

Fortieth Annual Report of the California Horse Racing Board

A Summary of
Fiscal Year 2009–10 Revenue and
Calendar Year 2010 racing in California

California Horse Racing Board

Keith Brackpool, Chairman
David Israel, Vice Chairman
Jesse H. Choper, Member
Bo Derek, Member
John C. Harris, Member
Jerry Moss, Member
Richard Rosenberg, Member
Kirk E. Breed, Executive Director

This report covers the fiscal year (July 1, 2009, through June 30, 2010) for revenue purposes, including pari-mutuel handle, fines, taxes, license fees, and the distribution of funds, as well as the Postmortem Program report. The report covers the 2010 calendar year 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."*

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REPORT OF THE CHAIRMAN



2010 was another challenging year for horse racing in California and across the whole country. The continued recession caused further declines in both attendance and pari-mutuel handle. The foal crop was also down for the third year in a row. However, despite the foregoing, there were several developments during the year that actually give cause for cautious optimism for the years ahead.

First and foremost of these was the incredible media and fan attention generated by the incomparable mare Zenyatta. Whenever and wherever she raced in 2010, the crowds turned out in record numbers to watch her strut and prance on her way to victory. While she was an unlucky loser in her ultimate race, her stellar performances in 2010, adding to an unparalleled career record of 19 out of 20 wins, was enough to win her the much deserved Horse of the Year award. Zenyatta proved that fans and television still have a deep and passionate love for our great sport. We just need stars, and all credit to my fellow Commissioner Jerry Moss and his lovely bride, Ann, for their decision to continue to race Zenyatta this last year.

September of 2010 saw Governor Arnold Schwarzenegger sign a significant omnibus bill to help horse racing in California. The bill included provisions for higher purse money for horse owners, along with marketing funds to attract the Breeders' Cup back to California and also allow for direct industry oversight of exchange wagering – a popular and exciting model overseas but one that will need some significant re-working here to fit within our pari-mutuel model.

The problems horse racing faces in California are not unique to this state, although we do operate within greater constraints than many other states; therefore, we must remain nimble, open to change, and be courageous in our decision-making. Doing so does not always mean we do so in harmony, and dissenting voices must be heard. At the end of the day, though, this Board is charged with the general oversight of our great sport, and I can assure you that every one of my fellow commissioners works tirelessly towards that goal.

In closing, I would very much like to personally thank all of the hard-working and devoted people working within horse racing. Their tireless efforts are recognized and applauded by the Board.

A handwritten signature in blue ink, appearing to read 'Keith Brackpool', written in a cursive style.

Keith Brackpool
Chairman

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

All of these locations except San Luis Rey Downs, a private training facility, are open during their off seasons for simulcast wagering.



Privately Operated Race Tracks

- 1-Del Mar, Del Mar
- 2-Golden Gate Fields, Albany
- 3-Hollywood Park, Inglewood
- 4-Los Alamitos, Cypress
- 5-Santa Anita, Arcadia

Racing Fairs

- 6-Alameda County Fair, Pleasanton
- 7-California Exposition, Sacramento
- 8-Fresno District Fair, Fresno
- 9-Humboldt County Fair, Ferndale
- 10-Los Angeles County Fair, Pomona
- 11-San Joaquin, Stockton
- 12-Solano County Fair, Vallejo
- 13-Sonoma County Fair, Santa Rosa

Private Training Facility

- 14-San Luis Rey Downs, Bonsall

Names and Locations of Simulcast-Only Facilities Regulated by the California Horse Racing Board



Recommendations and Strategies

Business and Professions Code section 19441 provides that the Board shall annually make a full report to the Governor and the Legislature of its proceedings and the state of the business of horse racing for the preceding fiscal year, on or before January 31, and shall embody therein any recommendations deemed needed for improved functioning of the horse racing laws. Business and Professions Code section 19441.2 states in its annual report required under Section 19441, the Board shall include a tabulation of injuries, fatalities, and comparative accident rates for all racing and training venues within its jurisdiction. The report shall also include recommendations concerning the worker safety impacts of improvements in racetrack design, jockey equipment, racing procedures, and track and facility maintenance.

Accordingly, the Board intends to develop and implement strategies to improve jockey and equine safety by:

- Maximizing the innovative CHRB-CAHFS/UC Davis necropsy program to better understand the pathophysiology and biomechanics of racing injuries.
- Investigating and analyzing racing and training accidents, injuries, and fatalities.
- Monitoring, analyzing, and making recommendations to improve veterinary and training practices.
- Monitoring, analyzing, and making recommendations to improve drug testing and medication practices.
- Developing and adopting safety standards for evaluation and control of track surfaces.
- Monitoring, analyzing, and making recommendations to improve track surface material and maintenance procedures.
- Developing continuing education programs for licensees responsible for horse care.

While the safety of racing participants is a top priority for the CHRB, the health of the overall California horse racing industry is another valid concern. The Board intends to ensure that adequate funds are being devoted to marketing horse racing in California. The Board will consider revising the application for licensure to operate a race meet by requiring each applicant to submit its audited financial statements, including a statement of financial position, statement of activities, and statement of cash flows relating to the specific race meet in the license application. This would enable the Board to determine – in the judgment of the racing commissioners – if the applicant is spending enough to promote horse racing.

The Board also intends to develop and implement a strategy to increase attendance at brick-and-mortar wagering facilities in the state. This could involve legislation but at a minimum will require updating and expanding the CHRB regulations pertaining to the conditions and operation of simulcast wagering facilities.

The following pages chronicle some of the most memorable events of the year in California horse racing, including the unparalleled campaign of 2010 Horse of the Year Zenyatta, shown here with adoring fans in the paddock at Hollywood Park before she left for Kentucky to begin her new career as a broodmare. (BENOIT PHOTO)



Daily Racing Form

z. Thoroughbred

Zenyatta

Own: Moss Mr. and Mrs. Jerome S

Dk. b or b. m. 6 (Apr)
 Sire: Street Cry 'Ire (Machiavellian) \$150,000
 Dam: Vertigineux (Kris S.)
 Br: Maverick Production, Limited (Ky)
 Tr: Shirreffs John A (0 0 0 0 00) 2010: (80 14 .18)

Life	20	19	1	0	\$7,304,580	112	D.Fst	3	2	1	0	\$1,500,000	111
2010	6	5	1	0	\$1,830,000	111	Wet(455)	0	0	0	0	\$0	-
2009	5	5	0	0	\$3,330,000	112	Synth	17	17	0	0	\$5,804,580	112
	0	0	0	0	\$0	-	Turf(364)	0	0	0	0	\$0	-
	0	0	0	0	\$0	-	Dst(0)	0	0	0	0	\$0	-

6Nov10-11CD fst	1 1/4	:47	1:11	1:37	2:02 1/2	3+	BCClastic-G1	111	8	12	15	12	14	116	32	2 nd	Smith M E	L123	*1.00	98-07	Blame126 nd	Zenyatta123 3/4	Fly Down122 ^{nk}	Stead 1/4, altrd crse	12	
20Oct10-70TH fst	1 1/8	:24 3/4	:48 3/4	1:13	1:42 3/4	3+	@LDyScrt-G1	101	4	56	5 1/2	5 3/4	3 3/4	3 3/4	1 1/2		Smith M E	LB123	*.10	87-15	Zenyatta123 1/2	Switch120 4/4	DeiMoon de French123	Off bit slow,up late	5	
7Aug10-9Dmr fst	1 1/8	:25 1/2	:50 3/4	1:15	1:45	3+	@CLHrsch-G1	95	5	57	5 7/8	5 3/4	2 nd	1 ^{nk}			Smith M E	LB123	*.10	82-14	Zenyatta123 ^{nk}	Rinterval119 2 1/2	Princess Taylor119 3/4	5wd into lane,gamely	6	
13Jun10-8Hol fst	1 1/8	:47 1/2	1:11 1/4	1:36 1/4	1:49	3+	@VanityH-G1	103	5	61 1/2	6 3/4	6 3/4	3 1/2	1 1/2			Smith M E	LB129	*.50	88-15	Zenyatta129 3/4	St Trinians120 6	Zardana118 6 1/4	5wd into lane,up late	6	
9Apr10-400P fst	1 1/8	:48	1:12 3/4	1:37 1/2	1:50 3/4	4+	@AplBsm-G1	95	4	58	5 7/8	5 3/4	1 1/2	1 1/4			Smith M E	L123	*.05	90-12	Zenyatta123 3/4	Taptam117 1/4	Be Fair120 1/2	Sweeping move	5w	5
13Mar10-7SA fst	1 1/8	:47 3/4	1:11	1:35 3/4	1:48 1/4	4+	@SMrgrtaH-G1	102	7	88	8 9/16	8 1/2	1 1/4	1 1/4			Smith M E	LB127	*.30	87-17	Zenyatta127 1 1/2	DncetoMyTune112 ^{no}	FloatingHert111 1/2	Split,surge,inhalde foe	8	
7Nov09-90SA fst	1 1/4	:47 1/4	1:11 1/4	1:36	2:00 3/4	3+	BCClastic-G1	112	4	113	11 1/16	9 3/4	6 1 1/2	11 1/4			Smith M E	LB123	*2.80	93-13	Zenyatta123 1/2	Gio Ponti126 1 1/2	Twice Over126 3/4	Stronged finish,up late	12	
10Oct09-80SA fst	1 1/8	:25	:49 1/2	1:12 1/4	1:42 3/4	3+	@LDyScrt-G1	97	4	65 1/2	6 3/4	6 1/2	1 1/4	1 1/4			Smith M E	LB123	*.40	83-15	Zenyatta123 1/2	Lethal Heat123 ^{nk}	Cocoa Beach123 3/4	Bid 4wd,led,ridden out	7	
9Aug09-8Dmr fst	1 1/8	:23 3/4	:48 1/4	1:13 3/4	1:43 1/4	3+	@CLHrsch-G1	99	7	71 3/4	7 1/2	7 3/4	4 1/2	1 nd			Smith M E	LB123	*.20	91-13	Zenyatta123 nd	AnabaasCreation119 3/4	LethalHet119 3/4	4wd into lane,up late	7	
27Jun09-4Hol fst	1 1/8	:48	1:11 1/4	1:35 1/2	1:48	3+	@VanityH-G1	104	6	56	5 5/8	5 3/4	3 1/2	1 1/2			Smith M E	LB129	*.30	93-07	Zenyatta129 3/4	Briecat114 3/4	Dawn After Dawn116 3/4	3wd into lane,clear	6	
23May09-8Hol fst	1 1/8	:23 3/4	:47	1:11 1/4	1:42 1/4	3+	@MiladyH-G2	103	6	61 1/2	6 1/2	6 1/2	2 nd	11 1/4			Smith M E	LB126	*.20	90-16	Zenyatta126 1 1/2	LifeIsSweet122 3/4	AlliencysisWow113 3/4	Tight 3-1/2,ridden out	6	
24Oct08-70SA fst	1 1/8	:48	1:11	1:35	1:46 3/4	3+	@BCLdsCl-G1	103	1	88 1/2	8 3/4	8 1/2	1 1/2	1 1/2			Smith M E	LB123	*.50	100-02	Zenyatta123 1/2	Cocoa Beach123 1 1/2	Music Note119 2 1/4	Vigorous hand ride	8	
27Sep08-50SA fst	1 1/8	:24 1/2	:48 1/4	1:12 1/4	1:40 1/4	3+	@LDyScrt-G1	108	3	42 1/2	4 1/2	4 1/2	2 nd	13 1/2			Smith M E	LB123	*.70	100-04	Zenyatta123 3/4	Hystericalady123 1	Santa Teresita123 3/4	3wd bid,ridden out	4	
2Aug08-9Dmr fst	1 1/8	:23 1/4	:46 1/2	1:10 3/4	1:41 1/2	3+	@CLHrschH-G2	108	7	89 1/2	7 1/4	7 1/4	2 1/2	1 1/4			Smith M E	LB124	*.60	119	-	Zenyatta124 1	Model1125 1/2	Tough Tiz's Sis119 1/2	3w into str,clear,held	8
5Jul08-5Hol fst	1 1/8	:46	1:09 1/4	1:35 1/4	1:49 1/2	3+	@VanityH-G1	97	3	71 1/2	5 1/2	4 3/4	1 1/2	1 1/2			Smith M E	LB124	*.30	89-13	Zenyatta124 1/2	Tough Tiz's Sis121 1 1/4	Silver Swallow115 2 1/4	3wd move,led,held	7	
31May08-5Hol fst	1 1/8	:24 3/4	:48	1:13 1/4	1:41	3+	@MiladyH-G2	103	3	54 1/2	5 1/4	4 3/4	1 nd	12 1/2			Smith M E	LB122	*.30	97-08	Zenyatta122 3/4	Santa Teresita116 3/4	Kris' Sis113 5/8	Squeezed start,rid out	5	
5Apr08-80P fst	1 1/8	:23 1/2	:47 1/4	1:13 1/4	1:42 3/4	4+	@AplBsmH-G1	104	6	58	5 5/8	5 3/4	1 nd	14 1/2			Smith M E	L116	1.80	99-15	Zenytt116 1/2	BrowniePoints115 3/4	GingerPunch122 3/4	Unhurried, going away	6	
13Jan08-9SA fst	1 1/8	:24 1/2	:47 3/4	1:10 1/2	1:40 3/4	@ElEncino-G2	98	2	64	6 1/4	5 1/4	4 1/2	1 1/2				Flores D R	LB116	*1.20	98-16	Zenyatta116 1/2	Tough Tiz's Sis122 ^{nk}	RomanceIsDine122 3/4	Off slow,3wd rilly	6	
15Dec07-5Hol fst	1 1/8	:23 1/2	:46 1/4	1:10	1:40 3/4	3+	@Alw 4800n1x	88	7	76 1/2	7 1/4	7 1/4	4 1/2	1 1/2			Flores D R	LB119	*1.20	104	-	Zenyatta119 3/4	Quite a Stormkat119 ^{no}	Down119 1 1/2	Off slow,4wd bid,handy	7
22Nov07-6Hol fst	6 1/2	:22 1/2	:44 1/4	1:09 1/4	1:15 1/4	3+	@Mid Sp Wt 44k	87	10	12	12 3/4	10 3/4	7 1/2	1 3/4			Flores D R	LB122	5.50	97-07	Zenyatta122 3/4	Carmel Coffee122 2	Elusive Melody122 3/4	Rallied, ridden out	12	

California Racing

December 26, 2009 – The 2010 racing season opened at Santa Anita, Golden Gate, Los Alamitos, and Cal Expo. A crowd of 35,292 at Santa Anita saw the champion Zenyatta parade in front of the grandstand.

