

44th Annual Report of the California Horse Racing Board

A Department of the Business,
Consumer Services and Housing Agency

A Summary of
Fiscal Year 2013–14 Revenue and
Calendar Year 2014 racing in California

California Horse Racing Board

Chuck Winner, Chairman
Bo Derek, 1st Vice Chairman
Richard Rosenberg, 2nd Vice Chairman
Madeline Auerbach, Member
Steve Beneto, Member
Jesse Choper, Member
George Krikorian, Member
David Israel, Former Member
Rick Baedeker, Executive Director
Jacqueline Wagner, Asst. Exec. Director

This report covers the fiscal year (July 1, 2013, through June 30, 2014) for revenue purposes, including pari-mutuel handle, fines, taxes, license fees and the distribution of funds, as well as the report of the Postmortem Program. This report covers the 2014 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 are available at: www.chrb.ca.gov (Publications)

Report from the Chairman



As I replaced David Israel as Chairman of the California Horse Racing Board (CHRB/Board) at the beginning of 2014, we were facing many challenges, the most critical being the closure of Hollywood Park and the need to find alternative stabling for horses on the Southern California thoroughbred circuit.

Other pressing issues included: an unacceptable number of serious (Class 1, 2, and 3) medication violations, most of which involved quarter horse racing at Los Alamitos; a controversial racing dates issue involving Northern California fairs, horsemen's organizations, and Golden Gate Fields; and a rash of unexplained sudden deaths of horses racing in California.

Fortunately, I and the Board received a great deal of help from our new executive director, Rick Baedeker, and his staff. Rick replaced our late Executive Director Kirk Breed and interim Executive Director Jackie Wagner, both of whom brought competence and knowledge to the job. Jackie continues to provide her knowledge and guidance as Assistant Executive Director.

Rick has spent 40 years in horse racing in various capacities, including six years as president of Hollywood Park. He brought with him strong working relationships and wasted no time familiarizing himself with all CHRB issues.

I have had the opportunity to work with a wonderful Board of dedicated individuals. For the first time the Board has two vice-chairmen, Bo Derek and Richard Rosenberg, each possessing unique abilities and experience. We are joined on the Board by Madeline Auerbach, Steve Beneto, Jesse Choper, and George Krikorian.

In order to evaluate and find solutions to the problems before us, the Board relies heavily on Rick, Jackie, and their staff; on valuable assistance and advice from Dr. Rick Arthur, our equine medical director; all of the resources at the University of California-Davis (U.C. Davis); and Robert Miller, our chief counsel.

Business, Consumer Services and Housing Agency

When Governor Jerry Brown's Reorganization Plan was approved by the Legislature, the CHRB was placed under the Business, Consumer Services and Housing Agency. The Agency's expertise and assistance have been helpful in a variety of ways. Their guidance through the budgetary process and the restructuring of the department's staff has been particularly helpful.

Stabling and Hollywood Park

When the owner of Hollywood Park announced the discontinuance of racing at the end of 2013, we faced a severe stabling and training problem. We were able to negotiate an agreement for Hollywood Park to remain open for stabling and training through the first quarter of 2014, but had to find other stabling and training facilities to replace Hollywood Park immediately thereafter.

Industry stakeholders came together to reach agreements, and the necessary commitments were made to preserve thoroughbred racing in Southern California. Los Alamitos built 500 new stalls to accommodate thoroughbred training on a year-round basis; The Stronach Group upgraded its San Luis Rey Training Center, located in Bonsall, with an improved track and renovated barns to play a major stabling role; Fairplex Park, located in Pomona, agreed to provide stabling and training for a limited time; and, of course, Santa Anita and Del Mar continued to operate race meets and stabling programs. More recently, due to the decision by Fairplex to discontinue training and racing, we granted Galway Downs training center in Temecula a conditional license to begin providing stalls and training. There is more to be done as the industry hopes to eventually build a training center somewhere in Southern California. For now, all of our qualifying horses have approved stabling and training facilities.

Race Dates

Under the leadership of Chairman Israel, the Board, for the first time, allocated two years of racing dates rather than the traditional one.

In Southern California, the redistribution of Hollywood Park race dates went very well. The Board authorized Santa Anita to extend its winter-spring meet from mid-April through the end of June to include the important dates of the Kentucky Derby, Preakness, and Belmont Stakes – the complete Triple Crown of thoroughbred horse racing. Los Alamitos was granted short thoroughbred meets in the summer and fall to go along with its year-round quarter horse meet. Los Alamitos also reached an agreement to host the Los Angeles County fair meet. Del Mar received dates for a new fall meet that proved extremely popular with racing fans.

Unfortunately, in Northern California the process of race-date assignment did not go as smoothly. The California State Fair in Sacramento requested three weeks of racing coinciding with its fair, but to do so created a one-week overlap with the Sonoma County Fair, which also wanted its traditional three weeks to run when its attendance peaked. At the same time, we attempted to resolve a lingering race-date issue involving the Humboldt County Fair. Even though a great deal of time and effort was spent attempting to satisfactorily

resolve these Northern California race-date issues, I regret that the end result was not favorably accepted by some of those involved. The decision was to grant Santa Rosa three concurrent weeks of racing in 2014, and to make the State Fair the beneficiary of three concurrent weeks in 2015.

Business Highlights

The industry enjoyed another great Breeders' Cup at Santa Anita Park with more than 90,000 fans from California and around the world attending. As usual, the weather was good, the racing was great, and the championship races provided considerable drama, particularly in the Breeders' Cup Classic, when our stewards had to make a difficult decision involving possible interference at the start of the race. Santa Anita hosted the Breeders' Cup for the third consecutive year in 2014. Santa Anita will host the championships again in 2016, followed by Del Mar in 2017.

All-source wagering for the California horse racing industry, while still down more than \$1 billion from historical highs at the turn of the century, held steady from 2013 to 2014 at more than \$3.1 billion. We are working hard with the industry to provide an improved racing product with high-standard marketing, which we are confident, when coupled with an improving economy, will result in increasing handle in years to come.

Racehorse Health and Welfare

An unacceptable number of equine deaths occurred during the summer meet at Del Mar, many of them on the turf course. The turf course had undergone major changes in the off-season: the course had been widened in some areas and all of the grass had been replaced. When the deaths started occurring, we worked very closely with the management at Del Mar in an effort to determine the cause of the increased breakdowns and to prevent further breakdowns. Together, we analyzed the racing surfaces, both the turf and the main track. We investigated the fatalities carefully, requiring enhanced necropsies for each and analyzing the class of race and the training and racing history of the horses involved. Although we never officially determined that the turf course contributed to the breakdowns, we did ask Del Mar to take certain steps to improve the course. Del Mar fully and willingly cooperated by intermittently closing the turf course and doing all of the work that we agreed should be done, including aeration, increased watering, and allowing the grass to grow higher.

I am pleased to report that during the recently completed fall meet at Del Mar, there were no fatalities, which must always be our goal.

Before the start of the new fall meet at Del Mar, People for the Ethical Treatment of Animals (PETA) expressed grave concerns over the racing deaths at the summer meet. The CHRB responded to their concerns by explaining how thoroughly we had investigated each one of those fatalities. We

described the many safeguards we have in place to protect all horses and riders, such as a comprehensive drug-testing program that acts as a deterrent to the improper use of medications and prohibited substances. We detailed the steps being taken to reduce the administration of medications that might prevent our official veterinarians from identifying soundness problems with horses entered to race, including greater restrictions on the administration of non-steroidal anti-inflammatory drug substances (NSAIDs).

We assured PETA and the public that the health and welfare of horses and of the riders on their backs are the Board's primary concerns. Among other changes the Board has recently made, we severely restricted the use of corticosteroids in racing horses, following our earlier ban of anabolic steroids. Those were huge steps, which effectively are changing the culture of horse racing. We are also in the process of changing the way the authorized medication Lasix is administered to horses, another major shift. And we are in the process of implementing a rule to restrict the use of the riding crop. These and other changes to our medication rules all are designed to protect horses and ensure the integrity of California racing.

Another medication problem that we dealt with was an unacceptable number of Class 1, 2, and 3 medication violations. Most of those 28 violations occurred in quarter horse racing at Los Alamitos. We have been working with management at Los Alamitos, and together we have gotten very tough on violators, including very stiff penalties and fines. We suspended one trainer for more than three years and fined him \$160,000. I am pleased to report that in the last six months of 2014, there were only three such violations.

Nearly 57,000 samples were tested by the Maddy Laboratory during FY 2013-14. There were 111 positives, mostly from overages of permitted medications, meaning 99.8 percent of the tests returned clean, which the industry should be proud of.

Postmortem Examinations and Testing

During a 16-month period from November 2011 to March 2013, seven horses trained by one trainer died suddenly while racing or training. As part of our exhaustive investigations, we utilized the vast resources of U.C. Davis for what probably were the most thorough postmortem examinations ever performed on racehorses. In the end, no definitive causes for any of those sudden deaths were found. However, those investigations, which included environmental testing, did lead to improvements in several areas of regulation.

Our postmortem examinations have always included toxicology screening. However, in order to cover all possibilities, we intensified the toxicology testing in our investigation of those sudden deaths. We found the information gained from those tests so useful, we now are performing enhanced toxicology screening in all of our equine fatalities. For example, we have added cobalt testing to our postmortem examinations.

Another example of lessons learned was our decision to discourage the improper use of thyroxine and require veterinarians to report and provide a diagnosis for its use.

One of the sudden deaths showed traces of rodenticide. This poison was found at such a low level that it could not be confirmed that rodenticide contributed to the death of that horse. But again, the finding prompted further studies of the rodenticide issue. We have now found traces of rodenticide in six horses lost over the last two years. This has in turn prompted the investigation of the use of rodenticides to control the rodent populations in stable areas. We are currently considering the prohibition of the most dangerous anti-coagulating rodenticides being used at racetracks.

The CHRB in 2014 confirmed one case of equine herpes virus 1 (EHV-1) and had concerns over the presence of equine infectious anemia in horses stabled outside of CHRB-regulated facilities. The CHRB worked closely with U.C. Davis and with the California Department of Food and Agriculture to apply basic equine biosecurity measures and effectively control the problems.

A well-publicized investigation by PETA that alleged the abuse of horses in other racing jurisdictions brought some focus on California horse racing. We took the opportunity to describe the many safeguards in place to protect horses racing and training at facilities within the CHRB's jurisdiction, such as our Racing Safety Program (detailed on page 22 in this annual report) and our extensive use of safety stewards (page 19).

Mini-Satellites

For qualified applicants, we are continuing to approve new mini-satellites – wagering at private businesses, such as card clubs, restaurants, and bars, even a bowling alley. New mini-satellites in Bakersfield, Thousand Oaks, Mission Viejo, and Oceanside increased our total to nine, and we have approved others in Norco and downtown San Diego. The list keeps growing. Eventually we hope to have the full number of 45 that the statute authorizes in California.

Thanks to the hard work and dedication of my fellow Board Members, Rick Baedeker, and our very professional and competent staff, and to our close working relationship with the Business, Consumer Services and Housing Agency, the Maddy Laboratory at U.C. Davis, Dr. Arthur, and the racing industry in California, we have made some substantial progress toward making California racing safer and more attractive to the public. And yet, we have much to do. Those of us who love the sport of horse racing must continue to work together toward a common goal that will benefit all who are a part of the industry and those who provide the resources to sustain it.

Respectfully,



CHUCK WILMER, Chairman
California Horse Racing Board

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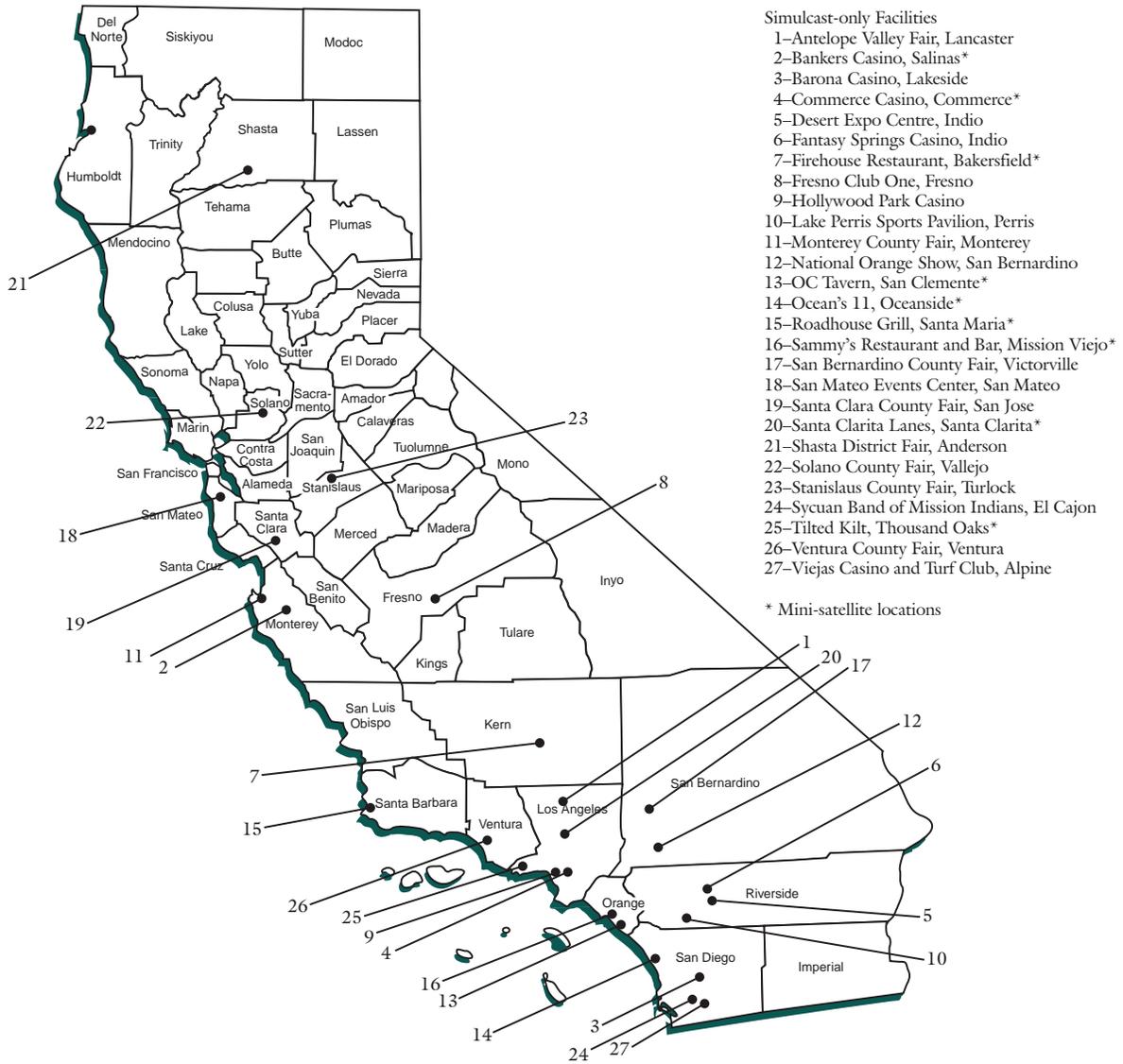
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Names and Locations of Racing and Training Facilities Regulated by the California Horse Racing Board

