

47th Annual Report

of the

California Horse Racing Board

**A Department of the Business,
Consumer Services and Housing Agency**

**A Summary of
Fiscal Year 2016–17 Revenue and
Calendar Year 2017 racing in California**

California Horse Racing Board

Chuck Winner, Chair
Madeline Auerbach, Vice Chair
Jesse Choper, Member
Fred Maas, Member
Araceli Ruano, Member
Alex Solis, Member
George Krikorian, Former Member
Rick Baedeker, Executive Director
Jacqueline Wagner, Asst. Exec. Director

This report covers the fiscal year (July 1, 2016, through June 30, 2017) 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 2017 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 (Media Room)

Report from the Chair



Once again the California Horse Racing Board (CHRB) and the racing industry worked together in 2017 for some major accomplishments, but sadly we witnessed a tragedy when the Lilac fire in Northeast San Diego County took the lives of 46 horses and injured three of their handlers at San Luis Rey (SLR) training center.

Some of the estimated 450 horses stabled at SLR were evacuated before the fire spread rapidly through the complex, but the situation became so dangerous that fire authorities refused to allow horse vans to enter the area to rescue the remaining horses. Those attending to the horses showed great courage as they freed horses from their stalls, so they could run free into the in-field/training track and other open areas within the fenced-in facility. Their heroism saved the lives of hundreds of horses, and for some at great personal sacrifice. Outrider (pony person) Les Baker and trainers Martine Bellocq and Joe Herrick were seriously injured and required hospitalization. Once it was safe for horse vans to enter the area, the remaining horses were taken to Del Mar or to nearby farms and veterinary clinics.

The horse racing industry united in support of the fire victims along with racing fans, animal lovers, and many others. Within days of the December 7 disaster, organizations and individuals throughout the country donated or pledged more than \$1 million in cash, services, and supplies to aid fire victims. At Del Mar alone, more than 200 volunteers spent long hours caring for the 260 horses from SLR and hundreds of other animals from the fire area.

We at the California Horse Racing Board express our sadness over the loss of horses, other animals, and human casualties. We greatly appreciate the bravery and response of so many during the crisis and in the aftermath. We are continuing to meet with all of the affected parties to discuss what occurred and to formulate strategies to prevent something like this from happening again.

I want to acknowledge the efforts of fellow Commissioner Madeleine Auerbach, who joined with so many others in seeing to the needs of SLR victims and played an important role in the distribution of contributions in a rapid, fair, and impartial way, largely through the California Thoroughbred Horsemen's Foundation, which is a 501(c)(3) charitable organization dedicated to helping racetrack workers in California.

Racehorse Health and Welfare

Last year I reported an unacceptable number of equine fatalities during the 2016 summer meet at Del Mar. I also pointed out that our first priority is the safety of the horse and the rider — a priority shared by the entire racing industry. To that end, among the several actions taken to address the problem, we met separately with groups of jockeys, trainers, veterinarians, owners, and track management. We worked together to implement changes in policies and procedures, and with their full cooperation the CHRB began the rulemaking process to further protect racing participants. Thanks in large part to the efforts of the Del Mar Thoroughbred Club, the 2017 summer meet saw a dramatic reduction in the number of equine fatalities.

But I want to make it clear that one racing fatality is one too many. That's why we at the CHRB are committed to a course of action to continue to greatly reduce catastrophic injuries both in training and racing. Our commitment includes:

- ◆ Extending race-day restrictions on the use of riding crops and certain medications to morning workouts;
- ◆ Expanding out-of-competition testing (OOCT) in accordance with the model rule recommended by the Association of Racing Commissioners International and Racing Medication and Testing Consortium;
- ◆ Requiring horses coming back from layoffs to pass stringent examination by official veterinarians before being allowed to enter races;
- ◆ Requiring trainers to keep records of corticosteroid injections and transfer these records when a horse changes trainers, is claimed, or is purchased;
- ◆ Limiting the use of the racetrack for non-racing purposes prior to the start of a race meet;
- ◆ Increasing the number of racing regulatory veterinarians onsite during morning works;
- ◆ Limiting access to the track during the first several minutes of morning work sessions to those horses that are actually performing timed works.

Furthermore, we hope to hire additional official veterinarians and veterinary technicians for OOCT, along with enhancing examinations of horses the morning before they race, improving the monitoring of certain drugs (e.g., corticosteroids), and implementing comprehensive reviews of racehorse fatalities in conjunction with necropsies.

Business Highlights

The business of horse racing in California was generally unchanged from 2016. Wagering by fans of California horse racing held steady at right around \$3 billion for the seventh year in a row. While we all would prefer to see growth on every front, we are pleased that the downward business spiral experienced early in this century at racetracks throughout the nation has been arrested and stabilized here in California.

The Stronach Group (TSG), which owns and operates both Santa Anita Park and Golden Gate Fields, as well as other horse-racing related businesses, has been making efforts to grow its business in California. TSG has rearranged top executives here and made a strong commitment to improving business in 2018. They are proposing some bold ideas concerning stabling; pari-mutuel wagering; and breeder, owner, and trainer initiatives. We at CHRB continue to strive for an even better product and increased revenue, and we look forward to working with TSG and with the other racetracks and horsemen's groups in a collaborative effort to improve horse racing in California.

Wagering activity continues to shift away from the racetracks that conduct the meets and also away from some of the traditional simulcast wagering facilities at California fairs and festivals. (Handle statistics are located on page 47 of this annual report.) An ever-increasing percentage of wagers on California racing is being placed through online and telephone account wagering (Advance Deposit Wagering, or ADW) or at locations outside of California. This diversion of handle has placed a strain on some operations, particularly those in more rural areas of the state where every patron and every dollar counts. Thus, we saw the closures of three simulcast facilities over the last few years in Turlock, Anderson, and Indio. Some areas are being served by new mini-satellites, which offer wagering within established businesses like restaurants, sports bars, card clubs, and bowling alleys. But even some of the newer mini-satellites are not immune to the shift of wagering to other states and ADWs. Bankers Casino in Salinas ceased accepting wagering on horse races in 2017. On the positive side, the Board approved the Pechanga Resort and Casino as a mini-satellite in 2017, keeping the number of minis at an even dozen. We look forward to increasing that number in 2018.

Protecting the Integrity of Racing

The Kenneth L. Maddy Equine Analytical Chemistry Laboratory at U.C. Davis is the backbone of CHRB efforts to safeguard the integrity of racing. The lab, in conjunction with other veterinary programs at the U.C. Davis School of Veterinary Medicine, provides equine testing services and research for the California horse racing industry. The

CHRB's \$1.2 million budget increase for the drug-testing program in FY 2016–17 was put to good use by the Maddy lab. Dr. Ben Moeller joined Drs. Scott Stanley and Heather Knych on the Maddy faculty, allowing expanded research efforts into new analytical tests and ongoing pharmacology research to protect the integrity of racing. The Maddy lab published numerous research papers, including a paper on meldonium in horses, one of the drugs implicated in the recent Russian doping scandal. The Jockey Club renewed funding toward developing an equine biological passport. The Maddy lab continues to lead the way in applying hair testing to drug regulation. The Maddy lab is one of only five racing laboratories in the world certified by the International Federation of Racing Authorities.

The Maddy lab reported eight Class 1, 2, and 3 violations in FY 2016–17, down from 19 the previous year. The CHRB adopted regulations placing greater restrictions on clenbuterol, especially in quarter-horse racing, where the drug was particularly problematic, and holding owners equally responsible to ensure the condition of their horses when shipping horses in to race from an unlicensed facility. Most clenbuterol violations in past years were in horses trained outside of CHRB facilities.

We worked to implement changes in policies and procedures through the rulemaking process to further protect racing participants. Significant among those was the long-awaited requirement that all race-day administrations of the authorized anti-bleeding medication furosemide (Lasix) must be performed by independent third-party veterinary professionals with no affiliations to the horses involved. The Board approved for public notice a comprehensive out-of-competition-testing regulation consistent with Association of Racing Commissioners International model rules and Racing Medication and Testing Consortium recommendations. The Board gave increased authority to racetracks to set conditions of races, with horsemen-organization agreement, as long as they are stricter than CHRB regulations. This allowed the Board to officially sanction the Los Alamitos hair-testing requirement for its graded stakes and for the Breeders' Cup to greatly expand its out-of-competition testing program leading up to the very successful Breeders' Cup championship races at Del Mar last fall.

The CHRB continues to work with the California Veterinary Medical Board on matters relating to veterinary practice within CHRB enclosures.

Race Dates and Stabling

As usual, the allocation of race dates to the various racing associations and fairs was a complex issue in 2017. We again asked stakeholders to work with each other and come to us with proposed racing calendars for 2018 that would work best for horse racing as a whole while treating each

ently fairly with a little give and take for all. That concept has worked well in Southern California but not so well in the north. So, again, we had to dictate a racing calendar in Northern California that took from some and gave to others based on our belief that the dates allocated are in the best interest of horse racing and the public. The process will begin soon enough for 2019 date allocations, and we are hopeful that the stakeholders will work collaboratively and bring consensus calendars to us for consideration.

Stabling is another complex issue that has been exacerbated by the loss of stalls at Bay Meadows, Hollywood Park, and Fairplex Park and now the temporary closure of San Luis Rey, which lost half of its stalls (225) in the fire. Again, stakeholders in the south are attempting to work together to reach agreements in a cooperative manner in order to run the southern race meets. Stakeholders in the north have taken a different approach — one of self-sufficiency. Golden Gate Fields has added a sufficient number of stalls to house all of the horses it requires for its meets, while the northern fairs have decided they don't need Golden Gate to remain open for stabling during the fair season and are not willing to pay the costs of stabling at Golden Gate. This means stables that would normally operate out of Golden Gate and ship entrants to various fair meets will need to stable at the fairs or leave the Northern California circuit. We held a special meeting to discuss northern stabling with the stakeholders, and this plan was agreed to by them.

A key to making do with fewer stalls is making certain that all of the horses occupying those stalls are being prepared to actually compete at that meet. This can be accomplished with careful inventory control, and crucial to that effort is a system that accurately identifies every horse on the grounds. The CHRB has been implementing a microchip identification program over the last few years and now has made it mandatory for horses to have microchips implanted in order to compete in races, effective in 2019. Microchips will provide many other benefits as we move forward.

The Breeders' Cup

We have yet another reason to celebrate Del Mar and its prominent role in California horse racing. Del Mar hosted the Breeders' Cup in 2017 for the first time ever and received high praise from all involved, including fans, horsemen, and the Breeders' Cup. In my view, the entire Breeders' Cup weekend at Del Mar was nothing short of sensational. Many, if not most of the reported 70,420 attendees were from outside the state, literally from throughout the world, which provided a huge boost to hotels, restaurants, and

the overall economy in San Diego County. The prospect of visiting picturesque Del Mar for the first time proved to be an irresistible magnet for even nominal racing fans. Bettors everywhere wagered in excess of \$166 million on the Breeders' Cup programs held Friday, November 3, and Saturday, November 4, for an increase of nearly six percent over 2016.

California is fortunate to be favored among racing fans and Breeders' Cup officials, who have awarded the Breeders' Cup to California racetracks for 13 of its 34 runnings — more than any other state. I'm confident the Breeders' Cup will be back in California at Santa Anita and Del Mar often. We have many reasons to be proud of California horse racing, and it is a source of personal pride that I serve as Chair of the California Horse Racing Board and have this opportunity to highlight the significant events and accomplishments of the last year.

Acknowledgments

We could not accomplish nearly as much without the cooperation of stakeholders and the hard work of my fellow commissioners — Vice Chair Madeline Auerbach, Jesse Choper, Fred Maas, Araceli Ruano, and Alex Solis. I also want to take this opportunity to look back and thank George Krikorian for his years of service on the Board as Vice Chair. George always made horse and rider safety his top priority. He brought his knowledge as a successful businessman, horse breeder and owner to the Board. He worked tirelessly to improve horse racing.

And, of course, we on the Board are blessed to have Rick Baedeker as our executive director as well as an incredible, outstanding staff of dedicated, tireless, knowledgeable individuals. There are none better.

As I conclude this report, I want to acknowledge the untimely passing of Brad McKinzie, one of our truly bright and able racing executives, who did so much for racing. We in racing and the sport itself lost a wonderful friend and a truly fine human being when we lost Brad.



Chuck Winner, Chair
California Horse Racing Board

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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, which is an approved training center, and the Humboldt County Fair are open to the public during their off seasons for simulcast wagering.