January 15 – California racing commissioners elected Commissioner Keith Brackpool to serve as Chairman and Commissioner David Israel to serve as Vice Chairman in 2010.

January 17 – Cal-Bred Pretty Unusual won the Grade II El Encino Stakes at Santa Anita.

February 13 – Cal-Bred Caracortado won the Grade II Robert B. Lewis Stakes at Santa Anita.

February 19 — The Board adopted a rule establishing improved standards for required safety vests designed to provide greater protection for jockeys, drivers, exercise riders, and certain other mounted personnel training and racing on California racetracks.



May 5 – Trainer Greg Gilchrist went out a winner by saddling Island of Zen for a win at Hollywood Park. The 62-year-old conditioner retired with 1,529 winners, most of them earned in his Northern California home base, though he scored stakes victories throughout the country with horses such as Lost in the Fog and Soviet Problem.

February 20 – Cal-Bred Bob Black Jack won the Grade II San Carlos Handicap at Santa Anita.

March 6 – The Santa Anita Handicap, signature race for the Santa Anita winter meet, was won by Misremembered before a crowd of 23,829, who also watched the Cal-Bred Alphonie's Bet win the Grade III Sham Stakes.

March 13 – Zenyatta launched her historic racing season at Santa Anita with a dramatic win in the Santa Margarita Handicap.

March 27 – Cal-Bred Tap it Light won the Grade III Tokyo City Cup Handicap at Santa Anita.

April 3 – Sidney's Candy completed his domination of the 3-year-old stakes program by winning the Santa Anita Derby with 40,718 on hand to also see Cal-Bred Compari win the Grade III Budweiser Arcadia Handicap.

April 11 — Cal-Bred Unzip Me won the first of three graded stakes in 2010 in the Las Cienegas Handicap at Santa Anita.

Year in Review

Co-owned by Commissioner John Harris, the homebred later finished third in the Breeders' Cup Turf Sprint.

April 24 – Cal-Bred Bold Chieftain won the Grade II San Francisco Mile at Golden Gate.

April 25 – Jockey Juan Briano was seriously injured in an accident at Los Alamitos.

May 15 – Lookin At Lucky, a 3-year-old colt trained by Bob Baffert in California, won the Preakness Stakes.

May 20 – The Board approved a rule requiring the wearing of improved safety helmets by any person mounted on horseback or riding in a sulky on a racetrack and by members of starting gate crews. The helmets meet new laboratory safety standards and are designed to be more shock absorbent and reduce head injuries.

May 31 – Cal-Bred Evening Jewel won the Grade II Honeymoon Handicap at Hollywood Park, one of four graded stakes she won during the year, including the Grade I Del Mar Oaks on August 21.



July 5 – Blane Schvaneveldt, who dominated Los Alamitos quarter-horse racing for decades with more than 4,000 wins, passed away. The legendary conditioner was the American Quarter Horse Association's trainer of the year for 11 consecutive years.

June 5 – Cal-Bred Acclamation won the Grade I Charles Whittingham Handicap, while Cal-Bred Cost of Freedom won the Grade III Los Angeles Handicap at Hollywood Park.

June 13 – Zenyatta used a powerful late surge to defeat St Trinians in the Vanity Handicap at Hollywood Park and remain undefeated.

June 22 – Before a large crowd of more than 150 industry leaders, horse owners, trainers, employees, reporters, and others interested in the future of horse racing in California, and with another 550 listening to the audio Webcast of the monthly meeting of the

CHRB, Frank Stronach, chairman of MI Developments, testified about the company's plans for Santa Anita Park and Golden Gate Fields following MID's acquisition of those two racetracks along with XpressBet through bankruptcy proceedings for its subsidiary, MEC.

July 10 – Awesome Gem upset the crowd favorite Rail Trip, the previous year's winner of the Grade I event, in the Hollywood Gold

California Racing

Cup, signature race of the spring-summer meet at Hollywood Park.

July 21 – Del Mar opened in usual fashion with an enthusiastic, record crowd of 45,309 on hand to kick off the popular seven-week meet.

July 24 – Cal-Bred The Usual Q.T. won the Grade I Eddie Read Stakes at Del Mar.

July 29 – California Racing Commissioner Bo Derek was honored at the Equine Advocates ninth annual awards dinner and charity event. She received the Safe Home Equine Protection Award for her work to end horse slaughter.

August 7 – Zenyatta scored a third- straight tally in the Clement L. Hirsch Stakes, drawing 32,536 spirited fans to the track.

August 11 – Frank “Scoop” Vessels perished in a tragic plane crash in Oregon. Vessels was a past president of the American Quarter Horse Association and very active in breeding and racing both quarter horses and thoroughbreds. He operated Vessels Stallion Farm with his family – a major horse farm in Bonsall, Calif. His family founded Los Alamitos Race Track.

August 14 – Russell Baze notched his 11,000th career victory with Separate Forest at Santa Rosa.

August 28 – Stretch-running Richard’s Kid took Del Mar’s premier event, the \$1-million Pacific Classic, for the second year in a row. On the same card, Cal-Bred Enriched won the Grade II Del Mar Mile Handicap.

September 9 – Opening day of the Los Angeles Country Fair meet at Fairplex Park offered a match race billed as the “King of the Ring,” featuring the track’s two all-time leading jockeys in victories, Martin Pedroza and David Flores. Flores, riding Cat Brando, won by one length over Pedroza, who piloted Dave’s Ruler.

September 10 – The Board voted to allow the Oak Tree Racing Association to run its first meet ever at Hollywood Park after 41 years of conducting its meet exclusively at Santa Anita.

September 12 – Jockey Michael Martinez was seriously injured in a racing accident at Golden Gate.

September 23 – Governor Arnold Schwarzenegger signed SB 1072, a bill designed to substantially increase overnight purses by raising the takeout on exotic wagers and to potentially provide a new wagering option for bettors, exchange wagering, subject to agreement by the major racing interests and the CHRB.

Year in Review

October 2 – Zenyatta won the Lady’s Secret Stakes for the third year in a row during the Oak Tree meet at Hollywood Park, keeping her record perfect with 19 wins heading into the Breeders’ Cup Classic.

October 7 – The Senate confirmed Gov. Schwarzenegger’s appointments of Commissioners Keith Brackpool and Richard Rosenberg and the reappointments of Commissioners Bo Derek and David Israel.



BENOIT PHOTO

October 11 – With its synthetic surface plagued by drainage problems, leading to safety concerns and the occasional cancellation of racing, Santa Anita began a project to replace the synthetic racing surface with a new, all-natural dirt surface. **December 6** – Santa Anita completed its replacement of the synthetic main track and opened its new dirt surface for training. The horses pictured were among the first to exercise on the new surface.

California Racing

October 9 – Cal-Bred Liberian Freighter won the Grade II Oak Tree Miles Stakes at Hollywood Park.

October 11 – Cal-Bred Quick Enough won the Grade III Morvich Handicap at Hollywood Park.

October 30 – The 21st running of the California Cup was held for the first time at Hollywood Park. The series of races, including seven stakes with purses totaling \$700,000 for Cal-Breds, featured victories by Bruce's Dream in the California Cup Mile and Soul Candy in the California Cup Classic.

November 6 – Comma to the Top dominated the 2-year-old division at Hollywood Park beginning with a victory in the Real Quiet Stakes. He later won the Generous Stakes and CashCall Futurity.

November 9 – The Board officially waived the requirement for Santa Anita to have a synthetic surface, allowing Santa Anita to continue the process of installing a new dirt surface for its main track.

November 13 – Cal-Bred Unusual Suspect won the Grade I Hollywood Turf Cup.



December 4 – Trainer Bob Baffert notched his 2,000th career victory when he took a maiden race at Hollywood Park with 2-year-old Free Pourin.

November 28 – After six days of near misses and a carryover of more than \$350,000 in the Pick Six, two tickets accurately selected all six winners at Golden Gate, each worth \$452,132.

December 10 – California's richest race in 2010 – the Los Alamitos Two Million Futurity – went to One Quick First Down. The quarter-horse track was home to the four richest races for any breed in California in 2010, each race with a purse exceeding \$1 million.

December 11 – Apollitical Jess set a track record by winning the Champion of Champions going 440 yards in :20.93 at Los Alamitos.

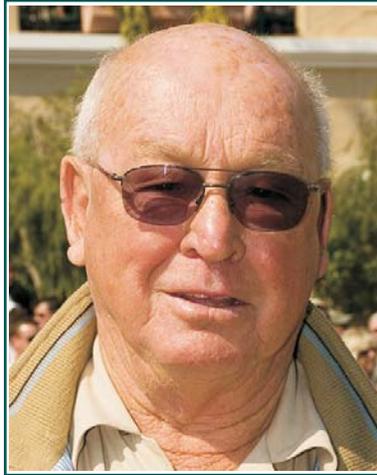
December 16 – The Board heard a report about the successful operation of the minisatellite at the Commerce Casino, which is averaging \$80,000 daily on horse racing and is so popular that two rooms designated for horse racing are sometimes overcrowded. The Casino is investing about \$1 million to expand the minisatellite operation into an adjacent 10,000- square-foot building.

Year in Review

December 19 – The Zenyatta Lounge – a place where female grooms, hotwalkers, exercise riders, or other licensed personnel who live or work in the stable area can get together in a comfortable and safe environment – had its grand opening at Santa Anita. The lounge, open only to women, was made possible by a generous donation from the owners of Zenyatta, Jerry and Ann Moss, and matching funds from the CTT.

December 21 – Jesse Choper was reappointed to the Board by Governor Schwarzenegger to a term that expires Jan. 1, 2015.

December 26 – The new 2011 racing season began as usual at Santa Anita and Golden Gate, and again Santa Anita attracted a large



December 11 – Trainer Mel Stute recorded his 2,000th career victory when he saddled Score for Fun for the win at Hollywood Park. With urging from friends, the 83-year-old conditioner later stood in the winner's circle for a brief ceremony.

crowd of 34,268, who were treated to four graded stakes on the nine-race program.

December 26 – The OC Tavern held a grand opening for its minisatellite wagering operation – the first bar and grill to offer wagering on horse races and the second minisatellite to open in California.

December 31 – California bettors again demonstrated their enthusiasm for horse racing by wagering nearly \$1.9 billion on races run in California and elsewhere in

FY 2009-10. Of that total, \$1,401,483,030 was wagered at racetracks and simulcast facilities in the state, while \$469,476,788 was bet by California account holders through ADW companies. During the same period, out-of-state bettors wagered nearly \$1.6 billion on California races.

The California Horse Racing Board

History and Mission Statement

Horse racing has been taking place in California since the the 1800s, 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 has since been regularly modified, amended, and enhanced to provide for regulation of live racing, off-track wagering, interstate and international wagering, and online account wagering, known as Advance Deposit Wagering, or ADW.

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.
- Provide uniformity of regulation for each type of horse racing.
- Provide for maximum expansion of horse-racing opportunities in the public interest.

To accomplish these objectives, the Constitutional Amendment authorized pari-mutuel wagering on the results of horse races at licensed race meetings and created the California Horse Racing Board (CHRB/Board) to oversee the industry's activities in this state. In addition, as a member of the Association of Racing Commissioners International (RCI), the Board exchanges information on licensees and disciplinary proceedings with other commissions of the RCI through the National State Racing Information System.

The Board is a seven-member commission appointed by the Governor. It directs a statewide staff in the licensure and oversight of all race meetings in the state where pari-mutuel wagering is conducted, as well as off-site simulcast wagering locations and ADW companies.

