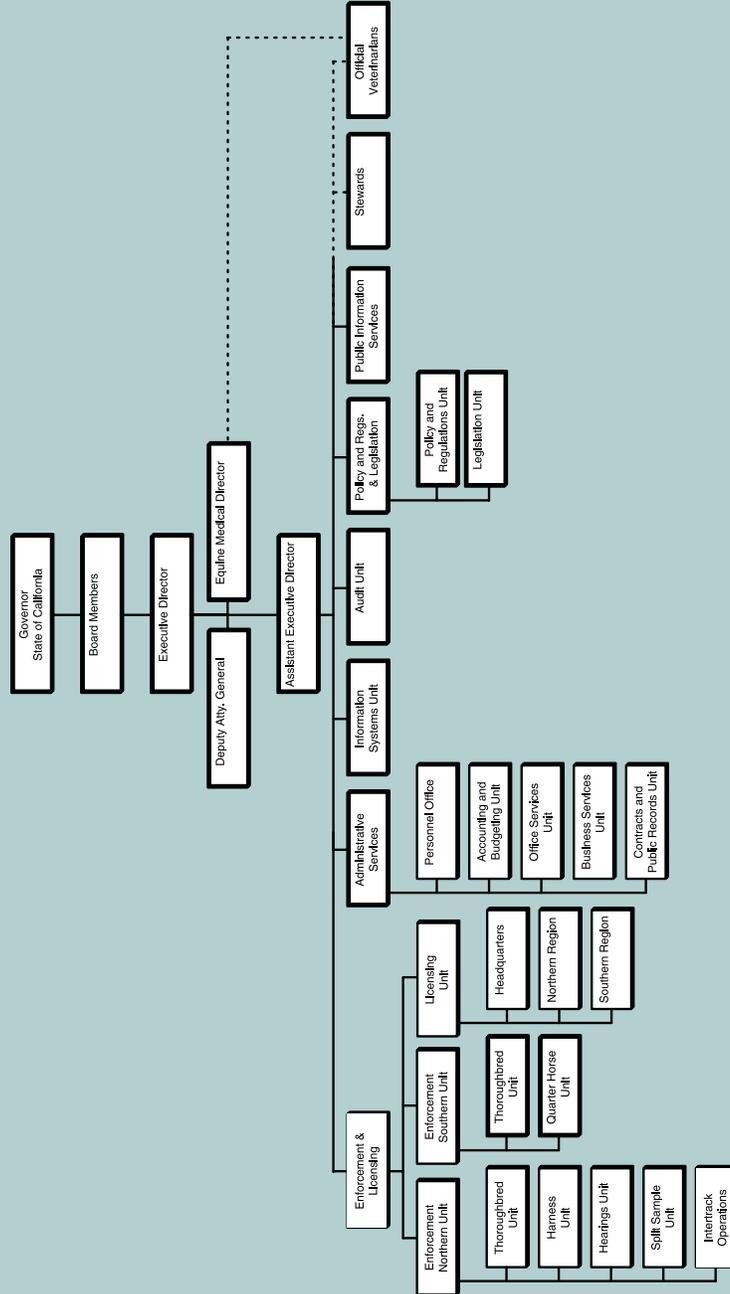
The CHRB has approved four companies to provide this service: TVG, XpressBet, Youbet, and TwinSpires. During the last fiscal year, the ADW providers collectively handled \$688,335,029 in wagers made by account holders in California and those in other jurisdictions who placed wagers on races in California. This represented an increase of \$100.7 million from the previous year, or 17 percent.

ADW is consistently the one segment of pari-mutuel wagering that increases substantially each year in California. As the top-left chart shows, ADW handle began with \$65,207,627 in FY 2001–02, then jumped to \$255,211,906, \$360,316,199, \$457,065,448, \$529,359,708, and \$587,599,138 the following years.

ADW is subject to the same variables that affect overall handle, including economic conditions, the quality and amount of racing during any particular period, and special events, such as the Breeders' Cup.

Despite the four providers handling nearly \$690 million between them during the fiscal year, ADW still represents just a fraction of the total money wagered through the California pari-mutuel wagering system. During that same 12 months, the total money wagered through the entire system reached \$4,386,952,434. ADW handle represented 15.7 percent of the \$4.38 billion in total wagers.

California Horse Racing Board Organization



The California Horse Racing Board

History and Mission Statement

Horse racing has been taking place in California since the turn of the century, but horse racing as we now know it — under the pari-mutuel wagering system — was not made possible until the electorate passed a Constitutional Amendment in 1933. The Horse Racing Law prompted construction of new racetracks on solid economic foundations.

The expressed intent of the Horse Racing Law is to allow pari-mutuel wagering on horse races and:

- ◆ Assure protection of the public;
- ◆ Encourage agriculture and the breeding of horses in this state;
- ◆ Support the network of California fairs;
- ◆ Provide for maximum expansion of horse-racing opportunities in the public interest; and
- ◆ Provide uniformity of regulation for each type of horse racing.

To accomplish this, the Constitutional Amendment authorized pari-mutuel wagering on the results of horse races at licensed race meetings and created

the California Horse Racing Board to oversee the industry.

Mission Statement: The purpose of the California Horse Racing Board is to regulate pari-mutuel wagering for the protection of the betting public and maximize State of California tax revenues.

The CHRHB's principal responsibilities are to:

- ◆ Adopt rules and regulations for the protection of the public and the control of horse racing and pari-mutuel wagering;
- ◆ Adjudicate controversies arising from the enforcement of laws and regulations of horse racing and pari-mutuel wagering;
- ◆ License each racing association, each simulcast wagering facility, and

all persons, other than the public at large, who participate in a horse race meeting with pari-mutuel wagering; and

- ◆ Allocate racing dates to qualified associations in the best interests of the people of California.

In addition to the Board's own staff legal counsel, the Attorney General of the State of California provides legal services to the Board on request. As a member of the Association of Racing Commissioners International, the Board exchanges information on licenses and disciplinary proceedings with other commissions of the RCI through the National State Racing Information System.

Board Meetings

The California Horse Racing Board met 13 times throughout the state during 2008 and convened a 14th time via teleconference. Board meetings are open to the public and include a published agenda.

The following 14 meetings were held:

January 8, 2008
Teleconference

January 16, 2008
Arcadia City Hall

February 20, 2008
Santa Anita Park

February 28, 2008
Arcadia City Hall

March 27, 2008
Bay Meadows

April 24, 2008
Hollywood Park

May 20, 2008
Cal Expo

June 27, 2008
Alameda County Fair

July 17, 2008
Del Mar Simulcast Facility

August 19, 2008
Del Mar Simulcast Facility

September 18, 2008
Los Angeles County Fair

October 15, 2008
Arcadia City Hall

November 18, 2008
University of California, Davis

December 15, 2008
Santa Anita Park

Members of the California Horse Racing Board

The California Horse Racing Board consists of seven members appointed by the Governor, generally to four-year terms, who are subject to Senate confirmation. Members are eligible for reappointment at the discretion of the Governor. The terms are specific; no more than two of the terms expire in any calendar year.

At least four members of the Board must concur in the taking of any official action or in the exercise of any of the Board's duties, powers, or functions. The member commissioners elect their chairman, who presides over meetings of the Board. The members also elect a vice chairman to preside in the absence of the chairman.

Commissioners receive a per diem of \$100 for each day spent in attendance

at meetings and are reimbursed for traveling and other expenses necessarily incurred in the performance of their official duties.

Committees Of The Board

The executive director is directed to provide public notice of a meeting of a standing committee, other than a meeting of the Stewards' Committee. Whenever a Board quorum is expected at any meeting of a committee, the ex-

ecutive director shall give notice that the meeting is a Special Meeting of the California Horse Racing Board limited to the agenda, the items to be discussed at the meeting, and the expected commissioners in attendance so that legal notice may be published.



**Richard B. Shapiro,
Chairman**

Founder of Winco Real Estate Services, Inc., Calabasas.

Appointed to the CHRFB by Governor Arnold Schwarzenegger on October 14, 2004, and then reappointed through July 26, 2012.

Resigned from the Board on December 16, 2008. Chairman in 2006, 2007, and 2008. Attended 14 of 14 Board meetings in 2008.



**John C. Harris,
Vice Chairman**

Chairman and CEO of Harris Farms, Inc., in Coalinga. Appointed to the CHRFB by Governor Gray Davis on November 9, 2000, through July 26, 2003. Reappointed by Gov. Davis through July 26, 2007. Reappointed by Gov. Arnold Schwarzenegger through July 26, 2011. CHRFB Chairman in 2004 and 2005. Attended 13 of 14 Board meetings in 2008.

Members of the California Horse Racing Board



John Andreini, Member

Founder of Andreini and Company. Appointed to the CHRB by Governor Arnold Schwarzenegger on October 14, 2005, through July 26, 2009. Attended 12 of 14 Board meetings in 2008.



Jesse H. Choper, Member

Earl Warren Professor of Law at the University of California, Berkeley. Appointed to the CHRB by Governor Arnold Schwarzenegger on March 30, 2007, through January 1, 2011. Attended 14 of 14 Board meetings in 2008.



Bo Derek, Member

Actress, active in humanitarian efforts for people and animals. Appointed to the CHRB by Governor Arnold Schwarzenegger on July 15, 2008, through January 1, 2010. Attended five of the six Board meetings since her appointment.



David Israel, Member

Former syndicated newspaper columnist, now a television and movie writer and producer, president of Contentious Content Creation & Pictures, Ltd.. Appointed to the CHRB by Governor Arnold Schwarzenegger on July 15, 2008, through Jan. 1, 2010. Attended six of six Board meetings since his appointment.



Jerry Moss, Member

Co-founder of A&M Records and Rondor Music. Appointed to the CHRB by Governor Arnold Schwarzenegger on February 24, 2004, through January 1, 2008. Reappointed by Governor Schwarzenegger through January 1, 2012. Attended 12 of 14 Board meetings in 2008.

Former Members

John W. Amerman,

Former Chairman of the Board, Mattel Inc. Appointed to the CHRB by Governor Arnold Schwarzenegger on June 30, 2006, through January 1, 2010. Resigned from the Board May 28, 2008. Attended first seven Board meetings of 2008.

Marie G. Moretti

Former Executive Director of the California Service Corps. First appointed to the CHRB by Gov. Gray Davis on Oct. 22, 1999. Following two reappointments, resigned from the Board on March 1, 2008. Attended the first four Board meetings of 2008.

Standing committees of the Board Calendar Year 2008

SECURITY AND LICENSING COMMITTEE

Commissioner Jesse Choper,
Chairman
Commissioner John Andreini
Commissioner Jerry Moss

Oversees the Board's occupational licensing operations; reviews security controls maintained by racing associations; makes recommendations to the Board for changes to laws or regulations governing security at racing facilities; and meets with the security services subcommittee, which consists of the Board's chief investigator, supervising investigators, and security personnel for racing associations, to consider reports and recommendations of the subcommittee.

MEDICATION COMMITTEE

Commissioner John Harris,
Chairman
Commissioner Richard B. Shapiro
Commissioner Bo Derek

Establishes the Board's veterinary practices and procedures; selects qualified applicants for assignment to racing meetings; offers recommendations for laws or regulations deemed necessary to improve veterinary practices; oversees Board enforcement of veterinary practices and medication procedures; and provides leadership in the development of new or amended track safety standards. This Committee met August 19, 2008, and addressed issues relating to the Breeders' Cup, the vet's list, pre-race examinations, and anabolic steroids; the Committee also met November 17, 2008, and addressed issues relating to the post-mortem program, racing injuries and track surfaces, pre-race examinations and the injury database, and TCO2 testing.

PARI-MUTUEL OPERATIONS COMMITTEE

Commissioner Jerry Moss,
Chairman
Commissioner John Andreini
Commissioner Jesse Choper

Approves agreements, facilities' equipment, and accommodations necessary for wagering; determines appropriate procedures and considers matters dealing with expansion of pari-mutuel operations; and recommends to the Board changes to law or regulations governing pari-mutuel operations. This committee met February 27, 2008, and addressed issues relating to mini-satellite wagering facilities, the coupling of horses, and proposed new wagers.

STRATEGIC PLANNING COMMITTEE

Commissioner Richard B. Shapiro,
Chairman
All Board Members

Considers requests from racing associations and interested organizations concerning racing dates to be allocated by the Board; reviews staff proposals for the racing calendars; and recommends to the Board the California horse-racing schedule for the calendar year or for multiple years.

STEWARDS' COMMITTEE

Commissioner John Harris,
Chairman
Commissioner Richard B. Shapiro

Selects by examination qualified applicants for listing of stewards for assignment to racing meetings; advises the Board on matters relating to stewards and racing officials; and recommends to the Board revisions to laws and regulations deemed necessary to improve race officiating. This committee met May 5 and again November 17, 2008,

and on both occasions the agenda included a review of inquiries on selected races and a discussion of various rules and procedures in a continuing effort to ensure consistency among the stewards throughout the state.

LEGISLATIVE COMMITTEE

Commissioner David Israel,
Chairman
Commissioner Richard B. Shapiro
Commissioner John Harris

Considers proposed legislation and, if warranted, recommends positions to be taken by the Board before the Legislature and Governor; transmits such Board views to the authors and appropriate legislative committees; responds to questions from the public concerning such legislation; and considers appropriate regulatory or administrative actions required by enacted legislation.

SPECIAL AD HOC COMMITTEES

The chairman may appoint special ad hoc committees to consider and make recommendations on designated issues. It is the policy of the chairman to appoint at least two commissioners to such ad hoc committees. The appointment of two commissioners allows attendance of an additional commissioner at meetings without amended notice.

RCI COMMITTEES

Members of the Board and CHRB staff members participated in committee functions of the Association of Racing Commissioners International. Richard B. Shapiro served on the Wagering Security Systems and Model Rules Committees; Kirk Breed served on the Standardbred Racing and Model Rules Committees.

California Horse Racing Board – Operating Budget

July 1, 2007 – June 30, 2008

Appropriations	Item	Total
Personal Services	\$4,284,000	
Operating Expenses	6,767,000	
Total Appropriation		\$11,051,000
Expenditures — Personal Services		
Salaries and Wages	\$3,024,532	
Staff Benefits	1,072,527	
Total Personal Services		\$4,097,059
Operating Expenses and Equipment		
General Expense	428,574	
Printing	30,625	
Communications	40,557	
Postage	15,000	
Travel-in-State	190,360	
Travel-out-of-State	4,338	
Training	4,844	
Facilities Operation	175,103	
Contractual & Professional Services-Interdepartmental	1,055,135	
Contractual & Professional Services-External	4,397,233	
Consolidated data center: Stephen P. Teale Data Center	157,390	
Central Administration Services: Pro Rata	373,308	
Equipment	0	
Total Operating Expenses and Equipment		\$6,872,967
Total Expenditures		* \$10,970,026
Unexpended Balance FY 2007-08 to be reverted to General Fund 6/30/10		80,974
Total Expenditures & Unexpended Balance		\$11,051,000

* Includes year-end accruals

Executive Division

Horse Racing’s specialized and complex regulatory requirements require a unique organizational structure and joint responsibilities for the Board and its operational divisions.

The Board appoints an executive director to carry out specified duties. The executive director, Kirk Breed, is responsible for the department’s operations, which includes overseeing on a daily basis all office and field operations conducted by the staff, including CHRB investigators and licensing per-

sonnel, and contract personnel, including the stewards and official veterinarians. The executive director is assisted in this regard by the assistant executive director, Richard Bon Smith, as well as by supervisory personnel at CHRB offices and at racetracks. The assistant executive director manages the entire CHRB staff. The two executives plan and oversee the budget of the Board.

The dynamics, complexity, and broad geographical base of the horse-racing industry place a tremendous responsibility on the executive staff of the Board, as it deals with a myriad of situ-

ations that arise on almost a daily basis. The stewards at the various racetracks are in continual contact with Board executives, who in turn have direct access to the chairman and vice-chairman if their guidance is required. The horse-racing industry operates seven days a week — 365 days a year — because even when there is no actual racing in progress, the stable areas remain active. To meet the demands of the horse-racing industry, CHRB maintains offices in both Northern and Southern California. Board executives are available by cellular telephone at any hour of the day.

MISSION

To Coordinate and Manage All Administrative Departments

ACHIEVEMENTS

Managed by the ASSISTANT CHIEF OF ADMINISTRATION (Wendy Voss), the ADMINISTRATION SERVICES DIVISION comprises the following: Budget and Accounting Unit, Business Services Unit, Contractual Services and Public Records Unit, Office Services Unit, and Personnel Unit. The Division managed the general office, which is the repository for the Board’s records, including all proceedings of the Board, records of individuals prohibited from participating in pari-mutuel wagering, records of horses and races, and various files, documents, and papers of the Board.

**Kirk Breed,
Executive Director**
Appointed February 25,
2008. Previously a lobbyist in
Sacramento specializing in
horse-racing matters.



MISSION

To Meet Increasing Demands for Fiscal Information for the Effective Execution of Program Operations and Decision Making

ACHIEVEMENTS

The BUDGET AND ACCOUNTING UNIT accurately and efficiently accounted for all revenue, expenditures, receipts, disbursements, and property of the state. In recognition of the Budget and Accounting Unit's accuracy and efficiency, the State Controller's Office presented an award for achieving excellence in financial reporting. New programs and procedures are being developed on an ongoing basis to further perfect and streamline current operations.

MISSION

To Provide Support Activities, Such as Procurement, Travel, and Space

ACHIEVEMENTS

The BUSINESS SERVICES UNIT continued to perform its responsibilities relating to the business operations of the Department, which include property management, printing, and telecommunications. The Unit managed the acquisition, repair, and disposal of supplies and equipment. This Unit processed travel-claim documents for the commissioners and staff, and acted as a resource for Board members and staff on the business operations of the department.

MISSION

To Provide Clerical Support to the Board and Staff Relating to All Office Operations

ACHIEVEMENTS

The OFFICE SERVICES UNIT provided support with office-telephone reception, word processing, filing, mail distribution, photocopying, and coordinating the Board's records retention program. This Unit performed the critical function of photocopying, collating, and distributing the monthly Board and Committee meeting notices and packages to the Board members, staff, and interested members of the public. Since May 2000, the Unit has offered subscribers of the Board and Committee meeting notices the opportunity to receive those notices via electronic mail. Other significant responsibilities included direct support to the administrative hearings unit and the business services unit.

MISSION

To Comply with State-Mandated Programs, Handle Personnel-Related Actions for Staff, Statewide

ACHIEVEMENTS

The PERSONNEL UNIT continued the process of filling positions vacated by employees who elected retirement or left the Board for other reasons, including the position of Executive Director. Personnel staff continued to maintain, update, and keep staff informed on mandated programs relating to civil service law changes, collective bargaining agreement modifications, and the various departmental policies. The Personnel Unit continued the never-ending processing of health, dental, and vision benefits, payroll, annual conflict of interest standards, and other related personnel actions.