All of these locations except San Luis Rey Downs and Galway Downs, which are private training centers, and the Humboldt County Fair are open to the public during their off seasons for simulcast wagering.



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



The California Horse Racing Board

History and Mission Statement

Horse racing has been taking place in California since 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 meets 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 CHRB exchanges information on licensees and disciplinary proceedings with other commissions of the RCI through the National State Racing Information System.

The CHRB is a seven-member commission appointed by the Governor. It

directs a statewide staff in the licensure and oversight of all race meets in the state where pari-mutuel wagering is conducted, as well as off-site simulcast wagering locations and ADW companies.

Mission Statement

The mission of the CHRB is to ensure the integrity, viability, and safety of the California horse-racing industry by regulating pari-mutuel wagering for the protection of the public, promoting horse racing, breeding, and wagering opportunities, and fostering safe racing through the development and enforcement of track safety standards and regulations for the health and welfare of all participants.

Principal activities of the CHRB 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 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 CHRB 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 or when necessary a 1st vice chair and a 2nd vice chair 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 travel and other expenses necessarily incurred in the performance of their official duties.

Committees of the Board

The executive director is directed to provide public notice of committee meetings in accordance with the

Bagley-Keene Open Meeting Act. 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.



**Chuck Winner,
Chairman 2014**

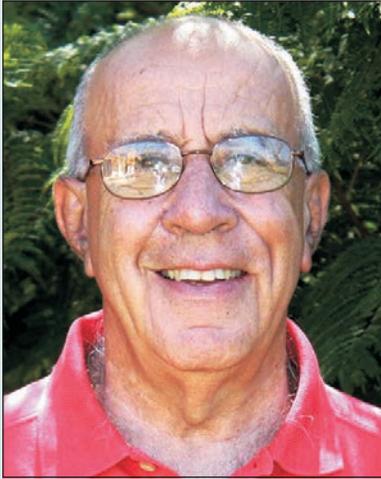
Founded Winner & Associates, LLC, in 1975. Appointed to the CHRB by Governor Edmund G. Brown Jr. on April 9, 2012, through July 26, 2015.



**Bo Derek,
1st Vice Chairman**

Actress, active in humanitarian efforts for people and animals. Appointed to the CHRB by Governor Arnold Schwarzenegger on July 15, 2008. Reappointed by Governor Schwarzenegger through January 1, 2014. Reappointed by Governor Edmund G. Brown Jr. through January 1, 2018.

Members of the California Horse Racing Board



**Richard Rosenberg,
2nd Vice Chairman**

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. Reappointed by Governor Edmund G. Brown Jr. through July 26, 2016.



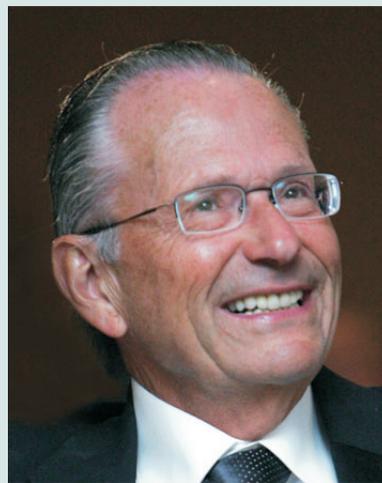
**Madeline Auerbach,
Member**

Former CFO of JSA Corporation from 1977 - 2004. Appointed to the CHRHB by Governor Edmund G. Brown Jr. on January 2, 2014, through January 1, 2018.



**Steve Beneto,
Member**

Founded Beneto, Inc. in 1979. Appointed to the CHRHB by Governor Edmund G. Brown Jr. on May 21, 2012, through January 1, 2016.



**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 Governor Schwarzenegger through January 1, 2015.



**George Krikorian,
Member**

CEO of Krikorian Premiere Theaters since 1984. Appointed to the CHRHB by Governor Edmund G. Brown Jr. on May 6, 2013, through July 26, 2013. Reappointed by Governor Brown through July 26, 2017.



**David Israel,
Former Member**

Former syndicated newspaper columnist, now a television and movie writer and producer. Appointed to the CHRHB by Governor Arnold Schwarzenegger on July 15, 2008. Reappointed by Governor Schwarzenegger through January 1, 2014.

Board and Committee Meetings

Racing commissioners met 19 times in 2014 for public Board and Committee meetings. Noticed meetings are open to the public and include a published agenda. The following 12 Board meetings were held:

January 16, 2014
Santa Anita Park
February 21, 2014
Santa Anita Park
March 21, 2014
Cal Expo
April 25, 2014
Golden Gate Fields

May 22, 2014
Santa Anita Park
June 19, 2014
Los Alamitos Race Course
July 18, 2014
Del Mar Simulcast Facility
August 21, 2014
Del Mar Simulcast Facility

September 24, 2014
Los Alamitos Race Course
October 23, 2014
Santa Anita Park
November 19, 2014
Del Mar Simulcast Facility
December 18, 2014
Los Alamitos Race Course

Committee Public Meeting Dates

Medication & Track Safety
January 15, 2014
Santa Anita Park

Pari-Mutuel, ADW & Simulcast
April 16, 2014
Los Alamitos Race Course

Legislative, Legal & Regulations
April 24, 2014
Golden Gate Fields

SoCal Race Dates & Stabling
May 21, 2014
Santa Anita Park

Pari-Mutuel, ADW & Simulcast
September 23, 2014
Los Alamitos Race Course

Medication & Track Safety
October 22, 2014
Santa Anita Park

Legislative, Legal & Regulations
December 17, 2014
Los Alamitos Race Course

CHRB Operating Budget

July 1, 2013 June 30, 2014

Appropriations	Item	Total
Personal Services	\$4,592,000	
Operating Expenses	7,143,000	
Exchange Wagering Allocation	443,000	
Total Appropriation		\$12,178,000
Salaries and Wages	3,223,000	
Staff Benefits	1,330,000	
Total Personal Services		\$4,553,000
General Expense	339,000	
Printing	52,000	
Communications	83,000	
Postage	25,000	
Travel-in-State	240,000	
Travel-out-of-State	2,000	
Training	4,000	
Facilities Operations	146,000	
Contractual & Professional Services-Interdepartmental	3,107,000	
Contractual & Professional Services-External	2,657,000	
Consolidated data center: Stephen P. Teale Data Center	133,000	
Central Administration Services: Pro Rata	298,000	
Equipment	0	
Exchange Wagering	0	
Total Operating Expenses and Equipment		\$7,086,000
**Unexpended Balance FY 2013-14		539,000

* Includes year-end accruals

**Unexpended balance includes \$443,000 allocated to Exchange Wagering. This program was not implemented.

State Operations

Governor Edmund G. Brown Jr.'s Reorganization Plan took effect July 1, 2013. This comprehensive overhaul of state government, as approved by the Legislature, eliminated or consolidated dozens of departments and entities. As part of this reorganization, the CHRB came under the Business, Consumer Services, and Housing Agency, headed by Secretary Anna Caballero and Undersecretary James Goldstene.

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

The Board appoints an executive director to carry out its objectives. Executive Director Rick Baedeker is responsible for the department's operations and regulation of the horse-racing industry. The executive director is supported in this regard by the assistant executive director, Jacqueline Wagner; by the general counsel, Robert Miller, as well as by supervisorial personnel and staff at CHRB offices and at all of the state's racetracks.

The executive and management team plans and oversees the CHRB'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 CHRB 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.



**Rick Baedeker,
Executive Director**

Appointed effective February 3, 2014. Previously held numerous executive positions in horse racing from 1989.



**Jacqueline Wagner,
Assistant Executive Director**
Appointed December 5, 2011.
Previously Manager of Policy & Regulations from 1997 to 2004 and from 2005 to 2011.

Enacted Legislation

The following six horse-racing bills were chaptered in 2014:

**SB 721 – Senate Member
Alex Padilla; Chapter 50**

1) Authorizes the Board to allow the Los Angeles County Fair to conduct live race meets at another site within or outside of the County of Los Angeles and to conduct its race meet at a facility operated by a thoroughbred racing association licensed to conduct a racing meet in the southern zone; 2) allows the Los Angeles County Fair to operate its racing meet or, with Board authorization, contract for the operation and management of the racing meet with a racing association that was previously licensed to conduct a racing meet; 3) broadens the definition of “proposition pari-mutuel pool” to include wagers on propositions approved by the Board that are based on the results of live thoroughbred horse races; 4) prohibits the Board from allocating racing dates to a thoroughbred racing association for the purpose of conducting a thoroughbred racing meet in the central or southern zones if a fair is conducting racing in either zone on the same dates; and 5) repeals obsolete references to license fees for horse racing meets at fairs.

**SB 777 – Senate Member
Ed Hernandez; Chapter 6**

Reestablishes provisions of the Horse Racing Law requiring a thoroughbred racing association, racing fair, quarter horse racing association or harness racing association that conducts a racing meet to deduct a specified percentage of the total amount handled in exotic or conventional pari-mutuel pools, as specified, to be distributed to a specified organization for the purpose of defraying the costs of workers’ compensation insurance for owners and trainers in connection with live horse racing.

**AB 1303 – Assembly
Member Isadore Hall III;
Chapter 7**

Authorizes the Board to allocate racing days to a fair in the northern zone to be conducted by the fair or at the fair’s request, to allow the Board to license a racing association that was licensed to conduct racing meets in California before 2010 to conduct live horse racing at the fair during its allocated dates. In addition, this bill extends the sunset dates for the current formulas for funding Northern California Off-Track Wagering, Inc., which operates the audiovisual signal system for the simulcasting of horse racing to Northern California satellite wagering facilities.

**AB 2637 – Assembly
Member Isadore Hall III;
Chapter 241**

Increases the required percentage of a racing association’s charity race day proceeds that must be distributed to horse racing-related charities from 20 percent to 30 percent; corrects an outdated reference in the law to the Association of Racing Commissioners International Rules of Racing; and repeals an obsolete reference in the law that authorizes the Board to annually allocate a maximum of 28 racing days to any county fair in the northern zone which did not conduct horseracing prior to January 1, 1985.

**AB 2655 – Assembly
Member Isadore Hall III;
Chapter 149**

Adds the Apple Blossom Handicap to the list of imported thoroughbred races that are exempt from the 50 daily imported race day limitation when live thoroughbred or fair racing is being conducted in the state.

AB 2765– Assembly
Committee on
Governmental
Organization; Chapter 430

1) Extends the operation of the marketing organization, California Marketing Committee, to January 1, 2019; 2) clarifies that the marketing organization may utilize outside consultants with horseracing or related experience when developing its annual statewide marketing and promotion plan; 3) changes the date for submission of the marketing organization’s annual report to the Board from November 1 to October 1; and 4) reinstates California’s participation in the National Thoroughbred Racing Association marketing program, with a January 1, 2018, sunset date.

Regulatory Changes

The following rules were amended, repealed, or added during 2014:

Rule 1536
(amended)

Stewards' Minutes: Amended to require the stewards' minutes to include an attached form to report all accidents involving an exercise rider, or for harness racing, an employee riding in a jog cart or sulky not engaged in a race.

Rule 1632
(amended)

Jockey's Riding Fee: Amended to provide that no portion of an entry, nomination, or other fee paid by an owner shall be deducted from a jockey riding fee unless the entry, nomination, or other fee is paid exclusively by the owner and not reimbursed by any other person or entity.