Mission Statement: The CHRB regulates pari-mutuel wagering for the protection of the public and carries out the requirements of the Horse Racing Law to ensure safe and fair racing and wagering opportunities.

Principal activities of the Board include:

- Adopting rules and regulations to protect the public and ensure the safety of the human and equine participants.
- Licensing racing associations and racing-industry participants and officials.
- Allocating racing days and charity days conducted by racing associations and fairs.

- Encouraging innovative expansion of wagering opportunities, such as mini-satellites.
- Monitoring and auditing pari-mutuel handle and takeout, and the appropriate use of takeout distributions.
- Assessing racing surfaces to determine safety standards for the benefit of the participants.
- Enforcing laws, rules, and regulations pertaining to horse racing in California.
- Acting as a quasi-judicial body in matters pertaining to horse-racing meets.
- Collecting the State's lawful share of revenue derived from horse-racing meets.

The following pages explore some of these programs and functions in more depth.

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

In accordance with the Bagley-Keene Open Meeting Act, 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 executive 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.



**Keith Brackpool,
Chairman**

Co-founder of Cadiz, Inc., a publicly held land and water resource management company.

Appointed to the CHRB by Governor Arnold Schwarzenegger on September 24, 2009, through July 26, 2013. CHRB Chairman in 2010.



**David Israel,
Vice Chairman**

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. Reappointed by Gov.

Schwarzenegger through January 1, 2014. CHRB Vice Chairman in 2009 and 2010.

Members of the California Horse Racing Board



**Jesse H. Choper,
Member**

Earl Warren Professor of Law at the University of California, Berkeley. Appointed to the CHRHB by Governor Arnold Schwarzenegger on March 30, 2007. Reappointed by Gov. Schwarzenegger through January 1, 2015.



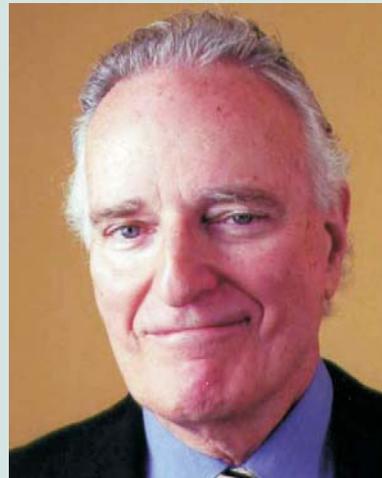
**Bo Derek,
Member**

Actress, active in humanitarian efforts for people and animals. Appointed to the CHRHB by Governor Arnold Schwarzenegger on July 15, 2008. Reappointed by Gov. Schwarzenegger through January 1, 2014.



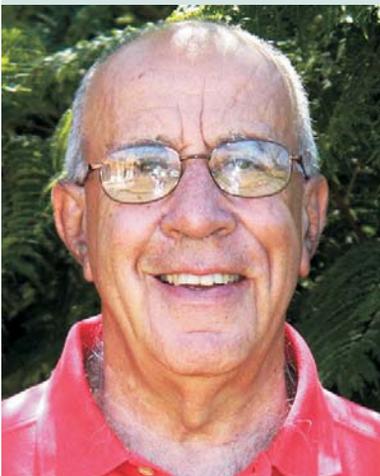
**John C. Harris,
Member**

Chairman and CEO of Harris Farms, Inc. Appointed to the CHRHB by Governor Gray Davis on November 9, 2000. Reappointed by Gov. Davis, and then by Gov. Arnold Schwarzenegger through July 26, 2011. CHRHB Chairman in 2004, 2005, and 2009.



**Jerry Moss,
Member**

Co-founder of A&M Records and Rondor Music. Appointed to the CHRHB by Governor Arnold Schwarzenegger on February 24, 2004, through January 1, 2008. Reappointed by Gov. Schwarzenegger through January 1, 2012.



**Richard Rosenberg,
Member**

Former worldwide head of the Music Department of the William Morris Agency, later became a member of the executive committee. Appointed to the CHRHB by Governor Arnold Schwarzenegger on September 24, 2009, through July 26, 2012.

Board and Committee Meetings

The California Horse Racing Board met 12 times throughout the state during 2010. Board meetings are open to the public and include a published agenda. The following nine meetings were held:

January 15, 2010
Santa Anita Park

February 19, 2010
Santa Anita Park

March 19, 2010
Santa Anita Park

April 15, 2010
Santa Anita Park

May 20, 2010
Golden Gate Fields

June 22, 2010
Hollywood Park

July 22, 2010
Del Mar Simulcast Facility

August 19, 2010
Del Mar Simulcast Facility

September 10, 2010
Special Teleconference Meeting

September 23, 2010
Los Angeles County Fair

November 9, 2010
Hollywood Park

December 16, 2010
Santa Anita Park

Standing Committee Meetings Held in 2010

TRACK SAFETY AND MEDICATION COMMITTEE

The Committee met May 19, 2010, to discuss racing medications, necropsy program, and the training and veterinary medical records of deceased horses. The Committee met again August 6, 2010, to discuss safety reins, continuing education for trainers and veterinarians, horse auctions at racing enclosures, use of whips, and career options for retired horses. The Committee met again October 26, 2010, (not a publicly noticed meeting) to discuss updates to the postmortem program, eligibility to claim a horse, the Santa Anita racing surface, medication

violations, and monetary support of equine charities.

RACE DATES COMMITTEE

The Committee met September 22, 2010, to discuss the financial impact of overlapped racing during the Humboldt County Fair at Ferndale and to discuss 2011 race date allocation.

LEGISLATIVE, LEGAL, AND REGULATIONS COMMITTEE

The Committee met April 14, 2010, to discuss racing-related legislation.

PARI-MUTUEL, ADW, AND SIMULCAST COMMITTEE

The Committee met March 19, 2010, to discuss proposals to various rules, such as a lottery for losing pari-mutuel tickets, and to discuss the possible presentation of odds in decimals on totalizator displays, while providing camera shots of the tote boards.

SPECIAL TELECONFERENCE MEETING

The Board met September 10, 2010, for a teleconference meeting to discuss the racing venue for the Oak Tree Racing Association.

CHRB Operating Budget

July 1, 2009 June 30, 2010

Appropriations	Item	Total
Personal Services	\$4,043,000	
Operating Expenses	7,210,200	
Total Appropriation		\$11,253,200
Expenditures — Personal Services		
Salaries and Wages	3,207,658	
Staff Benefits	1,155,396	
Total Personal Services		\$4,363,054
Operating Expenses and Equipment		
General Expense	245,954	
Printing	22,459	
Communications	46,624	
Postage	10,000	
Travel-in-State	198,352	
Travel-out-of-State	4,138	
Training	9,290	
Facilities Operation	181,070	
Contractual & Professional Services-Interdepartmental	1,280,954	
Contractual & Professional Services-External	4,245,288	
Consolidated data center: Stephen P. Teale Data Center	281,014	
Central Administration Services: Pro Rata	282,132	
Equipment	47,289	
Total Operating Expenses and Equipment		\$6,889,562
Total Expenditures		* \$11,252,616
Unexpended Balance FY 2009-10		584
Total Expenditures & Unexpended Balance		\$11,253,200

* Includes year-end accruals

During 2009 the CHRB entered into a new era of funding for its safety, regulatory, and oversight practices. Senate Bill 16-2X created a mechanism by which the CHRB would develop a funding formula based on the last completed year's license fee revenue. Each racing association and fair would pay license fees based on a reduced percentage of what would have been required without this bill. Board staff developed a model that was shared in consultation with industry representatives who agreed and implemented the methodology. As a result, the CHRB receives its full budgeted funding, and the industry receives approximately \$20 million in license fee relief, split between purses for the horsemen, and commissions for the associations and racing fairs.

State Operations

Horse Racing's specialized and complex regulatory requirements drive the Board's organizational structure and determine the responsibilities for its operational divisions.

The Board appoints an executive director to carry out its objectives. The executive director, Kirk Breed, is responsible for the department's operations and regulation of the horse-racing industry. Breed is supported in this regard by the general counsel, Robert

Miller, as well as by supervisory personnel and staff at CHRB offices and at all of the state's racetracks.

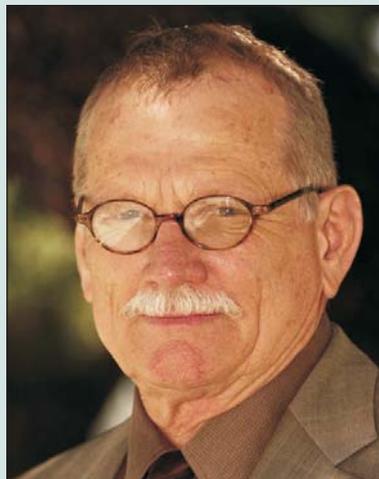
The executive and management team plans and oversees the Board's budget and directs the department's operational divisions: Administrative Services, Legislation and Regulations, Audits, Licensing, Information Technology, and Enforcement.

Horse racing's dynamics, complexity, and broad geographical base place a tremendous responsibility on the Board's staff. To assist in this day-

to-day oversight, the Board contracts with stewards and veterinarians for on-track activities, and with the University of California, Davis, for drug testing and safety-related services.

The horse-racing industry operates seven days a week — 365 days a year. Even when there is no live racing, the stable areas and training facilities remain active. To meet the demands associated with this schedule, the executives and key managers remain available at any hour of the day.

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



ENACTED LEGISLATION

The following 10 horse-racing bills were chaptered in 2010:

SB 899 – Senator Jeff Denham; Chapter 279

Deletes the condition that limits the total number of out-of-country thoroughbred races on which wagers are allowed to be accepted statewide in any given year.

SB 1072 – Senator Ronald Calderon; Chapter 283

1) Authorizes exchange wagering in California, effective May 1, 2012; 2) increases the takeout at thoroughbred and fair race meetings on exotic wagers requiring the selection of two wagering interests by 2 percent and by 3 percent on exotic wagers requiring the selection of three or more wagering interests, solely to augment thoroughbred and racing fair overnight purses; 3) extends the sunset date from January 1, 2011, to January 1, 2014, for the thoroughbred statewide marketing organization; 4) changes the amount distributed to the statewide marketing organization from 0.4 percent of the amount handled at each satellite wagering facility to an amount not to exceed 0.25 percent; 5) requires the statewide marketing organization to establish a Website and a player's incentive program; 6) provides that promotional activities at satellite wagering facilities be implemented and coordinated by representatives of the satellite wagering facilities and thoroughbred racing associations or fairs conducting a live race meeting; 7) requires the statewide marketing organization to annually submit to the CHRFB, written and verbal reports on the statewide marketing and promotion plan for the upcoming calendar year; 8) distributes an amount not to exceed 0.05 percent of the total amount handled by each satellite wagering facility to a nonprofit organization designated by the CHRFB for the purposes of maintaining a database of horse racing information; 9) provides that monies that would have been otherwise distributed to a purse account from the increased takeout on Breeders' Cup day(s) shall be available for the purpose of promoting and sponsoring the Breeders' Cup, while also requiring the host track of the Breeders' Cup to enter into a written agreement with the Breeders' Cup, LTD, in consultation and cooperation with the California Tourism Commission and the statewide marketing organization relative to the manner in which the funds set aside to support and promote the Breeders' Cup are to be expended. Furthermore, requires that a written report be made to the CHRFB detailing the manner in which the set aside funds were utilized to promote and support the Breeders' Cup.

SB 1486 – Senate Committee on Governmental Organization; Chapter 127

Deletes from the Horse Racing Law: 1) the expression of intent to support the network of California fairs; 2) deletes obsolete references to adopting emergency regulations pertaining to backstretch employee housing at racetracks, for which compliance was mandated by January 1, 2004; and 3) deletes obsolete language from the provisions related to jockey riding fees.

AB 1152 – Assembly Member Joel Anderson; Chapter 53

1) Authorizes the CHRFB under specified conditions to allocate racing dates to be run in the central zone or the southern zone to a thoroughbred racing association that conducted a live race meeting in the central zone in 2009; 2) deletes the outrider from the definition of "racing official"; 3) allows the CHRFB to adopt regulations to establish a written and oral outrider examination; 4) allows the CHRFB to

delegate to the outrider duties and authorities as prescribed by the Horse Racing Law; 5) deletes the minimum pari-mutuel mount requirement for California jockeys participating in the California Jockey Retirement Fund; 6) exempts harness racing meetings from distributing funds generated at its meetings to the California Jockey Retirement Fund.

AB 1792 – Assembly
Member Jim Silva; Chapter
193

Increases to 3 percent the amount of the license fee reduction for quarter horse racing that is to be deposited with the official registering agency for distribution.

AB 2201 – Assembly
Member Joe Coto; Chapter
253

Authorizes the CHRB to permit a California harness racing association conducting a live racing meeting to accept wagers on the full card of races conducted by another racing association on the day that other association conducts the Cane Pace.