Privately Operated Race Tracks

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

Racing Fairs

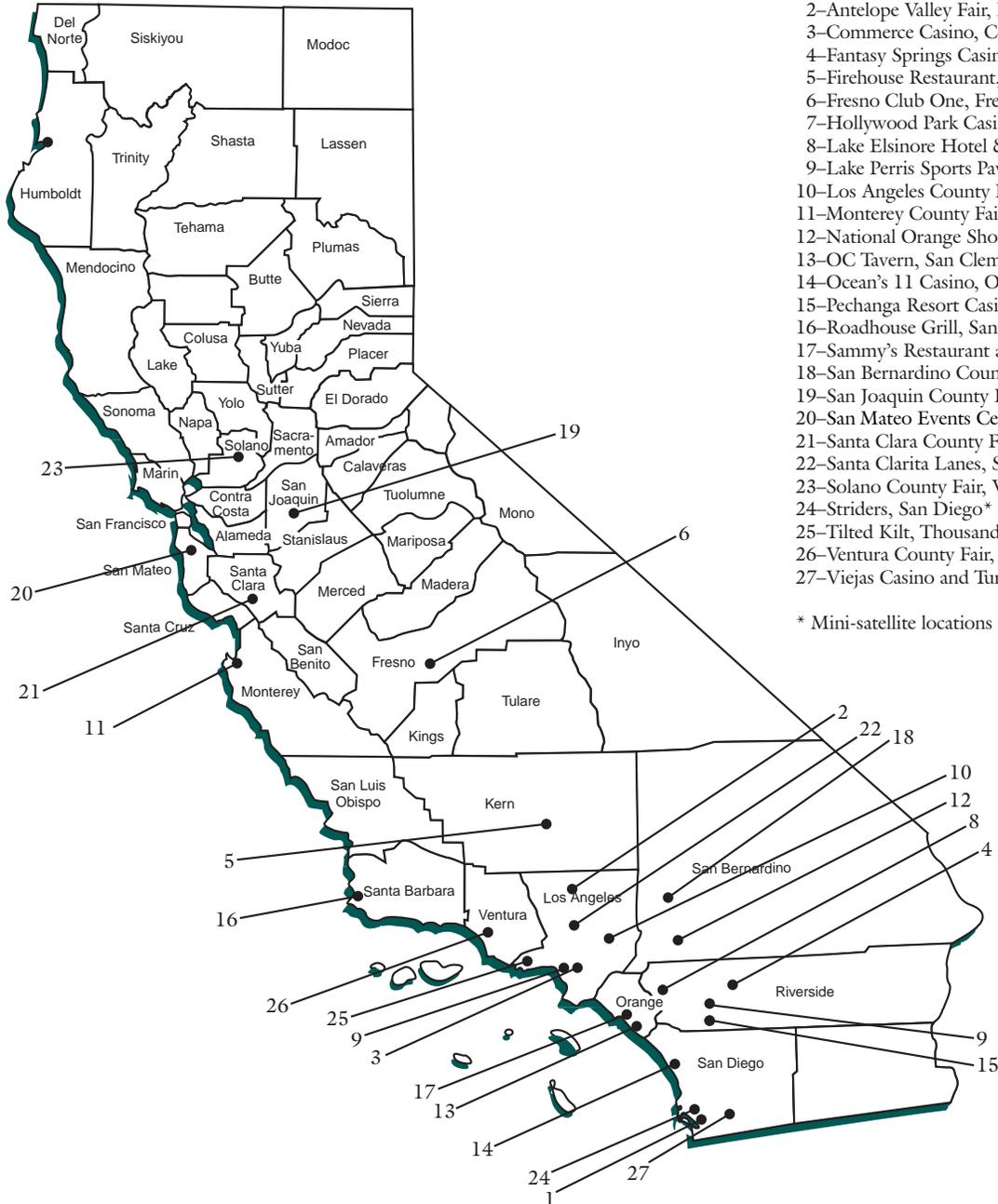
- 5-Alameda County Fair, Pleasanton
- 6-California Exposition, Sacramento
- 7-Big Fresno Fair, Fresno
- 8-Humboldt County Fair, Ferndale
- 9-Sonoma County Fair, Santa Rosa

Training Facilities

- 10-San Luis Rey Downs, Bonsall

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

(See adjacent "Race Tracks" map for other wagering locations.)



- Simulcast-only Facilities**
- 1-58 Flat Sports Bar & Casino, Bonita*
 - 2-Antelope Valley Fair, Lancaster
 - 3-Commerce Casino, Commerce*
 - 4-Fantasy Springs Casino, Indio
 - 5-Firehouse Restaurant, Bakersfield*
 - 6-Fresno Club One, Fresno
 - 7-Hollywood Park Casino, Inglewood
 - 8-Lake Elsinore Hotel & Casino, Lake Elsinore*
 - 9-Lake Perris Sports Pavilion, Perris
 - 10-Los Angeles County Fair, Pomona
 - 11-Monterey County Fair, Monterey
 - 12-National Orange Show, San Bernardino
 - 13-OC Tavern, San Clemente*
 - 14-Ocean's 11 Casino, Oceanside*
 - 15-Pechanga Resort Casino, Temecula
 - 16-Roadhouse Grill, Santa Maria*
 - 17-Sammy's Restaurant and Bar, Mission Viejo*
 - 18-San Bernardino County Fair, Victorville
 - 19-San Joaquin County Fair, Stockton
 - 20-San Mateo Events Center, San Mateo
 - 21-Santa Clara County Fair, San Jose
 - 22-Santa Clarita Lanes, Santa Clarita*
 - 23-Solano County Fair, Vallejo
 - 24-Striders, San Diego*
 - 25-Tilted Kilt, Thousand Oaks*
 - 26-Ventura County Fair, Ventura
 - 27-Viejas Casino and Turf Club, Alpine

* Mini-satellite locations

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 com-

mission 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 chairperson, who presides over meetings of the Board. The members also elect a vice chairperson or when necessary a first vice chair and a second vice chair to preside in the absence of the chairperson.

Commissioners receive \$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 Bag-

ley-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,
Chair

Founded Winner & Associates, LLC, in 1975. Appointed to the CHRB by Governor Edmund G. Brown Jr. on April 9, 2012, through July 26, 2015. Reappointed by Governor Brown through July 26, 2019.



Madeline Auerbach,
Vice Chair

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

Members of the California Horse Racing Board



**Jesse H. Choper,
Member**

Dean and Earl Warren Professor of Law Emeritus at the University of California, Berkeley. Appointed to the CHRB by Governor Arnold Schwarzenegger on March 30, 2007. Reappointed by Governor Schwarzenegger through January 1, 2015, and by Governor Edmund G. Brown Jr. through July 26, 2019.



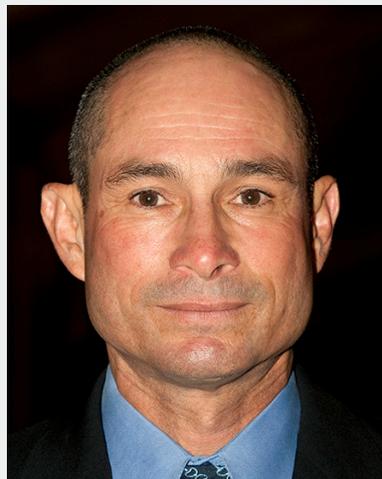
**Fred Maas,
Member**

Executive Chairman of MRV Systems LLC. Appointed to the CHRB by Governor Edmund G. Brown Jr. on August 29, 2017, through January 1, 2020.



**Araceli Ruano,
Member**

COO at SFE Group, LLC. Appointed to the CHRB by Governor Edmund G. Brown Jr. on December 23, 2016, through July 26, 2020



**Alex Solis,
Member**

Retired jockey, who rode in the United States from 1982 through 2017, and member of National Museum of Racing's Hall of Fame. Appointed to the CHRB by Governor Edmund G. Brown Jr. on April 30, 2015, through January 1, 2018.



**George Krikorian,
Former Member**

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

Board and Committee Meetings

Racing commissioners met 20 times in 2017 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 26 Santa Anita Park	May 25 Santa Anita Park	September 28 Los Alamitos Race Course
February 23 Santa Anita Park	June 22 Santa Anita Park	October 26 Santa Anita Park
April 6 Golden Gate Fields	July 20 Del Mar Simulcast Facility	November 16 Del Mar Simulcast Facility
April 27 Santa Anita Park	August 24 Del Mar Simulcast Facility	December 14 Los Alamitos Race Course

Committee Public Meeting Dates

Medication, Safety and Welfare January 25 Santa Anita Park	Race Dates May 24 Santa Anita Park	Medication, Safety and Welfare August 23 Del Mar Simulcast Facility
Medication, Safety and Welfare February 22 Santa Anita Park	Medication, Safety and Welfare May 24 Santa Anita Park	Race Dates October 25 Los Alamitos Race Course
Racing, Breeding and Stabling March 23 Golden Gate Fields	Race Dates July 21 Del Mar Simulcast Facility	

CHRB Operating Budget

July 1, 2016 – June 30, 2017

Appropriations	Item	Total
Personal Services	\$5,101,000	
Operating Expenses	8,199,000	
Total Appropriation		\$13,300,000
Expenditures — Personal Services		
Salaries and Wages	3,684,594	
Staff Benefits	1,628,395	
Total Personal Services		\$5,312,989
Operating Expenses and Equipment		
General Expense	242,977	
Printing	30,710	
Communications	94,995	
Postage	15,000	
Travel-in-State	242,678	
Travel-out-of-State	2,199	
Training	5,106	
Facilities Operations	154,142	
Contractual & Professional Services-Interdepartmental	4,086,650	
Contractual & Professional Services-External	2,579,797	
Consolidated Data Center	201,168	
Equipment	0	
Total Operating Expenses and Equipment		\$7,655,422
Special Items of Expense		
Tort Payment	7,000	
Total Special Items of Expense		\$7,000
Total Expenditures		* \$12,975,411
**Unexpended Balance FY 2016–17		\$324,589
Total Expenditures & Unexpended Balance		\$13,300,000

* Includes year-end accruals

State Operations

Governor Edmund G. Brown Jr.'s Reorganization Plan Number 2 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.

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; the Board counsel, John McDonough; the staff counsel, Philip Laird, and 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.

Regulatory Changes

The following rules were amended, repealed, or added during 2017:

Rule 1433 (amended)

Application for License to Conduct a Horse Racing Meeting: Amended the forms Application for License to Conduct a Horse Racing Meeting CHRB-17, and Application for License to Conduct a Horse Racing Meeting of a California Fair CHRB-18 to require the submission of a furosemide agreement, including the name of the furosemide veterinarian. The agreement shall be submitted to the Board for approval with the application for license to conduct a race meeting.

Rule 1581 (amended)

Racing Secretary to Establish Conditions: Amended to provide that the racing secretary may establish race conditions that prohibit the use and/or presence of drug substances or medications in biological test samples, if the medication conditions are agreed to in writing by the acknowledged horsemen's organization, and then approved by the Board before entries are taken. A biological test sample is defined as any biological test sample, including but not limited to: blood, urine, hair, tissue or saliva taken from a horse.

Rule 1632 (amended)

Jockey's Riding Fee: Amended to adjust the scale of jockey riding fees for losing mounts by five percent, to comply with the California minimum wage increase, as directed by Business and Professions Code section 19501. The amendment also applies the five percent adjustment to the scale of the jockey riding fees for all mounts not sharing in purse monies, to ensure that riders with second and third place mounts in races with a gross purse less than \$10,000 receive more than a losing mount. The amendment further provides direction for calculating jockey riding fees for second and third place mounts for races with a gross purse of \$10,000 or more.

Rule 1696 (amended)

The Start: Amended to provide that the stewards may declare a horse a non-starter, or a starter for purse money only and disregarded for pari-mutuel purposes, if the horse did not receive a fair start through no fault of its own. A horse determined to be a starter for purse money only may be claimed. The stewards will void any claim deposited for a horse declared a non-starter.

Rule 1699 (amended)

Riding Rules: Amended to define the term "interference" as bumping, impeding, forcing or floating in or out or otherwise causing any other horse to lose stride, ground momentum or position. The amendment requires enhanced penalties against jockeys who commit multiple infractions within a 60-day period or who jeopardize the safety of another horse or jockey.