Rule 1656
(amended)

Errors Which Invalidate Claim: Amended to change the revision date on the claim form, CHRB-11 Agreement to Claim, from (Rev. 8/00) to (Rev. 8/13).

Rule 1656
(amended)

Errors Which Invalidate Claim: Amended to change the revision date on the claim form, CHRB-11 Agreement to Claim, from (Rev. 8/13) to (Rev. 8/14).

Rule 1658
(amended)

Vesting of Title to Claimed Horse: Amended to provide that the stewards shall void a claim and return the horse to the original owner if the horse dies or is euthanized before leaving the track. The amendment also provides that the claim shall not be voided by the stewards if the claimant elects prior to the race to claim the horse regardless of whether the racing or official veterinarian determines the horse will be placed on the Veterinarian's List as unsound or lame. The election shall be entered on the form CHRB-11 (Rev. 8/13) Agreement to Claim (CHRB-11).

Rule 1658
(amended)

Vesting of Title to Claimed Horse: Amended form CHRB-11, Agreement to Claim, to remove the "no" box from the election to claim horse regardless of whether it is deemed to be unsound or lame, in accordance with CHRB Rule 1658, subsection (c). Also changes the revision date on form CHRB-11 from (Rev. 8/13) to (Rev. 8/14).

Rule 1844
(amended)

Authorized Medication: Amended to revise the levels of specified medications that may be present in a urine sample of a horse in subsection 1844(e) and adds additional drug substances to subsection 1844(f) that may be present in a blood sample. The amendment also removes clenbuterol from the drug substances that may be found in official blood test samples.

Rule 1927.1
(added)

Tampering With Smoke Detectors Prohibited: The adopted rule prohibits licensees from tampering with automatic fire alarm systems or smoke detectors located on the grounds of a facility under the jurisdiction of the Board. Rule 1927.1 also specifies the fines that will be imposed on licensees who are found in violation of this rule and upon licensed trainers whose employees are found culpable of multiple violations within a 365-day period.

Rule 2066
(amended)

Application for License to Operate a Mini-satellite Wagering Facility: Amended to increase the term of a license to operate a mini-satellite wagering facility from two years to five years.

Licensing

The CHRB licensing unit 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 the racetracks in the state, a licensing field office of the CHRB is established at the operating facility.

The licensing unit issued 8,810 original, renewal, or duplicate licenses in FY 2013-14. Licenses issued included 3,289 new or renewal owner licenses, 340 new or renewal trainer or assistant trainer licenses, 142 new or renewal jockey or apprentice jockey licenses, 1,773 new or renewal groom or stable employee licenses, and 551 new or renewal pari-mutuel clerk licenses as well as many other classes of occupational licenses. The issuance of these licenses generated \$892,285 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 racing 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 also worked closely with CHRB enforcement personnel.

Appointed CHRB Officials — FY 2013–14

STEWARDS

Grant Baker
Scott Chaney
James Dreyer
John Herbuveaux
Luis Jauregui
Thomas McCarthy

Darrel McHargue
William Meyers
Ruben Moreno
Dennis Nevin
Paul Nicolo
Michael “Wayne” Oke

Jeffery Salmon
Kim Sawyer
George Slender
Victor Stauffer
Thomas Ward
Randy Winick

OFFICIAL VETERINARIANS

Dr. Gary Beck
Dr. Donald Dooley
Dr. Jennifer Durenberger
Dr. Forrest Franklin

Dr. Robert Goodbary*
Dr. Timothy Grande
Dr. Barrie Grant
Dr. Sidney Gustafson

Dr. Deborah Lamparter
Dr. Dana Stead
Dr. Clifford Zucco

*The late Dr. Goodbary worked as a CHRB Official Veterinarian for 14 years until the end of 2013.

Racing Supervision

The responsibility for onsite supervision of race meets is placed with racing officials appointed or approved by the CHRB. The racing officials are the stewards, safety stewards, 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 meets.

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

The CHRB directly appoints all 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 CHRB paid \$2,140,924 in FY 2013-14 for stewards and official veterinarians. Other racing officials were paid by the associations in the manner prescribed and agreed to by the CHRB.

Acting for the CHRB in matters relating to the race meets 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 CHRB 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.

The stewards attended Stewards' Committee meetings, allowing them to discuss issues, rule changes, and interpretations of policy and to receive information. They shared their views and experiences relating to race reviews, veterinary practices, proper administrative hearing procedures, and other important work-related matters. The meetings helped them remain current on laws, regulations, and policies, helping ensure that all stewards' decisions are made in a fair and consistent manner throughout the state.

The official veterinarians, overseen by the Equine Medical Director (EMD, 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 EMD and track veterinarians, examined horses for fitness, maintained a health and racing soundness record for each racehorse eligible to compete at a race meet, reviewed confidential reports of veterinary treat-

ments of horses under their general supervision; maintained records of infirm horses, accidents, and injuries; approved prescribed therapeutic treatment regimens; and otherwise acted as the Board's veterinary advisors for each race meet.

The horse identifiers accurately identified all breeds of racehorses that 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.

Safety stewards enforced compliance with safety standards. They also:

- ◆ Monitored training to ensure that exercise riders, outriders, and pony riders observed all rules.
- ◆ Established horse ambulance protocol for quick response during training and racing.
- ◆ Implemented use of certified paramedics on ambulance crews.
- ◆ Oversaw continuing education classes for provisional exercise riders and apprentice jockeys.
- ◆ Investigated selected horse fatalities.
- ◆ Approved licenses for all riders.
- ◆ Conducted field sampling and testing for the Track Surface Standards program.

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, calculation of takeout distributions, database management, software development, pari-mutuel accounting and settlements, 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.

CHRIMS has been instrumental in helping the California racing industry cope with the demands associated with the changing landscape of pari-mutuel wagering during the past 25 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.

Each day, CHRIMS downloads parimutuel data from various totalisator systems. The data includes wagering pools, takeout commissions, breakage, minus pools, runner pay, refunds, uncashed tickets, and voucher information. The raw data collected from totalisator systems are compiled and translated into the CHRIMS database parameters. CHRIMS data can be sorted by a myriad of criteria, including by date, race, pool, host track, location of bet, location

type, breed, geographic zone, zip code, state, and race type. CHRIMS connects to and downloads data from AmTote, United Tote, and Sportech, plus the six licensed California ADW companies, which include Game Play, Lien Games, TwinSpires, TVG, XpressBet, and Watch & Wager.

CHRIMS 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 (runners, distance, surface, age, class, etc.) via downloads from Equibase.

CHRIMS also provides services to racetracks, ADW companies, and racing commissions outside California. Tracks include Aqueduct, Belmont, Colonial Downs, Gulfstream, Keeneland, Laurel, Louisiana Downs, Monmouth, Pimlico, Portland Meadows, Sam Houston, Saratoga, Tampa Bay Downs and The Red Mile. Racing commissions include the states of Kentucky, Massachusetts, and North Dakota. CHRIMS processes and provides reporting services relating to the six California licensed ADW companies, and provides settlement services for many of its customers.

CHRIMS Inc. received \$417,417 from unredeemed vouchers in 2014.

Laboratory Services

To protect animal health and the integrity of racing, the CHRB requires analysis of blood and urine samples from horses in competition. The Kenneth L. Maddy Equine Analytical Chemistry Laboratory (Maddy Lab) at University of California, Davis (U.C. Davis) is the authorized drug-testing laboratory for California horse racing. Funded by wagering revenues, the Maddy Lab tested 56,940 samples in FY 2013-14.

The Maddy Lab analyzed 21,674 post-race urine and blood samples, including in-depth testing of 11,329 for anabolic steroids, 22,911 bicarbonate (TCO₂) loading blood samples, 1,098 out-of-competition (OOCT) blood samples, 47 evidence submissions, and 512 other samples for various purposes in FY 2013-14. The cost to the State of California was \$1,937,250.

Urine and blood samples are obtained post-race from the winner of every race, horses finishing second and third in certain stakes races, and from any other horses selected at random from each program, as well as other horses designated by the stewards. The testing of post-race samples is the backbone of the CHRB's drug regulation program. Post-race testing includes in-depth testing for anabolic steroids and over 1,500 other prohibited drugs, from regularly used therapeutic medications to potent stimulants such as dermorphin. Special testing for cobalt was added early in 2014, including blood and urine race samples and necropsy tissue samples.

Checking for TCO₂, a prohibited practice known as "milkshaking," is conducted on thoroughbreds and harness horses through TCO₂ testing. Thoroughbred TCO₂ testing is done pre-race; harness horse TCO₂ testing is primarily done pre-race, but some TCO₂ sampling is done 90 minutes post-race on winners. The CHRB thoroughbred and pre-race harness TCO₂ programs are 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.

OOCT was conducted throughout the fiscal year. OOCT testing is critical for compliance in human sports testing and is absolutely necessary to detect certain prohibited drugs. OOCT testing targets blood-doping agents, anabolic steroids, beta-2 agonists, and other biopharmaceutical agents. The OOCT program monitors compliance with anabolic steroid reporting procedures and for surveillance of other drugs of interest. In FY 2013-14, the CHRB and Maddy Lab expanded the program to include equine hair analysis, an alternative testing matrix to expand the drug-detection window.

The Maddy Lab maintains a portion of every urine sample for retrospective testing should a new test become available.

Samples underwent retrospective testing for carbazochrome, cobalt, zilpaterol, and ractopamine. Combining this with OOCT, the CHRB is prepared for the next generation of performance-enhancing drugs.

The Maddy Lab, which is under the direction of its chief chemist, Dr. Scott Stanley, was re-accredited by the American Association for Laboratory Accreditation to international standards and was the first laboratory in the country accredited to the RMTC accreditation program. The Maddy Lab utilizes state-of-the-art scientific instrumentation, including liquid chromatography-mass spectrometry (LCMS) screening processes. The combined testing panel covers over 1,500 drugs utilizing a spectral library for forensic identification. The Maddy Lab routinely adds new drugs and updates its metabolite profiles as new information becomes available.

The Maddy Lab conducts ongoing re- search to improve testing capabilities for potential drugs of abuse and to provide horsemen and veterinarians with information to better treat their horses and remain in compliance with horse-racing rules.

The Maddy Lab conducted research or published scientific papers on amikacin, butorphanol, carbazochrome, ceftiofur, clenbuterol, cobalt dehydroepiandro- sterone (DHEA), dexamethasone, dexmedetomidine, dextromethorphan, domperidone, ergoloid mesylate, firocoxib (Equioxx®), gamma- aminobutyric acid (GABA), hair testing, insulin, medetomidine, methocarbamol, methylprednisolone acetate, neostigmine, nikethamide, pergolide mesylate, penicillin, propoxyphene, selective androgen receptor modulators (SARMs), tolazoline, tramadol, tranexamic acid, triamcinolone acetonide, tripelen- namine, and numerous other drugs. Of particular interest was research to better regulate the use of corticosteroids, especially intra-articular corticosteroids in horse racing.

The pharmacology research is conducted under the direction of Dr. Heather Knych, the Maddy Lab's veterinary pharmacologist. Much of the Maddy Lab's research program is funded by outside sources, including the Center for Equine Health, RMTC, Dolly Green Research Foundation, Grayson/Jockey Club Research Foundation, and California Department of Food and Agriculture.

Racing Safety Program

California Business and Professions Code section 19481 requires the CHRB to establish safety standards to improve the safety of horses, riders, and workers at the racetrack. Business and Professions Code section 19481.3 requires the stewards to prepare a report that identifies the circumstances and likely causes for all on-track accidents. In addition, the Business and Professions Code establishes the qualifications for licensing and the duties of trainers and veterinarians.

The CHRB's Racing Safety Program was initiated in early 2010 to directly address the requirements of the Business and Professions Code and to reduce the incidence of debilitating and fatal injuries at California racetracks and training facilities. Since its inception, the four elements of the program have been:

1. Developing a continuing education program;
2. Refining the CHRB/University of California, Davis (U.C. Davis) California Animal Health and Food Safety Laboratory System (CAHFS) Postmortem Program;
3. Conducting fatality investigations; and
4. Monitoring racing surfaces and establishing track safety standards.

The continuing education program is a product of the Racing Injury Prevention Program (RIPP). The RIPP was a collaborative effort between the CHRB and U.C. Davis School of Veterinary Medicine, conducted from October 2011 through June of 2013. As part of the program, in-depth necropsies were conducted at the Veterinary Orthopedic Research Laboratory (VORL) at the School of Veterinary Medicine. Those enhanced necropsies showed definitively that approximately 90% of all musculoskeletal fatalities had pre-existing pathology associated with the fatal injury indicating there is an oppor-

tunity to avoid fatalities if the clinical signs are recognized before the fatal injury.

The RIPP activities were suspended due to budget constraints in June 2013. However, the program is restarting with private support. Three education modules for online use are completed. The CHRB is encouraging industry support to complete the project. The CHRB has produced an informative DVD summarizing its continuing education program to date. The CHRB anticipates the completion of the first six modules in 2015, which will be made available online. A long-term objective is to gain industrywide support and participation to ultimately allow completion of a comprehensive 21-module program. The education modules are designed for trainers, owners, veterinarians, and grooms to understand how injuries develop and to recognize early indicators for injury prevention and rehabilitation.