AB 2215 – Assembly
Member Felipe Fuentes;
Chapter 255

1) Authorizes a minisatellite wagering (MSW) facility to enter into an agreement with an advance deposit wagering (ADW) provider to accept and facilitate the placement of any wager at its facility that a California resident could make through that ADW provider; 2) specifies that that CHRB develop and adopt rules to license and regulate ADW activity that takes place in a MSW facility; 3) authorizes the CHRB to recover any costs associated with the licensing or regulation of ADW activity in a MSW facility, as provided.

AB 2414 – Assembly
Member John A. Perez;
Chapter 299

SB 1072, Chapter 283, of the 2009-10 Regular Session enacted provisions relating to exchange wagering, as defined. AB 2414 makes the provisions of SB 1072 inoperative on May 1, 2016, and repeals them on January 1, 2017.

AB 2790 – Assembly
Committee on
Governmental
Organization;
Chapter 141

Adds races that are part of the race card of the Arlington Million to the list of imported races not subject to the limitation of 32 imported thoroughbred races per day.

AB 2792 – Assembly
Committee on
Governmental
Organization;
Chapter 272

Deletes the Horse Racing Law's expression of intent to support the network of California fairs.

Regulatory Changes

The following rules were amended, repealed, or added during 2010:

Rule 1632

Jockey's Riding Fee: Amended to 1) increase the minimum jockey riding fee for losing mounts by \$10.00; 2) increase the minimum amount awarded to jockeys who finish second or third with a gross purse of \$9,999 or less by \$10.00; 3) eliminate the gross purse categories in the \$599 to \$1,499 range.

Rule 1685

Equipment Required: Amended the specifications for the type of whip that may be used in flat racing.

Rule 1689

Safety Helmet Required: Added any person working as a member of the gate crew or mounted on a horse on the racetrack to the list of those who must wear a safety helmet and requires that safety helmets comply with at least one of the specified product standards.

Rule 1689.1

Safety Vest Required: Added harness drivers and assistant starters to the list of those who must wear a safety vest; revised the minimum standard requirements for the safety vest and prohibits altering a safety vest from its original manufactured design.

Rule 1766

Designated Races: Amended to provide that suspended jockeys or drivers who participate in more than one designated race a day in California or in one or more designated race in another jurisdiction while under suspension in California shall complete their term of suspension on the equivalent day of the week following the day on which they participated in the designated race(s).

Rule 1843.6

Total Carbon Dioxide Testing: Amended to add the Equine Medical Director and the stewards to those who may direct a veterinarian licensed by the CHRB to collect blood samples(s) from a horse for the purpose of testing for total carbon dioxide concentrations.

Rule 1844

Authorized Medication: Amended to change the allowable level of procaine in the official urine test sample from 10 nanograms per milliliter to 50 nanograms per milliliter and allows procaine following the administration of procaine penicillin at a level not to exceed 25 nanograms per milliliter in the official blood test sample. Establishes surveillance requirements for administration of procaine to racehorses prior to a race.

Rule 1858

Test Sample Required: Amended to add the Equine Medical Director to the list of persons who may select a horse for total carbon dioxide testing.

Rule 1859

Taking, Testing, and Reporting of Samples: Amended to add the Equine Medical Director (EMD) to the list of those who may direct the taking of urine, blood, or other official test samples and provides that the EMD is among those who may approve the taking of official test samples in areas other than the detention area. Also deleted the requirement for official test samples to be discarded immediately if the official laboratory fails to detect a prohibited drug or substance in the official test sample(s).

Rule 1866

Veterinarian's List: Amended to 1) add veterinary treatment, injury, and lameness as reasons a horse may be placed on the Veterinarian's List; 2) specify that a horse placed on the Veterinarian's List as injured, unsound, or lame may not work out for 72 hours after being placed on the list without permission of the official veterinarian, who may require a horse placed on the Veterinarian's List to undergo a veterinary examination prior to resuming training at any facility under the jurisdiction of the Board; 3) define the term "workout."

Rule 1867

Prohibited Veterinary Practices: Amended to add analogs of erythropoietin and darbepoietin, as well as growth hormone and its analogs, as substances or medications whose possession or use on the premises of a facility under the jurisdiction of the Board is a prohibited veterinary practice. Also adds new subsection 1867 (c), which specifies the presence of any prohibited substance or medication listed in Rule 1867 in any test sample obtained consistent with the Board's rules shall apply to the sample in the same manner as if the horse were entered to race.

Rule 1890

Possession of Contraband: Amended to provide that no person other than a veterinarian licensed by the Board shall have in his possession at a facility under the jurisdiction of the Board any substance or medication that has been prepared or packaged for injection by a hypodermic syringe or hypodermic needle. Also added new subsection 1890(b) to provide that no person other than a veterinarian licensed by the Board shall have in his possession at a facility under the jurisdiction of the Board any medicine, medication, or other substance recognized as a medication, which has not been prescribed and labeled in accordance with the Board regulations.

Licensing

The CHRB licensing unit, managed by policy, regulations, and legislation manager, is comprised of two racing license supervisors and eight racing license technicians assigned to the thoroughbred, quarter horse, and harness 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.

The licensing unit issued 9,193 original, renewal, or duplicate licenses in FY 2009-10. Licenses issued included 3,407 new or renewal owner licenses, 357 new or renewal trainer or assistant trainer licenses, 129 new or renewal jockey or apprentice jockey licenses, 2,157 new or renewal groom or stable employee licenses, and 612 new or renewal pari-mutuel clerk licenses as well as many other classes of occupational licenses. The issuance of these licenses generated \$921,965 in licensing fee revenue for the General Fund.

The live-scan fingerprint technology and digital photograph identification card system continued to streamline the licensing process. The applicant's

fingerprints were digitally captured and the fingerprint image transmitted to the California Department of Justice and the Federal Bureau of Investigation National Crime Information Center (NCIC) databases. The NCIC database contains criminal history information from federal, state, local, U.S. territory, and foreign criminal justice agencies as well as authorized courts. License applicants were screened for disqualifying criminal histories by querying these automated criminal history records. Additionally, all CHRB licensees were subjected to the same criminal history checks upon scheduled license renewal intervals.

The licensing staff verified that all licensed trainers had the required workers' compensation insurance. The rac-

ing program was checked daily to ensure that participants were properly licensed. Racing license technicians are trained on the complex circumstances of multiple partnerships, racing syndications, stable names, and various types of corporations, so they were able to explain the requirements to applicants and assist them in selecting the type of license that best met their needs. As part of the verification process, the racing license technicians utilized computer databases, consulted with other racing jurisdictions, and they also worked closely with CHRB enforcement personnel.

Appointed CHRB Officials — FY 2009–10

STEWARDS

Grant Baker
Scott Chaney
Albert Christiansen
James Dreyer
John Herbuveaux
Steffan Imhoff

Luis Jauregui
Darrel McHargue
William Meyers
Rueben Moreno
Dennis Nevin
Paul Nicolo

Wayne Oke
Brent McLaren
Kim Sawyer
Thomas Ward
Jon White
Randy Winick

OFFICIAL VETERINARIANS

Dr. Jill Bailey
Dr. Gary Beck
Dr. B. William Bell
Dr. Donald Dooley

Dr. Jennifer Durenberger
Dr. Robert Goodbary
Dr. Joan Hurley

Dr. Diane Isbell
Dr. Heather Kerr
Dr. Karen Peyser



Dr. Joan Hurley passed away August 26, 2010. Dr. Hurley practiced veterinary medicine in California horse racing from 1981 until 1988 when she became an official veterinarian for the California Horse Racing Board. She was the first woman veterinarian to work at Golden Gate Fields.

VETERINARIAN'S ASSISTANT

Kristin Grimsrud

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 CHRB approval.

The Legislature provides an annual appropriation to meet the costs of direct racing supervision. The allocation for FY 2009-10 was \$1,875,000 for stewards and official veterinarians. Other racing officials were paid by the associations in the manner prescribed and agreed to by the Board.

Acting for the Board in 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 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 exams 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 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.

The official veterinarians overseen by the Equine Medical Director (Dr. Rick Arthur), enforced 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 prescribed therapeutic treatment regimens, and otherwise acted as the Board's veterinary advisors for each race meeting.

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)

California is the only state with a statewide pari-mutuel database providing services to racetracks, horsemen, and government. 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.

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. An eight-member board of directors, which includes representatives from day and night racing associations, horsemen, and racing fairs, oversees the CHRIMS operation.

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 Sporttech, and the four licensed California Advance Deposit Wagering (ADW) companies, which are TwinSpires, TVG, YouBet, and XpressBet.

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, Ellis Park, The Red Mile, Aqueduct, Belmont, Saratoga, Colonial Downs, and Louisiana Downs.

CHRIMS processes host fees and settlements for European Wagering Services, Ellis Park, and eBet Online. CHRIMS Inc. receives a substantial portion of its funding from the unredeemed vouchers account. During 2009 this portion amounted to \$585,983.

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 82,000 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 CHRHB analyzed 40,470 post-race urine and blood samples, including in-depth testing of 13,304 for anabolic steroids, 36,210 TCO₂ blood samples, 942 out-of-competition blood samples, and 288 evidence submissions in FY 2009-10. The cost to the State of California was \$1,987,250.

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 CHRHB's drug regulation program. Post-race testing includes in-depth testing for over 50 androgenic anabolic steroids.

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, while other horses are selected for testing both pre-race and post-race. The CHRHB thoroughbred program is in compliance with the Racing Medication and Testing Consortium (RMTC) Best Practices recommendations and the Association of Racing Commissioners International (RCI) model rule for TCO₂ testing.

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 and allowed the implementation of comprehensive androgenic anabolic steroid testing in FY 2009-10.

In addition, the Maddy Laboratory maintains a portion of every urine sample for retrospective testing should a new test become available. Through a grant from the RMTC funded by The Jockey Club, a large number of samples underwent retrospective testing for growth hormone. Preparation is underway for retrospective testing for growth hormone in FY 2010-11. Combined with out-of-competition testing, the CHRHB 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 1,000 drugs utilizing spectral library for forensic identification. The Maddy Laboratory routinely adds new drugs and updates its metabolite profiles as new information becomes available.

The CHRHB 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 detomidine (Dormosadan Gel®), diclofenac (Surpass®), firocoxib (Equioxx®), and yohimbine (Yobine®).

Recent research projects in pharmacology focus on controlled studies to establish more effective drug treatments, dosages, 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.

Track Safety Program

Enforcement of track safety standards and backstretch housing standards programs continued in 2010. 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 monitored 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 2010. 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 ensure 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. Three of the four major thoroughbred facilities now have synthetic surfaces. In 2009, while those racetracks continued to improve, renovate, and maintain the synthetic surfaces to meet ongoing challenges, the CHRB began its own initiative to better understand synthetic surfaces. The CHRB appointed safety stewards at major CHRB race meets specifically to monitor track and other safety issues. This program expanded in 2010 with the Board more closely monitoring track surfaces, track maintenance procedures, meteorological parameters, and injury data.

Equine Postmortem Program

The State of California monitors fatal injuries at California racetracks and authorized training facilities. This is primarily accomplished through the CHRB/UC Davis-CAHFS Postmortem Program, which issues a report that provides information about the nature of these fatalities through public meetings and on the CHRB Website: www.chrb.ca.gov/Publications/Postmortem Report.

CHRB/UC Davis-CAHFS 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. It 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. A necropsy is required for any horse dying within a CHRB facility under CHRB Rule 1846.5. The CHRB contracts with CAHFS to perform necropsies on all horses that die on any racetrack or training facility under the jurisdiction of the CHRB. The racing

associations are responsible for transporting the carcasses to the closest CAHFS laboratory. More than 5,000 horses have been necropsied (autopsied) under the program over the last 20 years.

CAHFS laboratories at Davis and San Bernardino conduct all of the postmortems except for the Fresno meet, when they are handled by the Tulare lab. 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 postmortem examinations, the racing associations provide transportation, and additional studies are funded by the Center for Equine Health and from research grants from private and public sources. Research is provided in veterinary medical journals and at veterinary medical and other professional meetings available to the public. A list of published articles can be found in the appendix of the Postmortem Report on the CHRB Website.

Musculoskeletal injuries are the most common cause of fatalities at CHRB facilities. Many of those injuries are studied at the J.D. Wheat Equine Or-

thopedic Research Laboratory at the School of Veterinary Medicine at UC Davis under the direction of Dr. Susan Stover. The lab has demonstrated the role of undiagnosed stress fractures contributing to catastrophic fractures of the pelvis, femur, humerus, scapula, tibia, and other bones. Previous studies documented the increased risks of front toe grabs among thoroughbreds.

The 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 racehorse injuries, both racing and training. In cooperation with the UC Davis School of Veterinary Medicine, previous studies have been done on stomach ulcers, equine protozoal myeloencephalitis (EPM), equine herpes virus (EHV-1), laryngeal abnormalities, and other important equine health and safety issues.

A descriptive report of findings from the Postmortem Program can be found through the CHRB Website link previously mentioned. The report does not include one racing fatality from the Humboldt County Fair at Ferndale, which was not submitted to the laboratory. This was a pelvic fracture in a thoroughbred while racing.