MISSION

To Complete Regulatory Rulemaking Files and Develop Policies and Procedures to Implement Regulatory Changes and Board Policies

ACHIEVEMENTS

The POLICY AND REGULATION UNIT, supervised by the policy and regulations/legislation manager (Jacqueline Wagner), responded to legislative and Board initiatives and industry requests by revising 14 of the Board's rules governing horse racing in California. The Unit also continued the administration of the Board's on-going track safety program and the farrier and trainer licensing programs. The Unit reviewed and analyzed license applications for live horse-racing meetings, Advance Deposit Wagering (ADW) providers, satellite wagering facility operators, and concessionaires and contractors providing services at wagering facilities. Additionally, the Unit compiled the minutes of monthly Board meetings and conducted analysis and research on issues involving California's horse-racing industry.

The following rule changes were enacted during 2008:

Rule 1420, Definitions, was amended to revise the definition of a "claiming race."

Rule 1467, Paymaster of Purses, was amended to authorize the paymaster of purses to deduct 0.3 percent of the net purse earned by any thoroughbred horse at a thoroughbred racing association or racing fair for deposit into the California Retirement Management Account (CARMA) to be used to benefit retired thoroughbred racehorses. Owners may opt out of the deduction by filing the specified form with the paymaster of purses at each association at which the owner wishes it to be in effect.

Rule 1481, Occupational Licenses and Fees, was revised to add "Stable Name Groups" to the list of entities that must register with the Board and pay the fee required.

Rule 1505, Qualifications for License as Horse Owner, was amended to permit a person who has held a horse-owner license in good standing to renew his or her horse-owner license without owning a properly registered racehorse in the care of a licensed trainer at the time of renewal of such license.

Rule 1606, Coupling of Horses, was amended to exempt thoroughbred horses from the coupling requirement if the thoroughbred horses are owned by different partnerships whose composition are not mirror images, and there is at least one partner who has an ownership interest in each of the partnerships, and a different trainer trains each horse.

Rule 1632, Entries and Declarations, was amended to increase the riding fees paid to non-winning jockeys.

Rule 1634, Claiming Option Entry, was added. The new rule provides that horses entered in a claiming race may be declared ineligible to be claimed under specified conditions.

Rule 1783, Registration of Stable Names and Stable Name Groups, was amended to allow multiple entities, each owning multiple horses with different sets of owners, to be licensed as a stable name group.

Rule 1784, Registration to Disclose All Partners, was amended to provide for the registration of stable name groups.

Rule 1843.2, Classification of Drug Substances, was amended to require the Board, the board of stewards, the hearing officer, or the administrative law judge to consider the classification of a drug substance as referenced in the California Horse Racing Board - Penalty Categories Listing by Classification when adjudicating a hearing for a violation of Business and Professions Code section 19581.

Rule 1843.2, Classification of Drug Substances, was modified to reclassify the anabolic steroids boldenone, nandrolone, stanozolol and testosterone, from Class four drug substances to Class three drug substances and change the penalty category for these anabolic steroids from Category D to Category B.

Rule 1843.3, Penalties for Medication Violations, was added. The new regulation establishes penalty guidelines the Board, the board of stewards, the hearing officer, or the administrative law judge shall consider in reaching a decision on medication violations.

Rule 1844, Authorized Medication, was amended to establish levels for boldenone, nandrolone, stanozolol and testosterone, one of which may be present in the official urine test sample.

Rule 1850, Posterior Digital Neurectomy, was amended to prohibit a horse that has had a posterior digital neurectomy after October 1, 2008, from racing in California.

MISSION

To Comply with State Agency Requirements in the Collection, Use, Maintenance, and Dissemination of Information

ACHIEVEMENTS

The PUBLIC RECORDS Act was established in the California Government Code, effective in 1968. The Information Practices Act was established in the California Civil Code, and became effective in 1978. The dissemination of records maintained by the Board is regulated by both Acts.

The Board's policy to release records is based on the premise of open government and every person's right to public information, and that personal privacy must be protected by placing constraints on the collection, maintenance, and dissemination of information. Both the Public Records Act and the Information Practices Act place specific requirements on the Board for the dissemination of information relating to individuals.

The Board collects and maintains licensee information, including personal details, but the dissemination of personal information, which could be found on license application documents, is prohibited, except for very specific circumstances. The Board carefully weighs the information requested in order to balance statutory or constitutional mandates with the individual's right to privacy.

MISSION

To Promote Sound Business Decisions While Securing Necessary Services Through Contractual Agreements

ACHIEVEMENTS

The Board requires various CONTRACTED SERVICES to meet operating needs. The Board executed a wide range of service and commodity contracts, including those relating to the use of a weapons range (for enforcement staff firearm qualifications) and equine drug testing. Contractual arrangements included inter-agency agreements with other state entities, such as the University of California-Davis, which provided an Equine Medical Director to help ensure the health, safety, and welfare of horses, and the California Animal Health and Food Safety System, which performed post-mortem examinations on racehorses.

Another contracted arrangement procured stewards responsible to the Board for the conduct of race meetings. They provided general authority and supervision over all licensees and the racing enclosure. The Board contracted with official veterinarians, who maintained authority and jurisdiction to supervise the practicing licensed veterinarians and enforced the Board's regulations relating to veterinary practices at the racetracks.

MISSION

To Supervise All Audits and Authorized Pari-mutuel Wagering Operations

ACHIEVEMENTS

The CHIEF AUDITOR (Francisco G. Gonzalez) formulated the audit procedures for the computerized totalizators, reviewed totalizator programs and audit reports, reviewed pari-mutuel pool distributions, resolved pari-mutuel complaints submitted to the Board, reviewed reports of charity racing proceeds, and monitored audits of breeders' award programs and horsemen's organization welfare funds.

MISSION

To Continually Audit Pari-mutuel Operations

ACHIEVEMENTS

PARI-MUTUEL AUDITORS remained on duty throughout each and every racing program, as required by the Board, to provide the Board with an ongoing audit of the pari-mutuel operations. The chief auditor coordinated the efforts of the pari-mutuel auditors by establishing consistent reporting formats and providing technical assistance as required.

A daily audit report of the actual amount of pari-mutuel wagers (the handle) was provided to the Board to ensure that the correct license fee was collected from the association and to ensure that the correct pari-mutuel payoffs were made to the public.

Under the supervision of the chief auditor, the AUDIT UNIT performed audits on the pari-mutuel results of racing associations and other racing-related organizations in California. These audits covered such areas as purses, charity day results, horsemen's welfare organizations, and simulcast organizations.

MISSION

To Respond to Requests for Information from the Public and the Industry and to Accurately Convey the Board's Positions and Activities

ACHIEVEMENTS

The PUBLIC INFORMATION OFFICER (Mike Marten) responded daily to numerous inquiries from the news media and the general public on a wide range of matters pertaining to the California horse-racing industry and the Board's activities. The PIO attended all Board and Committee meetings and issued 67 news releases and several advisories pertaining to those meetings and other actions of the Board. Major releases were routinely distributed to members of the news media and news organizations interested in California horse racing, as well as to all major racing organizations, interested state lawmakers and agencies, and certain national and international groups involved in the industry. The PIO compiled this Annual Report. The PIO arranged for various racetrack stewards to be interviewed on radio and television and to attend seminars and other public events in order to meet and respond to questions from the public, thereby reassuring the public concerning the professionalism and qualifications of those responsible for the orderly conduct of race meetings. And the PIO wrote articles for various publications emphasizing positive aspects of the CHRB and horse-racing industry.

MISSION

To Improve and Enhance Business Practices and Service to the Public Through the Prudent and Innovative Use of Information Technology

ACHIEVEMENTS

The MANAGEMENT INFORMATION SYSTEMS DIVISION, managed by the Chief Information Officer (Steve Saks), oversees all aspects of the CHRB's statewide computer network. In FY 2007-08, MIS continued a systematic and aggressive upgrade of all of the Board's computer capabilities, allowing the Board to maintain constant communications with all of the track locations, while simultaneously providing those locations with access to mission-critical information through direct connection to CHRB headquarters in Sacramento. Additionally, MIS made dramatic upgrades to the entire statewide network to increase speed and capability in order to meet the increased demand for information and provide access to specific CHRB information to an increasing number of personnel and agencies affiliated with the CHRB.

MIS continued an aggressive effort to integrate increasingly advanced technological solutions throughout the CHRB in order to enhance productivity and efficiency, while significantly reducing communications overhead costs. MIS continued to expand the CHRB licensing system to provide all racetrack offices with immediate online access to CHRB license information that is critical to conducting their day-to-day business. MIS began providing expanded access to stewards, veterinarians and horse identifiers to provide real-time information that was previously unavailable to them.

MIS continued to make major enhancements and refinements to the CHRB Website. The Website increased the availability of meeting notices, agendas, and transcripts. The official vet's list is available on the CHRB Website as well as steward's minutes from all active racecourses. These pages allow interested parties to view the information regarding all horses currently being held out of competition. Additionally, links to the Webcasts of CHRB Board meetings continued to be made available during FY 2007-08. Also, the Website was further enhanced and re-organized to make it easier for interested parties to navigate all aspects of the CHRB's Web pages.

During fiscal year 2007-08, the MIS Department completed Phase I of a complete and comprehensive overhaul and upgrade of its Information Systems environment. The completion of Phase I occurred within budget and on schedule with a dramatic improvement to the Board's network reliability, functionality, and stability, as well as complying with the State Information Security Office's requirements and expectations for data integrity and security. Phase II of this far-reaching and expansive undertaking is now well underway, and completion is expected during the current fiscal year.

MIS made significant enhancements to its state-of-the-art photo identification system, the foundation for the current development of a new suite of comprehensive applications that will serve as the fundamental tool set for all aspects of the CHRB's operations. The California Horse Racing Information System (CHRIS) has served as the core application for the CHRB for more than a decade. The CHRIS applications are currently housed on mainframe computers located at the Department of Technology Services and are accessed by CHRB personnel via direct connections to DTS through the CHRB's network. With the completion of Phase II of the CHRB's network upgrade and the addition of personnel resources necessary to support the day-to-day needs of the CHRB staff and contractors, the MIS Team will begin the full-scale definition, design, and development of the new

suite of comprehensive applications that will ultimately replace the current CHRIS applications, while adding services, features, and components that the CHRB will need going forward. This suite of applications will be designed and developed by MIS and CHRB persone, ensuring that the finished products will have the highest level of functionality and usability possible. This design and development process will continue to span the next fiscal year with the finished product being a platform that will evolve with the needs and requirements of the Board.

MIS continues to explore new and emerging technologies to determine their utility and viability within the framework of the CHRB. The current MIS team has committed to moving the Board forward through the implementation of products, services, and systems that cost-effectively advance the goals and objectives of the CHRB.

MISSION

To Monitor Legislation and Update the Horse Racing Law

Enacted Legislation:

SB 561 – Senator Bob Margett; Chapter 380

AB 813 – Assembly Member Anthony Portantino; Chapter 19

AB 1289 – Assembly Member Curren Price; Chapter 430

AB 2048 – Assembly Member Jim Silva; Chapter 439

ACHIEVEMENTS

The LEGISLATIVE UNIT, under the policy and regulations/legislation manager (Jacqueline Wagner), in addition to updating the Horse Racing Law and representing the Board in legislative hearings, tracked and analyzed all legislative bills with a potential impact on the horse-racing industry. Of these, nine bills were chaptered into law.

The following nine horse-racing bills were chaptered in 2008:

Increases the number of racing weeks allocated per year to a licensed thoroughbred racing association in the northern zone from 22 weeks to 35 weeks and increases the maximum number of racing days allocated per year to a licensed racing fair from 14 days to 4 weeks. This bill also deletes the requirement that the racing period at licensed fairs take place during the same time as general fair activities are conducted.

Exempts a California harness racing association from the requirement of having a qualified and licensed physician on duty at all times during racing under specified conditions. Clarifies the current exemption to the requirement of having a qualified and licensed physician on duty at all times during racing applies to any quarter horse racing association rather than to any quarter horse racing at the racetrack. This bill also allows unexpended funds as specified from a harness meeting to be expended for other purposes with the consent of the horsemen and the racing association for the benefit of horsemen and/or the association.

Clarifies the provisions of receiving and splitting satellite wagering revenue when an overlap occurs during the Humboldt County Fair. The bill also extends the sunset date to January 1, 2014, for the current workers' compensation insurance program at harness race meetings.

Increases the number of races a harness and quarter horse racing association may import (out-of-state or out-of-country) on live racing days from six races to eight races. In addition, extends the sunset date to January 1, 2014, for the current workers' compensation insurance program at quarter horse race meetings. This bill also requires the CHRB to review its regulations governing the operation of satellite wagering facilities in an attempt to reduce operating costs for these facilities.

AB 2103 – Assembly
Member George Plescia;
Chapter 443

Extends the sunset date to January 1, 2014, for the current workers' compensation insurance program at thoroughbred race meetings and fairsas.

AB 2205 – Assembly
Member Martin Garrick;
Chapter 448

If a venue used for thoroughbred racing in the central zone in 2008 is not available for racing in 2009 or thereafter, this bill authorizes the allocation of race dates formally allocated a thoroughbred racing association or fair in the central zone to be allocated to a venue in the southern or central zone; increases the maximum allowable number of allocated race days for a thoroughbred racing association or fair in the central or southern zone from 17 weeks to 25 weeks; caps the total number of racing weeks to the current 49 week aggregate total; Ensures that race dates allocated to a venue in the central zone that closes due to construction to accommodate year-round stabling and training are not subject to reallocation to venues in the central or southern zone.

AB 2258 – Assembly
Member Noreen Evans;
Chapter 453

Clarifies language related to the amount of license fees that must be paid to the state by racing associations and fairs in any calendar year and clarifies languages related to the pro rata remittance by racing associations and fairs if the amount falls short of the required \$40,000,000.

AB 3073 – Committee on
Governmental
Organization;
Chapter 509

Defines a "California-sired horse" and allows a California-sired horse to participate in a California-bred race. This bill also adds trainers to the list of persons subject to punishment by fine or imprisonment if they influence, induce, or conspire to affect the result of a race. In addition, clarifies that exemptions for substances defined as "drugs" are to include vitamins or supplemental feeds in compliance with the rules and regulations of the California Horse Racing Board.

AB 3074 – Committee on
Governmental
Organization;
Chapter 510

Authorizes a licensed harness association to import the Kentucky Futurity and its host's full card of racing on that day. This bill also deletes the restriction, based on figures from 1998, limiting the total number of thoroughbred races on which wagers are accepted statewide in any given year and increases the number of thoroughbred races a thoroughbred racing association or fair is allowed to import per day from 23 to 32.

Licensing

Participants in horse racing at California racetracks and facilities under the jurisdiction of the CHRB are required to be licensed. This includes horse owners, pari-mutuel employees, and racing officials among the 26 license classifications. The CHRB licensing unit, managed by the chief investigator (Rad Coulter), is comprised of one racing license supervisor (Laura Sandoval) and 10 racing license technicians assigned to the thoroughbred, quarter-horse venue, harness, and fair venues. During a licensed racing meet at any of 13 racetracks in the state, a licensing field office of the Board is established at the operating facility.

MISSION

To License All Participants In Horse Racing

ACHIEVEMENTS

The LICENSING UNIT issued 10,686 original, renewal, or duplicate licenses in FY 2007-08. Licenses issued included 3,806 new or renewal owner licenses, 269 new or renewal trainer licenses, 135 new or renewal jockey licenses, 2,554 new or renewal groom licenses, and 637 new or renewal pari-mutuel clerk licenses. The issuance of these licenses generated approximately \$1,041,650.00 in licensing fee revenue.

MISSION

To Ensure Proper Licensing and Enhance Customer Service to the Public and Licensees

ACHIEVEMENTS

In FY 2007-08, the Unit submitted 3,408 fingerprints to the California Department of Justice as part of the initial license application. The live-scan fingerprint technology and digital photograph identification card system continued to streamline the licensing process. The applicants' fingerprints were digitally captured and directed to the California Department of Justice, which can process and return criminal history information on an applicant in as little as one business day. Additionally, the Unit began digitally submitting an applicant's fingerprints to the Federal Bureau of Investigation as part of an applicant's criminal history checks. The live-scan fingerprint technology and digital identification card system eliminated many steps in what was previously a messy and cumbersome licensing process. The Unit processed all fingerprints and reciprocity fingerprint affidavits.

The Unit checked daily to ensure that participants were properly licensed and verified that all licensed trainers had the required workers' compensation insurance. As part of the verification process, the Unit utilized computer databases, consulted with other racing jurisdictions, and worked closely with CHRB enforcement personnel. Because racing license technicians are trained on the complex circumstances of multiple partnerships, racing syndications, stable names, and various types of corporations, they were able to explain the requirements to applicants and assist them in selecting the type of license that best met their needs.

Enforcement

The ENFORCEMENT DIVISION includes one chief investigator (Rad Coulter), four supervising special investigators, and 14 senior/special investigators, all sworn peace officers. Their primary duty is the enforcement of the Horse Racing Law, CHRB rules and regulations, and provisions of California law addressing sporting events and gambling pursuant to the Business and Professions Code, Penal Code, and other California Codes. A management service technician manages the split-sample program. An enforcement field office is established at each operating race meet. This field office is staffed with investigative personnel, who investigate all observed or reported offenses.

MISSION

To Check on Fitness for Licensure

ACHIEVEMENTS

The Enforcement Division conducted investigative interviews of those license applicants with a criminal conviction for any public offense or a suspension or revocation of a license for any horse racing-related violation. The Division reviewed California Department of Justice and Federal Bureau of Investigation criminal history records on all first-time license applicants and subsequent arrest/conviction information on current licensees. In the case of a first-time applicant, this information sometimes resulted in termination of the license if the applicant failed to accurately report his or her conviction at the time of the application. In the case of a subsequent arrest or conviction, the information sometimes resulted in a complaint and order to appear before the stewards for adjudication. This process helped to keep undesirable elements from actively participating in horse racing.

MISSION

To Obtain and Submit Information to the National Data Bank

ACHIEVEMENTS

The Division obtained horse-racing background information on license applicants through the computerized national index of the RCI. As part of its participation in this national program, the Board submitted 1,273 rulings of the California stewards for input into this national database system. Each field office has online access to the NASRIS index as well as microfiche records for reviewing license histories. Documents supporting eligibility for employment of resident aliens were checked in an effort to prevent subsequent problems between the applicant, the Board, and the Immigration and Customs Enforcement. The Division declined to issue 31 licenses to applicants who failed to meet established criteria or because grounds existed to refuse or deny the license. Such refusals were without prejudice to the applicants, who were permitted to reapply if the licensing criteria were met.

MISSION

To Enforce Rules and Regulations

ACHIEVEMENTS

Observed or reported offenses were investigated, and the majority of those 1,306 investigations resulted in the service of 818 administrative action complaints against licensees for a multitude of alleged violations. These complaints resulted in the issuance of 1,273 rulings by the stewards for violations of racing infractions, misconduct concerning entry or procedure, conduct of financial affairs, improper medication practice, fitness for continued licensing, medication and substance violations, failure to appear, possession of contraband, intoxication/alcohol or con-

trolled substances, and other violations. These rulings resulted in the issuance of fines of \$315,726 and license suspensions totaling 2,972 days. Potential or actual criminal offenses were investigated, including medication violations, bookmaking, possession and/or sales of controlled substances, theft, burglary, forgery, disorderly conduct, and the writing of non-sufficient-fund checks.