The CHRB/CAHFS Postmortem Program identifies the pathology related to the death of the racehorse and provides scientific understanding of why the fatality occurred. The program continues to partner with the VORL at U.C. Davis for in-depth analysis of selected catastrophic injuries. The drug testing and toxicology laboratories at U.C. Davis have expanded their procedures to screen for a wider variety of drug substances and chemicals foreign to the horse, including cobalt, thyroid

hormone analogs, and anticoagulant rodenticides. This program will continue to develop and expand as reported on page 21 of this annual report.

The CHRB conducts an investigation into every racehorse fatality that occurs within the enclosure at all California racetracks. The objective of the fatality investigation is to establish the reason for the cause of the catastrophic event. The results of the investigation are compiled into a research database that tracks the underlying cause of these events, whether they occur during racing, training, or in the stable area.

The Track Safety Standards Program has the objective of updating the operating and maintenance standards for all racing surfaces in California, including dirt, synthetic, and turf courses. The program addresses the development of standard racing surface performance measurement tools and surface material performance testing in the laboratory. Standards have been established for dirt and turf racing surfaces. Regular test evaluation is scheduled for every racing surface in the state. The responsible safety steward also continually monitors each surface during the race meet and reports concerns to the lead safety steward. Specific accomplishments in FY 2013-14 included evaluation of dirt racing surface changes at Los Alamitos, Santa Anita and the San Luis Rey training facility.

Equine Postmortem Program

The State of California monitors all fatal equine injuries at California racetracks and authorized training facilities. This is accomplished through the CHRB/University of California, Davis (U.C. Davis)/California Animal Health and Food Safety (CAHFS) laboratory system Postmortem Program. The Postmortem Program annual report is presented to the Board by U.C. Davis/CAHFS faculty and provides a descriptive report of findings from the Postmortem Program for FY 2013-14. The report is available on the CHRB website under the Veterinary link.

CHRB/U.C. Davis/CAHFS Postmortem Program began in 1990 as a partnership between the CHRB and the CAHFS laboratory system under the School of Veterinary Medicine at U.C. 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.

CHRB Rule 1846.5, Postmortem Examination, requires a necropsy (autopsy) for all horses dying within a CHRB facility. More than 6,000 necropsies have been performed under the program over the last 23 years, but FY 2013-14 saw the lowest number of fatalities for any full racing year since FY 1994-95. CAHFS laboratories at Davis and San Bernardino conduct all of the postmortems except those from the Fresno fairgrounds, which are performed at the CAHFS laboratory in Tulare. CAHFS veterinary pathologists perform the necropsy and prepare a report. Depending on the specifics of the case, additional testing such as toxicology including drug testing, microbiology, histology, virology, or other specialized tests may be necessary before a final report is issued.

Funding for the entire program is a cooperative effort. The CHRB funds the postmortem examinations, the racing associations provide transportation to the CAHFS laboratories, and specific studies are funded by research grants from private and public sources, including the Center for Equine Health at U.C. Davis.

Musculoskeletal injuries are the most common cause of fatalities at CHRB facilities. Musculoskeletal specimens of special interest are forwarded to the J.D. Wheat Veterinary Orthopedic Research Laboratory (VORL) at the School of Veterinary Medicine at U.C. Davis for in-depth analysis. This is part of the CHRB's Racing Safety Program. Details on the racing safety program can be found on page 20 of this report.

The uniquely equipped VORL is under the direction of Dr. Sue Stover. The immediate goal of the enhanced necropsy is

to determine the causes and reasons for horse injuries and fatalities. The ultimate goal of this and other programs is to improve detection of injuries earlier to reduce serious non-fatal injuries and prevent catastrophic fatalities on the track. There is a distinct link between equine safety and jockey safety. Nearly a third of all jockey falls are associated with a sudden death or catastrophic injury to the horse.

In-depth analysis of necropsy specimens at VORL has demonstrated the role of undiagnosed stress fractures contributing to catastrophic fractures of the pelvis, femur, humerus, scapula, tibia, third metacarpal (shin), and other bones. Pre-existing pathology at the site of the fatal injury is a re-occurring finding at enhanced necropsy, with nearly 90 percent of musculoskeletal racing and training fatalities showing pre-existing pathology associated with the fatal injury. This suggests there is an opportunity to develop early detection techniques and injury prevention programs.

Dr. Stover and her team have been focusing on proximal sesamoid bone fractures for several years. Proximal sesamoid bone fractures and associated fetlock (ankle) injuries are the single major cause of fatal racehorse injuries, both racing and training. Proximal sesamoid bone fractures, as has been seen with other fractures, frequently have pre-existing but currently undetectable bone pathology.

Research findings are published in veterinary medical journals and presented at racing industry, veterinary medical, and other professional meetings available to the public. A list of the published scientific articles for each year can be found in the appendix of the annual postmortem reports on the CHRB website.

While the focus has always been on musculoskeletal injuries, the necropsy program has been an avenue to study a number of non-musculoskeletal conditions important to equine health and safety issues. In FY 2013-14 the CHRB program allowed CAHFS pathologists and toxicologists to identify a link between traces of anti-coagulant rodenticides and unusual hemorrhage in six fatality cases over the last two years. The CHRB has been concerned with the sudden deaths during or immediately after racing or training. Sudden deaths are an internationally recognized sport horse phenomenon. The CHRB/CAHFS program has greatly improved necropsy and toxicology procedures for sudden death fatality investigations over the last few years and currently is investigating the relationship between subtle pathological findings in cardiac tissue and equine sudden deaths through a grant from the Center for Equine Health.

Fatalities at CHRB Facilities by Track and Surface July 1, 2013 — June 30, 2014

Track	Racing*			Training**			Other***	Total
	Dirt	Synthetic	Turf	Dirt	Synthetic	Turf		
Cal Expo (Harness)	1						2	3
Cal Expo (State Fair)	2						2	4
Del Mar		1	1		2		1	5
Fairplex (Pomona)	1			2			1	4
Ferndale							1	1
Fresno	3							3
Golden Gate Fields		10	3		17		14	44
Hollywood Park		6			12		8	26
Los Alamitos	19			8			13	40
Pleasanton	2			6			4	12
San Luis Rey Downs				1			1	2
Santa Anita	11		14	20			7	52
Santa Rosa			1	1				2
Stockton	1							1

*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).

Track	Racing Surface		
	Dirt	Synthetic	Turf
Cal Expo (Harness)	5,852		
Cal Expo (State Fair)	516		
Del Mar		2,092	792
Fairplex (Pomona)	1,034		
Ferndale	313		
Fresno	616		
Golden Gate Fields		7,155	2,029
Hollywood Park		1,697	803
Los Alamitos	8,488		
Pleasanton	837		
Santa Anita	5,529		3,573
Santa Rosa	581		288
Stockton	400		

Horse Racing in California

California horse racing provides many memorable moments each year for fans throughout the world, particularly when a California racetrack hosts the Breeders' Cup, as Santa Anita did in 2014. However, 2014 was exceptional, largely because one horse gained a celebrity status normally reserved for top human athletes. California Chrome, the California-bred chestnut colt whose victories in the 2014 Kentucky Derby and Preakness made him one of the most popular horses of modern times, was named 2014 Horse of the Year, thoroughbred racing's most coveted honor — only the third Cal-bred to earn that distinction after Swaps in 1956 and Tiznow in 2000.

Bred, foaled, and raised near Coalinga, California, at Harris Farms, California Chrome began his 3-year-old campaign by easily winning the California Cup Derby at Santa Anita Park, the first of five consecutive victories that culminated with the Kentucky Derby and Preakness, the first two legs of the elusive Triple Crown of horse racing. Heavily favored to complete the sweep in the Belmont Stakes, he finished fourth. He later ran sixth in the Pennsylvania Derby and third in the Breeders' Cup Classic. He concluded the year by winning the Hollywood Derby at Del Mar, giving him a record of six wins from nine starts in 2014, ridden in all nine races by jockey Victor Espinoza, as shown below.

Bred and raced by his owners, Perry Martin and Steve Coburn, and trained by Art Sherman, California Chrome became the fourth-leading Cal-bred money earner of all time, behind only Tiznow, Best Pal, and Lava Man, who all raced beyond their sophomore years. California Chrome is scheduled to run as a 4-year-old.

The California Chrome team received many accolades in the course of the year, including a resolution passed by the California Legislature that stated, "WHEREAS, California Chrome, a chestnut-colored horse as golden as his home state, transcended thoroughbred horse racing to become an international phenomenon not just with his brilliant speed and winning ways, but due to his heart-warming story and the people who make up his team." —Assembly Concurrent Resolution 161, California State Legislature, August 14, 2014."



BENOIT PHOTO

California Horse-Racing Meets During 2014

Thoroughbred Race Meets — Central & Southern Zones		
Santa Anita Park	12/26/13—6/29/14	
Los Alamitos Racing Assn.	7/3/14—7/13/14	
Del Mar	7/17/14—9/3/14	
Santa Anita	9/26/14—11/2/14	
Del Mar	11/7/14—11/30/14	
Los Alamitos Racing Assn.	12/4/14—12/21/14	
Thoroughbred Race Meets — Northern Zone		
Golden Gate Fields	12/26/13—6/15/14	
Golden Gate Fields	8/15/14—9/14/14	
Golden Gate Fields	10/16/14—12/14/14	
Quarter Horse Race Meets — Statewide		
Los Alamitos	12/27/13—12/21/14	
Harness Race Meets — Statewide		
Cal Expo	12/27/13—5/17/14	
Cal Expo	10/4/14—12/21/14	
Fair Meets — Statewide		
Pleasanton (OTRA*)	Alameda County Fair	6/19/14—7/6/14
Cal Expo	State Fair	7/11/14—7/20/14
Santa Rosa	Sonoma County Fair	7/25/14—8/10/14
Ferndale	Humboldt County Fair	8/15/14—8/24/14
Los Alamitos**	Los Angeles County Fair	9/5/14—9/21/14
Stockton	San Joaquin Fair	9/19/14—9/28/14
Fresno	Fresno District Fair	10/2/14—10/13/14

* Oak Tree Racing Association

** LA County Fair race meet relocated from Fairplex in Pomona to Los Alamitos Race Course

Handle 2014

Statistics in this report may differ slightly from those released by the racing associations and fairs shortly after their race meets concluded due to updated information on Advance Deposit Wagering (ADW) and non-commingled handle.