Rule 1734 (amended)

Whipping: Amended to provide that no driver shall use unreasonable force in whipping a horse, causing welts or breaks in the skin. Whipping shall be restricted to elbow and wrist action only. The amendment clarifies the prohibited uses of whips for drivers are: raising the elbow above the driver's shoulder height, allowing the hand holding the whip to reach behind the driver, use of the whip other than on areas inside and above the level of the shafts of the sulky and between the sulky shaft, whipping under the arch of the shaft of the sulky, using the whip to goad or poke between the horse's legs and whipping when a horse does not appear to be advancing or is no longer in contention of purse money. All drivers must keep a line in each hand until the one-eighth of a mile prior to the finish line and may not whip while holding two lines in one hand until then. Drivers may not use the whip more than three times in succession without giving the horse a chance to respond.

**Rule 1843
(amended)**

Medication, Drugs, and Other Substances: Amended to provide that nothing in the Article shall prevent a racing association or fair from setting eligibility conditions, as agreed to with the acknowledged horsemen's organization, for individual races, or an entire race meet, that prohibit the use and/or presence of drug substances or medications in biological test samples from participating horses at detection levels lower than what is authorized by the Board. Such conditions, if established in accordance with Rule 1581, shall not be deemed in conflict with Board rules and regulations.

**Rule 1843.3
(amended)**

Penalties for Medication Violations: Amended to modify the list of mitigating circumstances and aggravating factors which must be considered by the Board of Stewards, the hearing officer or the administrative law judge when determining penalties for medication violations. Medication violations occurring within a specified time period will count as either a prior offense, or as an aggravating factor when determining penalties for subsequent violations. The amendment updates the CHRB Penalty Categories Listing by Classification (Rev. 04/15), including ketoprofen levels. Category "D" penalties for Rule 1844(c)(1) violations were eliminated. The amendment prohibits licensees whose suspension period is over 30 days, or whose license is revoked, from transferring their horses to any other licensee that was an employee within the prior year. A revoked license bans the trainer from all enclosures under CHRB jurisdiction.

**Rule 1845
(amended)**

Authorized Bleeder Medication: Amended to enact the Racing Medication & Testing Consortium (RMTC)/Association of Racing Commissioners International's (ARCI) recommendations for third-party administration of furosemide. The amended Rule 1845 provides that the only authorized medication for the control of exercise induced pulmonary hemorrhage (EIPH) shall be furosemide. The amendment provides the steps required to register a horse on the authorized bleeder medication list, and states when, how, and in what dosage furosemide shall be administered to the horse. The amendment to Rule 1845 states that furosemide may only be administered by a furosemide veterinarian, or a California registered veterinary technician under the direct supervision of the furosemide veterinarian.

The amended Rule 1845 sets the standard dose of furosemide; states what actions to take in the event of an adverse reaction or other emergency related to the administration of furosemide; and that the syringe used to administer furosemide shall be retained by the Board until all testing of the horse is completed.

The amended Rule 1845 also sets the specific gravity of the post-race urine sample, and states that quantitation of furosemide in serum or plasma shall be performed if the urine sample is not available, or the specific gravity of the urine sample is below a specified level.

Enacted Legislation

The following four horse-racing bills were chaptered in 2017:

**AB 460 – Assembly
Member Franklin
Bigelow; Chapter 817**

Authorizes a fair to contract for the operation and management of a satellite wagering facility with an individual racing association or a partnership, joint venture, or other affiliation of two (2) or more racing associations or fairs that are licensed to conduct thoroughbred meetings or simulcast wagering within the northern zone. This bill also establishes that the additional one percent deducted from the total amount handled by any fair racing association in its daily conventional and exotic pari-mutuel pools (pursuant to Business and Professions Code section 19614(d)) may be retained by a fair conducting a live racing meeting at a fair in the northern zone or a joint powers authority designated by a fair racing association in the northern zone involved in conducting live racing meetings for the purposes of improving a fair enclosure, racetrack maintenance, safety at fairs, or other similar activities if two specified conditions are satisfied. The bill provides that the latter provision applies retroactively to January 1, 2016.

**AB 1499 – Assembly
Member Adam Gray;
Chapter 798**

Beginning July 1, 2018, requires a return filed with the California Department of Tax and Fee Administration (CDTFA) to report gross receipts for sales and use tax purposes to segregate the gross receipts of the seller and the sales price of the property on a line or a separate form as prescribed by the CDTFA when the place of sale in this state or for use in this state is on or within the real property of a state-designated fair, as defined, or any real property of a state-designated fair that is leased to another party. The bill requires the CDTFA to report the amount of the total gross receipts segregated on the returns filed pursuant to these provisions to the Department of Finance on or before November 1 of each year. The bill requires the CDTFA to estimate the total gross receipts segregated for the 2019–20 fiscal year by January 31, 2019, based on the 3rd quarter of 2018, and requires that an amount equal to $\frac{3}{4}$ of one percent of this estimated amount be included in the Governor's revised budget in May 2019 for allocation to fairs pursuant to the provisions described above. The bill requires the CDTFA to reconcile this first-year estimate with actual return data from the full 2018–19 fiscal year, and to then adjust this figure as appropriate as the amount to be reported to the Department of Finance on November 1, 2019. The bill further requires that an amount equal to $\frac{3}{4}$ of one percent of the total amount of gross receipts reported to the Department of Finance be included in the next annual Governor's Budget for the Department of Food and Agriculture for allocation to fairs pursuant to the provisions described above. The bill requires, upon the enactment of the annual Budget Act, that this amount be transferred by the Controller to the Fair and Exposition Fund, which is continuously appropriated, and will allocate these moneys to state-designated fairs for specified fair projects and subject to certain conditions. The bill requires the CDTFA to be paid the actual cost for administering those provisions, as specified.

**AB 1723 – Assembly
Committee on
Governmental
Organization;
Chapter 420**

Extends the sunset date to January 1, 2022, for a provision in the Horse Racing Law that requires racing associations and fairs conducting thoroughbred racing to pay 1¾ percent of owners' purses to help fund a national thoroughbred marketing program, and repeals the requirement that the respective Senate and Assembly Committees on Governmental Organization receive an annual expenditure report related to these funds. The bill also clarifies that penalties and fines imposed by the Board of Stewards at a race meeting must be collected by the racing association and paid to the CHRB within 10 business days after the close of the meet, as opposed to 10 calendar days. Finally, the bill authorizes, upon approval of the Board, moneys in the backstretch welfare fund to be used to provide treatment for, and support the health care needs of, licensees under the Horse Racing Law, employees of racing associations, and members of horsemen's and horsewomen's organizations and other racing-related charitable organizations representing or assisting backstretch personnel, if the need for the treatment and support is related to the person's participation in the horse racing industry.

**SB 368 – Senator Mike
McGuire; Chapter 808**

Requires that certain unallocated balances from divisions of the Fair and Exposition Fund, as well as funding appropriated by the Legislature or otherwise designated for California fairs, be continuously appropriated to the Secretary of the California Department of Food and Agriculture (CDEA) for capital outlay to California fairs for projects involving major and deferred maintenance, emergency situations, fair site protection, and acquisition or improvement of properties.

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 8,411 original, renewal, or duplicate licenses in FY 2016-17. Licenses issued included 3,032 new or renewal owner licenses, 332 new or renewal trainer or assistant trainer licenses, 144 new or renewal jockey or apprentice jockey licenses, 1,750 new or renewal groom or stable employee licenses, and 629 new or renewal pari-mutuel clerk licenses as well as many other classes of occupational licenses. The issuance of these licenses generated \$744,235 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 for-

eign 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 2016-17

STEWARDS

Paul Atkinson

Grant Baker

Scott Chaney

Ronald Church

James Dreyer

John Herbuveaux

Luis Jauregui

Richard Lewis

Thomas McCarthy

Darrel McHargue (Chief Steward)

William Meyers

Ruben Moreno

Dennis Nevin

David Nuesch

Michael “Wayne” Oke

Jeffery Salmon

Kim Sawyer

Renee Sheward

Peter Tommila

Thomas Ward

Randy Winick

OFFICIAL VETERINARIANS

Dr. Gary Beck

Dr. Eduardo De La Cruz

Dr. Donald Dooley

Dr. William Farmer

Dr. Forrest Franklin

Dr. Timothy Grande

Dr. Barrie Grant

Dr. Deborah Lamparter

Dr. Nolton Patio

Dr. Dana Stead

Racing Supervision

Racing officials appointed or approved by the CHRB are responsible for on-site supervision of race meets. 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 race meets and are strictly responsible to the Board for the conduct of the meet in every particular. The CHRB selects and contracts with stewards based on their experience and expertise. Each panel of three stewards has been delegated the powers and duties necessary to ensure the integrity of racing and to oversee compliance with laws and rules.

Recognizing the crucial role played by stewards, the CHRB established the position of Chief Steward in 2015. The Board named veteran steward Darrel McHargue to this position. The Chief Steward meets regularly with stewards to discuss and evaluate decisions, rulings, and other actions.

The CHRB directly appoints all stewards and official veterinarians. 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 \$2,401,000 in FY 2016-17 for stewards and official veterinarians; other racing officials are paid by 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 use their delegated authority for the following:

- ◆ Oversee entries, declarations, and the placing of horses for the official order of finish.
- ◆ Preside over examinations required for certain classes of licenses.

- ◆ Conduct administrative hearings on matters involving CHRB rule violations and racing infractions.
- ◆ Issue rulings based on those hearings, such as suspensions and fines.
- ◆ Make recommendations to the CHRB regarding the qualifications and fitness for licensure of applicants referred to them by the Board's licensing staff.
- ◆ Maintain minutes of all such proceedings for review by the Board and the public.

The stewards attend Stewards' Committee meetings, allowing them to discuss issues, rule changes, and interpretations of policy and to receive information. They share views and experiences relating to race reviews, veterinary practices, administrative hearing procedures, and other important work-related matters. The meetings help 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), enforce regulations relating to veterinary practices, medication, and the health and welfare of the horse. They supervise licensed veterinarians, operations of the receiving barn, the collection of equine samples for testing, and the preparation and documentation of the samples to be transported to the laboratory.

The official veterinarians consult with the EMD and track veterinarians, examine horses for fitness; maintain a health and racing soundness record for each racehorse eligible to compete at a race meet; review confidential reports of veterinary treatments of horses under their general supervision; maintain records of infirm horses, accidents, and injuries; approve prescribed therapeutic treatment regi-

mens; and otherwise act as the Board's veterinary advisors.

The horse identifiers accurately identify all racehorses scheduled to start in any race. The horse identifiers supervise the tattooing of horses and maintain 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 enforce compliance with safety standards. They also:

- ◆ Monitor training to ensure that exercise riders, outriders, and pony riders observe all rules, including wearing safety vests and helmets.
- ◆ Establish horse ambulance protocol for quick response during training and racing.
- ◆ Confirm the use of certified paramedics on ambulance crews.
- ◆ Oversee continuing education classes for provisional exercise riders and apprentice jockeys.
- ◆ File official reports for all serious racing and training accidents.
- ◆ Attend necropsy reviews and assist with the investigation of selected horse fatalities.
- ◆ Assist with the microchipping of all horses that are within CHRB enclosures.
- ◆ Assist the stewards in the licensing of jockeys and exercise riders.
- ◆ Conduct field sampling and testing for the Track Surface Standards program.
- ◆ Monitor and observe daily backside activities.
- ◆ Perform pre-meet track safety inspections.
- ◆ Assist Official Veterinarians in out-of-competition drug testing.

CHRIMS

California is the only state with a statewide pari-mutuel database providing services to racetracks, horsemen, and government entities. 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 racing associations and horsemen, 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 32 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 pari-mutuel 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 is compiled and translated into the CHRIMS database parameters, which conform to California racing law. CHRIMS data can be sorted by a myriad of criteria, including by date, race, pool, host track, location of bet, location type, breed, geograph-

ic zone, zip code, state, and race type. CHRIMS connects to and downloads data from AmTote, United Tote, and Sportech, and receives data from the seven licensed California ADW companies, which include Game Play, Lien Games, NYRABets, 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. Contracts include Amtote, Aqueduct, Belmont, eBet, Ellis Park, Elite Turf Club, Emerald Downs, Global Wagering Group, Gulfstream Park, Horse Races Now, Keeneland, Kentucky Downs, Laurel Park, Louisiana Downs, Meadowlands, Monmouth Park, Pimlico, Portland Meadows, Racing UK, Sam Houston, Saratoga, Tampa Bay Downs and The Red Mile. Racing commissions and horsemen's organizations include the Kentucky Horse Racing Commission and the North Dakota Racing Commission. CHRIMS Inc. received \$440,304 from unredeemed vouchers during calendar year 2016.