Board Investigators, in conjunction with the California Department of Justice Attorney General's Office, sought and obtained three felony convictions on a licensee for a violation of California Penal Code sections 182 (Conspiracy), 487 (Grand Theft), and 337(b) (Sporting Events-Offering or Attempting to Bribe Player) related to a race-fixing investigation conducted at the California Exposition and State Fair facility.

Board investigators maintained a close liaison with municipal, state, and federal law enforcement agencies, as well as local officers assigned to anti-gambling operations and narcotics task forces. Local policing authorities often work in conjunction with Board investigators concerning matters of mutual interest. Board investigators conducted compliance inspections of each racing facility to make certain that required standards for access, maintenance, cleanliness, fire safety, and officiating equipment were being met. Board investigators also conducted searches of licensee vehicles, transportation vehicles, veterinary vehicles, barn stalls, and tack rooms in conjunction with the investigation of medication violations. Board investigators managed a human urine collection and presumptive testing for controlled substances pursuant to licensee drug-screening agreements.

MISSION

To Process Appeals and Other Matters in a Fair and Timely Manner

ACHIEVEMENTS

The ADMINISTRATIVE HEARINGS UNIT, staffed by a senior special investigator (Sharyn Jolly), received 30 appeal requests of stewards' rulings for such matters as jockey and trainer suspensions. The Unit coordinated 15 administrative hearings, processed 28 requests for temporary stays, and 37 peremptory orders related to those appeals and other actions of the Board. The Board granted six stay orders and denied the request for stays on the remaining 22 requests. The Unit drafted and orchestrated the signing of 22 stipulated settlements.

All decisions and rulings of the stewards other than the outcome of a race are subject to review by the Board and may be appealed by anyone directly affected by the action. Any applicant for license who is refused the license may appeal for review by the Board. Every person who is excluded and/or ejected from a racing enclosure is entitled to a hearing before the Board for a determination as to the propriety of that action. Complaints not resolved by investigators at the field office are referred to the Unit for appropriate action, such as the filing of an accusation or preparing a statement of issues.

MISSION

To Ensure Compliance with All Laws and Rules at Simulcast Facilities

ACHIEVEMENTS

Board investigators are tasked with the random compliance inspections of Simulcast Wagering Facilities located in California. These inspections focus on the overall facility operation in addition to compliance with the California Horse Racing Board rules and regulations. Satellite uplink and downlink equipment is also examined during the course of these inspections. Including the major racetracks and racing fairs, there are 34 simulcast wagering facilities located throughout California, including those located on Indian reservations. A simulcast supervisor, who works in concert with a pari-mutuel manager to ensure that all aspects of the facility operation run smoothly, oversees the daily operation of a facility.

Enforcement Summary

Enforcement Actions — Fiscal Year 2007-08	
Investigations:	
Fitness for continued licensing	53
Unlicensed participation	24
Conduct of financial affairs	362
Use of a prohibited drug on entered horse	68
Improper medication practice	142
Possession of contraband	12
General misconduct	197
Intoxication/alcohol or controlled substance	32
Other, principally investigations not resulting in the filing of a complaint	416
Total Investigations	1,306
Total Complaints filed:	818
Stewards' Rulings	
Racing infractions during a race	282
Misconduct concerning entry or procedure	229
Fitness for continued license	44
Conduct of financial affairs	50
Medication and substance violations	97
Improper medication practice	82
Possession of contraband	12
Unlicensed participation/security control	31
Intoxication/alcohol or controlled substance	31
Failure to appear	126
Other, principally minor stable-area violations	293
Total Official Rulings of the Board of Stewards	1,273

Racing Supervision

The responsibility for onsite supervision of race meetings is placed with racing officials appointed or approved by the Board. The racing officials are the stewards, associate judges, paddock judges, patrol judges, starters, clerks of scales, official veterinarians, racing veterinarians, horse identifiers, horseshoe inspectors, and timers. The stewards have overall responsibility for the conduct of the race meetings.

The Board selects and contracts with stewards based on their experience and expertise. Each panel of three stewards at a race meeting has been delegated the powers and duties necessary to ensure the integrity of racing and to oversee compliance with the Horse Racing Law and all CHRB rules and regulations. In addition, associate

stewards liaise between the stewards in the stand and CHRB investigators on the backstretch.

The Board directly appoints the stewards and official veterinarians, while the other racing officials are nominated by the racing associations subject to the Board's approval.

The Legislature provides an annual appropriation to meet the costs of direct racing supervision. The allocation for FY 2007-08 was \$2.2 million for stewards and official veterinarians. Other racing officials were paid by the associations in the manner prescribed and agreed to by the Board.

MISSION

To Officiate Racing and Enforce Those Laws and Rules Pertaining to Racing and Licensing

ACHIEVEMENTS

Acting for the Board in all matters relating to the race meetings assigned to them, the STEWARDS used their delegated authority for the following:

- ◆ Oversaw entries, declarations, and the placing of horses for the official order of finish.
- ◆ Conducted administrative hearings on matters involving racing infractions and other racing offenses.
- ◆ Issued rulings based on those hearings to impose suspensions of license, impose fines, and/or bar individuals from the enclosure for racing offenses.
- ◆ Presided over examinations required for certain classes of licenses.
- ◆ Made recommendations to the Board regarding the qualifications and fitness for licensure of applicants referred to them by the Board's licensing staff.
- ◆ Maintained minutes of all such proceedings for review by the Board and the public.

As requested by the Board and horse-racing industry stakeholders, the stewards contributed to the "transparency" of the Board's oversight in the inquiry process by having their race reviews shown over the closed-circuit monitors on track and at simulcast facilities while they conducted those inquiries. To help enhance the public perception of horse racing, the stewards appeared on television and attended public gatherings at which they described their roles, answered questions, and in general educated the public as to the role and effectiveness of CHRB regulation of the horse-racing industry.

During the year, the stewards attended Stewards' Committee meetings. These meetings allowed them to discuss issues, rule changes, and interpretations of policy and to receive information. The gatherings also enabled them to share their own views and experiences relating to race reviews, veterinary practices, proper administrative hearing procedures, public relations, and other important matters relating to their work. The meetings and training sessions helped them remain current on all laws, regulations, and Board policies, contributing to the goal of ensuring that all stewards' decisions are made in a fair and consistent manner throughout the state.

MISSION

To Protect the Public Interest and Ensure the Safety of Racing Participants While Supervising All Veterinary Practices

MISSION

To Properly Identify All Horses Competing at Race Meetings

ACHIEVEMENTS

The OFFICIAL VETERINARIANS, overseen by the equine medical director (Dr. Rick Arthur), enforced those CHRB regulations relating to veterinary practices, medication, and the health and welfare of the horse. They supervised operations of the receiving barn, the collection of urine and blood samples for testing, and the preparation and documentation of the samples to be transported to the laboratory.

The official veterinarians consulted with the CHRB's equine medical director and with the track veterinarians, examined horses for fitness, maintained a health and racing soundness record for each racehorse eligible to compete at a meeting, reviewed confidential reports of all veterinary treatments of horses under their general supervision, maintained a listing of infirm horses, maintained records of accidents and injuries, approved all prescribed therapeutic treatment regimens, and otherwise acted as the Board's veterinary advisors for each race meeting.

ACHIEVEMENTS

The HORSE IDENTIFIERS accurately identified approximately 10,000 of all breeds of racehorses who, in order to compete at licensed race meetings in California, had to be identified before starting in any race. The horse identifiers supervised the tattooing of horses and maintained that information in the identification records of each horse, along with photographs and other information relating to unique markings, color, pedigree, and a narrative description.

California Horse Racing Information Management System (CHRIMS)

CHRIMS is a not-for profit, mutual benefits corporation whose members include Northern California Off-Track Wagering Inc. and Southern California Off-Track Wagering Inc. A seven-member board of directors, which includes representatives from day and night racing associations, horsemen, and racing fairs, oversees the CHRIMS operation.

Services provided by CHRIMS include data collection, takeout calculation, database management, software development, pari-mutuel accounting, money room balancing, customer resource management, and statistical analysis. California is the only state with a statewide pari-mutuel database providing services to racetracks, horsemen, and government.

The CHRIMS databases contain California wagering and attendance data dating back to 1985. The database applications fulfill the various needs and demands related to elements such as pari-mutuel settlements and accounting, account wagering, net pool pricing, customer rewards, runner statistics, and trend analysis. CHRIMS has been instrumental in helping the California racing industry cope with the demands associated with the huge challenges that have resulted from the changing landscape of pari-mutuel wagering during the past 20 years. Specialized applications enable data technicians to electronically collect wagering data and calculate the distribution of takeout based upon California pari-mutuel horse racing law and contractual business rules.

CHRIMS daily downloads from various totalizator systems pari-mutuel data including wagers, takeout commissions, breakage, minus pool, runner pay, refund, uncashed ticket and voucher information. The raw data is translated into the CHRIMS database parameters. CHRIMS data can be sorted by a myriad of criteria, including by race, pool, host track, location of bet, breed, zone, zip code, state,

wagering device, and stop betting time. CHRIMS connects to and downloads data from AmTote, United Tote and Scientific Games Racing, and the four licensed California ADW companies, which are TwinSpire, TVG, YouBet, and XpressBet.

The basic system operation of CHRIMS occurs in three phases:

- ◆ Data Acquisition - Each night following the close of wagering, CHRIMS computers in Northern California electronically download (via a file transfer protocol known as “ftp”) complete sets of wagering data files from totalizator hubs throughout North America; these data files include all wagering activity that pertains to California. For wagers made on a California wagering system, the data includes detail down to the teller transactions. Similar data downloads are also received from ADW companies.
- ◆ Data Processing - Each morning, CHRIMS personnel supervise the compilation of tote and ADW data into usable information units (such as pool by pool, site by site, takeout, breakage, minus pools, and payable to the public). This information is then processed by applying the statutory and contractual business rules of the takeout distribution formulas. California is unique in that the pari-mutuel regulations require that an independent pari-mutuel auditor verify the downloaded and processed pari-mutuel data held in the CHRIMS database on a daily basis. Once the data is audited, it is made available to CHRIMS users.

- ◆ Information dissemination - CHRIMS has developed various web-based reporting tools that allow users to query the data. Specialized queried data-sets, detailing the complete breakdown of handle by date, site, pool, and type of wagering event, are made available through the CHRIMS reporting tools. System users may query the database across a variety of parameters to obtain consistent, reliable information for accounting purposes, statistical analysis, money room and simulcast settlements, etc. The database numbers reflect what has actually taken place in California racing and can be used to project the effect of possible industry changes (such as legislative modifications). Upon request, “what-if” scenarios can be run in a testing environment.

CHRIMS has expanded its original scope of services. It now partners with the California Marketing Committee on its technology projects, manages the intrastate tote wagering telecommunications network, and provides data relating to the specifics of races (distance, surface, class, etc.) via downloads from Equibase.

CHRIMS also expanded its services to racetracks outside California, including Gulfstream Park, Keeneland, Red Mile, Aqueduct, Belmont, and Saratoga, and CHRIMS recently started processing host fees and settlements for European Wagering Services. CHRIMS also represents California on national committees, such as the Thoroughbred Racing Association’s 2020 Committee.

Laboratory Services

To protect animal health and uphold the integrity of the racing industry, the California Horse Racing Board requires analysis of post-race blood and urine samples from horses in competition. The Kenneth L. Maddy Equine Analytical Chemistry Laboratory is the authorized equine drug-testing laboratory for California horse racing. The laboratory offers full-service, routine drug testing of over 80,000 samples each year. Program funding comes from a portion of California wagering revenues. Faculty and staff also develop highly specialized methods to document the effects of certain drugs and other substances on equine performance.

The CHRB analyzed 31,525 post-race urine and blood samples, 40,940 TCO₂ blood samples, and 5,157 out-of-competition blood samples in FY 2007-08. The cost to the state of California was \$1,938,244

Urine and blood samples are obtained post-race from the winner of every race, the horses finishing second and third in certain stakes races, and from any other horses selected at random from each program, as well as other horses designated by the stewards. The testing of post-race samples is the backbone of the CHRB's drug regulation program.

Thoroughbreds are subject to pre-race TCO₂ testing to regulate bicarbonate loading, a prohibited practice known as "milkshaking." Harness horse TCO₂ testing is done 90 minutes post-race on winners and other horses selected for testing. The CHRB thoroughbred program is in compliance with RMTC Best Practices recommendations and an RCI proposed model rule.

Out-of-competition testing was conducted throughout the fiscal year. Out-of-competition testing is critical for compliance in human sports testing and is absolutely necessary to detect certain prohibited drugs. Out-of-competition testing targeted blood doping agents such as erythropoietin and darb-erythropoietin. The program allows more in-depth analysis of routine samples, which allowed the implementation of comprehensive androgenic anabolic steroid testing in FY

2007-08. In addition, the Maddy Laboratory maintains a portion of every urine sample for retrospective testing should a new test become available. Combined with out-of-competition testing, the CHRB is positioned to be well prepared for the next generation of performance-enhancing drugs.

The Maddy Laboratory was re-accredited by the American Association for Laboratory Accreditation to the international ISO 17025:2005 standards, one of three racing laboratories in the United States so accredited. The Maddy Laboratory utilizes state-of-the-art scientific instrumentation, including LC-MS screening processes. The combined testing panel covers over 850 drugs utilizing spectral library for forensic identification. The Maddy Laboratory routinely adds new drugs and updates its metabolite profiles as new information become available.

The CHRB uses scientific research data to make regulatory decisions. Researchers have evaluated the effects of prescribed medications, unauthorized drugs, and other substances on the performance of horses. Examples include determining the length of time required for clearance of androgenic anabolic steroids from a horse's system, potential performance effects of TCO₂ levels on performance, and residue levels of therapeutic medications like methocarbamol and detomidine. Recent research projects in pharmacology focus on controlled studies to establish more effective drug treatments, dos-

ages, and clearance times that currently do not exist for many of the hundreds of therapeutic drugs in use. UC-Davis School of Veterinary Medicine faculty also provides consultations with veterinary professionals seeking to better treat their horses and comply with horse-racing rules.

The Board contracts with the University of California for the services of the equine medical director (EMD) through the School of Veterinary Medicine at UC-Davis. The EMD advises the board on all aspects of the drug-testing program. The EMD:

- ◆ Reviews, evaluates, and monitors the CHRB's testing programs of the laboratories.
- ◆ Evaluates security policies and procedures for the reporting of prohibited substances.
- ◆ Recommends types of tests and drugs that need to be tested by the laboratories.
- ◆ Conducts long-range program planning.
- ◆ Recommends policies and programs.
- ◆ Advises on regulations relating to veterinary practices.
- ◆ Monitors policies and procedures relating to the health and welfare of horses in regulated areas.
- ◆ Advises the Board and the Executive Director relative to violations of the rules in the EMD's areas of responsibility.

The following procedures are employed in the collecting, testing, and retention of all specimens except for TCO2 testing, which has different procedures relating to split samples:

1. The owner, trainer, or representative of the horse being tested witnesses the collection of two bloods and one urine sample.
2. A portion of the urine sample is placed in a separate container in front of the witness for retention by the Board as a horsemen's split sample. All samples are sealed against tampering, also in front of the witness.
3. The portion of the sample designated for analysis, the official sample, is sent directly to the Maddy Labora-

tory; the second sample, the horsemen's sample, is sent to split-sample storage in Sacramento.

4. All specimen containers are identified only by a unique number, and only the Board's official veterinarian knows the identity of the horse involved. The laboratory does not know the identity of the sample until after the results are reported to the CHRB.

5. Because urine and blood samples from racehorses may be evidence in administrative or criminal proceedings, a strict chain of custody is maintained.

The laboratory reports the presence of any confirmed prohibited substance to the CHRB Executive Director and EMD, who review the report. CHRB

investigators confidentially notify the owner and trainer, who have 72 hours to request that the horsemen's split sample be analyzed at an approved laboratory at their expense and another five days to complete all arrangements for such testing.

If no split sample is requested, the laboratory's test is deemed to be accurate, evidentiary proof of the presence of such prohibited drugs in the test sample and declared a positive. If a split sample is requested, only if the split-sample laboratory confirms the presence of the prohibited substance reported by the official racing laboratory is the test deemed positive. The matter is then submitted by the CHRB for administrative action.

Track Safety Program

Enforcement of track safety standards and backstretch housing standards programs continued in 2008. All segments of the horse-racing industry provided full cooperation in these important efforts.

The California horse-racing industry, in partnership with the CHRB, is dedicated to ensuring that racetracks are safe for horsemen, equine athletes, and the public.

The track safety program established standards that govern the state's entire racing and sanctioned training facilities. The rules that govern the program set standards for rails on the racetrack, outline the renovation requirements for dirt tracks, address maintenance of dirt racetracks, and provide the criteria that must be met by facilities operating golf courses on the infield.

Racing associations and racing fairs that submitted applications for a race meeting were inspected and moni-

tored to determine compliance with established safety standards regulations. Racing associations promptly corrected deficiencies noted in the inspections, bringing California's racing facilities into compliance with safety standards and conditions.

The backstretch housing inspection program, which complements the track safety inspections, was continued in 2008. The program established standards that provide the basic conditions for habitable rooms on the backside. Each racing association and fair submitting an application for license to conduct a race meeting was inspected and monitored for compliance with backside housing standards. If a deficiency was noted during an inspection, it was corrected by the industry. To en-

sure ongoing compliance with the Board's requirements for backside sanitation facilities, an inspection program was initiated in 2008. Board investigators regularly checked those facilities.

In 2006, in its commitment to ensuring the safest racetracks for its equine athletes, the Board adopted an amendment to its rules requiring the installation of synthetic racing surfaces at all racetracks offering four or more continuous weeks of thoroughbred racing. All four major thoroughbred facilities now have synthetic surfaces. In 2008, those racetracks continued to improve, renovate, and maintain the synthetic surfaces to meet ongoing challenges.

Equine Postmortem Program

The State of California mandates the CHRB monitor injuries at CHRB racetracks. This is accomplished primarily through the innovative CHRB/UC Davis Postmortem Program. The CHRB and UC Davis distribute information about the nature of these fatalities to veterinarians, trainers, and others involved in the care and training of racehorses.

The Postmortem Program began in 1990 as a partnership between the CHRB and the California Animal Health and Food Safety (CAHFS) within the School of Veterinary Medicine at the University of California at Davis. The postmortem program has become a model for the racing industry.

The program was established to study the nature of injuries occurring in racehorses, to determine the reasons for these injuries, and to develop prevention strategies. To accomplish these goals, a broad cooperative approach was organized. CAHFS is contracted to perform necropsies on any horse that dies or is euthanized on any racetrack or training facility under the jurisdiction of the CHRB.