Annual Report - Racing Year 2014		Thoroughbred Associations										Racing Fairs					Night Meets		Total
Host	Del Mar Summer	Del Mar Fall	Golden Gate	Los Alamitos Summer	Los Alamitos Winter	LATC Winter/Spring	Santa Anita Alumni-Indi Breeders' Cup	Alameda County	California State Fair	Fresno District	Humboldt County	Los Angeles County Fair	San Joaquin County	Sonoma County	Watch & Wager	Los Alamitos Quarter Horse	Total		
Days	36	15	152	8	12	107	25	12	7	9	6	11	6	13	59	145	623		
Starters	2,862	1,077	8,758	466	761	7,141	2,024	824	394	543	270	723	393	805	5,761	8,151	40,953		
Number of Live Races	326	129	1,264	67	102	930	228	112	61	83	46	94	55	116	771	1,251	5,635		
Average field size per race	8.78	8.35	6.93	6.96	7.46	7.68	8.88	7.36	6.46	6.54	5.87	7.69	7.15	6.94	7.47	6.52	7.21		
Brick and Mortar Bets in California																			
<u>On Tracks</u>																			
Live Races	69,004,284	13,922,265	22,205,734	3,144,131	3,034,897	95,329,097	39,147,506	3,280,161	791,339	2,287,013	584,682	3,087,232	409,564	2,536,954	2,140,138	14,071,674	274,866,669		
Other California Tracks (Intrastate)	1,429,242	703,848	15,446,136	473,761	512,661	14,966,040	2,522,432	783,337	243,827	369,620	20,318	592,345	172,165	553,288	-	-	36,789,017		
Races run outside California	7,851,648	1,433,044	21,090,554	2,003,956	2,256,789	33,189,251	5,022,628	944,387	368,789	216,965	2,294,668	254,182	390,673	390,673	431,027	7,185,975	84,924,491		
Total	78,285,174	16,059,156	56,742,425	5,621,847	5,804,346	143,484,387	46,872,565	4,987,865	1,403,954	2,873,597	614,957	5,984,245	835,911	3,480,915	2,571,165	21,257,649	398,860,177		
<u>Off Track in Host's Zone:</u>																			
Live Races	39,809,866	15,960,365	22,060,711	4,730,563	7,344,145	88,528,213	23,041,529	2,000,690	931,125	1,147,157	315,882	6,292,036	801,517	1,982,006	10,298,109	31,088,345	256,353,269		
Other California Tracks (Intrastate)	8,076,485	5,152,763	37,788,116	1,596,662	1,940,419	26,324,416	4,734,348	2,529,664	1,759,323	2,400,675	706,281	2,450,855	1,689,499	3,731,250	-	-	100,892,757		
Races run outside California	31,781,058	13,597,466	70,294,798	8,228,916	9,130,717	106,563,518	20,428,110	5,773,374	4,031,111	4,140,517	1,271,655	9,587,440	3,632,982	6,234,598	6,904,402	35,242,217	337,037,850		
Total	79,669,408	34,724,624	130,143,625	14,556,140	18,415,282	221,416,148	48,204,987	10,303,729	6,721,559	7,688,349	2,293,798	18,330,331	6,333,988	11,947,856	17,203,511	66,330,562	694,283,876		
<u>Off Track Outside Host's Zone</u>																			
Live Races	10,890,953	4,552,541	57,783,746	1,515,495	2,358,482	37,403,205	9,360,687	4,044,390	1,709,050	2,180,748	494,681	2,122,125	1,476,937	3,788,724	-	-	139,881,774		
Live Races	32,325,667	11,036,524	10,024,607	3,691,844	4,583,121	71,948,569	20,152,830	786,015	305,266	333,184	26,783	4,354,277	183,105	678,939	3,501,980	25,772,249	189,704,960		
Other California Tracks	2,006,515	1,487,536	27,454,205	543,690	674,083	10,325,684	1,331,402	1,608,475	1,333,523	1,238,206	1,040,075	742,521	968,045	2,949,748	-	-	53,693,709		
Races run outside California	29,591,900	13,645,768	61,375,519	8,374,915	9,691,392	107,550,521	21,164,832	4,305,802	2,777,844	2,700,802	1,340,727	10,780,684	2,865,733	4,646,154	14,853,381	34,658,580	330,324,352		
Total	63,924,082	26,169,829	98,854,332	12,610,449	14,948,595	189,824,773	42,649,065	6,700,293	4,416,633	4,271,992	2,407,595	15,877,482	4,006,883	8,274,841	18,355,360	60,430,829	573,723,021		
<u>Outside Host's zone</u>																			
Live Races	7,309,370	2,400,789	14,621,882	871,094	1,253,879	18,626,009	4,987,564	1,010,618	310,442	372,538	132,088	965,536	177,079	754,554	-	-	53,793,421		
Live Races	240,078,986	83,906,939	360,146,009	35,175,025	42,780,583	610,754,522	151,874,878	27,046,914	14,561,637	17,387,223	5,943,089	43,279,718	12,830,779	28,246,889	38,130,037	148,019,040	1,381,440,526		
Other California Tracks	192,715,439	68,524,428	165,570,137	15,604,086	25,460,079	541,964,780	227,891,390	8,940,327	2,707,067	4,361,016	815,293	20,351,792	2,257,797	6,844,709	20,124,985	77,507,199	1,381,440,526		
Races run outside California	6,857,549	2,439,808	11,312,079	781,614	1,296,009	26,007,648	6,172,500	868,402	428,666	519,892	131,210	948,532	-	771,057	6,375,058	6,375,058	65,267,902		
Total	199,572,988	70,964,236	176,882,216	16,385,700	26,756,088	567,972,429	233,863,889	9,808,729	3,135,733	4,880,907	946,503	21,300,324	2,617,676	7,615,766	20,124,985	83,880,257	1,446,708,427		
TOTAL GENERATED IN CALIFORNIA																			
Exports to Out of State	439,651,974	154,871,174	537,028,225	51,560,725	69,536,671	1,178,726,951	385,736,767	36,855,644	17,697,370	22,288,131	6,889,592	64,580,043	15,448,455	35,862,656	58,255,022	231,698,297	3,306,870,697		
Commingled	421,451,651	147,917,844	464,622,598	48,174,137	65,924,311	1,122,697,736	371,390,506	31,800,636	15,677,878	19,714,845	6,262,844	61,492,382	13,794,438	31,319,376	58,255,022	231,899,297	3,113,995,502		
Non Merged	199,572,988	70,964,236	176,882,216	16,385,700	26,756,088	567,972,429	233,863,889	9,808,729	3,135,733	4,880,907	946,503	21,300,324	2,617,676	7,615,766	20,124,985	83,880,257	1,446,708,427		
TOTAL RACES RUN AT HOST TRACK																			
PLUS RACES RUN AT OTHER TRACKS																			
TOTAL DISTRIBUTED BY HOST*																			

*Excludes California bets placed outside host's zone

California Racetracks

The vast horse-racing industry in California included 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 and the world.

HIGHLIGHT

Santa Anita Featured Live Racing for the First Time Throughout the Triple Crown

SANTA ANITA PARK WINTER-SPRING

Santa Anita extended its historic winter-spring race meet, which concluded April 21 in 2013, by 38 days through June 29, 2014, by running dates formerly run at Hollywood Park. Handle for the resulting six months of continual racing totaled in excess of \$1 billion—more than a third of all handle in the state. All-sources handle for the long race meet came to \$1,122,697,736.

Led by superstar sophomore California Chrome, Santa Anita Derby Day was a smash hit as 35,241 on-track fans contributed to an overall pari-mutuel handle of \$22,542,443, a 13-percent increase over 2013 Santa Anita Derby Day. Fans watched California Chrome follow up on brilliant victories in the Cal Cup Derby and San Felipe Stakes, both run earlier in the race meet, with an emphatic 5¼-length win under jockey Victor Espinoza for trainer Art Sherman.

With California Chrome leading the way through the Triple Crown, Santa Anita posted huge year-to-year gains on and off track on Kentucky Derby Day, Preakness Day, and Belmont Day—and also of significant importance was the initial Gold Cup at Santa Anita Park, which generated large increases in attendance and on-track handle. In another race meet highlight, trainer Bob Baffert sent the venerable 7-year-old gelding Game On Dude out for an unprecedented third win in the Santa Anita Handicap.



BENOIT PHOTO

“(Extending the race meet through June) was uncharted territory for us, and on balance we’re very pleased with the way the race meet went in terms of handle and purses, and that we were able to expose many more thousands of new fans to our sport,” said Santa Anita Chairman Keith Brackpool. “One of our primary objectives has been to get people excited about coming out to Santa Anita, and our modernization projects throughout the facility have been a great help in that regard. The successes of this race meet, though, would not have been possible without the support from our fans, owners, trainers, jockeys and dedicated employees, and for that we are deeply appreciative.”

California Chrome and jockey Victor Espinoza win the \$1,000,000 Santa Anita Derby at Santa Anita.

HIGHLIGHT

Practically Home to the Breeders' Cup These Days, Santa Anita Capped Another Successful Fall Race Meet with the Championship

SANTA ANITA PARK FALL

Punctuated by a tremendous two-day Breeders' Cup Championship weekend, Santa Anita's 25-day fall race meet finished with a flourish, enabling the track to post increases in pari-mutuel handle. All-sources handle for the race meet totaled \$371,390,506, up slightly from the previous year's 24-day race meet.

On-track attendance reported by Santa Anita for the two Breeders' Cup days totaled 98,319—with 61,114 on Breeders' Cup Saturday and 37,205 on Breeders' Cup Friday. This represented a four percent increase over the previous year's Breeders' Cup numbers at Santa Anita. The 2015 Breeders' Cup will be held at Keeneland Racecourse in Kentucky and will return to Santa Anita for a record ninth time in 2016.

"As we wrap up our first year of racing under this new calendar at Santa Anita Park, we'd like to thank our fans, horsemen and employees for all of their support," said Santa Anita President Tom Ludt. "We just hosted an unprecedented third consecutive Breeders' Cup this week, and the racing world once again saw what a tremendous facility we have here. From our racing surfaces to our recently renovated areas throughout the Grandstand and Club House, we performed at a world-class level and we look forward to again hosting the World Championships in 2016."

Rafael Bejarano led all jockeys with 28 wins, six clear of runner-up Joe Talamo—marking the Peruvian marvel's 20th Southern California riding crown.



BENOIT PHOTO

Bayern and jockey Martin Garcia win the \$5,000,000 Breeders' Cup Classic at Santa Anita Park.

HIGHLIGHT

Slightly Shorter Race Meet Attracted Its Usual Large Crowds and Quality Racing Boosted by Good Weather and National Interest

DEL MAR SUMMER

Del Mar's annual summer race meet—the 75th since the track was founded by Hollywood pals Bing Crosby and Pat O'Brien back in 1937—provided its usual refreshing dose of fun in the sun mixed with racing delights during a 36-day stand from July 17 through September 3. The shore oval opened its gates on a Thursday (instead of the normal Wednesday) in 2014 to allow an extra day for transition from the extensive San Diego Fair. And while what had been a 37-day race meet for the past five years dropped one day in the process—the end results gave the appearance of not missing a beat.

The track presented 326 races—just two fewer than the 2013 summer race meet due to individual races added to cards during the stand—and provided its horsemen with record daily average purses of \$723,000, the second-highest total in the nation. All-source handle came to \$421,451,651, down about two percent from the longer race meet in 2013.

Del Mar continued to score bonus points for itself and the entire Southern California circuit with its ongoing “Ship and Win” program, which entered its fourth year of providing bonus incentives to horsemen who ship in runners from outside the state. It had its best response yet to the innovative program—187 out-of-state horses coming on board over the course of the summer—with many of them staying in California and running at the state's other tracks.

The track's racing calendar was once again topped by the \$1-million TVG Pacific Classic, a mile and one-quarter test taken by Shared Belief, owned in part by radio and TV personality Jim Rome. The TVG Pacific Classic hero's trainer, Hall of Famer Jerry Hollendorfer, added Shared Belief's triumph to 19 other firsts during the summer stand to finish in a tie with Peter Miller for the track's training honors

at 20 victories. The meet's top rider was once again the Peruvian Rafael Bejarano, who booted home 42 winners for his third straight shore jockey crown and his fourth overall.



BENOIT PHOTO

Shared Belief races to a 2¾-length victory under jockey Mike Smith at Del Mar in the \$1-million TVG Pacific Classic.

HIGHLIGHT

Del Mar's Fall Race Meet Won Over Skeptics Who Questioned Whether Off-Season Racing Would Be Successful at the Seaside Oval

DEL MAR FALL

Del Mar's first foray into November racing proved a solid winner as the seaside track presented a four-week session from November 7 to November 30 that all parties involved agreed was a success. The race meet was blessed with spectacular fall weather, strong backing by Southern California horsemen, and enthusiastic racing crowds primarily from the San Diego area as opposed to the largely vacationing crowds prevalent at the summer race meet.

Racing on 15 of the days previously run at Hollywood Park, Del Mar offered 14 stakes races during the race meet with a total value of \$2,250,000. It also offered the first Thanksgiving Day racing card in its history. All-sources handle of \$147,917,844 exceeded management's expectations and provided a daily average handle of \$9,861,190. Comparatively, handle at the 2013 fall meet at Hollywood Park, which ran 27 days, totaled \$234,616,948 for a daily average handle of \$8,689,517.

The racing highlight of the stand came when California Chrome made his turf debut in the Hollywood Derby, luring a crowd of nearly 22,000 to the oval to cheer on the flashy 3-year-old chestnut. The California-bred son of Lucky Pulpit scored by two lengths to great applause.

The training crown for the inaugural fall session was won by "local" Peter Miller (who lives in nearby Carlsbad and trains primarily out of nearby San Luis Rey Downs) with 15 winners. Riding honors went to Victor Espinoza, who registered 12 firsts, including the triumph on California Chrome.



BENOIT PHOTO

The fall race meet was the final Del Mar session conducted on Polytrack, a synthetic surface introduced in 2007. The Polytrack was scheduled to be removed and replaced by dirt in time for the 2015 Del Mar summer season.

California Chrome skips to a two-length victory in the Hollywood Derby, the racing highlight of Del Mar's initial fall racing season.

HIGHLIGHT

Golden Gate Again Was Up to the Challenge of Anchoring Horse Racing in Northern California

GOLDEN GATE

Golden Gate Fields ran for 152 days in 2014—offering more thoroughbred racing programs than any other racetrack in California—and provided year-round stabling as the anchor of Northern California horse racing. The 152-day race meet was four days fewer than Golden Gate offered in 2013, but all-source handle nonetheless increased slightly to \$464,622,598.

Pepper Crown was the equine star of the race meet. He made his stakes race debut in the San Francisco Mile and came from just off the pace to post the biggest upset in the 64-year history of the feature at odds of 46-1. Pepper Crown later sprang another surprise at odds of 10-1 in the Rolling Green Stakes. And then he did it again at odds of 15-1 in the Berkeley Handicap. Jockey Abel Cedillo guided Pepper Crown to his victories in the San Francisco Mile and Rolling Green Stakes, while Juan Hernandez was aboard in the Berkeley.

Veteran jockey Frank Alvarado earned his 3,000th victory in North America when he guided Curly Girly to victory in the eighth race at Golden Gate Fields on June 6, 2014. A native of Panama City, Panama, Alvarado estimates he won “a hundred races” in his homeland before coming to the United States in 1990 and notching his first U.S. win at Gulfstream Park in Florida aboard Solely True on March 3, 1990.

Jockey Russell Baze and trainer Jerry Hollendorfer, both members of thoroughbred racing’s Hall of Fame, added three more Golden Gate Fields championships to their resumes by leading their colleagues at the winter/spring, summer, and fall race meets. Baze has won 50 riding titles at Golden Gate Fields, and Hollendorfer has captured 48 training crowns at the East Bay racetrack.

Jockeys Brayan Pena, Cesar Salcedo, and Osvaldo Gonzalez, as well as trainer Cinda Mahorney, all recorded the first victories of their careers at Golden Gate Fields in 2014.



VASSAR PHOTO

Pepper Crown wins the first of three stakes races at Golden Gate Fields, beginning with the San Francisco Mile, shown here with jockey Abel Cedillo aboard.