Laboratory Services

To protect horse and jockey welfare 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, is the authorized drug testing laboratory for California horse racing. Funded by wagering revenue, the Maddy Lab analyzed 54,830 samples in FY 2016-17.

The Maddy Lab analyzed 20,781 post-race urine and blood samples, including in-depth testing of 11,874 for anabolic steroids, as well as 19,348 total carbon dioxide (TCO²) bicarbonate loading blood samples, 1,686 out-of-competition (OOC) blood samples, 685 OOC and post-race hair samples, 298 evidence submissions, and 160 other samples for various purposes in FY 2016-17. The cost to the State of California was \$3,187,250.

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 1,800 other prohibited drugs, from regularly used therapeutic medications to potent stimulants such as ethylphenidate. Special testing for cobalt was added early in 2014, including pre- and post-race blood and urine samples and necropsy tissue samples.

TCO² testing is conducted on thoroughbreds and harness horses to prevent the prohibited practice known as "milk-shaking" (alkalinizing the horse to enhance performance). 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 (ARCI) model rule for TCO² testing.

OOC testing, conducted throughout the year, is absolutely necessary to detect certain prohibited drugs. OOC testing targets blood-doping agents, anabolic steroids, beta-2 agonists, and other biopharmaceutical agents. The OOC testing program monitors compliance with anabolic steroid reporting procedures and for surveillance of other drugs of interest. In FY 2016-17, 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 drugs of abuse. The CHRB is prepared for the next generation of performance-enhancing drugs.

The Maddy Lab's analytical chemistry division is under the direction of its chief chemist, Dr. Scott Stanley, joined by Dr. Ben Moeller, a faculty analytical chemist. The equine pharmacology division is under the direction of Dr. Heather Knych, the Maddy Lab's veterinary pharmacologist.

The Maddy Lab 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 is one of only five racing laboratories certified by the International Federation of Horseracing Authorities (IFHA) and the only racing laboratory so certified in the western hemisphere. The Maddy Lab utilizes state-of-the-art scientific instrumentation, including liquid chromatography-mass spectrometry (LC-MS) screening processes. The combined testing panel covers over 1,800 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 research 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. In addition to CHRB support, the research program receives funds from numerous outside sources, including the Center for Equine Health, RMTC, Grayson/Jockey Club Research Foundation, The Jockey Club, California Department of Food and Agriculture, and other sources.

The Maddy Lab conducts research or has published over 180 research papers on equine anti-doping methods, veterinary pharmacokinetics, toxicology and veterinary drug compounding. The current research interests are related to pharmacokinetics, pharmacodynamics as well as to develop anti-doping methods for the detection of biopharmaceutical, natural products and designer drugs, intra-articular medications in horse racing and hair testing methods for regulating the use of anabolic steroids and other anabolic agents, including beta-2-agonists.

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 (RSP), which began in 2010, addresses the requirements of the Business and Professions Code and is credited with proactively creating programs that have significantly reduced injuries to both horses and riders.

The RSP focuses on:

1. Continuing education;
2. The University of California, Davis (U.C. Davis) California Animal Health and Food Safety Laboratory System (CAHFS) Postmortem Program;
3. Fatality investigations and necropsy reviews;
4. The Track Safety Standards Program (TSSP); and
5. The Microchip Pilot Program (MPP).

The continuing education program is a collaborative effort between the CHRB and U.C. Davis. The CHRB has selected the Welfare and Safety of the Racehorse Summit website to host the completed three education modules free of charge. The modules are the CHRB Program Overview, the Humeral and the Scapular Modules. All three education modules are located at: courses.grayson-jockeyclub.org/course-index. Dr. Larry Bramlage is contributing to the nearly complete Bone Physiology Module.

The CHRB/CAHFS Postmortem Program identifies the pathology related to the death of the racehorse and provides scientific understanding of the injuries. The CHRB continues to conduct investigations into every racehorse fatality that occurs at a California racetrack or official training facility. To create further understanding, the CHRB is now conducting necropsy reviews of each racing or training fatality. Trainers are invited to meet privately with CHRB veterinarians, safety stewards and others to discuss necropsy reports to better understand the cause of each fatality

in order to identify methods for detecting and preventing injuries. This forum allows for an exchange of information that could benefit and educate all in attendance.

The CHRB started the TSSP in 2010 with the objective of establishing racetrack test methods and operating ranges for racing surfaces. The CHRB has worked with Biologically Applied Engineering (represented by Dr. Michael "Mick" Peterson) to develop a database (the Maintenance Quality System [MQS]) to store surface test data, which will ultimately be correlated with racing injury data.

The test techniques and database have been developed to the point where the major California racetracks are committing to using these test and data storage standards. Additionally, the National Thoroughbred Racing Association (NTRA) Safety and Integrity Alliance is planning to include the MQS as a criteria for accreditation of racetracks. The Jockey Club had made the decision to acquire the MQS from Dr. Peterson and assume responsibility for development and management.

The Microchip Pilot Program at Golden Gate Fields was completed June 30, 2017, and the CHRB is moving forward a full Microchip Program by assisting racing associations and fairs in microchipping the horses within their enclosures. Santa Anita Park and Golden Gate Fields have teams trained and equipped to begin microchipping and interfacing that information with a national racing database, the InCompass System. The CHRB consulted with the California Department of Food and Agriculture to insure compliance with the USDA Animal Disease Traceability (ADT) Program Standards as well as receiving support from the Jockey Club, which now requires all newly registered thoroughbred foals to carry a microchip. The CHRB adopted Rule 1588, which requires all horses to be microchipped by the end of 2018 in order to compete in races.

Equine Postmortem Program

The State of California monitors all equine fatalities within CHRB racing and authorized training facilities. This is accomplished through official veterinarians, safety stewards, the equine medical director, and the CHRB/U.C. Davis Postmortem Program (Program) operating through the California Animal Health and Food Safety (CAHFS) laboratories at Davis and San Bernardino, except cases from the Fresno fairgrounds, which go to the laboratory in Tulare. The Program's annual report to the Board provides a descriptive report of its findings and is posted on the CHRB website once available.

The Program began in 1990 as a partnership between the CHRB and CAHFS, operated under the School of Veterinary Medicine at U.C. Davis. The Program has become a model for the racing industry. The goal of the Program is to study the nature of injuries occurring in racehorses, to determine the reasons for these injuries, and to develop strategies to improve the health, safety and welfare of racehorses.

The CHRB requires a necropsy for all horses dying within its jurisdiction. CAHFS veterinary pathologists perform the necropsy and prepare a report for the CHRB. Depending on the specifics of the case, additional testing, such as toxicology, microbiology, histology, virology, or other specialized tests may be necessary before a final report is issued. The Program is considered an international model.

Program funding is a cooperative effort. The CHRB funds the postmortem examinations; 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, consistently around 80 percent. 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.

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 related 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 and over half of all jockey injuries are associated with a sudden death or catastrophic injury to the horse.

In-depth analysis of necropsy specimens at VORL has shown the role of undiagnosed stress fractures contribut-

ing 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. While much of the pre-existing pathology is not clinically apparent and is only detectable at enhanced necropsy using specialized laboratory instrumentation, these pre-existing changes suggest there may be an opportunity to develop early clinical detection techniques to prevent serious injury. Using information from the Program, the CHRB is collaborating with Dr. Stover and The Jockey Club to develop online continuing education modules to help better understand how bone responds to training and racing and allow trainers to better identify horses at risk.

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, accounting for nearly 50 percent of all musculoskeletal fatalities. Proximal sesamoid bone fractures frequently have pre-existing changes in the bone undetectable by currently available diagnostic imaging techniques. Efforts are underway at U.C. Davis School of Veterinary Medicine to develop diagnostic imaging techniques that would help identify such lesions ante-mortem.

Research findings are published in veterinary medical journals and presented at racing industry, veterinary medical, and other professional meetings. 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 is on musculoskeletal injuries, the Program has led to studies of non-musculoskeletal conditions important to equine health and safety issues. The Program allowed CAHFS pathologists and toxicologists to identify a link between traces of anti-coagulant rodenticides (rat poison) and unusual abdominal hemorrhage. The CHRB instituted an anti-coagulant rodenticide program on the backsides of racetracks. There have been no cases of anti-coagulant rodenticide since those efforts.

Sudden deaths are an internationally recognized sport horse phenomenon. The Program has improved 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 grants from the Center for Equine Health. The sudden death cardiac examination protocol developed as part of this effort was recently published in the *Journal of Veterinary Diagnostic Investigation*.

Fatalities at CHRB Facilities by Track and Surface July 1, 2016 — June 30, 2017

Track	Racing*			Training**			Other***	Total
	Dirt	Synthetic	Turf	Dirt	Synthetic	Turf		
Cal Expo (Harness)	1							1
Cal Expo (State Fair)	1							1
Del Mar	10		2	10		1		23
Ferndale								0
Fresno	1							1
Galway Downs				3			1	4
Golden Gate Fields		11	2		9		13	35
Los Alamitos	22			18			16	56
Pleasanton	2			1			2	5
San Luis Rey Downs				11			2	13
Santa Anita	17		9	28			10	64
Santa Rosa	2		1					3
TOTAL	56	11	14	71	9	1	44	206

*Racing includes any fatality associated with racing.

**Training includes any fatality associated with training.

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

Starts for All Breeds: July 1, 2016 — June 30, 2017

Track	Racing Surface		
	Dirt	Synthetic	Turf
Cal Expo (Harness)	5,191		
Cal Expo (State Fair)	516		
Del Mar	2,442		1,539
Ferndale	306		
Fresno	468		
Golden Gate Fields		6,881	1,453
Los Alamitos	9,767		
Pleasanton	943		
Santa Anita	5,830		2,981
Santa Rosa	435		279
TOTAL	25,898	6,881	6,252

Horse Racing in California

Del Mar hosted the Breeders' Cup for the first time in 2017 and festivities began with an impressive start as Marine Corps FA-18 jets performed a fly-by during the opening ceremony. By the time the world championships were over, local officials and Breeders' Cup participants already were talking about bringing the event back to Del Mar as soon as possible. California has been a showcase for top-quality horse racing for decades, but more than that, California provides racing opportunities for many breeds at all levels of competition throughout the year at nine locations. The various racetracks and fairs hosted meets that offered 5,358 races in 2017. The following racing reports provide the highlights for each of those race meets.