Fiscal Year 2009-10 Fatalities at CHRB Facilities July 1, 2009 — June 30, 2010

Track	Racing*			Training**			Other***	Total
	Dirt	Synthetic	Turf	Dirt	Synthetic	Turf		
Cal Expo (Harness)	2			1			3	6
Cal Expo (Sac. Fair)	1						2	3
Del Mar		4	1		8		1	14
Fairplex (Pomona)	5			2			3	10
Ferndale	1							1
Fresno								0
Golden Gate Fields		19	3		31		19	72
Hollywood Park		11	5		22		10	48
Los Alamitos	49			7			14	70
Pleasanton	2			4			4	10
San Luis Rey Downs				2			1	3
Santa Anita		5	9	9	10	1	8	42
Santa Rosa	2		2					4
Stockton								0
Vallejo (Solana)	2						2	4
TOTAL	64	39	20	25	71	1	67	287

*Racing includes any fatality associated with racing.

**Training includes any fatality associated with training.

***Other includes any non-exercise related fatality. The most common cause of death in the Other group is gastro-intestinal diseases, such as colic, colitis, and enteritis, followed by respiratory disease primarily pneumonia and pleuropneumonia and neurological diseases including West Nile Virus and equine protozoal myeloencephalitis (EPM).

Starts for All Breeds: July 1, 2009 — June 30, 2010

Track	Racing Surface		
	Dirt	Synthetic	Turf
Cal Expo (Harness)	13,907		
Cal Expo (Sac. Fair)	799		
Del Mar		2,246	699
Fairplex (Pomona)	1,322		
Ferndale	463		
Fresno	853		
Golden Gate Fields		8,622	1,887
Hollywood Park		4,071	1,568
Los Alamitos	11,463		
Pleasanton	1,581		
San Luis Rey Downs			
Santa Anita		5,121	2,284
Santa Rosa	621		257
Stockton	272		
Vallejo (Solana)	408		
TOTAL	31,689	20,060	6,695

Horse Racing in California

Frank “Scoop” Vessells, who died in a plane crash in 2010, was among California horse racing’s leading owners and breeders. He will be particularly missed by the quarter-horse industry. More information about Frank can be found on the Los Alamitos racing page in the following section, along with reports on the thoroughbred, harness, and fair meets. Collectively, these pages illustrate a horse racing industry that is facing challenges from the poor economy, a shrinking horse inventory, and a general, nationwide downturn in business. Yet California continues to hold its head above most racing states and is continuing to invest in its own future.



California Horse-Racing Meetings During 2010

Thoroughbred Race Meetings — Central & Southern Zones	
Santa Anita Park	12/26/09 – 4/18/10
Hollywood Park	4/21/10 – 7/18/10
Del Mar	7/21/10 – 9/8/10
Hollywood Park (Oak Tree)	9/30/10 – 10/31/10
Hollywood Park	11/3/10 – 12/19/10
Thoroughbred Race Meetings — Northern Zone	
Golden Gate Fields	12/26/09 – 6/13/10
Golden Gate Fields	8/25/10 – 10/3/10
Golden Gate Fields	10/20/10 – 12/19/10
Quarter Horse Race Meetings — Statewide	
Los Alamitos	12/26/09 – 12/19/10
Harness Race Meetings — Statewide	
Cal Expo	12/26/09 – 6/19/10
Cal Expo	8/13/10 – 12/18/10

Fair Meetings — Statewide		
Stockton	San Joaquin Fair	6/16/10 – 6/20/10
Pleasanton	Alameda County Fair	6/23/10 – 7/11/10
Cal Expo	State Fair	7/14/10 – 7/25/10
Santa Rosa	Sonoma County Fair	7/28/10 – 8/15/10
Ferndale	Humboldt County Fair	8/13/10 – 8/22/10
Pomona	Los Angeles County Fair	9/9/10 – 9/27/10
Fresno	Fresno District Fair	10/6/10 – 10/17/10

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

Rain and the Poor Economy Hurt Business at the Still-Popular Winter Meet at Santa Anita

SANTA ANITA PARK

Santa Anita experienced periods of heavy rain in January and February of 2010, leading to the cancellation of five days of racing, including two Saturdays. Still, there were many highlights during the meet, and Santa Anita's 75th anniversary meeting ended on a high note when a crowd of 17,345 attended on track and witnessed an action-packed day of racing that included the 71st running of the prestigious San Juan Capistrano Invitational Handicap.

Overall daily average handle for the 78-day meeting declined 11 percent. On-track attendance was down 6 percent, while on-track daily handle dipped 15 percent. Southern California wagering average daily handle was down 8 percent. Out-of-state average daily handle was down 13 percent. Santa Anita's field-size was 8.2 horses per race in 2009, down to 7.9 in 2010.

Despite the economic downturn, Santa Anita continues to be America's number one winter racing venue in terms of all-source handle, on-track handle, and on-track attendance. And on the racetrack, there were many highlights, including the two appearances of the great race mare Zenyatta. She was paraded in front of a crowd of 35,292 on opening day. Then on March 13, the John Shirreffs trainee won the Santa Margarita Handicap in dramatic fashion under Mike Smith.

The John Sadler-conditioned Sidney's Candy dominated the 3-year-old stakes program, winning the San Vicente, San Felipe, and Santa Anita Derby. The Derby attracted an on-track crowd of 40,718.

The meet's signature race, the Santa Anita Handicap, was impacted by rain but still attracted an on-track crowd of 23,829, who watched Misremembered win under jockey Martin Garcia.

In the jockeys' race, Peruvian native Rafael Bejarano took his third consecutive riding title at Santa Anita, outdistancing Joel Rosario by a 94-73 margin. Sadler won his second consecutive Santa Anita training title, winning 43 races.

BENOIT PHOTO



The popular Budweiser Clydesdales, a familiar sight for decades on major racing days at Santa Anita, added to the opening-day festivities on December 26, 2009.

HIGHLIGHT

The Popular Oak Tree Racing Association Meet was Held for the First Time at Hollywood Park in 2010

OAK TREE

With work underway on a new racing surface across town at Santa Anita Park, the Oak Tree Racing Association was welcomed to Hollywood Park in the fall of 2010. The switch in locations did not bother Zenyatta one bit as she remained undefeated with her 19th consecutive victory in her final California race before heading to Kentucky for the Breeders' Cup Classic. In front of an extremely enthusiastic on-track crowd of 25,837, Zenyatta won for the eighth time at Hollywood Park, the track where she was stabled throughout her brilliant career. In customary fashion, Zenyatta surged powerfully in the closing yards to defeat the valiant 3-year-old filly Switch in the Lady's Secret Stakes.

In conjunction with the Oak Tree Racing Association's move to Inglewood, the California Cup also had a new venue. The 21st running was at Hollywood Park. The series of races – including seven stakes with purses totaling \$700,000 – for California-breds featured several exciting finishes, including victories by Bruce's Dream California Cup Mile and Soul Candy in the California Cup Classic.

The average Southern California attendance for the 22-day season was 10,771. The average Southern California handle was \$3,734,000 and the all-sources average handle was \$7,198,000.

“For the Oak Tree Racing Association it was a very satisfying meet, highlighted by Zenyatta's win in the Lady's Secret and the California Cup closing weekend,” said Oak Tree director and executive vice-president Sherwood Chillingworth. “Having to move venues on 30 days notice would not have been possible without the cooperation of the staffs of Hollywood Park and Santa Anita. We thank them both. The meet could not have been successful without their joint dedication for the good of the industry.”

“We were particularly pleased with the accommodations and with how our breeders and sponsors were treated by everyone at Hollywood Park,” said Doug Burge, the executive vice president and general manager of the California Thoroughbred Breeders Association. “I thought the racing was extremely competitive and the wagering was on par with other California Cup days.”

Jockey Rafael Bejarano defended his crown with 35 victories, one more than Joel Rosario. Trainer Bob Baffert won his fifth Oak Tree title. He finished with 11 victories, one more than Doug O'Neill and John Sadler.



BENOIT PHOTO

Zenyatta, ridden by Mike Smith, won the Lady's Secret for the third consecutive year to keep her record perfect with 19 career wins

HIGHLIGHT

Business Declined for the Spring-Summer Meet As Zenyatta Continued Her Winning Ways

HOLLYWOOD PARK

Hollywood Park closed its 57-day spring-summer meet with drops in attendance and handle, unable to overcome a downward trend at most tracks throughout the United States. Southern California attendance averaged 12,676, down 10.4% from the average of 14,149 during a 55-day meet in 2009. The average Southern California handle of \$4,794,545 was off 10.6% from the average of \$5,365,293 from the corresponding meet a year ago. The all-sources average handle declined 10.3% from \$10,561,323 in 2009 to \$9,474,780 in 2010.

“Although we are disappointed with the numbers, we thought the meet was exciting from a racing standpoint,” said Hollywood Park president Jack Liebau. “The Vanity Handicap, where Zenyatta was able to win her 17th in a row, was memorable and there were some other outstanding performances on the track. We thought the changing of the purse schedule to benefit the lower-level horses was a good idea. The experiment with a Thursday night card (July 1) was successful and the plan is to continue experimenting, looking for ways to get more people on track.”

The highlight of the meet was the Vanity. Surpassing the win streaks of Cigar, Citation, and Mister Frisky, Zenyatta used a powerful late surge to defeat St Trinians for an unprecedented third consecutive win in the Grade I on June 13. Zenyatta carried 129 pounds as she remained undefeated for owners Jerry and Ann Moss and trainer John Shirreffs. The 6-year-old Street Cry mare was also voted Horse of the Meet for a third consecutive year in the annual media poll.

Awesome Gem was the upset winner of the Hollywood Gold Cup, while Harmonious made a successful transition to graded stakes by winning the American Oaks.

La Canada Stables topped the owners' standings with 16 victories. Jockey Joel

Rosario defended his crown with 79 winners, four more victories than runner-up Rafael Bejarano. Trainer Doug O'Neill won his fifth spring-summer title. He finished with 28 victories, one more than Bob Baffert. O'Neill has won nine training championships at Hollywood Park.



BENOIT PHOTO

West Point Thoroughbreds' Awesome Gem and jockey David Flores, right, outran Rail Trip (Rafael Bejarano up) to win the Hollywood Gold Cup.

Fall Meet Showcased Top Juveniles and an Opportunity for Fans to Say Goodbye to Zenyatta

During the Hollywood Park fall meeting, buoyed by a farewell appearance of Zenyatta and the inclusion of two Breeders' Cup cards from Churchill Downs, average daily attendance in Southern California was up 7.2 percent from 2009. Average daily handle generated in Southern California, including advance deposit wagering, was up 8 percent. The average per day was \$4.187 million, compared to \$3.875 million a year earlier. The average daily on-track attendance declined less than a percent and average daily on-track handle was down 2 percent. Wagering outside California on Hollywood Park races decreased by 15.2 percent, resulting in a 3.7 percent decline in average daily all-sources handle. This figure went from \$8.362 million in 2009 to \$8.056 million in 2010.

"We were heartened by the overall results of the meet," said Hollywood Park President Jack Liebau. "Wagering within California surpassed expectations in light of the 12.5 percent unemployment rate in the state."

On the racetrack, Comma to the Top won three stakes on two surfaces, including the CashCall Futurity, to earn the title of Horse of the Meet – a significant honor for a 2-year-old. Owned by Gary Barber, Roger Birnbaum and Kevin Tsujihara, and trained by Peter Miller, Comma to the Top won the Real Quiet on Cushion Track, switched to the turf to capture the Generous Stakes, and then capped a sensational six weeks with a decisive victory in the Futurity, giving him the first Grade I of his career.

Turbulent Descent, who became the first horse to win both the Moccasin Stakes and Hollywood Starlet, was the meet's top 2-year-old filly. Owned by a partnership that includes Blinkers On Racing Stables and Bill Strauss, and trained by Mike Puype, Turbulent Descent won the Moccasin Stakes and then stretched out to win the Grade I Starlet.

Other significant winners during the meet included Haimish Hy (Hollywood

Derby upsetter), Washington Bridge (Life Is Sweet Stakes and Bayakoa Handicap), Aggie Engineer (Native Diver Handicap), Gypsy's Warning (Matriarch), Victor's Cry (Citation Handicap), and Cost of Freedom (Miles Tyson and Vernon O. Underwood Stakes).

Joel Rosario defended his riding title, finishing 12 winners in front of runner-up Rafael Bejarano. Doug O'Neill took another training title with 16 victories, two more than John Sadler and Peter Miller.



BENOIT PHOTO

Corey Nakatani guided Comma to the Top to victory in the CashCall Futurity at Hollywood Park.

HIGHLIGHT

Del Mar Continued 5-Day Race Weeks with Attendance Up a Bit and Handle Slightly Down

DEL MAR

In 2010 the summer track bucked an industry-wide trend by increasing its on-track attendance more than 4 percent from 635,679 to 662,521 with a daily average attendance during the 37-day stand of 17,906, compared to 17,181 the year before. The increased numbers were accomplished using a five-day racing format once again, just as it had in 2009 after more than half a century of racing on a six-days-per-week basis.