HIGHLIGHT

Easily the Busiest Track in California, Los Alamitos Ran 23 Doubleheaders Offering Daytime Thoroughbred and Night Quarter Horse Racing

LOS ALAMITOS QUARTER HORSE

The unveiling of the new expanded one-mile dirt racetrack highlighted a busy year of racing at Los Alamitos Race Course in 2014. The Orange County facility hosted three separate daytime thoroughbred and fair race meets over the course of the year—two of them with dates formerly run at Hollywood Park, the third previously run in Pomona. All the while, Los Alamitos continued to run 145 night quarter horse programs. While the 31 days of daytime racing attracted thoroughbred stars like Shared Belief, Take Charge Brandi, Dortmund, Los Alamitos first gained national stature as a high-quality quarter horse track. In 2014, Los Alamitos again hosted first class, year-round quarter horse racing.

All-source handle for the 145 days of quarter horse racing totaled \$231,899,297. The quarter horse racing season was highlighted by tremendous individual campaigns of horses like Moonist, winner of the El Primero Del Ano Derby, Governor's Cup Derby, Golden State Derby, and Pacific Coast Quarter Horse Racing Association (PCQHRA) Derby. Another star, Heza Dasha Fire, qualified for three races with million dollar purses contested at Los Alamitos in 2014 and won two of those races—the Ed Burke Million Futurity and Golden State Million Futurity.

Ed Allred was the leading quarter horse owner at the race meet with 67 wins from 396 starters for a 17% win ratio in 2014. The American Quarter Horse Association (AQHA) Hall of Fame Owner and Breeder was represented by Spencer L. Childers California Breeders Championship Handicap winner Once Over and Governor's Cup Futurity winner Discontent, but his top winner was He Looks Hot. The gelding by Walk Thru Fire won the meet's richest race, the Los Alamitos Two Million Futurity.

Paul Jones was the meet's leading quarter horse trainer for the 16th time in the last 17 years after saddling 138 winners. Cruz Mendez rode 119 quarter horse winners

to finish as the meet's leading rider for the third straight year. Mendez held off a strong challenge by Cesar DeAlba, who finished with 112 victories.

Los Alamitos assisted thoroughbred horse racing by providing year-round stabling following the closure of Hollywood Park. The outstanding California-bred California Chrome made Los Alamitos his home base, training there prior to embarking on a successful Triple Crown campaign that saw him win the Kentucky Derby and Preakness.



This aerial view of Los Alamitos Race Course clearly shows how the once five-eighths-of-a-mile oval was expanded to one mile to allow for both quarter horse and thoroughbred racing.

HIGHLIGHT

Los Alamitos Hosted Three Successful Thoroughbred Race Meets that Attracted Their Share of Stars

LOS ALAMITOS THOROUGHBRED

Los Alamitos ventured into daytime thoroughbred racing without any guarantees but with plenty of optimism, and its efforts were rewarded, beginning with a highly successful early summer race meet utilizing dates formerly run at Hollywood Park. A second, late-summer session as host of the Los Angeles County Fair race meet also proved popular, followed by a third, fall-winter race meet in a tough time slot racing between Del Mar and Santa Anita. Altogether, the three race meets generated all-source handle of \$176,590,383 over 31 racing days with a daily average of about \$5.7 million.

Individually, the eight-day early summer race meet had all-source handle of \$49,174,137. The 11-day Los Angeles County Fair race meet handled \$61,492,382. The 12-day winter race meet concluded the year with all-source handle of \$65,924,311.

At the conclusion of the winter race meet, Brad McKinzie, vice president and general manager of the Los Alamitos Racing Association, said, “This race meet did exactly what we hoped it would do in that we continued to show growth, most particularly out-of-state handle,” echoing positive remarks he had made in the summer. “We put on a good show and that was our main goal.”

The roll call of prominent trainers participating at the various race meets included D. Wayne Lukas, who saddled Take Charge Brandi for a victory in the \$350,000 Starlet, and Bob Baffert, trainer of \$500,000 Los Alamitos Futurity winner Dortmund. Lukas and Baffert became the first trainers to win both a thoroughbred and quarter horse Grade I event at Los Alamitos.

“If the Starlet and the Los Alamitos Futurity don’t give us credibility around the country that we are running quality races, I don’t know what will,” said McKinzie.”



BENOIT PHOTO

Shared Belief was the star of the early summer race meet. In his first appearance on dirt for Hall of Fame trainer Jerry Hollendorfer and a large ownership group that included sports radio and television personality Jim Rome (Jungle Racing LLC), Shared Belief was dominant in the \$500,500 Derby under Hall of Fame jockey Mike Smith. Hollendorfer and Smith also combined to win the meet’s other major race, capturing the \$200,500 Great Lady M. Stakes with California-bred Doinghardtimeagain.

Jockey Mike Smith guides Shared Belief back to the winner’s circle following an impressive win in the Los Alamitos Derby.

HIGHLIGHT

Higher Purses, More Stakes Races Plus Other Innovations and Incentives Gave a Boost to Fair Racing

THE NORTHERN CALIFORNIA FAIRS

A new partnership with the prestigious Oak Tree Racing Association (Oak Tree), a strong purse program, increased incentives for horsemen and the implementation of two new jackpot wagers highlighted the 2014 Northern California fair racing circuit.

In 2013, representatives from the California Authority of Racing Fairs (CARF) and Oak Tree began discussing a potential alliance that would offer a new concept of racing in Northern California. The vision involved not-for-profit Oak Tree racing at a Northern California fair, thereby continuing its legacy of helping horsemen and local communities, while giving a much needed boost to racing in Northern California.

On March 28, 2014, Governor Brown signed AB 1303 (Hall) enabling Oak Tree to conduct a race meet at a fairground in Northern California. Pleasanton was chosen as the facility. CARE, Oak Tree, and Alameda County Fair staff worked to make the initial “Oak Tree at Pleasanton” race meet a success.

Bolstered by the debut of the Oak Tree at Pleasanton race meet, the 2014 fair circuit offered horsemen a competitive purse structure, an increased stakes race schedule, shipping incentives for out-of-state horses, improved accommodations for horses shipping into warmer climates, a single-credential program for horsemen traveling the circuit, and trainer incentives that gave a minimum \$500 bonus to trainers making five or more starts at each fair and \$1,000 bonus for 10 or more starts.

Fairs introduced two new wagers at the start of the Oak Tree at Pleasanton race meet: the \$0.20 Gold Rush Pick 6 and \$0.20 Gold Strike Super High 5. Considered “jackpot wagers,” these bets have low minimums, allowing more affordable wagering combinations, while creating the opportunity for huge carryover pools.

On August 7, 2014, the California Legislature passed a resolution renaming the Cal Expo track the “Kirk Breed Memorial Racetrack” after the former CHRFB executive director.

HIGHLIGHT

A New Partnership with Oak Tree Racing Association Led to Facility Improvements, Higher Purses, and Increased Marketing

PLEASANTON

In 2014, the oldest one-mile racetrack in America joined up with Oak Tree, one of the most respected racing operators in California, to create a new race meet in Northern California: Oak Tree at Pleasanton. The benefit of the partnership was twofold: give the not-for-profit Oak Tree Racing Association a venue to continue the organization’s founding mission of “horsemen helping horsemen” while allowing the Alameda County Fair to boost existing plans for facility improvements and marketing. Purses were increased through Oak Tree’s participation.

Improvements to the racing facilities included doubling the size of the popular Trackside Terrace, building a new winner’s circle to face the grandstand, repaving the grandstand apron, and increasing the size of the directors’ room to provide added space for directors, guests, and sponsors. The Alameda County Fair also took on the project of updating each bar area throughout the grandstand.

For horsemen, overnight purses were raised and three new stakes races were added—the \$100,000 Oak Tree Handicap, \$100,000 Oak Tree Distaff and

\$75,000 Oak Tree Sprint. Trainers were also given monetary incentives for making five or more starts.

Marketing efforts were increased on social media platforms, with traditional advertising, and partnerships with television providers TVG and HRTV that expanded television coverage. One of Oak Tree's most popular traditions, its historic stein giveaway, was added to Pleasanton's packed promotional calendar.

These efforts paid off. The Alameda County Fair attendance was up 22 percent with a total attendance of 475,726. Significant gains in ADW handle contributed to Pleasanton generating \$31.8 million in total handle—a two-percent increase from 2013. On-track attendance was up 10 percent, on-track handle was up two percent and out-of-state handle was up 19 percent. All ADW handle on live Pleasanton races was up 82 percent, from \$1.75 million in 2013 to \$3.2 million in 2014.

HIGHLIGHT

Agriculture, Food, Racing, and Soccer Drew Over 750,000 to the State Fair

SACRAMENTO

Despite a state-wide drought, triple digit heat wave and sporadic wildfires that threatened the fairgrounds, turnout for the 2014 California State Fair was the best in six years, up eight percent from the 697,045 fairgoers that attended the 17-day celebration of California in 2013.

A renewed State Fair marketing campaign featured the iconic Blue Ribbon, five sold-out soccer matches, and expanded shade seating, all of which contributed to the increase in attendance. Several on-track promotions were designed to drive fairgoers from the three main admission gates to the racing grandstand. Each fairgoer received a coupon at admission redeemable at the races for a free wager, a table for four in the Turf Club, and racing memorabilia or a free program. Special events at the grandstand included a Whiskey Fest, Brewer's Festival, and NBA Nation mobile experience. Both the Whiskey Fest and Brewer's Festival were held on the grandstand apron, where fans could watch the races while participating in a seminar on how to select winners and place wagers. Due to these efforts, daily average attendance increased 11 percent and closing day attendance was up 27 percent.



Behind the scenes, \$500,000 was invested in the barn area, including upgrades to 22 tack rooms, improvements to water runoff, enhanced security on the backside and renovations to the Club House. Trainers received a total of \$25,000 in incentives for making 5-10 starts during the race meet and were offered a 50-percent increase

Racing during the State Fair introduces new fans to the sport.

over comparable incentives paid on the fair circuit.

Fans wagered \$15,677,878 over the course of the seven-day race meet for a daily average of \$2.24 million, down two percent compared to the eight-day 2013 race meet.

Top Kisser, trained by Jerry Hollendorfer and ridden by jockey Russell Baze, held off her stablemate to win the \$75,000 California Governor's Cup Handicap. Baze swept the leading jockey title with 18 wins, and Victor Trujillo was leading trainer with six wins.

HIGHLIGHT

Turf Racing in the Heart of Wine Country Continued to Benefit the Northern California Fair Circuit

SANTA ROSA

Once again, Wine Country Racing at the Sonoma County Fair was a draw for Northern California turf horses. The 13-day race meet carded 95 thoroughbred races with 42 of those races run on the turf. Average thoroughbred field size was 7.08, while an average of 7.31 horses per race competed on turf. The horsemen expressed their approval and appreciation of the newly renovated turf racing surface.

Total handle for the race meet was \$31,319,376, with average daily handle of \$2,408,000. Proven effective in 2013, Wine Country Racing continued to mirror the later Del Mar post time on Fridays. At the request of the Thoroughbred Owners of California, the \$50,000 Wine Country Debutante for 2-year-old fillies was added to the already full stakes race schedule.

Exclusive to the Sonoma County Fair, a new horsemen's incentive promotion was available to all starters with daily drawings of \$1,000 and a grand prize drawing at the conclusion of the race meet for \$5,000. Always a crowd pleaser, the third annual Jockey Foot Race was held on Saturday, August 9, 2014.

HIGHLIGHT

Ferndale Posted Strong Gains with a Reduced Calendar

FERNDALE

The theme of the 118th Humboldt County Fair was "Celebrating Local" but with continuing challenges in enticing runners to the California/Oregon border, fans were forced to celebrate with two fewer days of racing.

The six-day race meet consolidated horse racing to the Fridays, Saturdays and Sundays of the two-week fair. The consolidation of dates was successful: total on-track handle surpassed 2013 figures by almost four percent with \$614,957 wagered in 2014 compared to \$593,582 the prior year. Total handle reached \$6,262,844 million for a daily average of \$1,043,800, about 50-percent higher than 2013. The six-day race meet was jam-packed with on-track promotions, including a ladies hat day hosted by Food Network personality Guy Fieri, a meet-and-greet with race car driver Mario Andretti, hippity-hop contests, and giveaways.

The reduction in race days and monetary incentives offered to trainers helped to generate a three-percent increase in the average thoroughbred field size, from 5.87 to 6.03 (from an eight-horse starting gate).

HIGHLIGHT

Stockton Offered Free Admission and Increased Its ADW Presence

STOCKTON

For the second consecutive year, racing at Stockton was conducted outside the traditional county fair dates. Guests of “Stockton Racing at the San Joaquin County Fairgrounds” enjoyed free admission to the races along with a Western Festival showcasing music, carnival games, a BBQ cook-off, craft fair, and mud bog races.

In an effort to promote the new community event, corporate sponsors were engaged to conduct social events in a VIP area of the grandstand and significant upgrades were made to the second floor bar area, resulting in a one-percent increase in on-track attendance.

All-sources handle reached \$13,794,438, down from the 2013 total of \$14,036,031. Increased television coverage yielded ADW handle of \$8.3 million.

Gil Matos was the leading trainer with four wins. Juan Hernandez was the leading jockey with seven wins.

HIGHLIGHT

Fresno Set Record Attendance and Celebrated Homebred California Chrome

FRESNO

In bringing the Northern California fair racing season to a close, the Big Fresno Fair attracted 666,621 guests, breaking the previous year’s attendance record of 641,351 by four percent.