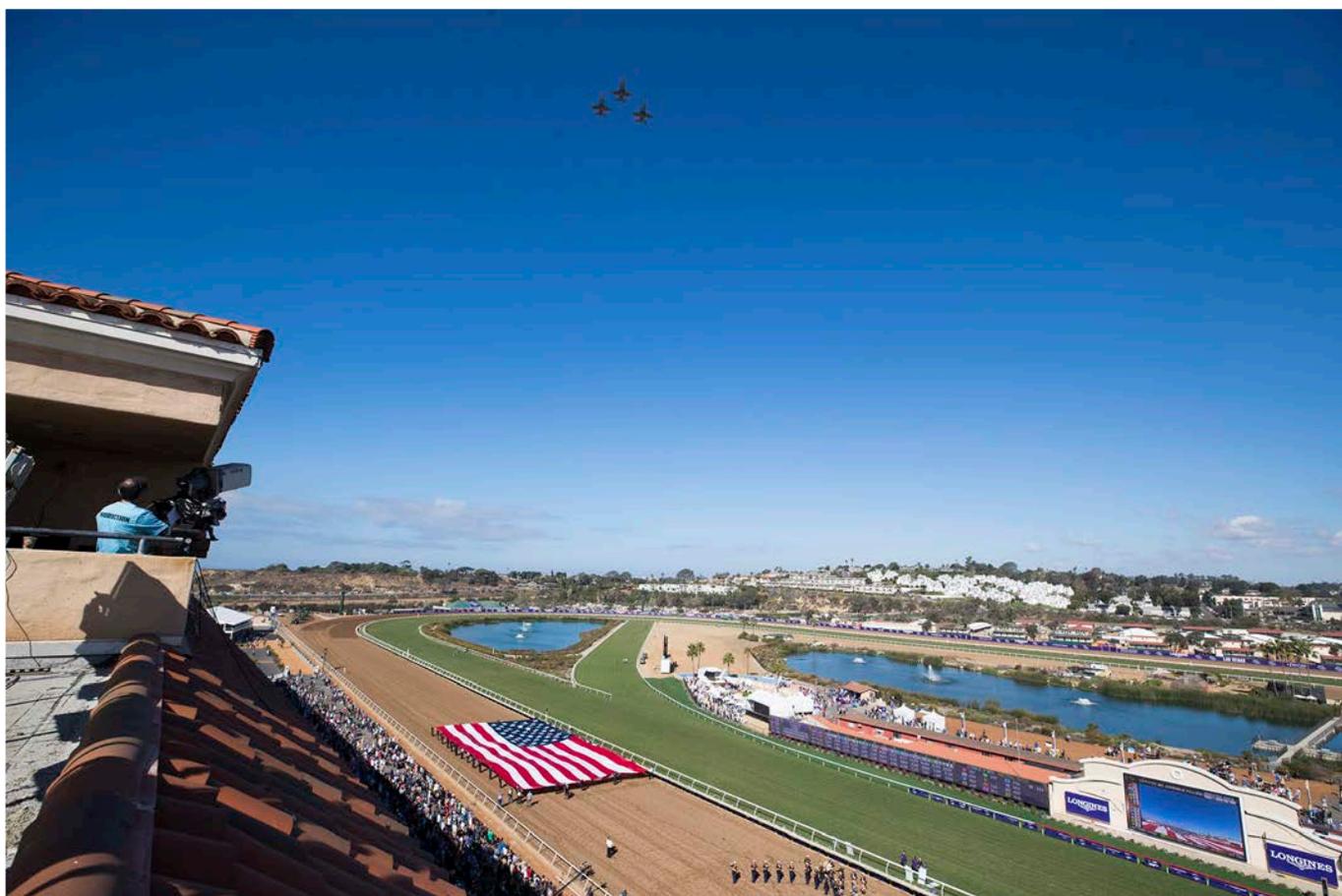


PHOTO COURTESY OF BREEDERS' CUP/ECLIPSE SPORTSWIRE

California Horse-Racing Meets During 2017

Thoroughbred Race Meets — Central & Southern Zones		
Santa Anita Park	12/26/16—7/4/17	
Los Alamitos Racing Assn.	7/6/17—7/16/17	
Del Mar	7/19/17—9/4/17	
Santa Anita Park	9/29/17—10/29/17	
Del Mar	11/1/17—11/26/17	
Los Alamitos Racing Assn.	11/30/17—12/17/17	
Thoroughbred Race Meets — Northern Zone		
Golden Gate Fields	12/26/16—6/18/17	
Golden Gate Fields	8/24/17—9/17/17	
Golden Gate Fields	10/19/17—12/10/17	
Quarter Horse Race Meets — Statewide		
Los Alamitos	12/30/16—12/17/17	
Harness Race Meets — Statewide		
Cal Expo	12/26/16—5/6/17	
Cal Expo	10/28/17—12/16/17	
Fair Meets — Statewide		
Pleasanton (OTRA*)	Alameda County Fair	6/22/17—7/9/17
Cal Expo	State Fair	7/14/17—7/30/17
Santa Rosa	Sonoma County Fair	8/3/17—8/20/17
Ferndale	Humboldt County Fair	8/25/17—9/4/17
Los Alamitos**	Los Angeles County Fair	9/7/17—9/24/17
Pleasanton	CA Authority of Racing Fairs	9/21/17—10/1/17
Fresno	Big Fresno Fair	10/8/17—10/15/17

* Oak Tree Racing Association

** LA County Fair race meet relocated from Fairplex in Pomona to Los Alamitos Race Course in 2014.

Handle 2017

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.

Host	Annual Report - Racing Year 2017 (Wednesday, 12/21/16 through Tuesday, 12/19/2017)												Night Meets		Total			
	Thoroughbred Racing Associations				Racing Fairs				Watch & Wager Harness									
	Del Mar Summer	Del Mar Fall (Incl B/C)	Golden Gate Fields	Los Alamitos Summer	Los Alamitos Winter	LATC Spring	LATC Summer	LATC Autumn	Alameda County Fair	California State Fair	Big Fresno Fair	Humboldt County Fair	Los Angeles County Fair	Oak Tree @ Pleasanton Fair	Sonoma County Fair	Los Alamitos Quarter Horse		
Days	36	16	147	8	11	103	19	19	11	11	9	7	12	7	11	54	608	
Starters	2,728	1,277	8,191	457	734	6,958	1,485	1,485	646	515	426	280	707	365	629	5,029	38,504	
Number of Live Races	318	142	1,219	67	97	919	171	171	99	87	72	50	102	58	96	658	5,358	
Average field size per race	8.58	8.99	6.72	6.82	7.57	7.57	8.68	8.68	6.53	5.92	5.92	5.60	6.93	6.29	6.55	7.64	7.19	
Brick and Mortar Bets in California																		
<u>On Track:</u>																		
Live Races	52,827,793	34,145,901	19,788,361	1,595,582	2,368,402	79,607,347	13,698,599	13,698,599	2,772,149	1,002,172	2,012,280	538,165	2,175,842	618,808,80	1,911,602	1,355,568	12,197,234	228,615,806
Other California Tracks (Intrastate)	662,573	511,793	13,165,316	214,664	489,275	11,867,044	1,451,775	1,451,775	753,441	431,062	267,059	288,611.40	472,897	288,611.40	462,872	443,115	5,859,045	31,038,384
Races run outside California	5,409,493	946,541	21,354,556	1,744,647	1,985,674	31,201,106	4,730,939	4,730,939	1,090,294	604,653	259,362	2,489	2,320,735	570,579.30	413,335	1,798,684	18,056,280	78,936,563
Total	58,899,859	35,604,235	54,308,233	3,554,893	4,843,351	122,675,496	19,881,313	19,881,313	4,615,883	2,037,887	2,538,701	540,653	4,969,474	1,477,999.50	2,787,809	338,590,753	338,590,753	
<u>Off Track in Host's Zone:</u>																		
Live Races	34,754,045	19,508,229	16,407,416	3,541,081	6,119,736	75,676,486	12,612,638	12,612,638	1,313,494	863,484	761,627	306,159	5,098,243	649,229	1,291,248	7,089,116	30,437,355	216,429,585
Other California Tracks (Intrastate)	5,601,766	4,984,830	28,247,462	798,655	2,242,312	22,174,855	2,716,483	2,716,483	2,469,944	2,642,485	1,892,564	1,951,310	1,217,487	3,334,319	3,334,319	7,464,937	34,337,994	80,273,872
Races run outside California	33,004,075	14,672,880	63,778,242	7,960,694	9,302,060	113,599,830	17,044,001	17,044,001	6,306,248	6,162,850	3,965,489	233,897	10,370,710	3,582,427	6,272,313	14,554,053	64,775,349	338,058,646
Total	73,359,286	39,165,939	108,433,120	12,300,430	17,664,108	211,451,171	32,373,122	32,373,122	10,089,686	9,668,818	6,619,680	540,056	17,420,263	5,449,143.20	10,897,880	21,554,053	64,775,349	634,762,103
<u>Off Track Outside Host's Zone:</u>																		
Live Races	9,198,689	5,886,719	46,766,957	1,212,085	1,996,874	30,107,866	5,071,335	5,071,335	2,515,538	1,586,826	1,325,683	438,136	1,699,056	1,253,499	2,252,995	-	-	-
ADW in California:																		
<u>In Host's Zone:</u>																		
Live Races	34,252,052	17,762,354	9,681,424	2,956,955	4,592,704	70,559,402	12,680,688	12,680,688	664,224	369,003	269,035	23,203	3,719,731	243,424	498,177	2,988,033	27,907,932	189,168,341
Other California Tracks	1,677,451	1,893,240	23,227,201	280,961	1,060,727	10,271,749	1,162,211	1,162,211	1,792,791	2,319,086	1,057,342	719,710	749,449	809,870	2,816,387	17,318,477	40,408,146	49,838,175
Races run outside California	38,697,889	15,703,060	70,026,739	9,675,267	11,809,367	139,401,842	21,444,822	21,444,822	6,303,543	5,851,426	3,170,228	1,201,773	12,588,250	3,260,535	5,752,868	20,306,510	68,316,078	402,614,232
Total	74,627,391	35,358,654	102,935,365	12,913,183	17,462,799	220,232,993	35,287,721	35,287,721	8,760,559	8,539,515	4,496,605	1,944,686	17,057,429	4,313,828	9,067,432	20,306,510	68,316,078	641,620,748
<u>Outside Host's Zone:</u>																		
Live Races	6,839,173	4,160,973	14,921,359	624,190	985,616	16,483,194	2,629,540	2,629,540	647,676	359,005	326,365	164,186	836,397	287,976	572,525	-	-	-
TOTAL GENERATED IN CALIFORNIA	222,924,398	120,176,520	327,365,034	30,604,781	42,952,747	600,950,721	95,243,031	95,243,031	26,629,342	22,192,051	15,307,033	3,627,717	41,982,620	12,782,446	25,578,641	36,659,247	151,147,706	1,614,973,604
Exports to Out of State																		
Commingled	221,315,110	196,631,235	164,279,865	14,997,511	30,233,599	528,901,770	94,925,690	94,925,690	5,620,607	3,218,730	4,063,186	1,503,563	20,754,406	3,049,015	5,860,668	21,521,108	87,999,535	1,404,275,599
Non-Merged	7,318,911	7,557,468	4,211,899	351,822	600,000	8,375,477	1,590,947	1,590,947	206,375	117,024	148,595	48,597	607,049	136,863	208,542	-	3,648,072	35,127,640
TOTAL GENERATED OUTSIDE CALIFORNIA	228,634,021	204,188,702	168,491,764	15,349,333	30,833,599	537,277,247	96,516,637	96,516,637	5,826,983	3,335,754	4,211,780	1,552,160	21,361,455	3,185,878	6,069,210	21,521,108	91,047,607	1,439,403,239
TOTAL RACES RUN AT HOST TRACK PLUS RACES RUN AT OTHER TRACKS																		
TOTAL DISTRIBUTED BY HOST*	451,558,419	324,365,222	495,856,798	45,954,114	73,786,346	1,138,227,968	191,759,668	191,759,668	32,456,324	25,527,805	19,518,814	5,179,877	63,344,075	15,968,324	31,647,851	58,180,355	242,195,314	581,803,355
*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

Larger Fields Towards End of the Long Meet Provided Indication of Changes Track Executives Indicated Were Yet to Come

SANTA ANITA PARK WINTER-SPRING

Santa Anita's all-sources wagering handle of \$1,091,636,907 for its 103-day winter-spring racing season in 2017 showed a \$40 million increase over 2016, a four-percent gain. Nearly half of that increase came from higher account wagering activity (Advance Deposit Wagering, or ADW) by bettors using the telephone and Internet to place their wagers. Santa Anita also reported an eight-percent increase in attendance at the racetrack.

The average number of horses participating in Santa Anita's 919 races declined slightly to 7.57 from the 2016 average of 7.76. Track executives expressed encouragement over the attendance and handle gains and noted that steps taken to increase field size paid off in the closing weeks of the long meet. They promised that increasing field size would be a top priority for future meets because there is a proven path to increasing handle through better wagering opportunities in larger fields.

Track executives also indicated satisfaction with the performance of their turf course, including the downhill portion, which had been resod in the off-season, and said the improved turf course would enable them to offer many types of races for diverse classes of horses.

On the racing front, Shaman Ghost shipped in from Florida to win the Santa Anita Handicap, owned and bred by Santa Anita Park owner Frank Stronach. Gormley won the Santa Anita Derby, the premier race for 3-year-olds, for former California Horse Racing Board Commissioner Jerry Moss.

Puerto Rican native Evin Roman became the first apprentice to earn a Santa Anita riding title since 1949 by winning 41 races, dead-heating with French-born Flavien Plat, 24. Peter Miller was dominant in the trainer's division with 36 winners. One of Miller's primary clients, Gary Hartunian's Rockingham Ranch, easily led all owners with 16 wins.



BENOIT PHOTO

Shaman Ghost and Javier Castellano winning the prestigious Santa Anita Handicap.