A downturn in horses that affected California and the industry nationwide led to a decline in average horses per race, from 8.6 to 8.2. Also, fewer horsemen shipped down from Los Angeles for the meet, choosing to stay home and realize the economic advantages of not having to take the show on the road. Instead, trainers shuttled individual horses back and forth to run in races. Whereas in past years Del Mar would be headquarters to 2,200 or 2,300 horses during its meet, in 2010 that number was closer to 1,800. Director of Racing Tom Robbins said the smaller horse population meant less traffic and stress during training time in the mornings on the track.

“When you look around at the challenges that seem pervasive in our industry, and then see the sort of response we’ve gotten at our meet from our horsemen and our fans, you just know there’s much we’ve got to be grateful for,” said Del Mar President Craig Fravel on closing day of the 2010 session.

Del Mar ran fewer races during its meet – 19 less all told – by cutting back one event on most of its Wednesdays, Fridays, and Sundays throughout the season. That adjustment allowed for fuller fields and better betting opportunities on its daily cards and a decline of 7 percent in handle. Total handle for the meet was \$449,608,740 with a daily average of \$12,151,588 compared with \$484,479,925 and \$13,039,998 the year before.



BENOIT PHOTO

Zenyatta pulled off an unprecedented third-straight tally in the Clement L. Hirsch Stakes, drawing 32,536 enthusiastic fans to the track to cheer her on. And stretch-running Richard’s Kid won the track’s premier event, the \$1 million Pacific Classic, for the second year in a row. Doug O’Neill and Joel Rosario took the trainer and jockey titles.

And Away They Go – The field for the first race of 2010 broke from the gate at Del Mar on July 21 in front of the largest crowd – 45,309 – in track history.

HIGHLIGHT

2010 Marked Significant Restructuring and Consolidation at Fairs

THE CALIFORNIA FAIRS

In 2010, the California fairs collectively began a long-term restructuring and consolidation process by making significant modifications to the racing calendar. The changes were implemented to strengthen the summer fair racing program, optimize use of the horse population through fewer race dates, offer more turf racing, and generate better racing opportunities for all classifications of thoroughbreds.

In total, seven fairs conducted 63 days of live racing. The San Joaquin County Fair in Stockton launched the circuit with five days of racing, reduced from 10 days in 2009, followed by 15 days of racing at the Alameda County Fair in Pleasanton. For the first time in recent history, racing was not conducted at the Solano County Fair in Vallejo. Instead, the California State Fair in Sacramento moved from its traditional August/September dates to the slot left vacant in mid-July by Vallejo. The Sonoma County Fair in Santa Rosa hosted 15 days of racing followed by eight days of racing at the Humboldt County Fair in Ferndale. For the first time, the Humboldt County Fair meet was run without being overlapped by a private racetrack or fair in Northern California for five days. The Big Fresno Fair concluded the Fair circuit with 10 race days in October.

To complement the consolidation of race dates, fairs also utilized a single racing secretary for all the meets. There was also a consolidation of the purse program through the entire circuit, allowing for better management of purses, closer tracking of purses-paid to purses-generated, and consistency for horsemen throughout the circuit.

Fairs experienced declines in racing handle, both on track and simulcast, but wagering at fairs continued to trend better than the national average. The excitement created by the short duration of race meets in each market and people's tendency to seek value in their local community during the nation's recession fit well with the fairs' business model.

The Track Safety and Maintenance Program, managed by the California Authority of Racing Fairs at all Fair racing facilities, continued to improve the natural racing surfaces on the circuit. All racing Fairs were overseen by the same track superintendent and were equipped with uniform all-tread tractors, a state-of-the-art horse ambulance, and custom water trucks, providing safety and consistency to the circuit.

HIGHLIGHT

Stockton Celebrated Its 150th Fair

STOCKTON

The reduction from 10 racing days to five yielded racing attendance of 9,710 and total handle of \$8.63 million, down significantly from 2009 totals. Still, comfortable mid-80 temperatures throughout the five-day San Joaquin County Fair along with updates to the fairgrounds property helped draw larger crowds than the first five days of the 2009 Fair. Improvements in 2010 included two additional entertainment venues, the creation of shaded park-like areas, and five nights of fireworks.

The leading trainer was Clifford DeLima with three wins, and leading jockey was Frank Alvarado with seven wins.

HIGHLIGHT

Alameda County Fair Achieved Second-Highest Attendance in 20 Years

PLEASANTON

Over 418,000 fairgoers passed through the gates of the Alameda County Fair in Pleasanton. Fans enjoyed 15 days of horse racing at the “Oldest One Mile Track in America,” three giveaway days, and a special meet and greet with jockey Martin Garcia, who got his start on the backstretch of Pleasanton.

Despite three days of cancellation at Hollywood Park, the closure of all major East Coast tracks for one day due to extreme heat, and a weak economy, the fair handled \$34.5 million. Horse racing attendance totaled 60,065 for the 15-day meet, which was unchanged from 2009. The closing Sunday of the Pleasanton meet generated a 29 percent increase in attendance and 3 percent increase in on-track handle.

Steve Sherman was the leading trainer for the meet with 11 wins, while the leading jockey was Russell Baze with 23 wins.

HIGHLIGHT

Santa Rosa Gave the Fair Circuit Five Additional Day of Turf Racing

SANTA ROSA

Racing returned to California’s Wine Country during the 2010 Sonoma County Fair with an additional five-day “bonus week.” Even though the additional race dates were conducted without concurrent fair activities, fans were treated to free admission and parking, \$1 beer and hotdogs, special vacation giveaways, and various other promotions. Total handle for the Santa Rosa meet was \$37.1 million. More than 39,000 racing fans wagered \$4 million on track.

Fans in attendance on the closing Saturday witnessed Russell Baze’s 11,000th career win aboard the Richard Mandella-trained Separate Forest. The trainer title went to Steve Sherman with 10 wins. The leading jockey was Baze with 21 wins.

HIGHLIGHT

Ferndale Broke Handle Records

FERNDALE

The 114th Humboldt County Fair featured eight days of racing. In a historically significant decision for Ferndale, the CHRB granted approval for five days of non-overlapped racing during the meet’s closing week, a first for Ferndale. Enjoying the fact that there was no other racing in Northern California for the first time helped the fair attract trainers and jockeys not normally seen during the venue. Total handle for the 2010 meet was \$10.8 million, a 132-percent increase over 2009 handle. On-track attendance increased 8 percent, up 4% from 2009.

The leading trainer for the meet was William E. Morey with eight wins. Jockeys Chris Russell and James Wooten Jr. closed out the meet with 12 wins each.

HIGHLIGHT

Fresno Completed 2010 Circuit with Big Crowds

FRESNO

For the second consecutive year, the Big Fresno Fair enjoyed a season of non-overlapped racing in Northern California. The fair, which once again used some of its profits to upgrade the facility, enjoyed unseasonably cool weather and was once again packed with fans, with 542,537 attending, marking an increase of 5.5 percent over 2009. On-track attendance was down 10 percent as 74,701 fans attended the races. Total on-track handle of \$3.2 million was down 4 percent. The meet handled \$21.1 million total.

Fans were treated to a special afternoon work by Breeders’ Cup sprint hopeful Kinsale King, whose trainer, Carl O’Callaghan opted to ship north in order for the

Dubai Golden Shaheen winner to have an opportunity to make his final preparations over traditional dirt. Perennial leading trainer Rene Amescua topped the trainer standings with eight victories.

HIGHLIGHT

Business Dropped But Pedroza and O'Neill Dominated Again at Fairplex Park

FAIRPLEX PARK

Like so many other venues facing economic stress, the Los Angeles County Fair meet at Fairplex Park experienced decreases in handle and attendance during the 15-day meet in 2010. Fairplex handled \$7,169,501 on track compared to \$7,570,545 in 2009, a drop of 5 percent. The overall handle of \$75,177,170 was short of the previous year's \$82,762,543, a decrease of 9 percent. On-track attendance totaled 64,544 compared to 70,534, or 8.5 percent less than 2009. Overall attendance was 143,503, compared to 156,250 in 2009, a decline of 8 percent.

Martin Pedroza won 45 races to capture his 12th consecutive Fairplex title and his 13th overall. Pedroza is Fairplex Park's career leader in victories with 651. He also leads in stakes wins with 69, four of them in 2010. The 45-year-old Panamanian lost mounts on seven horses that won with replacement riders on two days when he took off with medical issues, or he could have broken his meet record of 51 wins set over 17 days in 2004.

Doug O'Neill won the training crown for the second straight year and the seventh time in the last nine by sending out 14 winners. Jorge Gutierrez enjoyed an outstanding meet with 10 wins from 33 starters to finish second to O'Neill.

HIGHLIGHT

Despite a Series of “Firsts” by Horses, Jockeys, and Trainers, Business Dropped in 2010

GOLDEN GATE

Golden Gate Fields (GGF) was the venue for several “firsts” and milestone victories in 2010. Steve Sherman won his first training championship at GGF when he won two races on the final day of the summer meeting to edge William E. Morey 22-21 for the crown. The 7-year-old horse Bold Chieftain earned his first graded stakes victory when he ran down Monterey Jazz in the final yards to win the San Francisco Mile. Mexican jockey Juan Hernandez notched his first U.S. stakes win when he captured the All American Stakes with Cigar Man. French jockey Julien Coutron garnered his first career stakes victory when he piloted Positive Response to a front-running score in the Gold Rush Stakes. Apprentice riders Abel Cedillo (aboard Scherzi in the fifth race on March 26), Rosario Montanez (Hyper Lass, fifth race, May 20), and Kyle Frey (Terina, seventh race, Dec. 5) all earned the first victories of their careers.

Golden Gate Fields presented 174 days of live racing in 2010 compared with 156 days in 2009. Total on-track attendance was 418,141 in 2010 compared to 403,058 in 2009. The average daily on-track attendance was 2,403 in 2010 compared to 2,584 in 2009, a decrease of 7 percent. Total handle in 2010 was \$546,238,772 compared to \$545,572,953 in 2009. The average daily total handle in 2010 was \$3,139,303 compared to \$3,497,263 in 2009, a decrease of 10.2 percent. On-track handle in 2010 was \$76,035,621 compared to \$79,899,557 in 2009. The average daily handle on track was \$436,986 compared to \$512,177, a decrease of 14.7 percent.

Trainers Steve Miyadi (with Shesgoinghollywood in the first race on Jan. 2), William E. Morey (Sports Edition, seventh race, Nov. 11, and Vladimir Cerin (Cigar Man, eighth race, Nov. 26) all recorded milestone victory No. 1,000 at GGF. Cerin’s 1,000th win was especially sweet considering the Southern California-based conditioner achieved it in the All American Stakes. Jockey Francisco Duran won the 1,000th race of his career in exciting fashion when he scored a photo-finish victory aboard Karmalize in the sixth race on March 12.

Jockey Russell Baze added three more GGF riding titles to his resume by leading his colleagues at the winter meeting, 2010 summer session, and 2010 fall stand.

Baze owns 39 GGF riding crowns. Jerry Hollendorfer took the training championship at the winter meeting and the fall session to boost his number of GGF training titles to 37.



VASSAR PHOTO

Bold Chieftain won the San Francisco Mile with Russell Baze aboard.

HIGHLIGHT

Fast Racing Proved Popular with Fans Who Boosted On-Track Attendance

LOS ALAMITOS

Los Alamitos' 2010 year-long meet showed an average single-night handle of \$1,350,745, a figure that included combined wagering on both the live races and import races. Los Alamitos ran three-night racing weeks during most of this year in comparison to four-night racing weeks in 2009. The Los Alamitos average handle on track for the live races was \$137,336 – an increase of 1.3% from 2009. The track's handle from ADW was \$381,182 per night compared to the \$314,000 average in 2009. On-track attendance was up 4.6 percent. The total handle for all sources during the 2010 meeting was \$209,365,473.

On a down note, Los Alamitos and quarter horse racing lost three of its most prominent figures in 2010. Blane Schvaneveldt, regarded as quarter horse racing's greatest trainer and Los Alamitos' all-time leading trainer in wins, passed away in July. In August, the world of quarter horse racing was rocked with the tragic news that past AQHA President Frank "Scoop" Vessels had died in a plane crash. One of the sport's leading owners and breeders, Vessels was the grandson of Frank Vessels Sr., the founder of Los Alamitos Race Course in the 1940s. Finally, First Down Dash, the all-time leading quarter horse stallion, died at the age of 26 at Vessels Stallion Farm in November.

The 2010 meeting was a record-breaking one on the racetrack as nine track records were set during the 155-night season. Quarter horses were faster than ever at the Orange County track, as new marks were recorded at 440, 400, 350, and 330 yards.

In addition to the track records, purse records were set in several stakes races, including the richest running ever of the Los Alamitos Super Derby with a purse of \$1,052,000. Los Alamitos was home to the four richest races of any breed in California, including the \$2,033,700 Los Alamitos Two Million Futurity won by One Quick First Down. The \$750,000 Champion of Champions served as the nation's richest quarter horse race for older horses, and the \$150,000 Mildred Vessels Memorial Handicap was the nation's richest race for quarter horse mares.