Pathologists at the Davis, Tulare, and San Bernardino branches of CAHFS conduct the postmortems. Detailed information on each horse is compiled and reported to the CHRB. Specimens of interest are sent to veterinary scientists in the School of Veterinary Medicine at the University of California at Davis for more in-depth analysis.

Funding for the entire program also is a cooperative effort. The CHRB funds the postmortems while the racing associations provide transportation of the deceased horses to the nearest CAHFS laboratory facility. Additional studies are funded by the Center for Equine Health and research grants from private and public sources. Research is published in veterinary medical journals and available to the public.

An advisory board, the Equine Welfare and Racing Injury Prevention Committee, composed of horse owners,

trainers, CHRB officials, veterinarians, and track maintenance people, gives insight into injury investigations at CAHFS and relays program findings and prevention strategies back to the industry. Trainer Richard Mandella chairs the advisory board. Each year at a public meeting, CAHFS reports to the CHRB the results of the previous calendar year findings of the postmortem program.

Research on musculoskeletal injuries are investigated at the J.D. Wheat Equine Orthopedic Research Laboratory under the direction of Dr. Sue Stover. The lab has demonstrated the role of undiagnosed stress fractures contributing to catastrophic fractures of the pelvis, femur, humerus, and other bones as well as the role of toe grab height in injury risk. This laboratory is now focusing on proximal sesamoid bone fractures and racing surfaces.

Proximal sesamoid bone fractures and associated fetlock (ankle) injuries are the single major cause of fatal musculoskeletal injuries; racing surfaces have been a major focus of California racing for many years. Currently, the researchers are collecting data using an instrumented horseshoe to measure the forces exerted on the equine limbs from different surfaces. Synthetic race surfaces are meant to reduce injuries, and the preliminary biomechanical racing fatality data are encouraging. But the transition to synthetic surfaces has not been without problems. This laboratory group is studying synthetic surface materials and developing computer modeling techniques to screen different surface materials for suitability.

In addition to studies of musculoskeletal injuries in horses, collaborative studies have been done elsewhere within the school on stomach ulcers, unrecognized heart conditions leading to sudden unexplained deaths, laminitis, equine protozoal myeloencephalitis (EPM), equine herpes virus (EHV-1), laryngeal abnormalities, and other important equine health and safety issues.

The postmortem data has been reformatted this year to match the CHRB's fiscal year and to provide a more useful presentation of the postmortem results. Previously the postmortem data presented in the CHRB's Annual Report ran to the end of the Oak Tree meet from one year to the next. Besides the arbitrariness of using the end of the Oak Tree meet, the Oak Tree meet alternates each year between a 26- or 27-day meet and a 31-day meet, meaning the yearly comparisons were never quite the same. The CHRB's fiscal year is July 1 to June 30. Furthermore, as presented in the past, racing fatalities could not be related to surface and training fatalities, and not only failed to identify which training surface but did not necessarily reflect the track where the fatality occurred. The new format addresses all those problems.

Fatalities are still categorized into one of three activities — racing, training, or other. Of the 306 fatalities between July 1, 2007, and June 30, 2008, 137 were related to racing and 94 were related to training; other totaled 75. (Figure 1). Racing includes any fatality subsequent to participating in a race. Far and away the most common cause of fatality is from musculoskeletal injury, but occasionally cardiovascular failure, pulmonary hemorrhage, and

other causes occur during racing. Training includes any fatality subsequent to training, and the causes are similar to racing. The other category includes all fatalities occurring at times other than racing or training. The most common cause of death in this group is gastro-intestinal diseases, such as colic, colitis, and enteritis, followed by respiratory infections, with pneumonia and pleuropneumonia the most common.

Figure 2 identifies the organ systems involved for all fatalities. Approximately 80 percent of all fatalities are related to the musculoskeletal system, which has been the case since the postmortem program began, with very little variation. Thoroughbreds sustain the most fatal racing and training injuries, followed by quarter horses; Standardbreds race with two legs on the ground at all times and subsequently sustain fewer life-threatening injuries. (Figure 3).

Track surface safety has been a major issue in California for many years. Table 1 identifies the track, surface, and activity related to the fatality. The fatality rate per 1,000 starts in FY 2007-08 for breeds other than standardbreds was 3.01 on dirt, 2.28 on synthetic, and 2.05 on turf.

This year the postmortem data has been systematically reviewed and audited for accuracy and completeness by the CHRB. The intention is to continue improving the program and explore ways to make the information more useful to the racing industry and public.

Non-fatal injury data has always been less reliable than fatal injuries. The primary source of injury data has been reports from CHRB official veterinarians associated with horses going on the CHRB Veterinarian's List. The data obtained in this fashion was misleading for a number of technical reasons. In 2008, CHRB official veterinarians began participating in the national Equine Injury Database sponsored by The Jockey Club. The goal is to obtain more reliable, complete, and consistent non-fatal injury data in the future to better serve the racing industry and public.

All Fatalities by Activity

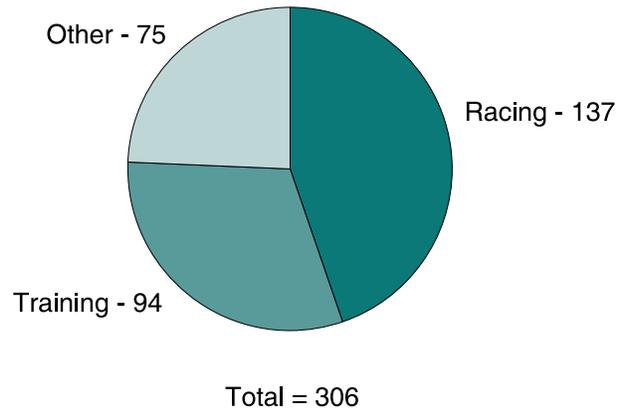


Figure 1

Fatalities by Organ System

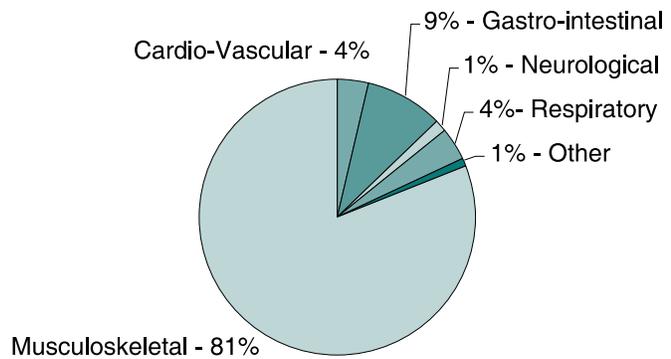


Figure 2

Racing & Training Fatalities by Breed

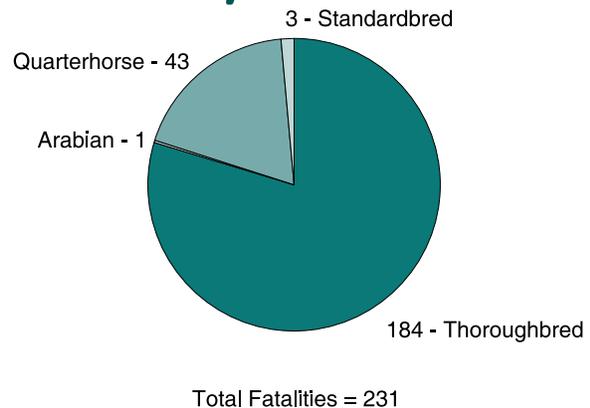


Figure 3

Fatalities by Track & Surface

Track	Racing			Training			Other	Total
	Dirt	Synthetic	Turf	Dirt	Synthetic	Turf		
Bay Meadows	17		2	2			7	28
Cal Expo (Sacramento)	2			1			1	4
Del Mar		2	4		6		1	13
Fairplex (Pomona)	3			7			8	18
Ferndale								
Fresno	2							2
Golden Gate Fields		15	1		14		13	43
Hollywood Park		12	3	2	26		7	50
Los Alamitos	50			10			20	80
Pleasanton	1			5			3	9
San Luis Rey Downs				1				1
Santa Anita		14	6	1	17		13	51
Santa Rosa	2		1	1			1	5
Stockton								
Vallejo (Solana)				1			1	2
TOTAL	77	43	17	31	63	0	75	306

Table 1

Horse Racing in California

In addition to offering quality year-round racing, California's racing associations and fairs sometimes host special events, such as the Legends of Racing pari-mutuel wagering event during the Oak Tree meet at Santa Anita Park. The horses were ridden by eight retired Hall of Fame jockeys. In this group photo, those eight riders were joined by three other Hall of Famers: (from left) Pat Day, Sandy Hawley, Julie Krone, Jerry Bailey, Jorge Velasquez (non-participant, NP), Gary Stevens, Jacinto Vasquez, Laffit Pincay Jr. (NP), Angel Cordero Jr., Chris McCarron, and Eddie Delahoussaye (NP).



BENOIT PHOTOS

In Memory Of ...



In memory of Sam Thompson, the 36-year-old jockey who died December 25, 2008, from injuries sustained in a December 20 racing accident at Los Alamitos.



In memory of Ignacio Ramirez, the 58-year-old exercise rider who was killed in a backstretch accident November 16, 2008, at Golden Gate Fields. He is shown here with Gayle Chase.

California Horse-Racing Meetings During 2008

Thoroughbred Race Meetings — Central & Southern Zones		
Santa Anita Park		12/26/07 – 4/20/08
Hollywood Park		4/23/08 – 7/13/08
Del Mar		7/16/08 – 9/03/08
Santa Anita Park (Oak Tree)		9/24/08 – 10/26/08
Hollywood Park		10/29/08 – 12/21/08
Thoroughbred Race Meetings — Northern Zone		
Golden Gate Fields		12/26/07 – 2/03/08
Bay Meadows		2/06/08 – 5/11/08
Golden Gate Fields		5/14/08 – 6/22/08
Golden Gate Fields (LATC)		9/17/08 – 12/21/08
Quarter Horse Race Meetings — Statewide		
Los Alamitos		12/28/07 – 12/21/08
Harness Race Meetings — Statewide		
Cal Expo		12/28/07 – 8/2/08
Cal Expo		9/18/07 – 12/20/08

Fair Meetings — Statewide		
Pleasanton	Alameda County Fair	6/25/08 – 7/6/08
Vallejo	Solano County Fair	7/9/08 – 7/20/08
Santa Rosa	Sonoma County Fair	7/23/08 – 8/4/08
San Mateo	San Mateo County Fair	8/6/08 – 8/17/08
Ferndale	Humboldt County Fair	8/7/08 – 8/17/08
Cal Expo	California State Fair	8/20/08 – 9/1/08
Stockton	San Joaquin Fair	9/3/08 – 9/14/08
Pomona	Los Angeles County Fair	9/5/08 – 9/22/08
Fresno	Fresno District Fair	10/1/08 – 10/13/08

California Racetracks

The vast horse-racing industry in California includes 13 racetracks that stretch from the Humboldt County Fair near the Oregon border down to Del Mar just above San Diego and the Mexican border. The racetracks, together with simulcast outlets and Advance Deposit Wagering (telephone and Internet), make horse racing accessible to all of California.

HIGHLIGHT

Total Handle Was Down But ADW, Santa Anita Derby and Strong Interest Among Out-of-State Fans Offset Local Downturn

SANTA ANITA PARK

Santa Anita Park, beset with a dysfunctional synthetic main track that created daily uncertainty as to whether racing would be conducted during periods of wet weather early in the winter meeting, concluded its 2007-08 race meet with total handle down 7 percent from the previous year. Eight live racing days were lost due to problems with the synthetic track. On an average daily basis, all-source wagering on Santa Anita races was up 2 percent. While average on-track handle was down 13 percent and Southern California simulcast wagering was down 9 percent on average, those declines were offset by out-of-state handle, which was up 1 percent, and by Account Deposit Wagering (ADW), which was up 40 percent.

For the first time, fans were allowed to bet on Santa Anita's races through all ADW providers, and that in large part contributed to the significant increase in ADW handle over the previous year.

"Our big days continue to be very successful, but our on-track business and that of our satellite partners declined considerably throughout the meet," said Santa Anita President Ron Charles. "Our average daily on-track attendance was down 5 percent from last year. It was tough to generate momentum early in the meet. And it was obvious that ADW was cannibalizing our on-track and simulcast players, which contributed significantly to these declines. ADW will continue to be the fastest-growing segment of our industry, and we need to continue to make wagering

easier and more accessible for our race fans. We also need to continue to try to get better distribution on cable and satellite television and to improve the quality of racing video on the Internet."

Proof of Santa Anita's strong springtime resurgence came on Santa Anita Derby Day. For the third consecutive year, on-track attendance exceeded 50,000 people as a crowd of 50,358 wagered more than \$5.1 million, contributing to a total all-sources Derby Day handle of more than \$26 million. Prior to this three-year run, the last Derby Day crowd to exceed 50,000 came in 1989.

"With all of the adversity we faced, to be able to attract these kinds of crowds in this market and with a tough economy is really remarkable," said Charles. "Our fans are loyal and they are passionate, and we thank them for that."



BENOIT PHOTO

Heatseeker looked sensational beating a strong field, including runner-up Go Between, while winning the \$1 million Santa Anita Handicap with Rafael Bejarano aboard.

HIGHLIGHT

Breeders' Cup Provided Positive Image for Racing During Oak Tree Meet at Santa Anita Park

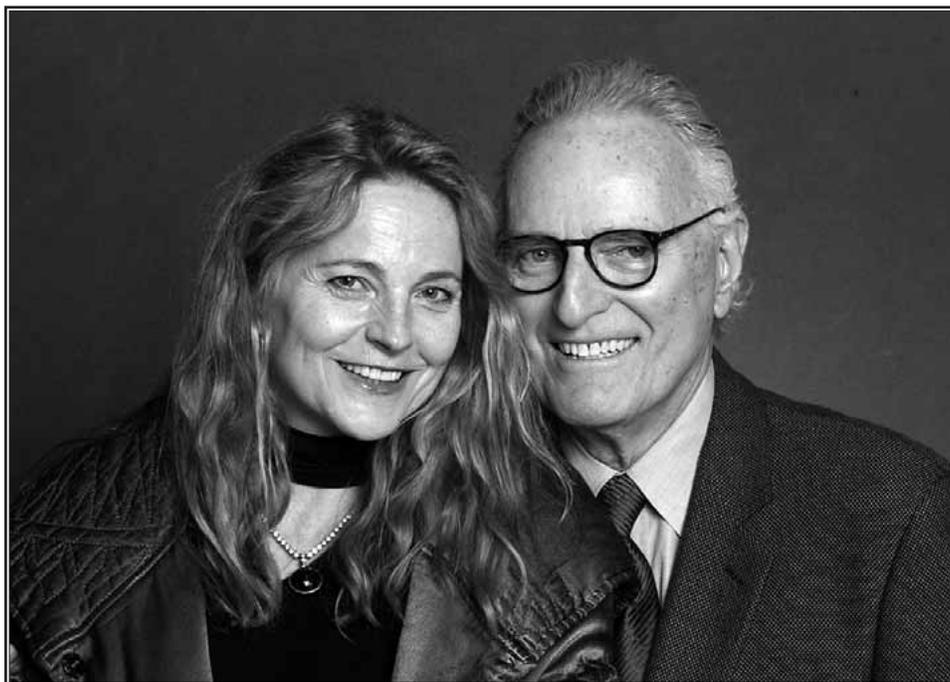
OAK TREE

The Oak Tree Racing Association's 40th annual meeting was negatively affected by the sluggish local and national economy, but racing in general received a huge boost from the Breeders' Cup World Championships towards the end of the Oak Tree meet. Ranked by some among the best World Championships ever, the Breeders' Cup was held as a two-day event. On-track attendance reached 31,257 on the first of those two days, Friday, October 24, and then 51,331 showed up Saturday, October 25. All-sources handle on Friday was \$47,863,774, and on Saturday all-sources handle reached \$107,610,778. The two-day all-sources handle of \$155,474,553 represented a 5½ percent increase over the previous year.

"By all accounts, Breeders' Cup '25' was a tremendous shot in the arm for this sport," said Oak Tree Director and Executive Vice President Sherwood Chillingworth. "The Pro-Ride synthetic main track performed beautifully, and we did not have a single injury in the 21 races we ran on Friday and Saturday. It was imperative that we have a safe, competitive two-day event on national television (ABC and ESPN), and we did.

"Operationally, things went very well, and we are extremely proud of the way our employees performed on racing's biggest stage. Along with that, we once again demonstrated to a national audience that Oak Tree at Santa Anita is, in our opinion, the number-one racing venue in the world."

With the two-day Breeders' Cup leading the way, overall handle for the 2008 meeting exceeded 2007 numbers by 11 percent, despite the fact that the 2008 meet consisted of five fewer racing days. Aside from the Breeders' Cup, however, comparative attendance and handle figures were down, as on-track attendance declined 2 percent and on-track handle was down 14 percent.



BENOIT PHOTO

Jerry and Ann Moss were named Oak Tree's top owners following sensational performances by Zenyatta in the Lady's Secret Stakes and Breeders' Cup Ladies Classic, as well as Tiago's third-place finish in the Breeders' Cup Classic.

"We feel we can do even better next year (when the Breeders' Cup returns to Oak Tree)," said Chillingworth. "From opening day (Sept. 24) on, we had great racing and outstanding participation from the horsemen, but the economy unquestionably hurt us considerably prior to and through the Breeders' Cup."

In another major event, Hall of Fame jockey Sandy Hawley, at the age of 59, led gate to wire aboard Tribal Chief to earn his 6,450th career victory in the Living Legends Race. All eight horses in the October 18 race were ridden by retired Hall of Fame jockeys.

(See a complete photo spread of the Breeders' Cup winners in the California Highlights section of this report.)

HIGHLIGHT

Zenyatta and Other Racing Stars Helped Hollywood Park But Business Still Was Off

HOLLYWOOD PARK

Hollywood Park broke the \$20-million mark in handle on its five major days for the first time during its 70th anniversary meeting, but was unable to buck a national trend as overall average daily handle at the 60-day session was down 1.6 percent. Handle averaged a record \$11.9 million at the 63-day spring-summer meet in 2007, compared to \$11.8 million in 2008.

“The tracks across the country have struggled to maintain their 2007 averages,” track President Jack Liebau said. “We were up against record figures, and I think we did as well as we could have hoped in these tough economic times.”