Highlights of the 2014 race meet included the addition of the \$100,000 Harris Farms Stakes, the Great Mascot Race and the designation of October 11 as California Chrome Day. To honor California Chrome, the Central Valley born-and-bred horse that captured the hearts of racing enthusiasts across the nation, federal, state and local officials presented the champion’s owners with proclamations and resolutions declaring the day “California Chrome Day” in Fresno County the City of Fresno, and giving a key to the city to the horse’s connections.

All-source handle totaled \$19,714,845, down from \$21,358,400 in 2013.

Leading trainer and recipient of a custom horse trailer was John F. Martin with six wins, while the leading jockey was Ricardo Gonzalez with 12 wins.

HIGHLIGHT

Watch and Wager LLC Continued to Operate a Promising Harness Program

CAL EXPO HARNESS

Standardbred racing was conducted for 63 days in 2014 at Cal Expo, the home of California harness racing. The racing season consisted of two race meets, the first from January 1 through May 16, and the second from October 4 through December 31. Watch and Wager LLC concluded its second successful year as operator of the race meets. All-sources handle reached \$58,255,022.

On the racetrack, two California-sired sons of Panama Hanover dominated the trotting ranks. El Azteca had nine wins from 18 starts, and It's Not Over scored eight victories from 14 trips to the post.

In the 3-year-old pacing division, three colts very close in ability provided a season of exciting finishes. King of the Crop with eight wins from 19 starts, came out on top. Laissez Moi Passer and Rikybrnthegaragdwn also scored multiple stakes race victories in the colt division. In the 3-year-old filly division, J'S Littlerockstar, Brewski, and De Valeria were each victorious in multiple sire stake events. All three fillies are from top producing California sire Little Steven.

Luke Plano with 166 victories captured his fifth Cal Expo driving title. Luke is the son of longtime California leading driver/trainer Rick Plano. Rising star James Kennedy had a great year as runner-up with 145 victories.

Bob Johnson, who is entering his fifth decade as a trainer in California, came out on top with 71 victories. He campaigned a string at Hoosier Park during the summer. Tim Brown and Tim Maier also had outstanding seasons on the training side.

At year's end, many new stables had arrived at Cal Expo for the winter race meet. Operators were optimistic for a return to a partial three-day-week schedule.



Simulcast Facilities by Location

Anderson	\$1,467,567.70	5,132
Bakersfield	387,314.70	1,759
Bankers Casino	993,330.70	3,675
Barona	12,737,722.70	58,912
Cabazon	10,545,617.10	42,409
Commerce Casino	23,197,449.20	66,797
Del Mar	130,085,974.25	764,745
Ferndale	738,922.60	16,731
Fresno	8,324,494.60	94,966
Fresno Club One	3,252,176.50	5,138
Golden Gate	77,511,129.10	384,000
Hollywood Park	114,000,270.10	420,539
Lake Perris	11,011,233.60	46,252
Lancaster	11,290,393.60	45,219
Los Alamitos	116,393,147.00	450,056
Monterey	4,779,144.50	21,147
OC Tavern	9,561,813.60	32,882
Ocean's 11 Casino	3,302,016.40	13,870
Pleasanton	33,881,454.80	246,183
Pomona	61,548,793.70	246,183
Sacramento	24,299,192.85	113,117
San Bernardino	20,441,653.35	90,255
San Jose	27,486,752.20	104,688
San Mateo County	62,650,668.50	168,220
Santa Anita	239,266,964.65	1,105,227
Santa Anita Tablet	20,742.30	
Santa Clarita Lanes	12,353,514.70	34,135
Santa Maria Orig Rdhouse Grill	3,171,413.40	10,069
Santa Rosa	12,868,502.50	80,915
Shalimar (Indio)	3,051,609.00	16,150
Stockton	15,401,167.90	63,086
Sycuan	6,374,440.90	33,407
Tilted Kilt (Thousand Oaks)	5,366,417.95	8,653
Tulare	1,553,688.60	5,572
Turlock	5,649,976.50	19,066
Vallejo	14,086,981.70	49,083
Ventura	17,090,479.25	51,945
Victorville	5,626,380.80	32,901
Viejas	6,625,997.00	31,190

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

Horse-Racing Revenues

Senate Bill 16, which took effect in 2009, eliminated the license fees paid to the state by racing associations. In lieu of license fees, the horse-racing industry is responsible for providing support to the CHRB. Each year, the CHRB develops a formula in consultation with the industry. The formula is used to determine the share each racing association should pay towards the funding of CHRB operations. During FY 2013-14, the pari-mutuel handle totaled \$3,144,249,753 and generated \$12,082,000 in horse-racing revenue, which was used to fund CHRB operations.

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 takeouts on conventional wagering (win, place, and show pools) are 15.43 percent for thoroughbred race meets, 17.63 percent for quarter-horse race meets, 17.43 percent for harness race meets, and 16.77 percent for fair race meets.

The takeouts on exotic wagering pools (all pools that are not win, place, or show) are, for thoroughbred race meets, 22.68 percent for wagers involving two runners or legs and 23.68 percent for wagers involving three or more horses or legs; for quarter-horse

race meets, 22.88 percent; for fair race meets, 24.02 percent; and for harness race meets, 24.18 percent.

In general, once the state license fees, 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 race 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 totali-

zator 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. Breakage in FY 2013-14 totaled \$7,852,194. State statutes require breakage to be split evenly between purses and commissions.

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 \$377,426.

Business and Professions Code section 19550 requires racing associations to contribute a portion of their handle to charity. Racing associations have the option of selecting a number of racing days determined by the length of their racing meet or two-tenths of one percent of the live handle for the entire race meet. 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 meet 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, Del Mar Thoroughbred Club, Los Alamitos Quarter Horse Racing Association, the California Exposition and State Fair, and Watch and Wager LLC.

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. Racing patrons may mistakenly tear up, lose, or forget about winning tickets. After May 15, any unclaimed monies are distributed as indicated below.

Senate Bill 16 went into effect during 2009, eliminating the State's portion of unclaimed tickets pursuant to Business and Professions Code section 19641.

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

1. Fifty percent of live races unclaimed pari-mutuel tickets shall be paid to a welfare fund established by the horsemen's organization contracting with the association with respect to the conduct of the racing meet for the benefit of the horsemen, and the said organization shall make an accounting to the Board within one calendar year of the receipt of such payment. During FY 2013-14, the distribution to the welfare funds was \$1,000,981.

2. The other 50 percent of live races unclaimed pari-mutuel tickets shall be divided equally between the association (as commissions) and horsemen (in the form of purses). Notwithstanding the distribution of live races unclaimed tickets, unclaimed ticket monies generated by wagering on intrastate (north/south) thoroughbred and fair races and interstate imports are split equally between purses and commissions. During FY 2013-14, the tracks and the horsemen each received \$1,625,555.

3. Unclaimed refunds totaled \$810,852 for FY 2013-14. 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.

Statement of Distribution by Fund of Horse Racing Revenues

July 1, 2013 through June 30, 2014

License Fees — CHRB Support	\$10,981,000	
ADW License Fees — CHRB Support	658,000	
Miscellaneous Income	0	
Income from Surplus Money Investment Fund	3,000	
Escheat of Unclaimed Checks, Warrants	0	
Settlements/Judgments (not anti-trust)	1,000	
Total 3153 Fund		\$11,643,000
Horse racing licenses	3,000	
Fines & Penalties	126,000	
Occupational Licenses	938,000	
Miscellaneous Income	3,000	
Total Fund 0001		1,070,000
Equine Research License Fees	1,035,000	
ADW Equine License Fees	466,000	
Total Fund 0881		1,501,000

Occupational Licenses and Fees

July 1, 2013, through June 30, 2014

Type of License	Fee	Issued	Total
Multiple Ownership*	300	4	1,200
Horse Owner-Open Claim	250	9	2,250
Officer/Director/Partner**	150-200	144	23,000
Horse Owner**	150-250	3,289	492,250
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Trainer, Assistant Trainer***	150	340	48,400
Harness Horse Driver***	150	16	2,400
Jockey/Apprentice Jockey***	150	142	17,900
Jockey Agent	150	30	4,500
<hr/>			
Bloodstock Agent	150	11	1,650
Veterinarian	150	44	6,600
Association Employee	75	244	18,300
Valet/Custodian/Attendant	75	6	450
<hr/>			
Pari-mutuel Employee/Tote	75	551	41,325
Horseshoer	75	34	2,550
Exercise Rider/Pony Rider***	75	336	24,560
Misc. Employee/Stable Agent Vendor**	35-75	333	22,295
Security Guard	75	114	8,550
Stable Foreman	75	90	6,750
<hr/>			
Authorized Agent	25	683	17,075
Replacement License	15	271	4,065
Annual Groom/Stable Employee (Original)***	35	403	14,105
Annual Groom/Stable Employee (Renewal)**	20-35	1,370	29,110
Total fees generated to General Fund			\$892,285

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

Other Public Revenues

Horse racing contributes to local economies through sales tax from the sale of claimed horses. During FY 2013-14, there were 1,918 horses “claimed” at authorized race meets.

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 FY 2013-14, the total amount paid for claiming of horses was \$27,724,000, resulting in sales tax revenues of \$2,438,031.

Business and Professions Code 19610.3 authorizes every racing association or fair to permanently elect to deduct up to 0.33 of one percent from all pari-mutuel pools and to distribute the amounts to the city or county where the racing meet is held if the city or county passes an ordinance to accept such fees in lieu of admission taxes and license fees.

During FY 2013-14, \$3.7 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 percent-

age deduction for purses, and the track’s commission. Commissions retained by California racing associations during FY 2013-14 totaled \$126,491,605.

Purses

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

Purses for California race meets during FY 2013-14 totaled \$149,749,251. In addition, \$10,320,523 was paid out as California-bred incentives.

In order for the individual racing associations to establish their daily purse structure for their race meets, 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, and then revised during the course of the race meet based on actual handle. The racing association must also execute an agreement with the respective horsemen’s organization representing the horsemen at each race meet in order to establish the percentage of the total purses that may be used for stakes races.

Statistics For Horses Claimed

July 1, 2013 to June 30, 2014

Track Location	Horses Claimed	Amount Paid	Sales Tax
Thoroughbred Race Meets — Northern			
Golden Gate	383	\$3,959,550	\$356,359
Thoroughbred Race Meets-Central-Southern			
Del Mar	221	\$4,865,500	\$389,240
Hollywood Park	130	3,175,500	301,672
Santa Anita	513	12,266,500	1,103,985
Harness Meets-Statewide			
Cal Expo	29	\$126,350	\$10,740
Quarter-Horse Meets-Statewide			
Los Alamitos	498	\$2,194,700	\$175,576
Fair and Mixed Meets-Statewide			
Pleasanton	42	\$390,900	\$35,181
Santa Rosa	25	149,800	13,108
State Fair	16	85,700	7,285
Stockton	7	42,500	3,506
Ferndale	8	25,100	1,883
Pomona	38	406,500	36,585
Fresno	8	35,400	2,912
Grand Total	1,918	\$27,724,000	\$2,438,031

Authorized Horse Sales

Each year the CHRB 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 2013-14, there were 900 horses sold for a total of \$24,976,300. These sales generated a total of \$845,653 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 2013-14:

Barretts Equine Ltd. at Del Mar

1. Paddock Sale July 21, 2013

Barretts Equine Ltd. Thoroughbred Sales at Fairplex Park

1. October Yearling Sale October 8
2. January Mixed Sale January 27
3. March Two-Year-Olds March 3
4. Spring Two-Year Olds May 12

Altogether, 530 horses were sold at Barretts' Del Mar and Fairplex Park sales for a total of \$20,028,900, which generated \$735,377 in sales tax.

California Thoroughbred Breeders Association Sales

1. Nor-Cal Yearling Sale August 13

A total of 73 horses was sold for a total of \$385,500, which generated \$20,009 in sales tax.

Quarter-Horse Sales At Los Alamitos

1. Los Alamitos Equine Sale Oct. 4, 5

A total of 297 horses was sold for \$4,561,900, which generated \$90,267 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 meet 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.

The breeder of a California-bred horse receives a monetary award based on the order of finish for horses finishing in the first three places. A further incentive to own a California-bred horse is provided by owners premiums. Business and Professions Code section 19611 (d) allows for 0.07 percent of the takeout to be distributed as owners premiums to persons owning California-bred horses.

Additionally, stallion awards are issued to owners of qualified 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 Program

The California Thoroughbred Breeders Association (CTBA) 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 2013-14, \$704,467 was generated as owners premiums and \$9,835,605 for the breeders program from the wagering handle.

At California thoroughbred race meets, 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 the 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. The CTBA is authorized to deduct five 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 four percent of funds generated) for administering the Standardbred Breeders Program. The program is funded from the breakage at harness race meets and an additional one percent takeout on all exotic wagering at harness race meets. In FY 2013-14, the program generated \$251,296.

Quarter-Horse Breeders Program

Pacific Coast Quarter Horse Racing Association, as the recognized breeders organization, received \$335,774 from the pari-mutuel handle to fund its program in FY 2013-14. 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 meets, 0.4 percent of the handle at quarter-horse race meets, and a proportional payment of the monies required by the state, the association, and the horsemen.

Paint Breeders Program

The Paint breeders awards received \$301 for the breeders program in FY 2013-14. No Paints ran in California. This revenue came from ADW wagers.

Arabian Breeders Program

The California Arabian horse breeders awards received \$10,759 for the program during FY 2013-14.