Apollitical Jess set two of those track records. He posted the new standard at 440 yards of :20.93 when winning the Champion of Champions after posting the record at 400 yards when winning the Los Alamitos Super Derby in a time of :19.13. Divide The Cash posted a new track record at 350 yards when winning the Make It Anywhere Handicap in a time of :17.06. The brilliant 2-year-old filly Flying Fig posted four divisional records, including the fastest time ever by a 2-year-old at 400 yards of :19.28.



LOS ALAMITOS PHOTO

Apollitical Jess set one of his track records winning the Champion of Champions with Eduardo Nicasio up.

HIGHLIGHT

State Fairgrounds Hosted 46 Weeks of racing in 2010

CAL EXPO

The California Exposition & State Fair hosted 44 weeks of harness racing and two weeks of thoroughbred, Arabian, quarter horse, and mule racing in 2010. The State Fair dates were moved from the historical mid-August through Labor Day to mid-to-late July. Although the State Fair handle decreased, fair management remained optimistic that attendance and handle for the 2011 race meet would rebound.

Again, the racetrack at Cal Expo was in top condition for both the State Fair and harness Racing meetings.

All-sources handle for the State Fair was \$19,122,174 compared with \$26,849,191 in 2009. All-sources handle for harness racing was \$103,696,430 in 2009 compared with \$114,649,320 in 2009. Almost all of that decrease was experienced at live racing and simulcast sites. ADW handle for harness racing remained close to even at nearly \$26 million compared with \$26.4 million the previous year.

Luke Plano easily led the driver standings during harness racing with 288 wins, well ahead of second-place Rick Plano with 223. Luke's winning percentage was an impressive 20.4 percent. Rick led the trainer standings with 147 wins. Tim Maier was second in the standings with 108.

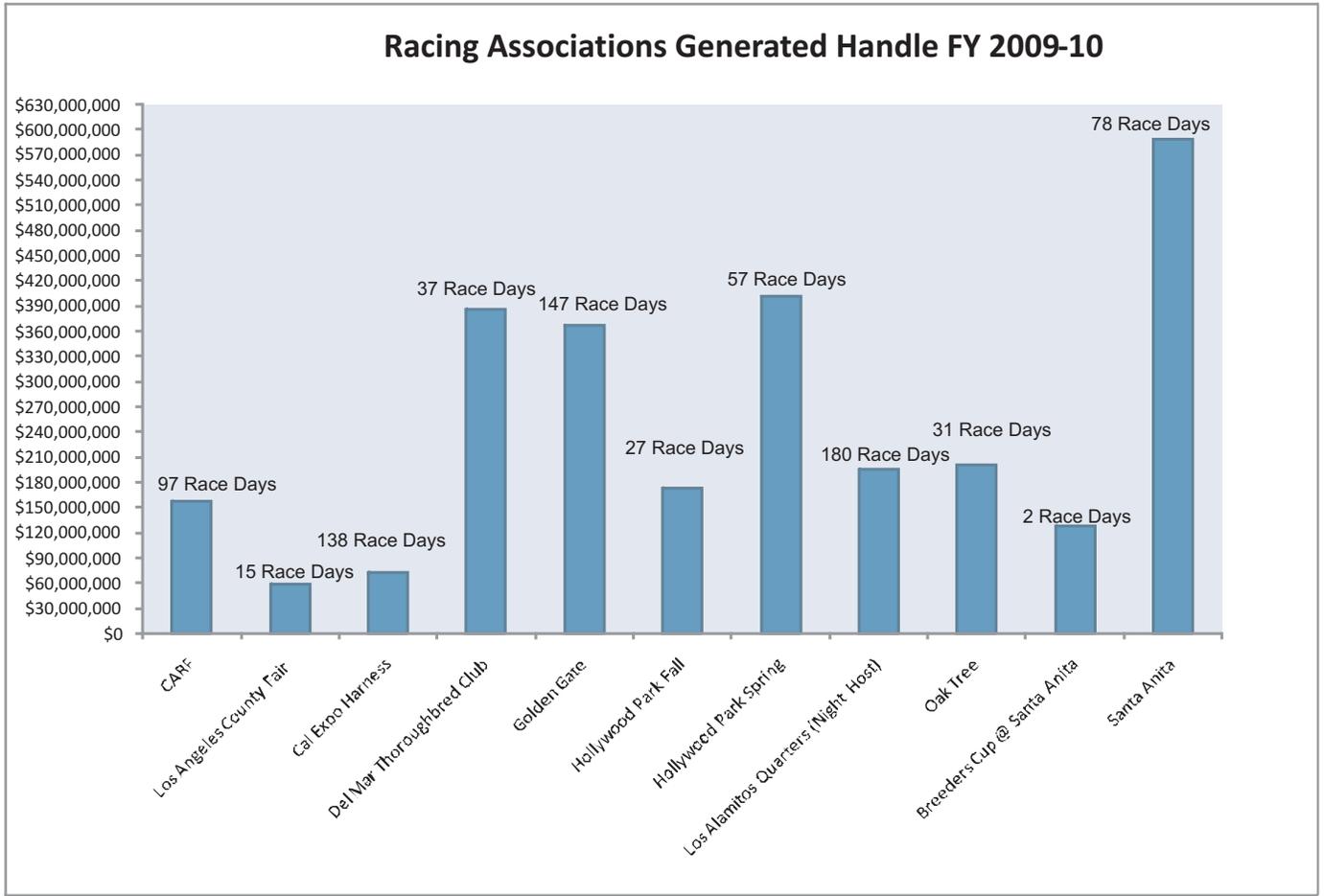


Luke Plano



Rick Plano

Racing Associations Generated Handle



Simulcast Facilities by Location

California Simulcast Facility	Total Handle FY 2009-10	Number of Attendees
Anderson	\$1,872,695	7,022
Bakersfield	\$7,085,759	36,817
Barona	\$17,130,750	73,903
Cabazon	\$12,821,329	59,076
Commerce Casino	\$20,603,797	44,420
Del Mar	\$137,122,901	803,267
Eureka	\$351,556	538
Ferndale	\$939,035	24,881
Fresno	\$10,007,244	115,626
Fresno Club One	\$3,476,708	6,062
Golden Gate	\$104,689,017	494,892
Hollywood Park	\$208,947,396	903,672
Lake Perris	\$14,816,112	69,712
Lancaster	\$14,834,205	69,898
Los Alamitos	\$153,638,563	595,333
Monterey	\$6,906,214	31,768
Pleasanton	\$47,012,958	203,184
Pomona	\$62,673,169	252,824
Sacramento	\$34,804,938	194,749
San Bernardino	\$28,490,131	142,887
San Jose	\$35,454,721	140,703
San Mateo County	\$77,455,451	222,527
Santa Anita	\$275,162,162	1,239,804
Santa Barbara	\$2,199,392	6,459
Santa Maria	\$4,769,309	14,492
Santa Rosa	\$15,031,517	98,224
Shalimar (Indio)	\$5,116,472	24,648
Stockton	\$19,531,305	92,906
Sycuan	\$4,914,336	37,462
Tulare	\$3,198,291	12,956
Turlock	\$7,848,744	27,387
Vallejo	\$17,542,947	74,228
Ventura	\$27,063,172	85,994
Victorville	\$7,664,211	51,576
Viejas	\$10,306,527	54,048

Note: Racetracks that offer simulcast wagering include combined pari-mutuel handle for live racing and simulcast wagering.

Horse-Racing Revenues

Prior to Fiscal Year 2009-2010 the State of California's revenue from horse racing was derived primarily from license fees. Senate Bill 16 went into effect during 2009, eliminating state license fees. As a result, horse-racing revenue is now derived from the horse racing industry. During this year, \$11,458,786 was generated as horse-racing revenue and it was used to fund the California Horse Racing Board operations. The pari-mutuel handle totaled \$3,441,290,099 for FY 2009-10.

CHRB support, 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 15.9 percent for thoroughbred race meets, 16.67 percent for quarter-horse meets, 17.44 percent for harness meets, and 16.64 percent for fair meets.

The takeout on exotic wagering pools (all pools that are not win, place, or show) is 21.34 percent for thoroughbred meets, 22.12 percent for quarter-horse meets, 22.35 percent for fair meets, and 23.65 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.

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 70 years. Their donations in the last fiscal year totaled \$598,922.

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 racing associations distributed funds last year: Los Angeles Turf Club, Hollywood Park Racing Association, Del Mar Thoroughbred Club, Oak Tree Racing Association, Pacific Racing Association, and Bay Meadows Racing Association.

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 2009-10 totaled \$930,360.

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.

4. Unclaimed refunds totaled \$1,138,428 for FY 2009-10. Unclaimed refunds provide health and welfare benefits to California licensed jockeys, former California licensed jockeys, and their dependents. The California Jockey Welfare Corporation is the organization designated by the CHRB to receive these funds.

State's Portion of Uncashed Tickets

FY 2009-10	TB	QH	HH	Fairs
Los Angeles Turf Club	\$155,817			
Hollywood Park Spring-Summer	95,545			
Del Mar Thoroughbred Club	143,899			
Oak Tree Racing Assn.	79,937			
Pacific Racing Assn.	63,758			
Hollywood Park Fall	<u>25,418</u>			
Thoroughbred Total	564,374			
Los Alamitos Quarter Horse Racing Assn.		\$62,120		
Quarter Horse Total		62,120		
Cal-Expo Harness Racing			\$61,678	
Harness Total			61,678	
CARF				\$ 217,327
Los Angeles County Fair				<u>24,860</u>
Fairs Total				\$ 242,187
Total to State from unclaimed pari-mutuel tickets				\$ 930,360

Occupational Licenses and Fees

July 1, 2009, through June 30, 2010

Type of License	Fee	Issued	Total
Multiple Ownership*	300	10	3,000
Horse Owner-Open Claim	250	5	1,250
Officer/Director/Partner**	150-200	117	18,350
Horse Owner**	150-250	3,407	512,050
<hr/>			
Trainer, Assistant Trainer***	150	357	53,450
Harness Horse Driver***	150	33	4,450
Jockey/Apprentice Jockey***	150	129	19,350
Jockey Agent	150	31	4,650
<hr/>			
Bloodstock Agent	150	15	2,250
Veterinarian	150	50	7,500
Association Employee	75	266	19,950
Valet/Custodian/Attendant	75	13	975
<hr/>			
Pari-mutuel Employee/Tote	75	612	42,380
Horseshoer	75	44	3,300
Exercise Rider/Pony Rider***	75	350	26,250
Misc. Employee/Stable Agent Vendor**	35-75	306	20,910
Security Guard	75	114	8,470
Stable Foreman	75	78	5,850
<hr/>			
Authorized Agent	25	405	10,125
Replacement License	15	359	5,385
Annual Groom/Stable Employee (Original)***	35	417	14,595
Annual Groom/Stable Employee (Renewal)**	20-35	1,740	36,975
Total fees generated to General Fund			\$921,965

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

Statement of Distribution by Fund of Horse Racing

July 1, 2009 through June 30, 2010

	Detail	Total
Revenue To Horse Racing Fund		
License Fees — CHRFB Support	\$ 10,425,859	
ADW License Fees — CHRFB Support	392,555	
Unclaimed Pari-Mutuel Tickets	673,080	
Total 3153 Fund		\$11,491,494
Revenue to Fair & Expo		
Pari-Mutuel License Fees, Fund 0191:		
0.63 percent — total handle	43,445	
1.00 percent — fair handle	0	
Escheat of unclaimed warrant	325	
Section 19620-A	0	
Section 19620-B	0	
Total 0191 Fund		43,770
Simulcast Wagering Fees, Fund 0192:		
Simulcast Wagering	0	
Other regulatory, licenses, and permits — purses	229,971	
Total 0192 Fund		229,971
Revenue To General Fund		
Horse racing licenses	5,703	
Breakage	0	
Fines & Penalties	173,735	
Unclaimed Pari-mutuel Tickets	42,916	
Unclaimed Pari-mutuel Tickets (Horse Racing Fund)	300,000	
Occupational Licenses	976,211	
Miscellaneous Income	5,991	
Total General Fund		1,504,556
Racetrack Security		0
CA Veterinary Diagnostic Laboratory		1,591,916
Total Revenue		\$14,861,707

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 2009-10, there were 1,528 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 2009-10, the total amount paid for claiming of horses was \$18,490,300, resulting in sales tax revenues of \$1,756,000.

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 2009-10, \$4.6 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 2009-10 totaled \$138,095,110.

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 2009-10 totaled \$135,846,847. In addition, \$12,620,631 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.