A record \$29,773,657 was wagered on Kentucky Derby Day — the highest handle of the meet. Preakness Day handle was \$21,049,983 and Belmont Day handle was

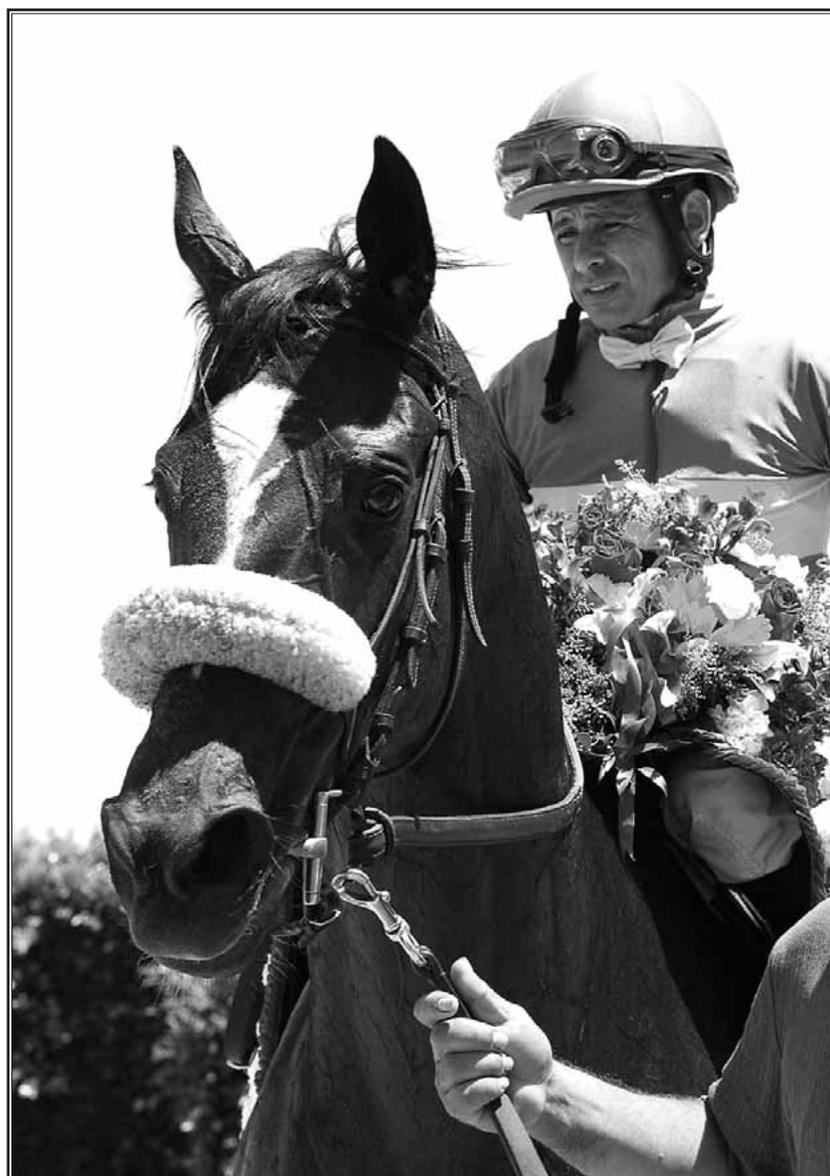
a record \$25,721,762. American Oaks & CashCall Mile Day generated a record handle of \$25,137,676, the highest in track history excluding Breeders’ Cup and Triple Crown days. It is the sixth highest in history overall.

While the on-track average of \$1.5 million and the off-track average in Southern California of \$2.7 million both were down about 10 percent, Advance Deposit Wagering continued to grow with a daily average of almost \$2.1 million, up 15 percent from 2007.

“Account wagering on races at Hollywood Park no doubt benefited from the standoff between TrackNet and the Thoroughbred Horsemen’s Group because other signals were not available to account wagering providers,” Liebau said.

Purses averaged \$447,329, while fields averaged 8.3 horses per race — 8.5 on Cushion Track and 7.7 on the Lakeside Turf Course.

Jockey Rafael Bejarano, who shifted his tack to Southern California last fall, rode 56 winners to win his first Hollywood Park riding title. John Sadler won his first spring-summer training title with 30 wins. He captured his first Hollywood Park training title at the 2007 autumn meet. Sadler and Bejarano also led in stakes wins with seven and 10, respectively. Sadler saddled three on Hollywood Gold Cup Day and four overall that weekend. Everest Stables Inc. topped the owners’ standings with 14 wins, while Zenyatta was voted Horse of the Meet in the annual media poll.



BENOIT PHOTO

Zenyatta won two major stakes during the Hollywood Park meet, and is shown here with regular rider Mike Smith following her score in the Grade I Vanity Handicap in the midst of her undefeated season.

ADW Dispute Early in Autumn Meet Contributed to Overall Declines

Hollywood Park, fighting the declining economy and an Advance Deposit Wagering (ADW) dispute, which curtailed wagering by players residing outside of California for 17 racing days, finished its 40-day autumn meet with declines across the board in attendance and handle. Overall, handle averaged \$8.9 million, down 18.3 percent from the figure of \$10.9 million during a 32-day meeting in 2007. The on-track average of \$1.05 million was down 21.6 percent from the average of \$1.3 million in 2007. On-track attendance fell 12 percent to 4,353, compared to 4,944 in 2007. The ADW average for the meeting of \$1.4 million was down 22.8 percent, but it improved dramatically following the settlement, rising to \$1.6 million daily from \$993,320. For the 23 racing days after the ADW situation was resolved, total handle averaged \$9.3 million, down 15.1 percent from 2007.

“Although we came close during our summer meeting to matching our record-setting meeting of 2007, we ran into a double whammy in the fall with the poor economy and an unexpected ADW standoff,” track President Jack Liebau said. “The ADW average handle was down more than 43 percent from 2007 during the first 17 days of the meeting, when players residing outside of California could not bet on Hollywood Park races. The decrease in business affected everyone, as purses had to be cut. The ADW average jumped more than \$600,000 a day once out-of-state wagering came back on line with the four major ADW providers in late November, putting our figures in line with the national trend.”

The meet once again was highlighted by excellent turf racing, the \$750,000 CashCall Futurity, and Rafael Bejarano, who became just the third jockey to sweep the five major Southern California riding titles. Bejarano won consecutive riding titles at the Santa Anita winter/spring meet, Hollywood Park's spring/summer meet, Del Mar, Oak Tree, and the autumn meet, where he rode 52 winners. He

joined Chris McCarron and Patrick Valenzuela as the only jockeys to sweep the five titles.

Pioneer of the Nile established himself as a leading Kentucky Derby contender with a thrilling victory in the CashCall Futurity. Doug O'Neill, meanwhile, saddled a record 27 winners to win his fourth autumn meet training title and his seventh Hollywood Park title. He topped the mark of 24 wins he established at the 2006 meeting.



BENOIT PHOTO

Hyperbaric and jockey Tyler Baze outran Formal Decree and Jean-Luc Samyn to win the Grade I, \$400,000 Citation Handicap during the Hollywood Park fall meet.

HIGHLIGHT

Del Mar Business Ranked 6th in Track History Despite Economic Slowdown

DEL MAR

Del Mar completed another highly successful season in 2008, and though the seaside oval could not overcome a bad economy and saw dips in total attendance and handle during its 43-day stand, the daily average of 16,000 attendees wagering \$13 million still led the state and ranked sixth on Del Mar's all-time list of best handles. Overall handle dropped 7 percent from the 2007 meet, while attendance declined 4.3 percent. The meet started off on a high note with a crowd of 43,459, a track record for opening day. The track also had three other 30,000-plus attendance days.

"No doubt, we were swimming against a strong (economic) current this year. But we swam well and we will get stronger because of it," said Joe Harper, president and general manager of the Del Mar Thoroughbred Club. "While the economy has threatened to drown a lot of folks out there, we held our own and we don't need to be making any excuses for that."

Four Eventual Breeders' Cup Winners Won Earlier Stakes at Del Mar

Del Mar always attracts top-quality horses, and the 2008 meet showcased four eventual Breeders' Cup winners – Stardom Bound, winner of the Del Mar Debutante and Breeders' Cup Juvenile Fillies; Midshipman, who parlayed his Del Mar Futurity victory to a win in the Breeders' Cup Juvenile; Albertus Maximus, who notched his first career stakes win in Del Mar's Windy Sands Handicap, followed by his upset in the Breeders' Cup Dirt Mile; and Zenyatta, who kept her undefeated streak alive in Del Mar's Clement L. Hirsch Handicap and later in the Breeders' Cup Ladies Classic. Go Between took Del Mar's signature race, the \$1 million Pacific Classic.

"In a lot of ways, given what's going on in Southern California and all across the country right now from the largest counting houses to the smallest wallets, this

was one of our best seasons ever," said Harper. "The fans came out, they saw some terrific racing, and we kept on doing what we do best at Del Mar – we had a whole lot of fun."



BENOIT PHOTO

Go Between (second from left) and Garrett Gomez made their winning move at the head of the stretch in the \$1 million Pacific Classic.

HIGHLIGHT

Fairs Faced Change and Challenges in 2008

THE CALIFORNIA FAIRS

It was a year of change for the Northern California Fair Racing Circuit in 2008: The circuit opened with Pleasanton, welcomed racing back to Sacramento, moved the Stockton meet to August, and lost the Bay Meadows venue that had served the San Mateo County Fair for decades. High gasoline prices, smoke produced by more than 800 wildfires, and a faltering economy also affected the circuit in 2008.

The summer contained many bright spots. The Alameda County Fair celebrated 150 years of racing and prepared to permanently accommodate horsemen from Bay Meadows; the San Mateo County Fair opened a state-of-the-art satellite wagering facility; the fairs unified their racing program by hiring a single racing secretary; and crowds and families continued to enjoy the tradition of a day at the fair, complete with horse racing.

The year also saw the continuation of such traditional fair programs as out-of-state horse recruitment, racetrack safety and maintenance improvements, the standardization of purses, a performance purse for each runner, and a circuit-long starter series that distributed bonus money to both owners and trainers.

HIGHLIGHT

Alameda County Fair Celebrated 150 Years of Racing in Pleasanton

PLEASANTON

Even the smoke from California wildfires coupled with extreme heat in the region could not dampen enthusiasm for horse racing in Pleasanton, especially when there was an ongoing celebration of 150 years of horse racing. The “Oldest One Mile Track in America” was built in 1859 by Don Refugio Bernal on his 52,000 acres of land known as Rancho del Valle de San Jose. In 1911 the track was sold to Rodney G. Mackenzie, who spent nearly \$250,000 to build a grandstand and stables for 300 horses. In 1912 the first fair was held at the track.

Attendance was up 13 percent from 2007, but those patrons wagered 6 percent less for a total of \$5.8 million wagered on track. Total handle for the 2008 meet was \$34.6 million. Despite the weather conditions, average field size increased again with an average of 7.5 thoroughbred runners per race compared with 7.2 the previous year. At the request of the CHRB, in order to conserve the thoroughbred horse population in Northern California, Pleasanton ran 11 percent fewer thoroughbred races in 2008 (90 in 2008 compared to 101 in 2007).

HIGHLIGHT

Solano County Spruced Things Up for Return of 11 Days of Racing to Vallejo

VALLEJO

The Solano County community welcomed back 11 days of racing at Vallejo after a five-day “Wine Country” race meet in 2007. Improvements were made to the racing entrance; the grandstand was freshly painted and the walkway to the track was spruced up with murals and landscaping. The jockeys and horsemen also benefited from a \$45,000 improvement to the backside kitchen.

A total of \$29.3 million was wagered during the Solano County Fair meet, down slightly compared to the two-week meet in 2006. The 11-day fair attracted 639 thoroughbred runners with an average field size of 7.3.

Steve Miyadi was leading trainer with eight wins. Leading jockey Frank Alvarado had 11 wins at the meet.

HIGHLIGHT

Fairplex Business Declined Following Sensational Record-Breaking 2006 Season and Strong 2007

FAIRPLEX PARK

In Southern California, Fairplex Park, which traditionally ranks among the top 10 percent of all North American racetracks in average daily handle and purses paid, faced the same economic woes that plagued other racetracks in 2008, and experienced declines in both handle and attendance during the 16-day meet of the Los Angeles County Fair. Total handle was down just under 9 percent from 2007 handle, while attendance dipped 3 percent.

Martin Pedroza ended the 2008 Fairplex meet just like he had for the previous nine years – high atop the jockey standings with 42 winners in just 16 days. Sometimes he won them in bunches. He won seven races on the September 5 card and then repeated the feat on September 7. He also notched his 3,000th career win with his first mount on opening day.

Mike Mitchell saddled two winners on closing day to win his second training title with nine victories, edging Jeff Mullins and Bill Spawr, who each recorded eight.

Young jockey Joe Talamo teamed up with veteran trainer Jerry Fanning to win the marquee race of the season, the \$125,000 Ralph M. Hinds Pomona Invitational Handicap, with Booyah, the longest shot in the field of seven. For Fanning, who resides in second place on the fair's all-time trainer standings list with 144 victories, it was the seventh time he's won the Ralph M. Hinds. Mel Stute, who has supported racing at Fairplex Park for five decades, remains the all-time winning trainer in the track's history with 187 winners.



Lemon Chiffon with David Flores aboard took the \$100,000 Las Madrinas Stakes on inaugural California Classics Day during the Fairplex meet.

HIGHLIGHT

Sonoma County Fair Meet Scaled Back to Traditional Two Weeks in Santa Rosa

SANTA ROSA

After running 18 days during the “Wine Country Racing” meet conducted in 2007, Santa Rosa returned to its traditional 12 days of racing in 2008. Total handle for the meet was \$37.5 million, which was down from \$40.2 million from the comparable meet in 2006. Notably, Santa Rosa had a 14-percent increase in ADW handle.

In its fourth year of use, the Santa Rosa turf course featured 33 races, including two stakes races, during the course of the 12-day meet. Average field size on the turf was 8.2 thoroughbreds per race.

The trainer title was shared by Jerry Hollendorfer and Steve Miyadi, each with seven wins. The leading jockey was Russell Baze with 15 wins.

HIGHLIGHT

San Mateo Fair Ran Final Day of Racing at Bay Meadows Race Course

SAN MATEO

The San Mateo County Fair meet completed its final day of racing at historic Bay Meadows Race Course on August 17, 2008. Loyal fans turned out to see the final race run at Bay Meadows. (See closing-day photos on the Bay Meadows page and in the California Highlights section of this report.)

Total handle for the 10-day San Mateo County Fair meet was \$28.4 million, down about 1 percent from 2007. The 3-year-old filly You Lift Me Up, trained by Jerry Hollendorfer and ridden by Frank Alvarado, won the \$50,000 Last Dance Stakes on closing day.

Steve Miyadi was leading trainer with 11 wins, and Kyle Kaenel took leading jockey honors with 10 wins.

HIGHLIGHT

Humboldt County Fair Meet Struggled to Keep Pace with Record 2007

FERNDALE

After a record-breaking meet in 2007 when total handle exceeded \$4.2 million, Ferndale finished 2008 with total handle of \$3.6 million. One reason for the decline was a drop in field size. Ferndale had a difficult time drawing horses from Northern California’s limited supply. There were a total of 442 runners for the 2008 meet, compared to 504 in 2007. Average field size in 2008 was 6.1. Attendance for the 10-day meet was approximately 25,000.

Jockey Daniel Boag won 16 races to claim his last Ferndale riding title prior to his retirement. Ferndale veteran and fan favorite Red Seattle won all three of his races during the 2008 meet in what was the 12-year-old gelding’s final year of racing. Jim Haverty won the training title by saddling eight winners.

HIGHLIGHT

Popular Thoroughbreds Returned to the State Fair Meet at Cal Expo

SACRAMENTO

After taking a three-year break from traditional summer fair racing, Cal Expo ran an 11-day mixed-breed meet in 2008 in conjunction with the California State Fair – marking the return of thoroughbreds, mules, Arabians, and quarter horses to Sacramento, where they competed for approximately \$1 million in purses.

Cal Expo invested substantial resources into making the main track a safe and forgiving racing surface, and horsemen and fans agreed that it was a fair and kind racing strip. There was not one catastrophic injury during the meet.

The highlights included the running of the Governor's Handicap, won by Saratoga's Magic, and the first running of the California State Fair Sprint, won by Tribesman.

HIGHLIGHT

San Joaquin County Fair Meet Suffered Dramatic Declines in August

STOCKTON

A shortage of horses, the lack of other fair activities running concurrent to the meet, and an economy that progressively worsened over the summer months contributed to significant declines in Stockton. Total handle dropped from \$28 million in 2007 to \$19 million in 2008. Declines were sharp in all categories.

The Stockton wagering product ran as the sole signal in Northern California for the second year in a row and the fair picked up an extra day of simulcast wagering, but those positives were not enough to offset the negatives. The Stockton meet moved from the fair's traditional June dates to a slot in August, after the California State Fair.

John F. Martin was leading trainer with 10 win, and Carlos Silva was leading jockey with 11 wins.

HIGHLIGHT

Horsemen Supported Fresno on its 125th Anniversary

FRESNO

The Big Fresno Fair, which has renovated its track, paddock, and barn area in recent years, continued improvement with a new infield parking entrance designed to replicate the 1890 grandstand, and by remodeling the tote board and landscaping the infield and perimeter with the placement of 4,000 trees.

Handle increased 1.5 percent from more than \$9.2 million in 2007 to almost \$9.4 million in 2008. This was partly due to a 3.5 percent increase in field size with nearly eight horses per race, thanks to an inventory of 726 horses.

Fresno continued its popular program of giving a truck and trailer to the two top trainers, with a variety of other contests for trainers, jockeys, and grooms. Rene Amescua was leading trainer with 12 win, and Jorge Ayarza was leading jockey with 14 wins.

HIGHLIGHT

Morey-Hollendorfer Trainer Race Added Drama to Spring Meet

GOLDEN GATE

On-track attendance and handle on live races rose modestly during the 2008 spring season at Golden Gate Fields, and buoyed by a larger increase in wagering by out-of-state fans, Golden Gate weathered the economic downturn fairly well to post a decline of just under 2 percent in overall handle from 2007. On-track wagers on Golden Gate races increased about 5 percent, while out-of-state simulcast handle on the 2008 spring meet increased almost 10 percent. The all-sources handle decreased 1.8 percent.

Golden Gate crowned a new training champion when William E. Morey edged perennial title holder Jerry Hollendorfer 25-23 in victories at the 30-day spring meeting. Morey's upset was particularly noteworthy given that Hollendorfer had won 32 consecutive training championships at Golden Gate, a streak that began in 1986. Morey's title run included a four-win afternoon on the second-to-last day of the meeting. "It feels great," said Morey. "This is hard to top. Some other guys will win titles, but I'll be the one who was the first one to take down Jerry."

There were no surprises in the race for leading jockey honors, as Hall of Famer Russell Baze won 48 races to claim his 33rd career riding title at Golden Gate Fields.

Hollendorfer Regained Title in Fall, While Baze Continued Winning Ways

At the 2008 fall meeting, Hollendorfer reclaimed the throne as leading trainer when he saddled 59 winners during the 67-day season. Morey finished second with 46 victories. Baze secured his 34th riding championship at GGF by winning 107 races. While on-track attendance increased by 5.6 percent during the fall meet, all other categories showed declines. The all-sources handle declined by 8.3 percent, with the majority of the decline occurring at the satellite wagering facilities in Northern California.



VASSAR PHOTO

McCann's Mojave, ridden by Frank Alvarado, took the \$150,000 Berkeley Stakes in the spring meet at Golden Gate.