Mule Breeders Program

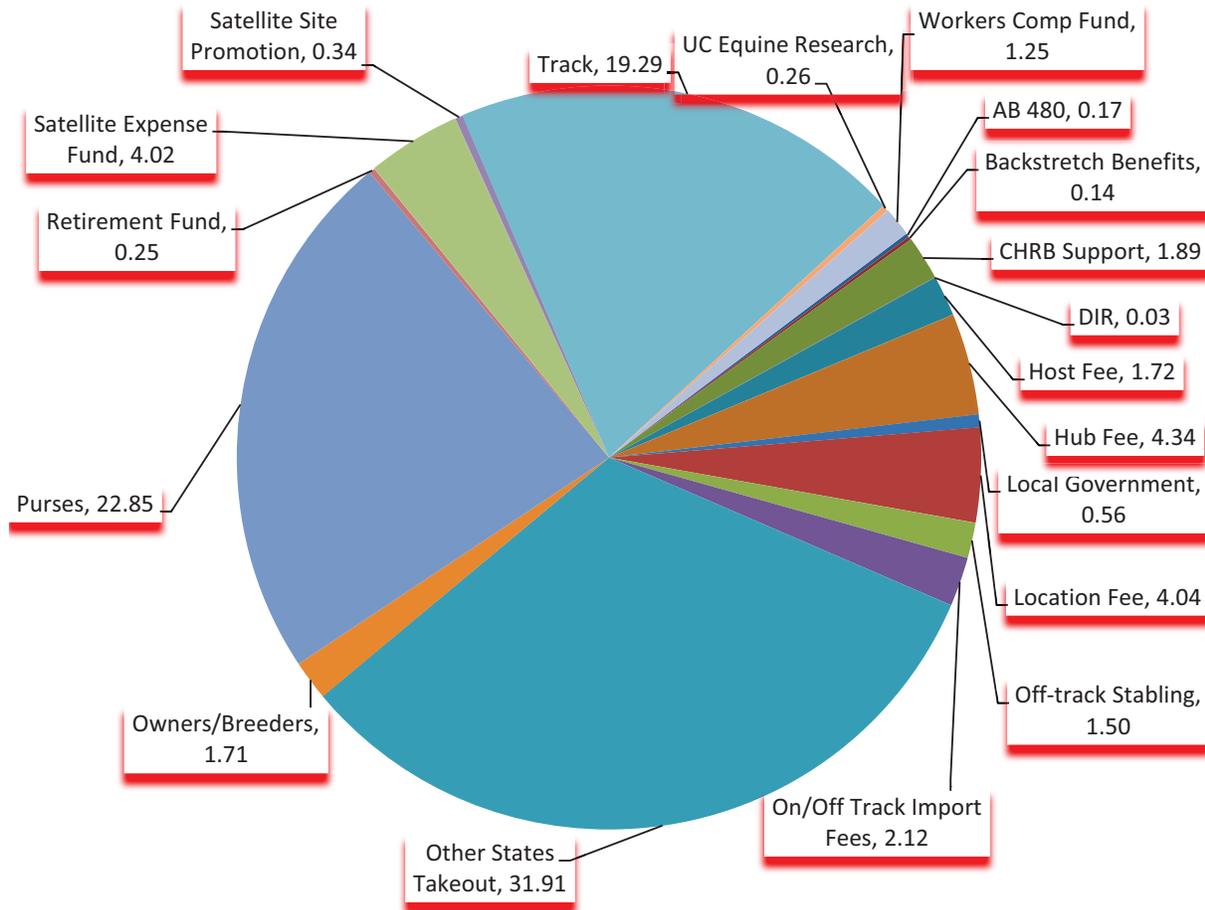
The California mule breeders awards received \$11,029 for the program during FY 2013-14.

Appaloosa Breeders Program

California did not host Appaloosa breed races during FY 2013-14.

The Revenue Stream

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



A total of \$3,144,249,759 was wagered by fans of California racing during FY 2013-14, and of the money, 79 percent (\$2,487,116,434) was returned to winning ticket holders.

Prior to simulcast wagering in 1985, virtually all of the wagering in California races was at the track, but today “on-track” bets make up only 13.30 percent of wagers placed (\$418 million). Off-track betting within the state provides 22.47 percent of the handle (\$706 million) The balance comes from out-of-state and Advance Deposit Wagers (totaling \$1.2 billion). ADW accounted for \$838,393,706 of the handle.

Patrons failed to cash \$4.3 million worth of winning tickets. By law,

money from uncashed tickets, except for fairs, is split between a welfare fund for the benefit of the backstretch, the associations, and horsemen. 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 CHRIMS.

Breakage, a byproduct of the pari-mutuel calculation, is distributed to

the state, to purses, and to the racing associations. This totaled \$7,852,194 in FY 2013-14

Of the \$3.1 billion wagered, \$657 million, or 20.90 percent, was withheld as the “takeout” for such purposes as horsemen’s purses, racetrack operations, and government taxation, as discussed on the next page:

Horsemen's Purses

A total of \$149,429,306 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 organizations that represent owners and other horsemen.

Track Commissions

The racetracks and fairs that host the racing programs collected a total of \$126 million in commissions. Much of that money went toward the cost of operations, such as rent, mortgages, and labor costs, of which pari-mutuel clerks represent a large part. The racetracks are also responsible for marketing the sport with advertising, promotions, and other forms of publicity.

CHRB Support

The allocation of the CHRB budget comes from the horse-racing industry through the yearly budget process conducted by the State Legislature. This allocation is used to fund the CHRB'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 \$10,444,766 in awards were divided between programs for thoroughbreds (\$9,835,605), standardbreds (\$251,296), quarter horses (\$335,774), paints (\$301), Arabians (\$10,759), mules (\$11,029), and Appaloosas (\$2).

Local Government

For those local municipalities who elect to participate, an additional 0.33 of one 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 \$3.7 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 \$11 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 \$176 million.

Equine Research

A mandated deduction goes to U.C. Davis for equine research. Last year the total for equine research was \$1.7 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; the Promotion Fund to be used for the promotion of horse racing; the Expense Fund for the purpose of offsetting the costs of simulcast broadcasting; and, to guest site 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 \$55 million last year:

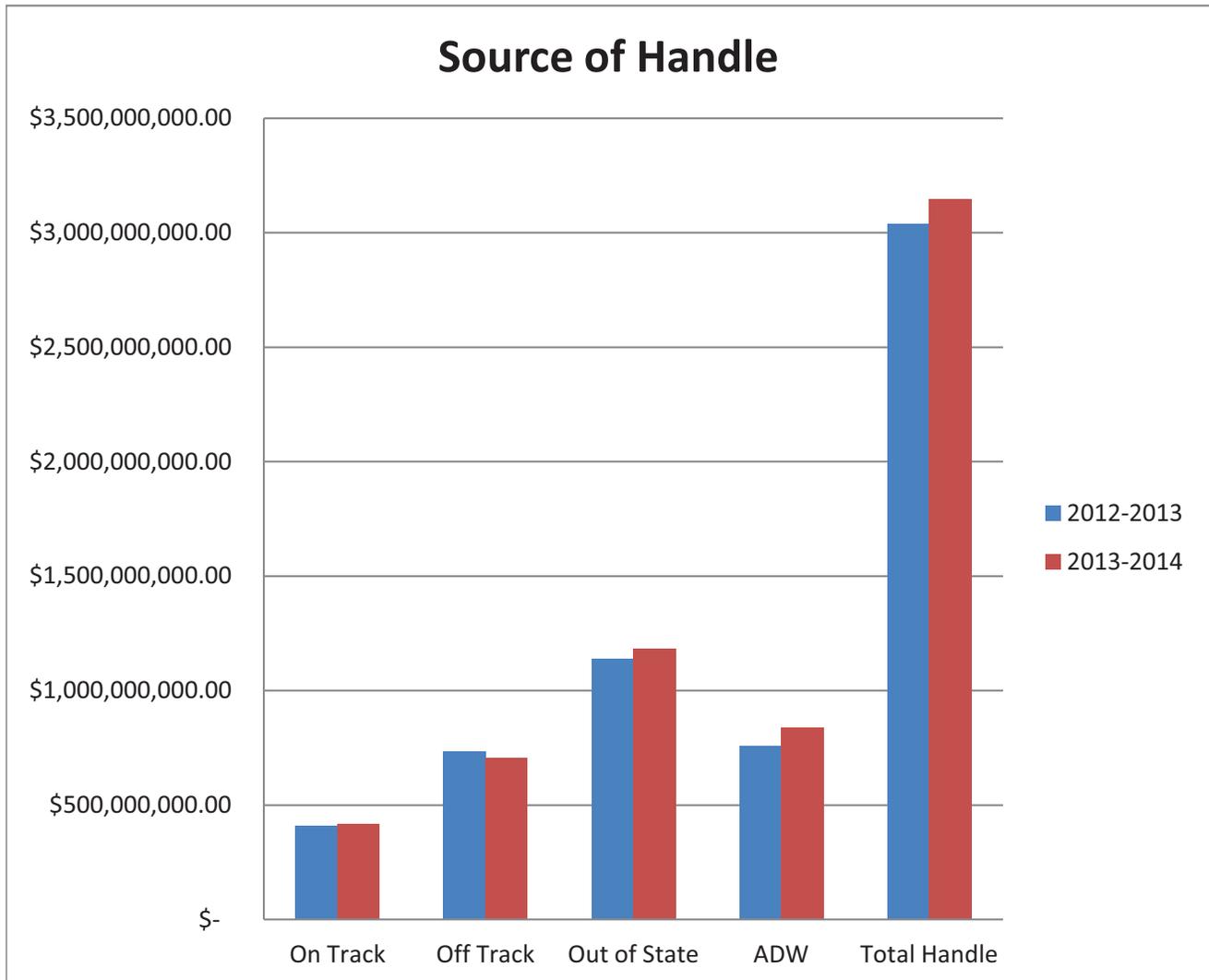
Stable and Vanning Fund:	\$9.8 million
Promotion Fund:	\$2.2 million
Expense Fund:	\$26.3 million
Guest Site Fees:	\$16.4 million

Retirement and Welfare

ADW Retirement and Welfare Plans received \$1,659,530 in FY 2013-14. These funds supplement the backstretch personnel pension plan and provide welfare benefits for horsemen and backstretch personnel.

Sources of Handle

Fiscal Years 2012–13 and 2013–14



The on-track handle represents wagers at the host track. For FY 2013-14, on-track wagers accounted for 13.30 percent of the total handle. Off-track handle represents wagering at California simulcast locations and accounted for 22.47 percent of the total . Out-of-state handle represents commingled wagers from other U.S. and international sites. Out-of-state wagers accounted for 37.57 percent of the total. ADW represents the handle generated through the four-licensed California ADW companies. The ADW handle accounted for 26.66 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 meets be paid to the welfare fund established by the horsemen's organization contracting with the association for the conduct of the race meet for the benefit of horsemen. These funds are registered with the Office of the Attorney General, Registry of Charitable Trusts. 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. 052861

Quarter Horse Benevolent Charity Foundation

11278 Los Alamitos Blvd., Suite 243
Los Alamitos, CA 90720
Registry of Charitable Trusts No. CT018221

California Harness Horsemen's Benevolent Foundation

P.O.Box 254767
Sacramento, CA 95815
Registry of Charitable Trusts No. CT0202834

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 following horsemen's organizations were recognized by the Board during FY 2013-14: 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 CHRB. 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 headquarter office in Sacramento.

Audited Financial Statements of California Horse Racing Industry

The CHRB is charged with recognizing a number of horse racing industry participants. This 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 CHRB requires the recognized industry participants to annually file its audited financial statements with the CHRB. The table below lists the organizations and its respective last audit report received by the CHRB.

Horsemen's Associations	Last Audit Report
Pacific Coast Quarter Horse Racing Association	2013
American Mule Racing Association	2013
California Thoroughbred Horsemen's Foundation	2013
California Harness Horsemen's Association*	2004
Arabian Racing Association of California	2013
California Thoroughbred Breeders Association	2013
California Thoroughbred Trainers	2013
Thoroughbred Owners of California	2013

Administrative Funds	Last Audit Report
CHRIMS	2013
California Marketing Committee - CMC	2013
California Thoroughbred Business League	2013
Northern California Off-Track Wagering (NOTWINC)	2013
Southern California Off-Track Wagering (SCOTWINC)	2013
Quarter Horse Racing, Inc. & Subsidiaries	2013
Disabled Jockeys' Endowment	2013
California Jockeys' Welfare Corp	2013
Quarter Horse Benevolent Charity Foundation	2013
California Standardbred Sires Stakes Committee*	2007

Racing Associations	Last Audit Report
Pacific Racing Association (GGF)	2013
Del Mar Thoroughbred Club	2013
CARF	2013
Los Angeles Turf Club (Santa Anita)	2013
Los Alamitos Quarter Horse Racing	2013
Watch and Wager, LLC at Cal Expo	2013

ADW Companies	Last Audit Report
TVG	2013
Twin Spires ADW	2013
Magna Entertainment Corp. (GGF/Santa Anita/ExpressBet)	2013
Watch and Wager, LLC	2013
Game Play Network, Inc.	2013
Lien Games Racing	2013

*Pursuant to Business and Professions Code section 19613.2 (c), the CHRB may take disciplinary action against a horsemen's organization that is not in compliance with filing annual audited financial statements with the CHRB.