HIGHLIGHT

Santa Anita Maintained High Standard Even in a Non-Breeders' Cup Year

SANTA ANITA PARK FALL

Santa Anita's autumn meet was successful by most standards with total wagering in excess of \$184 million over the course of 19 race days. Most other racetracks around the country would have been ecstatic over such a meet. However, when judged against its own 2016 autumn meet, Santa Anita came up well short due to the shifting of Breeders' Cup weekend to Del Mar. With one week less and no Breeders' Cup on its own schedule, Santa Anita had no chance of finishing anywhere near its 2016 mark of more than \$360 million. However, the 2017 meet did handle about nine percent more than the comparable 19-day meet in 2015, which did not host the Breeders' Cup.

"We want to first of all sincerely thank our fans, both on-track and around the country, as they are the driving economic force in our business, on every level," said Tim Ritvo, chief operating officer for The Stronach Group, which owns and operates Santa Anita. "Additionally, we'd like to thank our horsemen. We look forward to working with all of them in order to put on a world class show" going forward.

In terms of performance on the racetrack, 19-year-old apprentice sensation Evin Roman continued to enjoy great success as he garnered his fourth Southern California riding title with 19 wins, while veteran Hall of Famer Kent Desormeaux, who finished second with 15 victories, led all jockeys in the stakes-won department with six triumphs.

In the trainers' division, Richard Baltas and Peter Miller dead-heated atop the standings, each winning 10 races. As for most stakes wins by a trainer, Mark Glatt, Richard Mandella, Keith Desormeaux and Peter Miller finished in a four-way tie with two each. The leading owner by money won was Mick and Wendy Ruis' Ruis Racing, LLC, whose stable earned \$271,900. Their undefeated 2-year-old Bolt d'Oro led the charge, taking the \$300,000 FrontRunner Stakes.



BENOIT PHOTO

Another beautiful start off the hillside turf course at Santa Anita Park.

HIGHLIGHT

Safety for Horses and Riders was the Main Priority During the Summer Meet

DEL MAR SUMMER

Racing fans and horsemen always welcome Del Mar's summer meet, but they had even more to look forward to in 2017 after management had the main track completely remade over the winter, along with adjustments to the turf course intended to make both racing strips safer and more formful. Management also worked with the CHRB and other stakeholders to implement new policies to ensure that all horses racing and training were healthy and fit to race. The results were encouraging and likely to effectuate similar measures at future meets.

Horsemen responded positively to the main track adjustments and the deep turf course by entering horses for an average field size of 8.6 per race. Racing fans also responded positively to the large, competitive lineups they saw on a regular basis over the 36-day session by wagering \$435.5 million — only \$11.5 million less than Del Mar handled at its longer, 39-day summer meet in 2016.

The summer racing, as always, was first-rate, featuring a trio of double stakes winners (Hunt, Sharp Samurai, and Cambodia), a champion's repeat in the Clement L. Hirsch Stakes (Stellar Wind), and a smashing score by the speedy Collected in the \$1-million TVG Pacific Classic.

The summer's riding champ was Flavien Prat (35 firsts), who had tied for that spot in 2016. Training honors were split between Phil D'Amato and Richard Baltas with 18 victories apiece. D'Amato had won his first Del Mar crown in the summer of 2016, while Baltas was earning his initial conditioning title.



BENOIT PHOTO

Collected and Martin Garcia tally by a half length over Arrogate in the \$1-million TVG Pacific Classic.

HIGHLIGHT

First Breeders' Cup at Seaside Oval Will Be Remembered Among Best Ever

DEL MAR FALL

An ambitious, far-reaching program that began years earlier with the renovation and enlargement of Del Mar's grandstand and continued with other capital improvements, including widening of the turf course, no doubt contributed to Breeders' Cup officials eventually awarding the 2017 world championships to Del Mar. All of the investment paid off as racing fans, racing officials, horsemen, and horses from all over the world made Del Mar the place to be during the first week of November.

The seaside course handled nearly \$16 million onsite on Breeders' Cup Saturday (11/4), while over the two days of world-class racing the on-track handle was more than \$25 million, a Breeders' Cup record. All-sources handle for the two days topped \$166 million as 13 championship races were conducted offering more than \$26 million in purses. Overall handle for the 16-day fall meet exceeded \$314 million. Previous fall meets were either shorter or longer and had no Breeders' Cup during the regular meet, so comparisons were difficult.

Racing ace Gun Runner continued his impressive roll with a wire-to-wire triumph in the \$6-million Breeders' Cup Classic, pushing his bankroll to just a shade under \$9 million. A trio of European runners came away Breeders' Cup winners, while a like number of California-based horses — Battle of Midway, Roy H, and Stormy Liberal — plucked three other rich prizes. Eastern invaders shipped in to win important stakes. The 3-year-old colt Mo Town proved best in the Grade I Hollywood Derby, while the 5-year-old mare Off Limits took the Grade I Matriarch.

Flavien Prat took down his third Del Mar riding title with 18 firsts. Local conditioner Peter Miller took training honors for the fourth time at the shore oval with 19 firsts.



PHOTO COURTESY OF BREEDERS' CUP/ECLIPSE SPORTSWIRE

Gun Runner, under rider Florent Geroux, races to a handy victory in the \$6-million Breeders' Cup Classic.

HIGHLIGHT

Golden Gate Maintained Its Prominent Position in Northern California Horse Racing

GOLDEN GATE

Total handle (wagering) of \$434,168,483 for the three race meets (147 days) conducted at Golden Gate Fields in 2017 declined from the 2016 total of \$454,690,772 generated in 148 days. General Manager David Duggan pointed to increased business in the fall meet as a strong indication that Golden Gate was beginning an upward trend. He also reported that Golden Gate showed year-over-year gains in on-track attendance at its first two meets (winter/spring and summer), while attendance for the fall meet was steady, with a slight increase from 2016.

“This was a solid year for us,” said Duggan. “The second half was especially strong. We are looking forward to carrying that positive momentum into 2018. All of our horsemen, jockeys and frontside staff are working tremendously hard. We are delighted with the progress we’ve made from the beginning to the end of the year.”

The retirement of legendary rider Russell Baze has given plenty of opportunities for other jockeys to shine in Northern California. In fact, all three meets in 2017 ended with a different rider finishing first in the jockey standings. Abel Cedillo finished atop the standings at the big winter/spring meet with 89 wins, 14 more than second-place finisher Irving Orozco. Orozco turned the tables on Cedillo at the summer meet, securing 22 victories over Cedillo’s 19-win count. At the fall meet, Juan Hernandez triumphed over all riders in wins with 37 trips to the winner’s circle. Tom Queally, best known for his thrilling rides aboard champion racehorse Frankel, became a top-class addition to the jockey colony in the fall. The Irishman shipped his tack from Europe to Golden Gate Fields in November.

Good-sized fields and competitive stretch runs highlighted the year of stakes action at Golden Gate. Zakaroff and jockey Kyle Frey pulled off a 48-1 surprise in the El Camino Real Derby for 3-year-olds. Old-pro Alert Bay won his second straight San Francisco Mile. In the All American Stakes, G. G. Ryder nosed out Flamboyant and Alert Bay in a thrilling three-horse blanket finish. Southern

California invader Editore took the feature race of the fall meet, the Berkeley Handicap, over 13 rivals — the biggest field assembled for the Berkeley in over 25 years.



VASSAR PHOTO

GG Ryder (white blinkers), challenged on both sides by Flamboyant (outside) and Alert Bay, winning the All American Stakes.

HIGHLIGHT

Major Upset in Champions Race Was Among the Highlights

LOS ALAMITOS QUARTER HORSE

Nightly handle of \$1,658,872 for quarter horse racing at Los Alamitos Race Course improved slightly on average for the year-long, 146-program meet with total handle of \$242,195,314 in 2017, compared to \$247,156,122 and an average of \$1,636,795 for the longer 151-program meet in 2016.

Los Alamitos continually offers several of the richest races in the nation for quarter horses, and those races attract many of the breed's top performers each year. It was shocking, then, when the 60-1 longshot Mr PYC To You posted the biggest upset in the 45-year history of the \$750,000 Champion of Champions by outfinishing the 2015 American Quarter Horse Association world champion, Heza Dasha Fire, and the 2016 winner, Zoomin For Spuds, in the 2017 renewal. Those who backed Mr PYC To You collect \$123 for each \$2 wagered.

Another big winner at the meet was the 2-year-old filly J Fire Up, who won seven of nine starts on her way to earning \$1,430,411, most of that from victories in the Two Million Futurity, Golden State Million Futurity, and Governor's Cup Futurity. Her male counterpart, the 2-year-old colt KVN Corona, enjoyed a perfect juvenile campaign by winning all six of his starts, including the Ed Burke Million.

Chazaq won the meet's richest race for 3-year-olds, the \$956,500 Los Alamitos Super Derby, while Heza Dasha Fire went over the \$2 million mark in career earnings after another great season in which he successfully defended his title in both the Robert Boniface Los Alamitos Invitational Championship and Go Man Go Handicap.

Ed Allred, the owner of Los Alamitos, led all quarter horse owners at the meet with 45 wins as he remained the sport's all-time leading owner and breeder. Paul Jones was the meet's leading quarter horse trainer for the 19th time in the last 20 years after saddling 87 winners. After finishing second by one win in 2016, young star Jesus Rios Ayala claimed his first quarter horse riding title by piloting

113 winners from 514 starters.



J Fire Up and Jose Nicasio speed home in the Los Alamitos Two Million Futurity.

HIGHLIGHT

It Is Night and Day at Los Alamitos with Periodic Thoroughbred Meets Complementing their Ongoing Night Quarter Horse Programs

LOS ALAMITOS THOROUGHBRED

The three daytime thoroughbred and fair meets conducted in the summer and fall of 2017 at Los Alamitos Race Course collectively handled \$175,730,318 in 31 days – less than the \$192,198,030 wagered during 32 programs in 2016 but more than the \$174,907,900 for 30 programs in 2015. Long the home of night quarter horse racing in California, Los Alamitos also has been providing stabling for thoroughbreds and conducting daytime thoroughbred and racing since 2014 following the closure of Hollywood Park in December of 2013.

The late Brad McKinzie, who served as vice president and general manager of the Los Alamitos Racing Association, was instrumental in arranging for and then managing those thoroughbred and fair meets until his death in 2017. Befittingly, the 2-year-old colt McKinzie, named in honor of the highly respected racing official, won the Los Alamitos CashCall Futurity at the fall meet.

“Brad was my idea man and I relied on him a great deal,” said track owner Ed Allred. “Our disagreements never affected our friendship. I had deep respect for him. Los Alamitos Race Course has named a race in his honor: the Grade I Brad McKinzie Los Alamitos Winter Championship for Quarter Horses. The race was previously named the Los Alamitos Winter Championship.”

Among the highlights of the three meets:

- ◆ Skye Diamonds, a \$40,000 claim (purchase) in 2016, became a Grade II winner in the \$200,690 Great Lady M. Stakes.
- ◆ The 3-year-old colt West Coast powered away late to capture the Grade III, \$200,690 Los Alamitos Derby, giving Hall of Fame trainer Bob Baffert his second win in the race in four years.
- ◆ The 9-year-old gelding Soi Phet won the \$75,000 E.B. Johnston for a second consecutive year, adding to his local resume that also includes stakes victories in 2014.



- ◆ Apprentice jockey Evin Roman dominated to win the riding titles at all three meets, while Doug O'Neill took the first two training titles during the summer and then tied with Baffert in the fall.

BENOIT PHOTO

West Coast carries Drayden Van Dyke to easy victory in the Los Alamitos Derby.

HIGHLIGHT

Northern California Fairs Changed Leadership

THE NORTHERN CALIFORNIA FAIRS

The Racetrack Safety and Maintenance Program, which is managed by the California Authority of Racing Fairs (CARF), made a tremendous impact in 2017 when the various fair meets within CARF achieved the singular goal that had set the collaborative project in motion in 2001: to reduce the number of racing fatalities to zero. To provide safety and consistency to the circuit, all CARF-member racing fairs are equipped with uniform all-tread tractors, a state-of-the-art Kimzey equine ambulance, and custom water trucks, all overseen by the same track superintendent. New safety rails have been installed in Sacramento and Ferndale in recent years, and each year the fairs spend significant amounts on improving the compositions of their dirt racing surfaces.

Governor Edmund G. Brown Jr. signed CARF-sponsored bill AB 460 (Bigelow) in November of 2017, giving the state authority to allocate license fees generated at racing fairs back to fairs for the purpose of funding continued backside safety and racing surface improvements.