HIGHLIGHT

Ending with a Salute of Respect to Bay Meadows, the Last-Ever Race Meet Saw Business Upturn

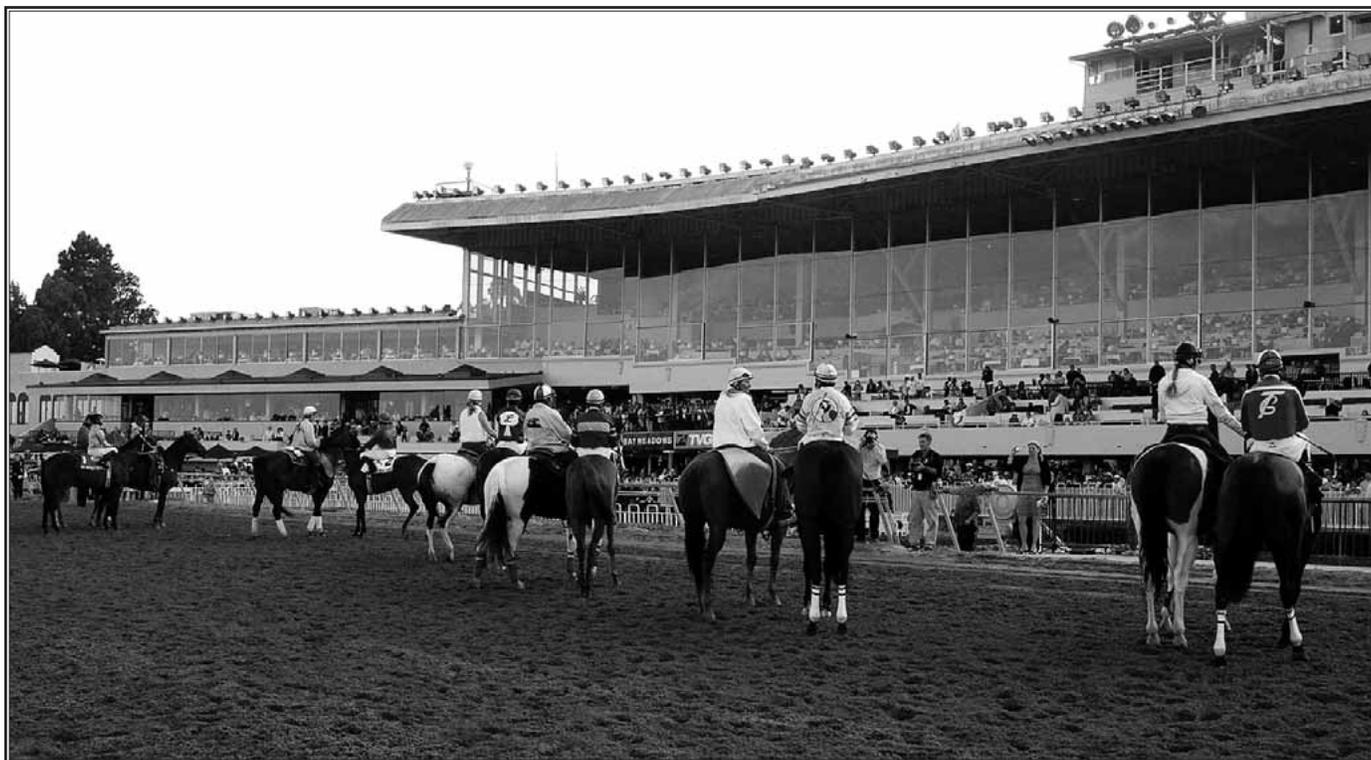
BAY MEADOWS

Bay Meadows, the historic San Mateo racetrack that opened in 1934, conducted its final regular season of thoroughbred horse racing in 2008 when it presented a 70-day winter/spring meeting. Bucking national trends, the last Bay Meadows race meet concluded with healthy upturns in wagering. All-source average daily handle rose by nearly 4 percent, while average daily handle on races conducted at Bay Meadows rose 7 percent.

From the beginning of the meet, when 9,888 fans enjoyed the first Saturday card, to closing day, when 7,803 fans bid an emotional goodbye to the storied track, the final meet attracted large weekend crowds. On Friday, May 9, a boisterous crowd of 14,366 packed the grandstand to take in the final “Friday’s Alive” program run under the lights. It was the largest gathering at Bay Meadows since Labor Day in 1992.

Bay Meadows was a venue that played host to equine legends such as Seabiscuit and Citation, Hall of Fame jockeys like Bill Shoemaker and Johnny Longden, and celebrated trainers such as Charlie Whittingham and Laz Barrera.

Fittingly, jockey Russell Baze and trainer Jerry Hollendorfer, the most dominant duo in Northern California horse racing history, captured titles at the final meeting. Baze won 130 races to collect his 40th career riding crown at Bay Meadows. Hollendorfer saddled 55 winners to earn his 37th consecutive training championship at the peninsula track.



VASSAR PHOTO

The Salute: As the horses made their way to the post for the last race ever to be run at Bay Meadows on August 17, 2008, they broke their parade and faced the grandstand in a tribute to the rich history of the racetrack that opened in 1934.

HIGHLIGHT

Outstanding Performances and Rich Quarter-Horse Races Highlighted the 2008 Racing Season

LOS ALAMITOS

Rich races highlighted the year-long, 2008 racing season at Los Alamitos, which hosted the Los Alamitos Two Million Futurity and the Los Alamitos Super Derby. The \$2,038,250 purse made the Futurity the richest race ever run at Los Alamitos, as well as the richest quarter-horse race in the nation. Likewise, the \$833,750 purse for the Super Derby made that race the richest derby ever run at Los Alamitos. Additionally, the purse for the Golden State Million was a stakes-record \$1,386,500. Los Alamitos also hosted the country's richest quarter-horse event for older horses with the \$750,000 Champion of Champions, and the Ed Burke Million Futurity also boasted a purse of over \$1 million.

Los Alamitos enjoyed several outstanding nights in 2008 – its biggest coming on the night of the Los Alamitos Two Million Futurity. The 10-race program on December 10 featured a \$152,920 Pick Six carryover. The night's handle from all sources totaled \$2,086,568, a season-high figure and the 11th largest single-night handle ever at Los Alamitos.

Despite this and other big nights, the average nightly handle from all sources for the entire meet was \$1.28 million, down 6 percent from 2007 figures. The on-track attendance also was down 6 percent from the previous year.

Tres Passes won the aforementioned Two Million Futurity, as well as the Golden State Futurity, while One Famous Eagle took the Super Derby. Eddie Garcia, the rider of Tres Passes, notched his 2,529th career victory during the meet on September 12 aboard Royal Motions – a number that was significant because the victory made him the track's all-time leading jockey. The two wins by Tres Passes also provided legendary trainer Blane Schvaneveldt with the two richest purses of his career.

Another highlight of the season was the Los Alamitos Equine Sale, the premier yearling sale of quarter horses in California. Conducted by Ed Allred and Vessels Stallion Farm and managed by the Pacific Coast Quarter Horse Racing Association, the sale enjoyed its largest catalog to date in 2008 with 332 yearlings selling for more than \$5.3 million. Including mares and mixed stock, 470 head sold for more than \$6.05 million. The First Down Dash colt Harems Last Dash topped the sale at \$375,000.

Los Alamitos also reached an agreement to extend its exclusive arrangement for television and account wagering with TVG for an additional 10 years. Under the agreement, TVG will continue to produce *The Quarters*, the popular racing program featuring in-depth on-track coverage from Los Alamitos during each evening of live racing at the track.



LOS ALAMITOS PHOTO

Blane Schvaneveldt, quarter-horse racing's all-time leader in wins, earnings, and stakes wins, won his two richest races ever with the 2-year-old Tres Passes in 2008.

HIGHLIGHT

Cal Expo Rescued Harness Racing in 2008 and Committed to Future Harness Meets

HARNESS RACING

The California Exposition & State Fair (Cal Expo) began the operation of harness racing at Cal Expo on March 2, 2008, after it had received a request and approval from the CHRB to operate following the departure of the Sacramento Harness Association. Cal Expo is providing the only harness racing venue in California. The initial meet operated for a total of 65 racing days through August 2, 2008, during which time total handle reached \$59,714,023 and purses totaled \$3,034,470 from 803 races with a total of 6,034 starters, or an average of 7.5 starters per race. Average daily handle was \$918,677.

The summer break during the period of August 3 through September 17 was the first non-racing period for harness racing in four years, as there had been continuous harness racing since September 2004. Horsemen took advantage of the break and gave their horses some deserved down time.

The Cal Expo fall meet began September 18 after the annual California State Fair. After a slow start, the meet began to pick up steam and the average daily handle began to rise. By the time the meet ended December 20, total handle reached \$34,664,975 for a daily average of \$825,357.

The CHRB has allocated harness racing dates to Cal Expo for the period of December 26, 2008, through December 19, 2009, with the annual summer break period included – during which time Cal Expo will operate a mixed-breed meeting in conjunction with the State Fair. Cal Expo plans to continue to operate the harness racing meeting at its facility for 2009 and beyond.



Harness racing makes for entertaining evenings at Cal Expo in Sacramento.

Simulcast Facilities by Location

The following represents pari-mutuel handle and attendance figures for California's simulcast facilities. Racetracks that offer simulcast wagering include combined pari-mutuel handle for live racing and simulcast wagering.

Stockton, 2nd District Agricultural Association

The San Joaquin Fair facility is located at the east side of Stockton at 1658 South Airport Way. The simulcast wagering facility opened October 24, 1985. The pari-mutuel handle and attendance in FY 2007-08 were \$26,526,002 wagered by 111,381 patrons.

Monterey, 7th District Agricultural Association

The Monterey County Fair facility is located at 2004 Fairground Road in Monterey. The simulcast wagering facility opened on January 6, 1988. The pari-mutuel handle and attendance in FY 2007-08 were \$11,076,543 wagered by 39,829 patrons.

Eureka, 9th District Agricultural Association

The Redwood Acres Fair facility is located approximately one mile east of downtown Eureka at 3750 Harris Street. The simulcast wagering facility opened November 11, 1987. The pari-mutuel handle and attendance in FY 2007-08 were \$1,956,465 wagered by 4,091 patrons.

Bakersfield, 15th District Agricultural Association

The Kern County Fair facility is located in Bakersfield at 1142 South P Street. The simulcast wagering facility opened April 1, 1987. The pari-mutuel handle and attendance in FY 2007-08 were \$9,477,453 wagered by 42,869 patrons.

Santa Barbara, 19th District Agricultural Association

The Earl Warren Showgrounds facility is located in Santa Barbara at 3400 Callareal St. The simulcast wagering facility opened March 3, 1987. The pari-mutuel handle and attendance in FY 2007-08 were \$8,303,290 wagered by 26,998 patrons.

Fresno, 21st District Agricultural Association

The Fresno District Fair facility is located in Fresno at 1121 Chance Avenue. The simulcast wagering facility opened December 18, 1985. The pari-mutuel handle and attendance in FY 2007-08 were \$13,786,629 wagered by 127,959 patrons.

Fresno, Polo Lounge/Club One

The Polo Lounge in Club One is located in Fresno at 1035 Van Ness Avenue. The facility is housed within the Club One Poker Casino and opened on May 1, 1997. The pari-mutuel handle and attendance in FY 2007-08 were \$3,715,503 wagered by 5,147 patrons.

Del Mar, 22nd District Agricultural Association (Surfside)

The Del Mar Fair facility is located in Del Mar at 2260 Jimmy Durante Boulevard. The simulcast wagering facility opened September 12, 1991. The pari-mutuel handle and attendance in FY 2007-08 were \$179,996,263 wagered by 952,991 patrons.

Tulare, 24th District Agricultural Association

The Tulare County Fair is located 40 miles south of Fresno, a quarter-mile west of Highway 99 at 215 E. Alpine Avenue. The simulcast facility opened June 25, 1989. The pari-mutuel handle and attendance in FY 2007-08 were \$4,335,754 wagered by 21,366 patrons.

Anderson, 27th District Agricultural Association

The Shasta District Fair facility is located 12 miles south of Redding on Highway 273. The simulcast wagering facility opened May 18, 1988. The pari-mutuel handle and attendance in FY 2007-08 were \$2,689,549 wagered by 8,190 patrons.

Victorville, 28th District Agricultural Association

The San Bernardino County Fair facility is located approximately 40 miles north of San Bernardino, adjacent and east of Interstate 15, at 14800 Seventh Street. The simulcast wagering facility opened April 26, 1989. The pari-mutuel handle and attendance in FY 2007-08 were \$11,902,238 wagered by 65,638 patrons.

**Ventura, 31st District
Agricultural Association**

The Ventura County Fair facility is located in Ventura at 10 West Harbor Boulevard. The simulcast wagering facility opened November 11, 1987. The pari-mutuel handle and attendance in FY 2007-08 were \$36,006,396 wagered by 103,546 patrons.

**Santa Maria, 37th District
Agricultural Association**

The Santa Barbara County Fair is located in Santa Maria at 937 South Thornburg. The simulcast facility opened April 7, 1987. The pari-mutuel handle and attendance in FY 2007-08 were \$7,304,601 wagered by 26,682 patrons.

**Lancaster, 50th District
Agricultural Association**

The Antelope Valley Fair facility is located in Lancaster on the northeast side of town at 155 West Avenue I, approximately two miles east of Interstate 14. The simulcast wagering facility opened April 27, 1988. The pari-mutuel handle and attendance in FY 2007-08 were \$19,871,280 wagered by 103,451 patrons.

**San Bernardino, National
Orange Show**

The National Orange Show facility is located in San Bernardino at 689 South E Street. The simulcast facility opened November 18, 1987. The pari-mutuel handle and attendance in FY 2007-08 were \$39,777,571 wagered by 172,509 patrons.

**Sacramento, California
Exposition and State Fair**

The Cal Expo facility is located approximately three miles east of downtown Sacramento at 1600 Exposition Boulevard. The simulcast wagering facility opened October 17, 1985. The pari-mutuel handle and attendance in FY 2007-08 were \$46,217,412 wagered by 200,327 patrons.

**Santa Rosa, Sonoma County
Fair and Exposition, Inc.**

The Sonoma County Fair is located in Santa Rosa at 1350 Bennett Valley Road. The simulcast facility opened October 17, 1985. The pari-mutuel handle and attendance in FY 2007-08 were \$21,604,925 wagered by 141,013 patrons.

Vallejo, Solano County Fair

The Solano County Fair is located on the north side of Vallejo at 900 Fairgrounds Drive. The simulcast wagering facility opened December 1, 1987. The pari-mutuel handle and attendance in FY 2007-08 were \$21,752,863 wagered by 97,499 patrons.

**Pleasanton, Alameda County
Fair**

The Alameda County Fair is located in Pleasanton at 4501 Pleasanton Avenue. Following the start of simulcast wagering on April 27, 1987, the location of the simulcast wagering was changed to a newly constructed facility on October 9, 1992. The pari-mutuel handle and attendance in FY 2007-08 were \$57,926,773 wagered by 215,539 patrons.

**San Mateo, Bay Meadows
Racetrack**

The Bay Meadows racetrack and simulcast wagering facility closed in August following the final race meet. The simulcast facility relocated to the neighboring San Mateo County Events Center in October. The pari-mutuel handle and attendance at the Bay Meadows facility in FY 2007-08 were \$146,143,545 wagered by 565,667 patrons.

**Indio, Shalimar Sports
Center**

The Desert Expo centre is located approximately 10 miles southeast of Palm Springs just off Highway 111 at 46-350 Arabia Street on the National Date Festival grounds. The simulcast wagering facility opened May 18, 1988. The pari-mutuel handle and attendance in FY 2007-08 were \$8,524,375 wagered by 33,619 patrons.

Pomona, Fairplex Park

The Los Angeles County Fair facility is located in Pomona on the grounds of the Fairplex public events facility, two blocks north of Interstate 10. The simulcast wagering facility opened July 27, 1988. The pari-mutuel handle and attendance in FY 2007-08 were \$72,356,734 wagered by 279,405 patrons.

Inglewood, Hollywood Park Racetrack

The Hollywood Park facility is located in Inglewood at 1050 Prairie Avenue. The simulcast wagering facility opened July 27, 1988. The pari-mutuel handle and attendance in FY 2007-08 were \$299,576,225 wagered by 1,176,612 patrons.

San Jose, Santa Clara County Fair

The Santa Clara County Fair is located in San Jose approximately 40 miles south of San Mateo, just off Hwy. 101 at 344 Tully Road. The simulcast facility opened July 30, 1988. The pari-mutuel handle and attendance in FY 2007-08 were \$47,900,263 wagered by 145,928 patrons.

Albany, Golden Gate Fields

Golden Gate Fields is located in Albany at 1100 Eastshore Highway, just north of Berkeley, off Interstate 80, eight miles from downtown Oakland and 11 miles from San Francisco. The simulcast wagering facility opened September 24, 1985. The pari-mutuel handle and attendance in FY 2007-08 were \$109,660,803 wagered by 407,366 patrons.

Arcadia, Santa Anita Park

The Santa Anita facility is located in Arcadia at 285 W. Huntington Drive. The simulcast wagering facility opened July 27, 1988. The pari-mutuel handle and attendance in FY 2007-08 were \$349,299,917 wagered by 1,348,920 patrons.

Los Alamitos, Los Alamitos Race Course

Los Alamitos Race Course is located in Los Alamitos at 4961 Katella Avenue. The simulcast facility opened July 25, 1990. The pari-mutuel handle and attendance in FY 2007-08 were \$222,290,723 wagered by 749,723 patrons.

Cabazon, Fantasy Springs Casino

The Cabazon Band of Mission Indians facility is located approximately 18 miles east of Palm Springs in Indio at the intersection of Interstate 10 and Auto Center Drive. The simulcast wagering facility opened March 3, 1990. The pari-mutuel handle and attendance in FY 2007-08 were \$14,667,134 wagered by 63,437 patrons.

El Cajon, Sycuan Gaming Center

The Sycuan Band of Mission Indians facility is located approximately six miles east of El Cajon at 5469 Dehesa Road. The simulcast wagering facility opened October 7, 1990. The facility was closed for renovations in FY 2007-08 .

Alpine, Viejas Casino and Turf Club

The Viejas Band of Mission Indians facility is located approximately 13 miles east of Alpine at 5000 Willows Road. The simulcast facility opened September 13, 1991. The pari-mutuel handle and attendance in FY 2007-08 were \$16,533,073 wagered by 78,767 patrons.

Lakeside, Barona Casino

The Barona Band of Mission Indians facility is located approximately five miles northeast of Lakeside at 1932 Wildcat Canyon Road. The simulcast wagering facility first opened in 1992, then a new facility opened in 2002. The pari-mutuel handle and attendance in FY 2007-08 were \$21,806,301 wagered by 90,809 patrons.

Turlock, Stanislaus County Fair

The Stanislaus County Fair facility is located in Turlock approximately two miles east of Highway 99 at 900 No. Broadway at Canal. The simulcast facility opened on April 7, 1993. The pari-mutuel handle and attendance in FY 2007-08 were \$9,803,528 wagered by 35,354 patrons.