Statistics For Horses Claimed

July 1, 2009 to June 30, 2010

Track Location	Horses Claimed	Amount Paid	Sales Tax
Thoroughbred Meetings — Northern			
Golden Gate	277	\$2,943,000	\$286,943
Thoroughbred Meetings-Central-Southern			
Del Mar	141	3,635,500	318,106
Oak Tree	44	1,180,500	115,099
Hollywood Park	146	3,114,500	319,236
Hollywood (fall)	42	781,500	80,104
Santa Anita	146	3,234,500	315,364
Harness Meetings-Statewide			
Cal Expo	37	209,150	18,301
Quarter-Horse Meetings-Statewide			
Los Alamitos	581	\$2,563,850	\$224,337
Fair and Mixed Meetings-Statewide			
Pleasanton	41	\$260,750	\$25,423
Vallejo	6	26,200	2,194
Santa Rosa	16	130,450	12,067
State Fair	11	52,800	4,620
Stockton	5	27,200	2,448
Ferndale	2	7,500	619
Pomona	27	278,500	27,154
Fresno	6	44,400	3,985
Grand Total	1,528	\$18,490,300	\$1,756,000

Authorized Horse Sales

The CHRB each year authorizes sales for racehorses or breeding stock used in the production of racehorses when such sales are conducted on the premises of a racing association. During FY 2009-10, there were 1,043 horses sold for a total of \$19,227,200. These sales generated a total of \$571,749 in sales tax. Prospective purchasers may review the reported medication record of any horse offered for sale, and purchasers of a horse may request a verifying blood test for horses bought.

The following sales were authorized in FY 2009-10:

Barretts Equine Ltd. Thoroughbred Sales at Fairplex Park

1. California Yearling Sale October 5
2. January Mixed Sale January 25, 26
4. March Two-Year-Olds March 22
5. Spring Two-Year Olds May 10

A total of 627 horses was sold for \$15,019,000, which generated \$506,498 sales tax.

California Thoroughbred Breeders Association Sales

1. Nor-Cal Yearling Sale August 11

A total of 110 horses was sold for a total of \$566,000, which generated \$22,776 in sales tax.

Quarter-Horse Sales At Los Alamitos

1. Los Alamitos Equine Sale Oct. 3, 4

A total of 306 horses was sold for \$3,642,200, which generated \$42,475 in sales tax.

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. In FY 2009-10, \$902,496 was generated as owner premiums and \$11,718,135 for the breeders program.

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 2009-10, \$11,457,255 was generated from the wagering handle. The CTBA is authorized to deduct 5 percent 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 2009-10, the program generated \$645,070.

Quarter-Horse Breeders Program

Pacific Coast Quarter Horse Racing Association, as the recognized breeders organization, received \$475,535 from the pari-mutuel handle to fund its program in FY 2009-10. 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 \$571 for the breeders program in FY 2009-10. No paints ran in California. This revenue came from ADW wagers.

Arabian Breeders Program

The California Arabian horse breeders awards received \$21,525 for the program during FY 2009-10.

Mule Breeders Program

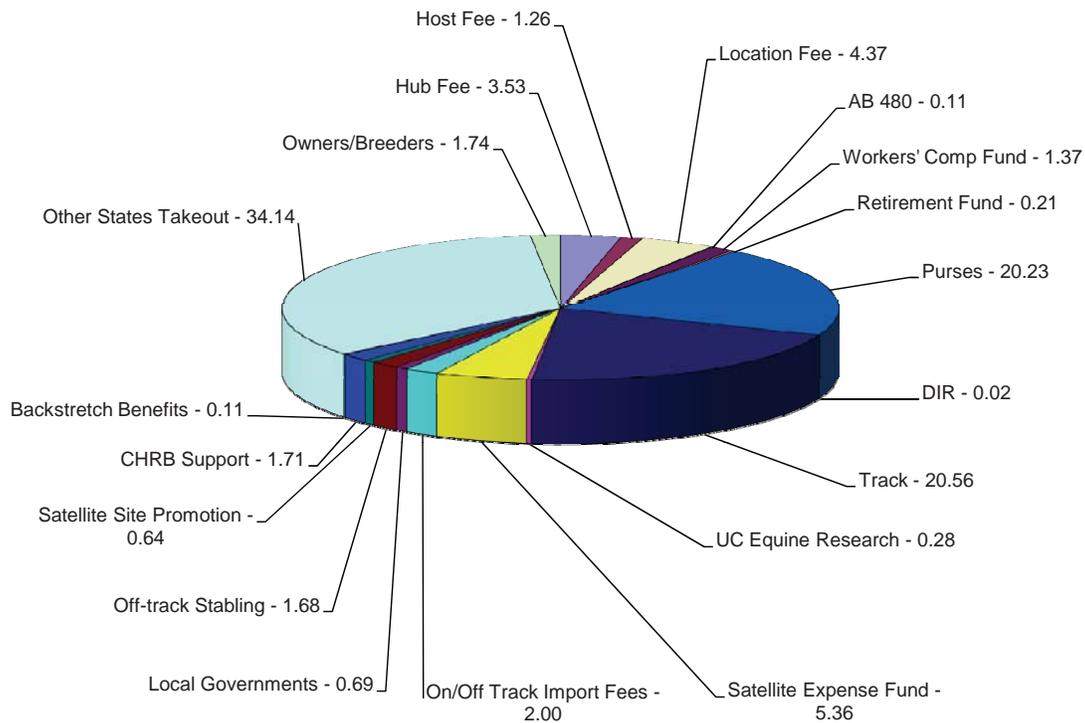
The California mule breeders awards received \$20,662 for the program during FY 2009-10.

Appaloosa Breeders Program

The California appaloosa breeders awards received \$13 for the program during FY 2009-10.

The Revenue Stream

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



A total of \$3,441,290,099 was wagered by fans of California racing during FY 2009-10, and of that money 80 percent (\$2,752,935,304) 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 14.3 percent of wagers placed (\$493 million). Off-track betting within the state provides 26.4 percent of the handle (\$908 million). The balance comes from out-of-state and Advance Deposit wagers (totaling \$2,039 billion). ADW accounted for \$666,380,287 of that handle.

Patrons failed to cash \$5.3 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 \$6,863,601 in FY 2009-10.

Of the \$3.4 billion wagered, \$68.8 million, or 20 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 \$135,846,847 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.

TRACK COMMISSIONS

The racetracks and fairs that host the racing programs collected a total of \$138 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.

CHRB SUPPORT

The allocation of the California Horse Racing Board budget (\$11,833,000) comes from the horse-racing industry 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 \$12,620,631 in awards were divided between programs for thoroughbreds (\$11,457,255), standardbreds (\$645,070), quarter horses (\$475,535), paints (\$571), Arabians (\$21,525), mules (\$20,662), and appaloosas (\$13).

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 \$4.6 million was withheld for this purpose.

HOST FEES

Host fees are negotiated for 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 \$13.4 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 \$206 million.

EQUINE RESEARCH

A mandated deduction goes to the University of California for equine research. Last year the total for equine research was \$1.9 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.

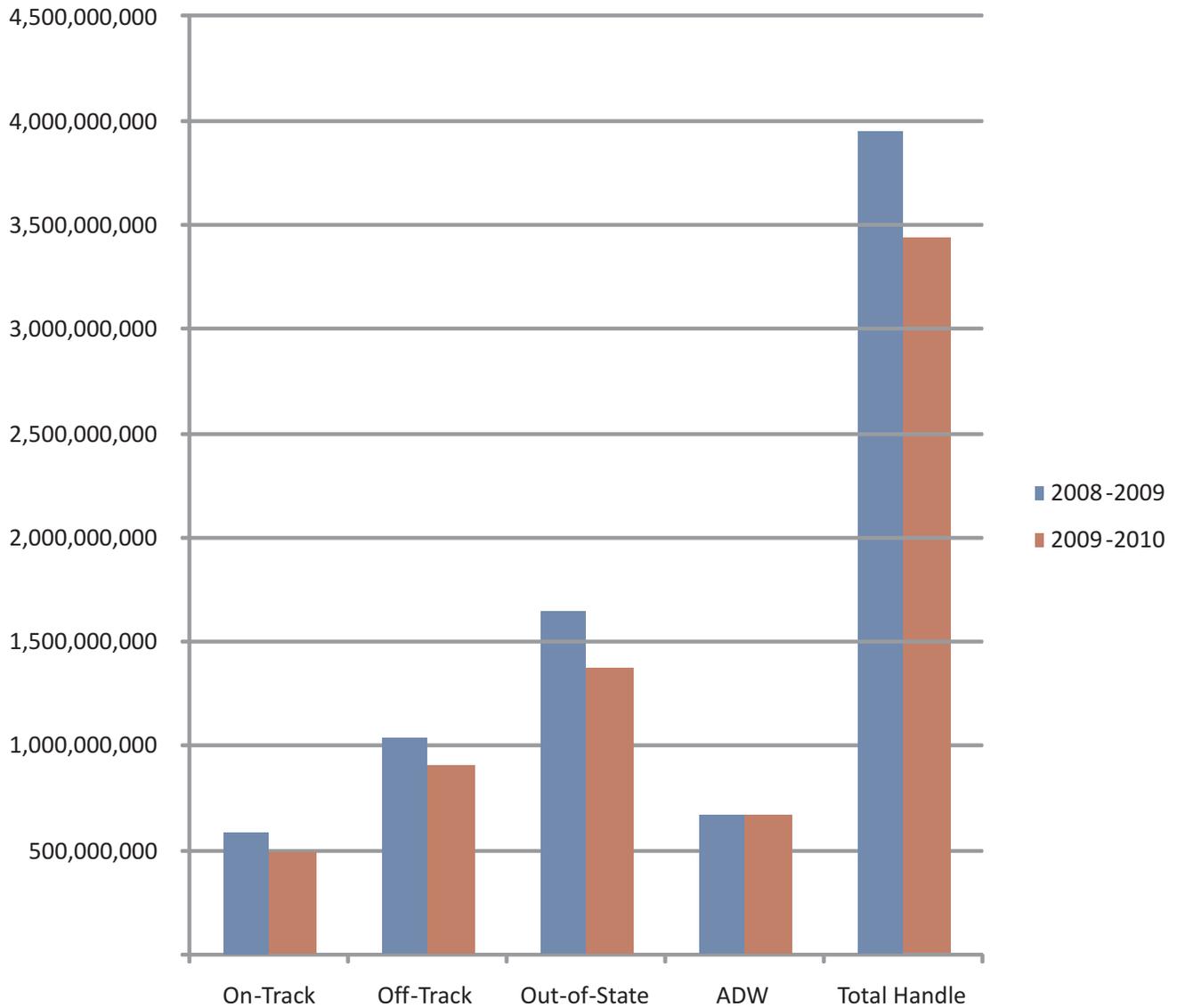
These funds received a total of \$72.2 million last year:

Stable and Vanning Fund:	\$11.2 million
Promotion Fund:	\$4.3 million
Expense Fund:	\$35.9million
Guest Site Fees:	\$20.8million

RETIREMENT AND WELFARE

ADW Retirement and Welfare Plans received \$1,384,958 for FY 2009-10. These funds supplement the backstretch personnel pension plan and provides welfare benefits for horsemen and backstretch personnel.

Sources of Handle Fiscal Years 2008-2009 and 2009-2010



The on-track handle represents wagers at the host track. For FY 2009-10, on-track wagers accounted for 14.34 percent of the total handle. Off-track handle represents wagering at California simulcast locations and accounted for 26.39 percent of the total. Out-of-state handle represents commingled wagers from other US and international sites. Out-of-state wagers accounted for 39.91 percent of the total. Advance Deposit Wagering (ADW) represents the handle generated through the four licensed California ADW companies. The ADW handle accounted for 19.36 percent of the total.

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.

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

The information regarding the expenditures of these organizations is only one portion of the total audited financial statements 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.

Audited Financial Statements of California Horse Racing Industry

The CHRB is charged with recognizing a number of horse-racing industry participants. The Board's recognition entitles industry participants to receive statutory distributions from the takeout. Further, pursuant to Business and Professions Code Section 19440.5 and requirements outlined in the horse race meet application, the Board requires the recognized industry participants to annually file with the CHRB its audited financial statements. The table below lists the organizations and its respective last audit report received by the CHRB.

Horseman's Associations

Last Audit Report

Pacific Coast Quarter Horse Racing Association	2008
American Mule Racing Association	2009
California Thoroughbred Horsemen's Foundation	2009
California Harness Horsemen's Association	2004
Arabian Racing Association of California	2006

Administrative Funds

CHRIMS	2008
California Marketing Committee - CMC	2009
California Thoroughbred Business League	2007
Northern California Off-Track Wagering (NOTWINC)	2008
Southern California Off-Track Wagering (SCOTWINC)	2008
California Thoroughbred Breeders Association	2009
California Thoroughbred Trainers	2008
Thoroughbred Owners of California	2010
Quarter Horse Racing, Inc. & Subsidiaries	2009
Disabled Jockeys' Endowment	2007
California Jockeys' Welfare Corp	2008
Quarter Horse Benevolent Charity Foundation	2009
California Standardbred Sires Stakes Committee *	2007
California Retirement Management Account, Inc	2008

Racing Associations

Hollywood Park Racing Association	2009
Oak Tree Racing Association	2009
Pacific Racing Association (GGF)	2008
Del Mar Thoroughbred Club	2009
CARF	2008
Los Angeles Turf Club	2008

ADW Companies

TVG	2009
Twin Spires ADW	2008
Youbet.com	2008
Magna Entertainment Corp. (GGF/Santa Anita/ExpressBet)	2008