Six Northern California fair meets conducted 56 days of live racing in 2017 that generated \$118.5 million in wagers. The Alameda County Fair in Pleasanton launched the circuit with 11 days of racing, reduced one day from 2016, followed by 11 days of racing at the California State Fair in Sacramento. The Sonoma County Fair in Santa Rosa hosted 11 days of racing, followed by seven days of racing at the Humboldt County Fair in Ferndale. The Humboldt County Fair meet shifted back a week in the calendar and closed on Labor Day. The Big Fresno Fair concluded the Fair circuit with nine race days in October.

Stabling changes impacted Northern California as Golden Gate Fields increased the number of stalls on property to accommodate the existing racehorse population, which led to the closure of Pleasanton as an auxiliary training facility.

Fairs continue to provide an affordable venue for communities and families to gather and experience unusual foods, carnival rides, technologies, and entertainment. Horse racing has a long-shared history at fairgrounds and remains one of the first places that people are initially exposed to the sport. Fairs recognize the importance of this role and are working hard to provide a quality racing product that will make many of the 1.75 million annual fair attendees racing fans.

HIGHLIGHT

Pleasanton Racing Closed With a Bang July 4; Returned in the Fall

PLEASANTON

More than 460,000 fairgoers passed through the gates of the Alameda County Fair, an overall increase of three percent. Fans enjoyed 11 days of Oak Tree at Pleasanton racing, and daily average on-track attendance increased five percent. Despite an extreme heat wave that forced the cancellation of one program, total on-track handle was even with the one-day-longer 2016 meet and all-source daily average handle increased seven percent.

Popular on-track events included the Red, White & Brewfest and the Sip, Savor & Wager Wine Festival. Both events included unlimited drink samples along with a racing program and tip sheet. Other on-track promotions included a T-shirt giveaway, hat contest, owner for a day contest, putting contest, and daily handicapping seminars.

New in 2017, the Alameda County Fair conducted its first Opening Day Cattle Drive in which thousands of spectators cheered 60 cowboys and cowgirls as they drove 150 steers through downtown Pleasanton and into the Fairgrounds to celebrate the Fair's Opening Day. The event generated extensive media coverage and buzz preceding the race meet.

For the second consecutive year, the Alameda County Fairgrounds hosted a two-week meet in the fall in place of the San Joaquin County Fair race meet. All-source live handle for the meet was down eight percent from \$15.69 million in 2016 to \$14.43 million in 2017.

Special promotions conducted each day of live racing included: Mixology Craft Cocktails Festival, Craftober Craft Beer Festival, Sip, Savor & Wager Wine Festival, Harley Davidson Poker Run Motorcycle Ride to the Races, and Food Truck Fridays with \$2 beers.

HIGHLIGHT

Longer State Fair Meet Remained Solid

SACRAMENTO

For half a century, the California State Fair has called Cal Expo home. Many of its iconic features date back to its original opening, which was designed with help from Walt Disney and still retains some Magic Kingdom inspiration. To help celebrate this anniversary, the State Fair commissioned a commemorative poster featuring Cal Expo landmarks with ties to its Disneyesque birth. Those include the monorail, skyway, exposition buildings, water tower, oversized Ferris wheel, agricultural exhibitions and, of course, the thoroughbred racetrack.

Unfortunately, the weather wasn't cooperative. Triple-digit weather affected attendance as the 17-day event at Cal Expo drew 636,628 visitors, five percent fewer than the 673,237 in attendance last year. Eight days of heat reaching 100 degrees or higher, occurring almost exclusively on Fridays and weekends, were the biggest contributor to the declines. Overall handle for the 11-day race meet totaled \$23,581,974, compared with \$22,521,045 for the 10-day meet in 2016.

On-track events included the Best of California Brewfest, Wienerschnitzel Wiener Dog Races, Steampunk at the Races, and California Cornhole Championship in the grandstand. Ongoing efforts to drive fair attendees to the racing grandstand included gate coupons redeemable at the races for a free wager, a table for four in the Turf Club, racing memorabilia, or a free program. Oversized racing signage was added on Sacramento's traffic-heavy Exposition Boulevard and on the fair-facing side of the grandstand.

HIGHLIGHT

Turf Racing Helped But Handle Declined With Adjusted Schedule

SANTA ROSA

The Sonoma County Fair's 11-day "Wine Country Racing" meet continues to offer turf specialists the opportunity to compete after a six-week break. Running an additional week later than the past two years in the racing calendar, Santa Rosa moved its County Fair one week in order to run two weeks with the assigned racing dates and a third week after the fair event. Overall handle for the 11 days totaled \$28,822,331 compared to \$30,083,973 in 2016.

The 2017 meet carded 79 thoroughbred races with 28 of those races run on the turf course. Average thoroughbred field size went from 7.32 in 2016 to 6.57 in 2017, while an average of 7.79 horses per race competed on turf versus 8.21 in 2016. With some necessary revisions to the Wine Country Stakes Series, Santa Rosa offered five thoroughbred overnight stake races, continuing the inclusion of the \$50,000 Wine Country Debutante for 2-year-old fillies.

While wagering was down from the 2016 meet, fans clearly enjoyed the talent displayed as Wine Country Racing experienced larger daily crowds with an 11 percent overall racing attendance increase. The fair track continues to be a popular sporting event in Sonoma County in conjunction with the annual fair. Daily handicapping seminars remain a favorite tradition of Wine Country Racing fans. Located under shade trees in a very comfortable park setting, these highly attended assemblies are hosted by local track personalities and are free to all.

HIGHLIGHT

A Long Tradition of Racing Continued in the Charming Village

FERNDALE

The Humboldt County Fair, located within the Victorian village of Ferndale, experienced increases in attendance despite battling a calendar shift, wildfires, and extreme heat. Increased fair attendance continued a five-year trend despite local schools getting back in session while the fair ran and smoky conditions from wildfires in nearby national forests.

Despite gaining an additional day of racing on Labor Day Monday and support from Oregon horsemen, the challenge of running concurrently with Golden Gate Fields continued to plague Ferndale racing as field size dropped eight percent to 5.6 starters per race. Total on-track handle was down 13 percent compared to 2016. All-source handle of \$4,577,555 decreased four percent from \$4,773,498 in 2016.

Popular on-track promotions included ultra-popular Ladies' Day Hat Contest, a Surf & Turf BBQ Competition hosted by Food Network Star Guy Fieri, and daily handicapping seminars hosted by track announcer Chris Griffin.

HIGHLIGHT

Smaller Fields Contributed to Handle Decline

FRESNO

For only the third time in its 134-year history, the Big Fresno exceeded 600,000 in attendance as a 12-day event in 2017. However, the race meet continued to struggle as thoroughbred field size dropped to 5.9 starters per race (from 6.16 in 2016) despite lucrative trainer incentives that were doubled to offset the dwindling horse population. On-track handle and all-source handle (\$17,866,766) also declined from 2016 (\$18,238,340).

New on-track promotions included the Big Fresno Fair Craft Brew Fest, located in the infield, which featured samples from 30 breweries, lawn games, music, and food trucks. The event drew more than 1,000 people, who enjoyed a fun day at the races. Other on-track promotions included a Derby-style Hat Contest, Mascot Races, jumping horse exhibition in the infield, small dog races on the racetrack, and Mexican dancing horses and performers in front of the tote board.

HIGHLIGHT

Harness Racing Continues to Thrive Since Its Permanent Move to Cal Expo Nearly 20 Years Ago

CAL EXPO HARNESS

Cal Expo, the home of harness racing in California under the Watch and Wager LLC banner, offered 54 nights of standardbred racing during two meets in 2017, the first in the winter and spring, the second in the fall. All-sources handle for the year was \$58,180,355, more than \$1 million more than handle during 55 programs in 2016.

General Manager Chris Schick noted, “Despite the challenging weather conditions over the winter months, our handle and racing were very strong and our field size inched up to 7.9 horses on average.”

Assistant General Manager/Chief Financial Officer Ben Kenney partially credited the influx of new horses to their success. “We were excited to see several new barns out of western Canada and were very happy to see the circuit between Calgary and Cal Expo flourishing,” he said.

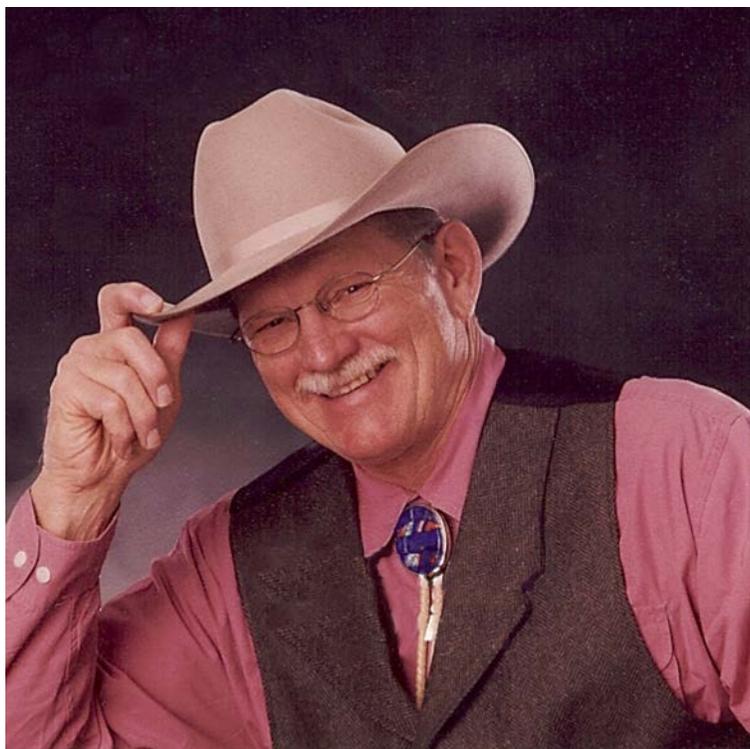
On the racing front, Luke Plano won the 2017 driving title by a wide margin, while Kathleen Plested and Bobby Johnson tied for the training title.

Moonstone Beach and Little Emma were the leaders among the 4-year-old distaffers in Sire Stakes action, while Army of One accounted for five of the seven stakes races decided for the 3-year-old males. Both Moonstone Beach and Army of One are owned and were bred by Wayne and Rod Knittel, with Bob Johnson the conditioner. Little Emma competes for Thomas, Haness, and Reider and hails from the George Reider shedrow.

Midnight Redezvous pretty much dominated the 3-year-old trotting contests, while Allmyx’sliventexas was the leader among the 4-year-old pacers.

Hare To Eternity won the event for pacing fillies and mares, sitting a pocket trip that night and igniting when it counted to prevail by three-quarters of a length over Shark Festival. Owned by Arnstine, Chambers, and Wiseman, with Kathie Plested training and Steve Wiseman at the controls, Hare to Eternity also won the Kirk Breed Pace.

Cal Expo was proud to have the first running of the \$10,000 Kirk Breed Pace, named for the late Executive Director of the California Horse Racing Board who had previously served as a board member and general manager of the State Fair. He passed away in 2013 at the age of 73.



Simulcast Facilities by Location

California Simulcast Facility	Total Handle FY 2016-17	Number of Attendees
Anderson	\$ 857,272.20	2,807
Bankers Casino	607,400.90	2,357
Bonita 58 Flat	8,514,916.30	23,933
Cabazon	11,383,335.15	42,473
Commerce Casino	17,748,004.60	85,088
Del Mar	99,875,258.00	683,102
Ferndale	793,685.00	13,078
Firehouse Restaurant (Bakersfield)	5,506,997.50	19,975
Fresno	7,751,413.45	84,472
Fresno Club One	3,155,993.60	4,840
Golden Gate	70,114,524.90	313,499
Hollywood Park	76,143,371.10	211,388
Lake Elsinore Hotel	5,130,709.00	25,546
Lake Perris	9,307,896.60	32,946
Lancaster	10,265,054.50	39,462
Los Alamitos	103,382,295.65	381,016
Monterey	4,513,452.70	16,630
OC Tavern	5,881,260.40	23,355
Ocean's 11 Casino	7,886,903.00	30,081
Pleasanton	30,349,842.60	117,318
Pomona	53,093,255.50	201,340
Sacramento	22,451,380.60	103,982
Sammy's Restaurant and Bar	19,185,322.20	86,157
San Bernardino	17,723,240.70	64,137
San Jose	25,518,832.10	100,396
San Mateo County	54,508,543.35	127,947
Santa Anita	212,616,834.10	1,225,516
Santa Clarita Lanes	13,987,578.00	38,201
Santa Maria Original Roadhouse Grill	2,696,558.50	8,001
Santa Rosa	11,011,345.00	62,019
Stockton	14,653,649.75	49,883
Striders San Diego	5,702,953.00	26,398
Tilted Kilt (Thousand Oaks)	8,435,544.00	11,707
Turlock	1,453,947.00	4,511
Vallejo	11,454,720.10	41,381
Ventura	13,552,523.70	37,259
Victorville	5,193,200.80	25,953
Viejas	11,277,677.10	37,108

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

Horse Racing Revenue

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 toward the funding of CHRB operations. During FY 2016–17, the pari-mutuel handle totaled \$2,989,969,720, and \$13,469,000 was remitted 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

totalizator 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 2016–17 totaled \$7,035,079. 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 \$244,999.