Perris, 46th District Agricultural Association

The Farmer's Fair and Expo facility is located in Perris approximately three miles east of the 215 Freeway at 18700 Lake Perris Drive and Ramona Expressway. The simulcast facility opened on December 1, 1993. The pari-mutuel handle and attendance in FY 2007-08 were \$22,293,451 wagered by 92,033 patrons.

Horse-Racing Revenues

The State of California's revenue from horse racing is derived primarily from license fees, which are based on percentages of pari-mutuel wagers. The pari-mutuel handle totaled \$4,386,952,434 for FY 2007-08. This amount included wagers made within the State of California and wagers made in other racing jurisdictions, which were co-mingled (merged) into the wagering pools at live race meets in California. The CHRB was responsible for collecting on behalf of the State of California \$35,868,519 from all pari-mutuel sources.

License fees for the state, purses, track commissions, and other distributions are generated from a portion of the wagering handle referred to as the "takeout."

The takeout is set by law and is a percent taken from each dollar wagered. The takeout on conventional wagering (win, place, and show pools) is 15.75 percent for thoroughbred race meets, 16.06 percent for quarter-horse meets, 17.45 percent for harness meets, and 16.50 percent for fair meets.

The takeout on exotic wagering pools (all pools that are not win, place, or show) is 21.17 percent for thoroughbred meets, 21.45 percent for quarter-horse meets, 22.09 percent for fair meets, and 23.79 percent for harness meets.

In general, once the state license fee, breeders and owners awards, equine research, and other mandated amounts have been deducted from the takeout, the remaining funds are divided in a prescribed manner between purses and track commissions.

The amount of the state license fee and the split between purses and commissions depend on the breed of racing and whether the wagering was on track or off track.

A pari-mutuel auditor located at each live meet in California prepares a daily audited report of the precise distribution of the wagering handle. The report is submitted to the CHRB, the racing association, and other interested parties.

Breakage is a term used to describe the monies generated by mathematical

rounding during the calculation of winning wagers. After a race is run and the results are made official, the totalizer system calculates the payout for winning wagers.

The payout for each pool is first calculated on a \$1 amount, which is then used as the basis for paying all winning wagers for that pool.

During the calculation of the \$1 payout, amounts for each pool are rounded down ("broken," thus the term breakage) to the nearest dime. For example, in calculating a win pool, a \$1 payout of \$2.67 would be "broken" to \$2.60. A \$2 wager on that pool would then return \$5.20.

The 7 cents that is broken for each dollar in the calculation then becomes part of the total breakage for that pool, that race, and that day of racing, etc.

Charity Days

California horse-racing associations have distributed many millions of dollars to worthwhile charities over the last 69 years. Their donations in the last fiscal year totaled \$739,650.

By law, each racing association must conduct a specified portion of its race meeting for the benefit of charities meeting the statutory criteria and approved by the Board. The law also requires that at least 50 percent of the proceeds be distributed to charitable groups within the horse-racing industry. While recognizing the worthwhile nature of all the charitable organizations favored by the various distributing foundations, the CHRB encourages the foundations to exceed this minimum percentage.

On charity racing days, the racing association furnishes the facilities and personnel necessary for the conduct of racing. The income from all operations of the race meeting on charity racing days, less deductions for actual expenses, is dedicated to charitable purposes. The following charitable foundations distributed funds last year: Santa Anita Foundation, Hollywood Park Racing Charities, Inc., Del Mar Thoroughbred Club, Oak Tree Charitable Foundation, and Bay Meadows Foundation.

Uncashed Pari-mutuel Tickets

Winning pari-mutuel tickets can be cashed until May 15 of the year following the year in which the race meet ends. After May 15, the uncashed tickets (unclaimed monies) are distributed as indicated below. The unclaimed money in the pool is the amount remaining when individuals fail to present winning pari-mutuel tickets for cashing. Racing patrons may mistakenly tear up, lose, or forget about winning tickets. In some cases, racing patrons have, many months after the meeting, presented valid pari-mutuel tickets entitling them to a pari-mutuel payoff.

The amount to the State from unclaimed pari-mutuel tickets during the FY 2007-08 racing year totaled \$1,900,572.

All such unclaimed money resulting from the thoroughbred, harness, or quarter-horse meetings, but excluding the meetings of the California Exposition and State Fair, county, district agricultural association, or citrus fruit fair meetings shall be distributed as follows:

1. Fifty percent shall be used by the Board to support research on matters pertaining to horse racing and racetrack security. The redistributable money provided to the Board pursuant to this paragraph shall be subject to annual budgetary review by the Legislature.

2. Fifty percent shall be paid to a welfare fund established by the horsemen's organization contracting with the association with respect to the conduct of racing meetings for the benefit of the horsemen, and said organization shall make an accounting to the Board within one calendar year of the receipt of such payment. All unclaimed money from other meetings shall be paid immediately into the State Treasury to the credit of the General Fund.

3. Notwithstanding the distributions in paragraphs 1 and 2, unclaimed ticket monies generated by wagering on intrastate (north/south) thoroughbred and fair races, and interstate imports are split equally between purses and commissions.

Redistributable Money in Pari-mutuel Pools (Unclaimed Tickets)

FY 2007-08	TB	QH	HH	Fairs
Los Angeles Turf Club	\$413,078			
Hollywood Park Spring-Summer	249,471			
Del Mar Thoroughbred Club	321,477			
Oak Tree Racing Assn.	154,869			
Bay Meadows Racing Assn.	87,091			
Pacific Racing Assn.	92,304			
Hollywood Park Fall	<u>107,233</u>			
Thoroughbred Total	\$1,425,523			
Los Alamitos Quarter Horse Racing Assn.		<u>\$156,199</u>		
Quarter Horse Total		\$156,199		
Sacramento Harness Racing			<u>\$41,855</u>	
Harness Total			\$41,855	
CARE				\$ 182,388
Los Angeles County Fair				<u>94,607</u>
Fairs Total				\$ 276,995
Total to State from unclaimed pari-mutuel tickets				\$ 1,900,572

Occupational Licenses and Fees

July 1, 2007, through June 30, 2008

Type of License	Fee	Issued	Total
Multiple Ownership*	300	15	4,500
Horse Owner-Open Claim	250	18	4,500
Officer/Director/Partner**	150-200	151	24,625
Horse Owner**	150-250	3,806	573,600
<hr/>			
Trainer, Assistant Trainer***	150	392	57,900
Harness Horse Driver***	150	33	4,150
Jockey/Apprentice Jockey***	150	140	19,900
Jockey Agent	150	25	3,750
<hr/>			
Bloodstock Agent	150	6	900
Veterinarian	150	50	7,500
Association Employee	75	310	23,250
Valet/Custodian/Attendant	75	11	825
<hr/>			
Pari-mutuel Employee/Tote	75	637	47,775
Horseshoer	75	34	2,550
Exercise Rider/Pony Rider***	75	394	29,230
Misc. Employee/Stable Agent Vendor**	35-75	412	27,140
Security Guard	75	169	12,675
Stable Foreman	75	87	6,525
<hr/>			
Authorized Agent	25	686	17,150
Replacement License	15	403	6,045
Annual Groom/Stable Employee (Original)***	35	596	20,830
Annual Groom/Stable Employee (Renewal)**	20-35	1,958	41,230
Total fees generated to General Fund			\$1,041,650

All licenses are issued for three years except those for groom and stable employee licenses, which are annual licenses.

* Includes partnership registrations

**Variable fee

***Includes reduced license fees

Fines Imposed in FY 2007-08

Thoroughbred Meetings — Central & Southern Zones

Location	Rulings	Imposed	Inclusive Dates
Hollywood Park	20	\$8,250	7/1/07 – 7/15/07
Del Mar	98	13,305	7/18/07 – 9/5/07
Santa Anita (Oak Tree)	43	6,275	9/26/07 – 11/4/07
Hollywood Park	49	16,475	11/7/07 – 12/22/07
Santa Anita	210	37,185	12/26/07 – 4/20/08
Hollywood Park	41	11,750	4/23/08 – 6/30/08

Thoroughbred Meetings — Northern Zone

Bay Meadows	68	\$28,475	8/22/07 – 11/4/07
Golden Gate	67	14,385	11/7/07 – 2/3/08
Bay Meadows	47	22,325	2/4/08 – 5/11/08
Golden Gate	18	5,700	5/14/08 – 6/22/08

Quarter-Horse Meetings — Statewide

Los Alamitos	323	\$88,690	*7/1/07 – 6/30/08
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Harness Meetings — Statewide

Cal Expo	78	\$18,550	7/1/07 – 12/22/07
Cal Expo	101	20,150	12/28/07 – 6/30/08

Fair Meetings — Statewide

Pleasanton	16	\$2,350	6/27/07 – 7/8/07
Vallejo	13	750	7/11/07 – 7/15/07
Santa Rosa	21	2,750	7/18/07 – 8/6/07
San Mateo	11	900	8/8/07 – 8/19/07
Ferndale	4	150	8/9/07 – 8/19/07
Pomona	35	3,700	9/7/07 – 9/24/07
Fresno	10	950	10/3/07 – 10/14/07

* As this is a fiscal-year report, the period of 7/1/07 through 6/30/08 covers parts of two separate race meets at Los Alamitos.

(The August and September fair meets at Cal Expo and Stockton will be reported in the 2008-09 fiscal year annual report.)

Statement of Distribution by Fund of Horse-Racing Revenues

Horse-racing revenue comes primarily from license fees imposed on the amounts wagered by the public. The license fee revenue schedule is based on such factors as the amount wagered, track location, type of horse racing, type of wager, and whether the wager is made on track or at a simulcast facility.

Other revenue sources include breakage (the odd cents not paid to winning ticket holders), unclaimed pari-mutuel tickets, occupational license fees, fines, and penalties.

The state's share of horse-racing revenue is either deposited to the state "General" Fund or to a "special" fund, e.g., the

Fair & Exposition Fund. The General Fund is used to account for all revenues and activities that are not required by law to be accounted for by any other fund. Most state expenditures are financed from the General Fund. Special funds consist of governmental cost funds used to account for taxes and revenues, which are restricted by law for particular functions/activities.

Typically, the only difference between the General Fund and other governmental cost funds is the restriction placed on the use of the other governmental cost funds.

July 1, 2007 through June 30, 2008

	Detail	Total
Revenue To Fair & Expo		
Pari-mutuel License Fees, Fund 0191:		
0.63 percent — total handle	\$5,668,767	
1.00 percent — fair handle	1,004,728	
Escheat of unclaimed warrant	52	
Section 19620-A	265,000	
Section 19620-B	14,366,000	
Total 0191 Fund		\$21,304,547
Simulcast Wagering Fees, Fund 0192:		
Simulcast Wagering	11,147,223	
Other regulatory, licenses, and permits — purses	1,344,968	
Total 0192 Fund		12,492,191
Revenue To General Fund		
Horse racing licenses	860,212	
Breakage	0	
Fines & Penalties	271,705	
Unclaimed Pari-mutuel Tickets	276,995	
Unclaimed Pari-mutuel Tickets (Racetrack Security Fund)	195,203	
Occupational Licenses	1,089,175	
Miscellaneous Income	70	
Total General Fund		2,693,360
Wildlife Restoration		
Horse racing licenses		0
Racetrack Security		1,531,000
CA Animal Health and Food Safety UC Davis		2,444,622
Total Revenue		\$40,465,720

Other Public Revenues

In addition to revenues collected from horse-racing meetings by the Board, other public revenues are derived from horse-race meetings in California.

During the FY 2007-08 racing year, there were 2,930 horses “claimed” at authorized race meetings.

The “claiming” of a racehorse is in effect a sale of the horse at a designated price (as established by the conditions of the race) to a qualified person who submits a “claim” for the horse at least 15 minutes prior to the race in which the owner of the racehorse established the competitive value of the horse.

For example, in a claiming race where the claiming price is established by the racing secretary as \$10,000, an owner of a horse may enter the horse in the race if willing to lose the horse to another owner (or qualified person) for the price of \$10,000.

An owner who over-values the horse will find competition in the race too severe and will not win a purse — but probably retain the horse; the owner who under-values the horse may well win a purse but in all probability lose title to the horse to

a successful claimant. Thus, it is the owner who establishes the true competitive value of a horse in a claiming race.

Inasmuch as the claim of a horse is in fact a purchase, state sales tax is collected on the amount of the claim. During the FY 2007-08 racing year, the total amount paid for claiming of horses was \$44,227,875, resulting in sales tax revenues of \$3,655,644.

Chapter 1202, Statutes of 1982, changed the existing provisions for local license fees and admission taxes. This statute authorizes every racing association or fair to elect permanently to deduct up to 0.33 of 1 percent from all pari-mutuel pools and to distribute the amounts to the city or county where the racing meeting is held if the city or county passes an ordinance to accept such fees in lieu of admission taxes and license fees.

During the FY 2007-08 racing year, \$6.5 million was distributed to local governments under this provision.

Track Commissions

Under the system known as pari-mutuel wagering, the racing association acts as the stakeholder for all wagers, deducting from each pari-mutuel wagering pool the statutory “takeout,” which includes the state license fee, the percentage deduction for purses, and the track’s commission.

Commissions retained by California racing associations during FY 2007-08 totaled \$169,935,491.

A detailed summary of track commissions by race meet can be found in the CHRB’s Annual Report of Operations, also known as the Annual Statistical Report.

Purses

As with track operators’ commissions, the purses for race meetings are determined by the rate schedules, or in some cases by agreement with the racing association.

Purses for California race meetings during FY 2007-08 totaled \$166,313,109. In addition, \$15,595,426 was paid out as California-Bred incentives.

In order for the individual racing associations to establish their daily purse structure for their race meetings, the associations must first make a projection of the amount of pari-mutuel wagers they expect to handle.

The actual purses to be paid for any one race, or for the day’s races, initially are determined by the racing secretary’s projections of handle, then must be revised during the course of the race meeting based on actual handle. The racing association must also conclude an agreement with the respective horsemen’s organization representing the horsemen at each meeting in order to establish the percentage of the total purses that may be used for stakes races.

California Horse Breeding Programs

The Horse Racing Law provides incentives for the breeding and owning of California-bred horses. A principal and explicitly stated intent of the law is to encourage agriculture and the breeding of horses.

Every association licensed to conduct a horse-racing meeting in California must provide, each racing day, for the running of at least one race limited to California-bred horses, provided those races can attract a sufficient number of qualified entrants.

An award based on the first, second, and third-place money of any purse won in any race run in California is paid to the breeder of the winning or placing California-bred horse. A further incentive to own a California-bred horse is provided by owners premiums. Owners premiums are distributed to persons owning California-bred horses that are in allowance races with a purse over \$15,000 and claiming races having a total purse value of certain qualifying amounts.

Additionally, stallion awards are issued to owners of qualified California thoroughbred stallions standing in California whose progeny win races in California having a certain qualifying gross purse. A breeders award is also paid for a California-bred thoroughbred when the horse wins a graded stakes race outside the state.

These California breeders programs and distribution of awards and premiums are administered by the recognized California breeders organizations of the various breeds.

Thoroughbred Breeders Programs

The California Thoroughbred Breeders Association administers the California-bred awards, owners premiums, and stallion awards for thoroughbreds. In addition, the CTBA supervises the California-bred race fund, which has supplemented the very successful California Cup program each year since 1990.

At California thoroughbred race meetings, the amount of 0.54 percent on track and 0.54 percent off track of all pari-mutuel pools is deducted as takeout and transferred to CTBA for distribution. A further amount equal to .07 percent of the handle is specified for owners premiums and transferred to the CTBA for distribution.

During FY 2007-08, \$14,009,377 was generated from the wagering handle. The CTBA is authorized to deduct 5 per-

cent for administrative overhead and expenses, including education, promotion, and research.

Standardbred Breeders Programs

The California Standardbred Sires Stakes Committee, Inc., a California non-profit public benefit corporation, administers the Standardbred Breeders Program. The Sires Stakes Committee is authorized to deduct expenses (not to exceed 4 percent of funds generated) for administering the Standardbred Breeders Program. The program is funded from the breakage at harness meetings and an additional 1 percent takeout on all exotic wagering at harness meetings. In FY 2007-08, the program generated \$944,115.

Quarter-Horse Breeders Program

Pacific Coast Quarter Horse Racing Association, as the recognized breeders organization, received \$564,836 from the pari-mutuel handle to fund its program in FY 2007-08. The source of these funds was 0.48 percent of the on-track and 0.48 percent of the off-track handle on quarter-horse racing at the fair race meetings, 0.4 percent of the handle at quarter-horse race meetings, and a proportional payment of the monies required by the state, the association, and the horsemen.

Paint Breeders Program

The Paint breeders awards received \$251 for the breeders program in FY 2007-08. No paints ran in California. This revenue came from ADW wagers.

Arabian Breeders Program

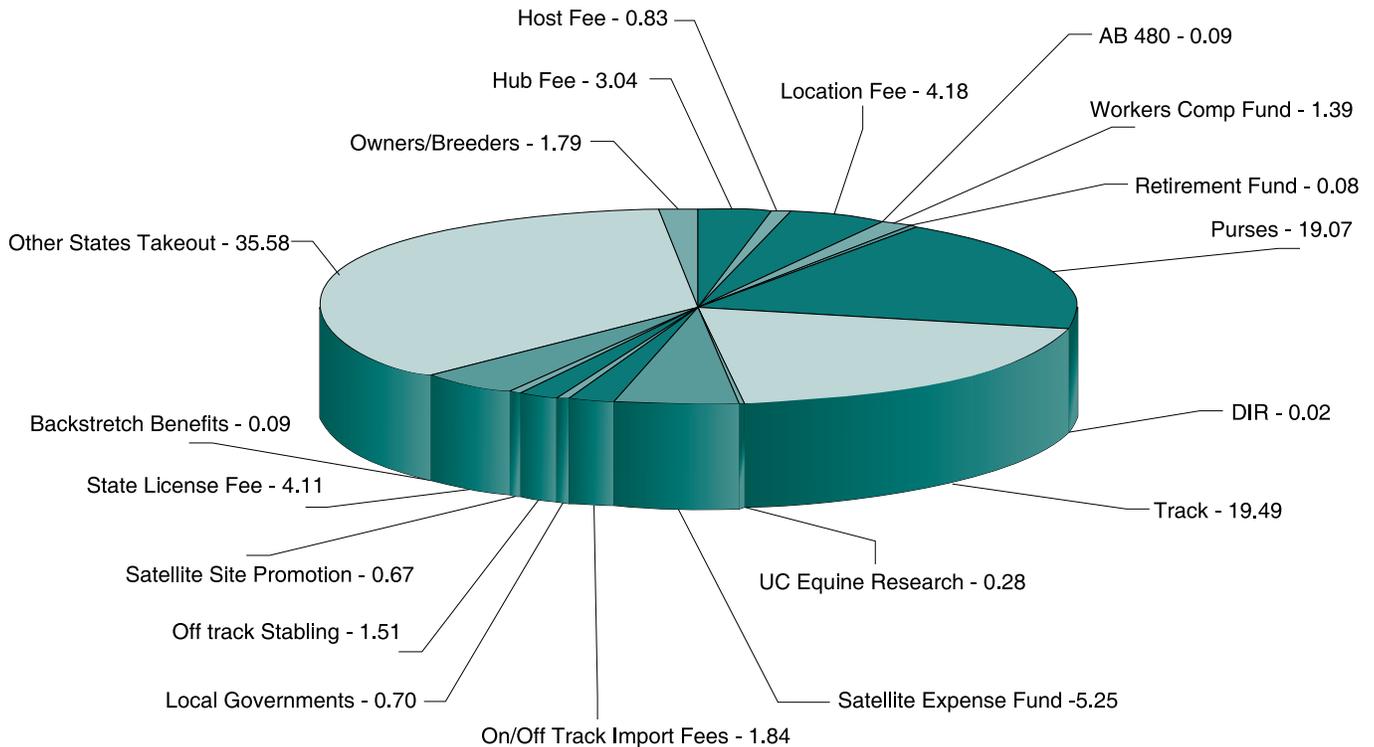
The California Arabian horse breeders awards received \$48,461 for the program during FY 2007-08.

Mule Breeders Program

The California mule breeders awards received \$27,266 for the program during FY 2007-08.

The Revenue Stream

The Takeout Dollar in California: Where It Goes and How It's Used



California horse racing has long been the envy of the nation. Only New York is on a par with California in the national picture of horse racing. A total of \$4,386,952,434 was wagered by fans of California racing during FY 2007-08, and of that money 80.1 percent (\$3,514,945,896) was returned to winning ticket holders.

Prior to simulcast wagering in 1985, virtually all of the wagering on California's races was at the track, but today "on-track" bets make up only 15.1 percent of wagers placed (\$660 million). Off-track betting within the state provides more than 27 percent of the handle (\$1.2 billion). The balance comes from out-of-state and Advance Deposit wagers (\$2.52 billion).

Patrons failed to cash \$6.6 million worth of winning tickets. By law, money from uncashed tickets, except

for fairs, is split evenly between a welfare fund for the benefit of backstretch employees and the CHRB for race-track security and research. Money from uncashed tickets at fairs is turned over to the state's General Fund.

Similarly, money from unredeemed vouchers issued by tracks for use by racing patrons at track self-serve betting machines is used to finance the horse-racing revenue database called the California Horse Racing Information Management System (CHRIMS).

Breakage, a byproduct of the pari-mutuel calculation, is distributed to the state, to purses, and to the racing associations. This totaled \$9,801,591 in FY 2007-08.

Of the nearly \$4.4 billion wagered, \$872 million, or 19.9 percent, was withheld as the "takeout" for such purposes as horsemen's purses, racetrack operations, and government taxation, as follows on the next page:

HORSEMEN'S PURSES

A total of \$166.3 million was distributed last year in the form of purses. This money went to the owners of the horses, the jockeys, the trainers, and through them to the backstretch employees.

Portions of the purse money also went to the organizations that represent owners and other horsemen. (For details, see the horsemen's summaries of revenues and expenses at the end of this report.)

TRACK COMMISSIONS

The racetracks and fairs that host the racing programs collected a total of \$169.9 million in commissions. Much of that money went toward the cost of operations, such as rent or mortgages and labor costs, of which pari-mutuel clerks represent a large part. The racetracks also are responsible for marketing the sport — for advertising, promotions, and other forms of publicity.

STATE LICENSE FEES

Pari-mutuel wagering was authorized by the voters in 1933. During the last fiscal year, the state received \$35.9 million from pari-mutuel wagering. Of this money, \$860,212 went to the General Fund for budgeted operating revenues for state programs.

The allocation of the California Horse Racing Board budget (\$11,051,000) comes from the Fairs and Exposition Fund through the yearly budget process conducted by the State Legislature. This allocation is used to fund the Horse Racing Board's mission of overseeing the horse-racing industry on behalf of the state and the California public.

INCENTIVE AWARDS

One of the most important uses of horse-racing revenue is for incentive awards, which promote the agricultural program in California by encouraging horse breeding. Last year those awards were divided between programs for thoroughbreds (\$14,009,377), standardbreds (\$944,115), quarter horses (\$564,836), paints (\$251), Arabians (\$48,461), and mules (\$27,266).

LOCAL GOVERNMENT

For those local municipalities who elect to participate, an additional 0.33 of 1 percent is withheld from the handle to reimburse communities for costs incurred due to traffic control, security, and other expenditures resulting from horse-racing events. Last year \$6.1 million was withheld for this purpose.

HOST FEES

Host fees are negotiated or mandated payments to producers of live horse racing imported by tracks via satellite and offered to the betting public in conjunction with a California track's live racing program. Last year, California tracks paid \$16 million to out-of-state hosts.

INTERSTATE WAGERING FEES

Interstate wagering fees are "takeout" deductions from wagers made on California racing by racing fans at off-track betting systems outside of the California borders. These deductions in other states amounted to \$284 million.

EQUINE RESEARCH

A mandated deduction goes to the University of California for equine research. Last year the total for equine research was \$2.4 million.

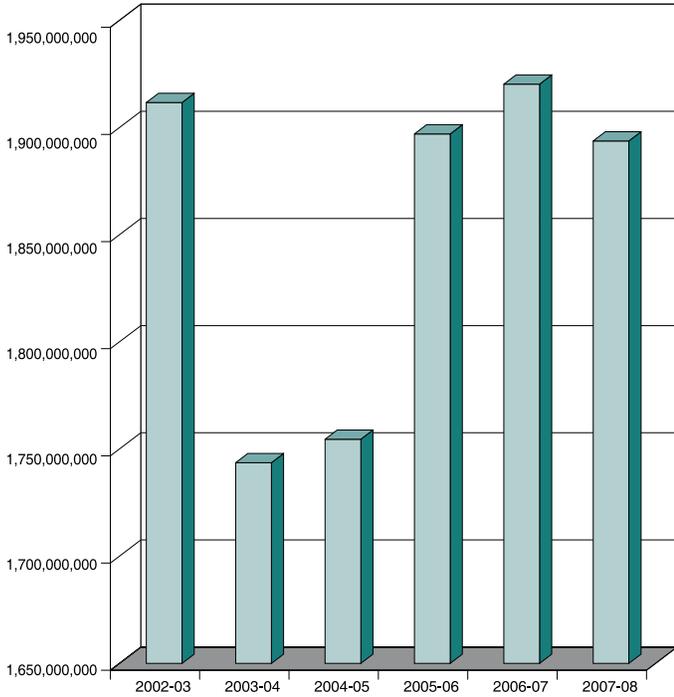
SIMULCAST FEES

Simulcast fees are deducted from the off-track handle at California simulcast facilities and are distributed in proportion to each facility's handle. This revenue goes to the Stabling and Vanning Fund to offset the cost of off-site stabling and transporting horses to the track, to the Promotion Fund to be used for the promotion of horse racing, to the Expense Fund for the purpose of offsetting the costs of simulcast broadcasting, and to guest commissions. A guest site is the term used for an authorized off-track betting system, or simulcast facility, that is an authorized recipient of a live horse race.

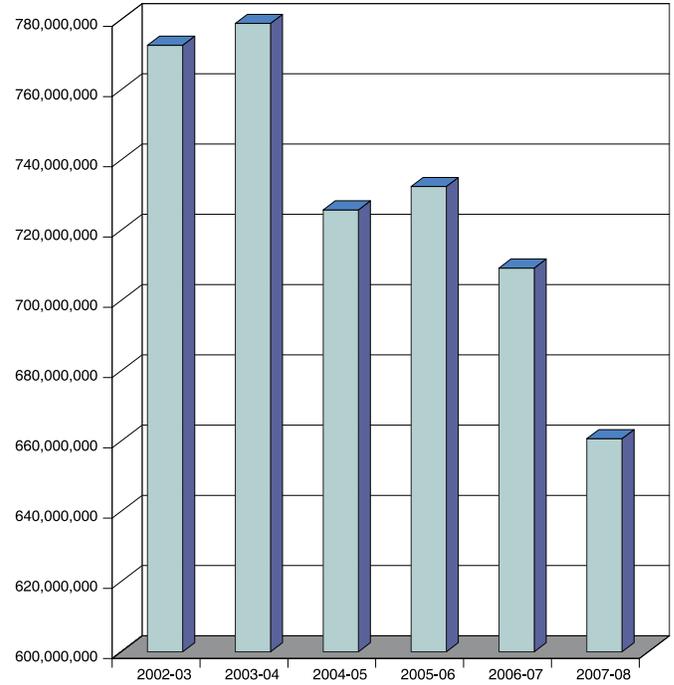
These funds received a total of \$92.2 million last year:

Stable and Vanning Fund:	\$13.1 million
Promotion Fund:	\$5.8 million
Expense Fund:	\$45.7 million
Guest Site Fees:	\$27.3 million

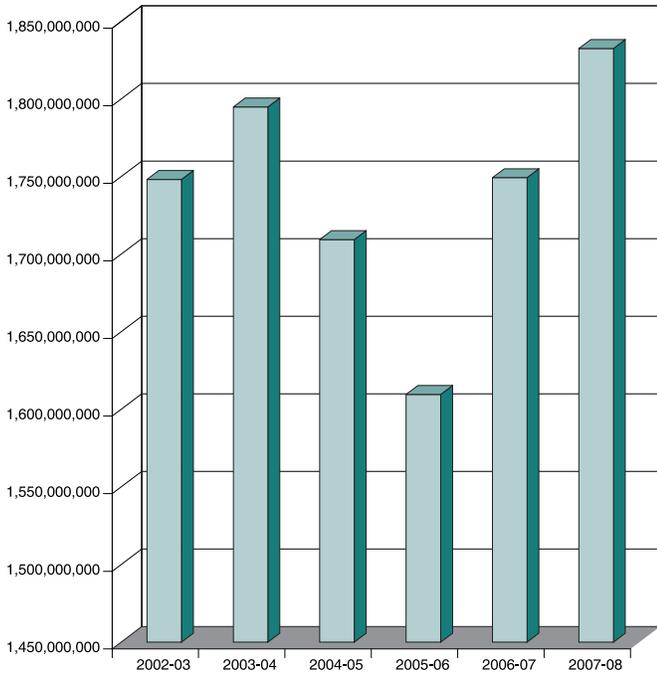
Total Handle Off Track & ADW



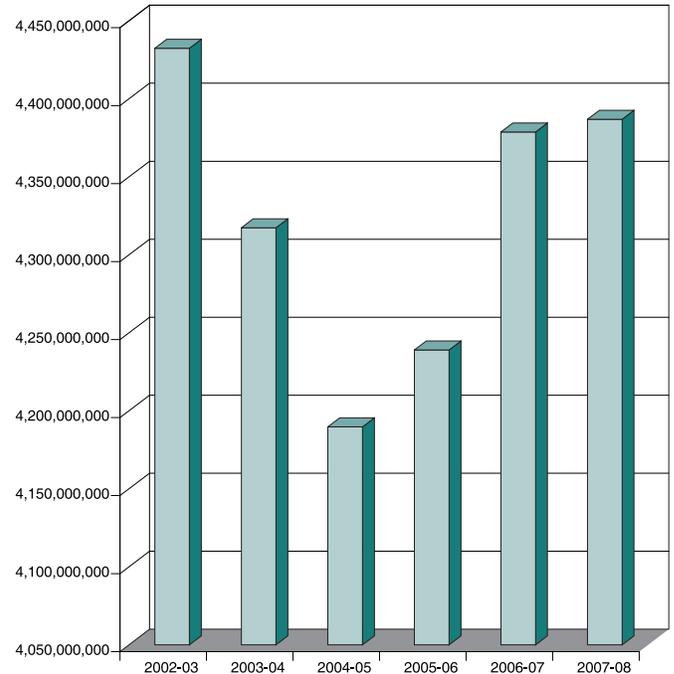
Total Handle On Track



Total Handle Out of State



Total Handle



The Horsemen's Organizations Welfare Funds

The Horse Racing Law provides that 50 percent of the unclaimed redistributable money in pari-mutuel pools (uncashed pari-mutuel ticket amounts) resulting from thoroughbred, harness, or quarter-horse race meetings be paid to the welfare fund established by the horsemen's organization contracting with the association for the conduct of the race meeting for the benefit of horsemen. These funds are registered with the Registry of Charitable Trusts of the Office of the Attorney General. The three horsemen's organizations have established and maintain the following welfare funds:

The California Thoroughbred Horsemen's Foundation, Inc.

285 W. Huntington Drive
P. O. Box 660129
Arcadia CA 91006
(Registry of Charitable Trusts
No. 4833)

California Harness Horseman's Association Welfare Fund

P.O. Box 254767
Sacramento, CA 95865
(Registry of Charitable Trusts No. CT 21800)

Quarter Horse Benevolent Charity Foundation

5024 Katella Avenue, Suite 247
Los Alamitos, CA 90720
(Registry of Charitable Trusts No. CT 18221)

Each of the foregoing welfare funds have a state tax-exempt status under the provisions of Section 23701 of the Revenue and Taxation Code.

The California Horsemen's Organizations

The CHRB determines the organizations to represent California horsemen with respect to each breed. The Board requires annual audits of their financial reports, and a summary of the revenues and expenses for each organization are contained in this report each year.

The following horsemen's organizations were recognized by the Board during the last fiscal year: Thoroughbred Owners of California for thoroughbred owners; California Thoroughbred Trainers for thoroughbred trainers; California

Harness Horsemen's Association for harness horsemen; Pacific Coast Quarter Horse Racing Association for quarter horsemen; and the Arabian Racing Association of California for Arabian horsemen.

Audited Expenses of California Horsemen's Organizations

Pursuant to AB 3106 (Chapter 594/96), the audited expenditures of all organizations representing horsemen and horsewomen are hereby included in this Annual Report. The information regarding the expenditures of these organizations is only one portion of the total audited financial state-

ments submitted to the California Horse Racing Board. Persons wishing to obtain a copy of the complete audited financial statements of a horsemen's organization can do so by contacting the CHRB's headquarters offices in Sacramento.

Pacific Coast Quarter Horse Racing Association, Inc.

*Statement of Revenues collected, expenses paid, and changes in fund balance - modified cash basis;
for the year ended December 31, 2007*

REVENUES COLLECTED	2007
Administration fees	\$487,937
Race administration fees	114,745
Membership dues	13,725
Cal-Bred Registry fees	20,385
Investment income	47,556
Sale costs reimbursement	30,000
Other income	2,200
Total revenue	716,548
EXPENSES PAID	2007
Administrative salaries and related expenses	225,812
Professional services	94,277
General operating expenses	80,574
Race and awards expenses	267,337
Insurance expenses	51,093
Memorial Funds	172
Legal expense	4,994
Chaplaincy expense	15,000
Total expenses	739,259
Change in Fund Balance	-22,711
Beginning Fund Balance	1,003,020
Ending Fund Balance	\$ 980,309

California Thoroughbred Trainers

Statements of Activities for the years ended December 31, 2006 and 2007

	2007	2006
Revenues		
Track revenues	\$754,695	\$720,227
Recreation hall income	642,402	727,348
Interest income	46,355	31,718
Track fees	149,856	144,723
Other	49,206	30,000
Total revenues	1,642,514	1,654,016
Expenses		
Program services:		
Recreation hall	646,429	\$690,542
Backstretch programs	118,062	112,796
Membership services	81,942	84,902
Contributions	24,150	19,195
Total program services	870,583	907,435
Supporting services:		
Salaries and employee benefits	578,019	574,189
General office expenses	53,504	44,905
Professional and outside services	42,344	65,877
Insurance	16,324	11,964
Depreciation	12,533	15,579
Repairs and maintenance	13,919	2,083
Meetings and conventions	7,355	16,880
Travel – mileage reimbursement	4,542	5,650
Total supporting services	728,540	737,127
Total expenses	1,599,123	1,644,562
Change in net assets	43,391	9,454
Net assets at beginning of year	1,022,406	1,012,952
Net assets at end of year	\$1,065,797	\$ 1,022,406

Arabian Racing Association of California

*The Statement of Activities for 2007 was not received in time for this report.
Below is the Statement of Activities and Changes in net assets
for the year ended December 31, 2006*

ACTIVITY	2006
Revenue and Support:	
Owners' and breeders' awards	\$64,937
Track administration fees	77,762
Membership	3,240
Race sponsorship	3,000
Other	6,083
Total	155,022
Expenses:	
Owners', breeders', and stallions' awards	52,498
Breed representative	52,058
Race sponsorship payments	64,995
Legal and accounting	8,857
Promotion	10,873
Convention, awards, and trophies	6,670
Other	5,982
Total	201,933
Increase in net assets	(46,911)
Net Assets, Unrestricted:	
Beginning of year:	206,942
End of year	\$160,031

Thoroughbred Owners of California

Statements of Activity for the fiscal years ended June 30, 2007 and 2008

	2008	2007
Unrestricted Revenues and Gains:		
Proceeds from racetracks	\$1,465,000	\$1,500,000
Contributed office space	56,000	56,000
Investment income, net	48,000	52,000
Other	41,000	36,000
Total unrestricted revenue and gains	1,610,000	1,644,000
Unrestricted Expenses:		
Consulting	189,000	268,000
Newsletter	91,000	107,000
Seminars	49,000	82,000
Board and member meetings	62,000	77,000
Donations	14,000	35,000
Management and general	1,192,000	1,216,000
Total unrestricted expenses	1,597,000	1,785,000
Changes in unrestricted net assets	13,000	(141,000)
Unrestricted net assets, beginning of year	1,181,000	1,322,000
Unrestricted net assets, end of year	\$1,194,000	\$ 1,181,000

American Mule Racing Association

The Statement for 2007 was not received in time for this report.

Below is the Statement of Revenues, Expenses, and Other Changes in Net Assets—Cash Basis for the years ended December 31, 2005 and 2006

	2005	2006
Revenue and other support:		
California Authority of Racing Fairs	\$62,263	\$40,009
Fairplex	13,945	3,824
Futurities	9,075	11,600
Other income	6,886	4,417
Membership	1,350	1,975
Interest	4,250	5,399
Cal-Bred fees	769	990
Total revenue and other support	98,538	68,214
Expenses:		
Program expenses		
Owner promotion	23,975	32,050
Breed representative	12,000	12,876
Racing sponsorships	1,000	
Futurities	7,600	12,825
Award fees	6,967	6,102
Other program expenses	439	567
Racing stats book	313	161
Open race subsidy		5,878
Jockey mount fees	32,660	13,690
Total program expenses	84,954	84,149
Supporting expenses		
General and administrative	16,679	24,359
Total supporting expenses	16,679	24,359
Total expenses	101,633	108,508
Change in net assets	(3,095)	(40,294)
Unrestricted net assets, beginning of year	175,167	172,072
Unrestricted net assets, end of year	\$172,072	\$131,778

California Harness Horsemen's Association

This statement was not received in time for publication.