Business and Professions (B&P) Code section 19550 requires racing associations to contribute a portion of handle to charity. 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. B&P Code section 19556(b) also requires that at least 60 percent of the proceeds be distributed to charitable groups within the horse-racing industry. While recognizing the worthwhile nature of all charitable organizations favored by distributing foundations, the CHRB encourages the foundations to exceed this minimum per-

centage. 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 II, Del Mar Thoroughbred Club, Los Alamitos Racing Association, Los Alamitos Quarter Horse Racing Association, Pacific Racing Association, 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 2016–17, the distribution to the welfare funds was \$1,046,452.
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 2016–17, the tracks and the horsemen each received \$1,805,017.

3. Unclaimed refunds totaled \$810,112 for FY 2016–17. 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.

4. Cash vouchers that are not redeemed within 365 days of the close of the racing meeting at which the voucher was purchased are distributed to a nonprofit organization for the purposes of maintaining a database of horse-racing information. CHRIMS is the organization designated by the CHRB to receive these funds. During calendar year 2016 uncashed vouchers totaled \$440,304.

Statement of Distribution by Fund of Horse Racing Revenue

July 1, 2016 through June 30, 2017

	Detail	Total
Revenue To Horse Racing Fund		
CHRB Support from Racing Associations	\$12,646,000	
CHRB Support from ADW	823,000	
Miscellaneous Income	0	
Income from Surplus Money Investment Fund	5,000	
Escheat of Unclaimed Checks, Warrants	5,000	
Total 3153 Fund		\$13,479,000
Revenue To General Fund (0001)		
Horse Racing Licenses	0	
Fines & Penalties	172,000	
Occupational Licenses	887,000	
Miscellaneous Income	0	
Total Fund 0001		\$1,059,000
Revenue to CA Veterinary Diagnostic Laboratory (0881)		
Equine Research License Fees	923,000	
ADW Equine License Fees	546,000	
Total Fund 0881		\$1,469,000
Total Revenue		\$16,007,000

Occupational Licenses and Fees

July 1, 2016, through June 30, 2017

Type of License	Fee	Issued	Total
Stable	\$100-300	361	\$107,300
Multiple Ownership*	300	11	3,300
Horse Owner-Open Claim	250	14	3,500
Officer/Director/Partner**	150-200	121	19,150
Horse Owner**	150-250	3,032	355,100
Trainer, Assistant Trainer***	50-150	332	48,730
Harness Horse Driver***	150	14	2,100
Jockey/Apprentice Jockey***	50-150	144	21,000
Jockey Agent	150	25	3,650
Bloodstock Agent	150	6	900
Veterinarian	150	40	6,000
Association Employee	75	205	15,375
Valet/Custodian/Attendant	75	6	450
Pari-mutuel Employee/Tote	35-75	629	38,775
Horseshoer	75	30	2,250
Exercise Rider/Pony Rider***	25-75	313	22,675
Misc. Employee/Stable Agent Vendor**	35-75	307	19,105
Security Guard	75	100	7,500
Stable Foreman	35-75	74	5,510
Authorized Agent	25	606	15,150
Replacement License	15	291	4,365
Annual Groom/Stable Employee (Original)***	35	355	12,425
Annual Groom/Stable Employee (Renewal)**	20-35	1,395	29,925
Total fees generated to General Fund		8,411	\$744,235

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 Revenue

Horse racing contributes to local economies through sales tax from the sale of claimed horses. During FY 2016–17, there were 1,656 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 2016–17, the total amount paid for claiming of horses was \$24,659,950, resulting in sales tax revenue of \$2,112,308.

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 2016–17, \$3.2 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 per-

centage deduction for purses, and the track’s commission. Commissions retained by California racing associations during FY 2016–17 totaled \$113,690,532.

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 2016–17 totaled \$133,425,756. In addition, \$9,793,922 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, 2016 to June 30, 2017

Track Location	Horses Claimed	Amount Paid	Sales Tax
Thoroughbred Race Meets — Northern			
Golden Gate	365	\$3,583,350	\$335,512
Thoroughbred Race Meets-Central-Southern			
Del Mar	275	\$6,361,000	\$508,880
Los Alamitos	48	826,750	66,140
Santa Anita	430	10,588,000	932,558
Harness Meets-Statewide			
Cal Expo	11	\$54,150	\$4,498
Quarter-Horse Meets-Statewide			
Los Alamitos	381	\$1,946,250	\$153,305
Fair and Mixed Meets-Statewide			
Pleasanton	28	\$208,150	\$19,489
Santa Rosa	26	212,650	18,607
State Fair	25	174,500	14,833
Pleasanton Fall	13	123,400	11,723
Ferndale	9	31,350	2,508
LACF @ Los Al.	27	451,250	36,100
Fresno	18	99,150	8,155
Grand Total	1,656	\$24,659,950	\$2,112,308

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 2016–17, there were 803 horses sold for a total of \$19,995,500. These sales generated a total of \$801,519 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 2016–17:

Barretts Equine Ltd. at Del Mar

Paddock Sale July 23, 2016

Barretts Equine Ltd.

August Select Yearling Sale August 30, 2016
 October Fall Sale October 18, 2016
 January Mixed Sale January 17, 2017
 Select Two-Year-Olds March 29, 2017
 Spring Two-Year Olds May 15, 2017

Altogether, 446 horses were sold through Barretts' Equine Limited sales for a total of \$14,310,300, which generated \$631,334 in sales tax.

California Thoroughbred Breeders Association Sales

Nor-Cal Yearling Sale and
 Horses of Racing Age August 16, 2016

A total of 136 horses was sold for \$1,433,900, which generated \$62,249 in sales tax.

Quarter-Horse Sales At Los Alamitos

Los Alamitos Equine Sale Oct. 1, 2, 2016

A total of 221 horses was sold for \$4,251,300, which generated \$107,936 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 2016–17, \$613,492 was generated as owners premiums and \$9,239,996 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 0.07 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 2016–17, the program generated \$205,027.

Quarter-Horse Breeders Program

Pacific Coast Quarter Horse Racing Association, as the recognized breeders organization, received \$334,999 from the pari-mutuel handle to fund its program in FY 2016–17. 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 \$218 for the breeders program in FY 2016–17. No Paints ran in California. This revenue came from ADW wagers.

Arabian Breeders Program

The California Arabian horse breeders awards received \$7,832 for the program during FY 2016–17.

Mule Breeders Program

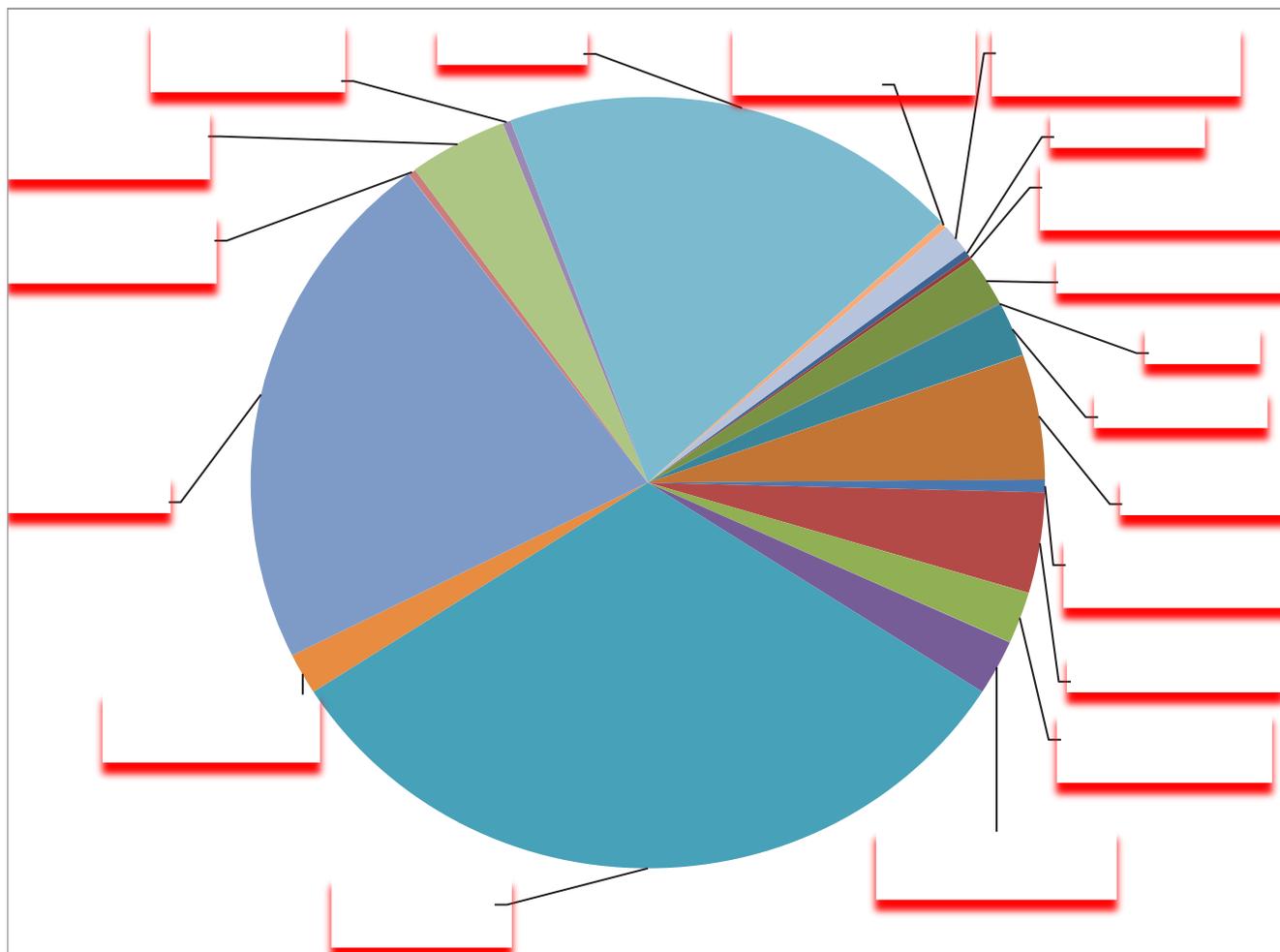
The California mule breeders awards received \$5,850 for the program during FY 2016–17.

Appaloosa Breeders Program

California did not host Appaloosa breed races during FY 2016–17.

The Revenue Stream

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



A total of \$2,989,968,301 was wagered by fans of California racing during FY 2016-17, and of the money, 79 percent (\$230,777,748) was returned to winning ticket holders.

Prior to simulcast wagering in 1985, virtually all of the wagering on California races was at the track, but today “on-track” bets make up only 11.39 percent of wagers placed (\$341 million). Off-track betting within the state provides 21.51 percent of the handle (\$643 million) The balance comes from out-of-state and Advance Deposit Wagers (totaling \$1.1 billion). ADW accounted for \$906,505,766 of the handle.

Patrons failed to cash \$4.7 million

worth of winning tickets. Per B&P Code section 19641(b), money from uncashed tickets, except for fairs, is split between a welfare fund for the benefit of the backstretch workers (50 percent), the associations (25 percent), and horsemen (25 percent). 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 self-serve bet-

ting machines is used to finance the horse-racing revenue database called CHRIMS.

Breakage, a by-product of the pari-mutuel calculation, is distributed to purses and to the racing associations. This totaled \$7,035,079 in FY 2016-17.

Of the \$3 billion wagered, \$619 million, or 20.71 percent, was withheld as the “takeout” for such purposes as horsemen’s purses, racetrack operations, and government taxation, as follows on the next page:

Horsemen's Purses

A total of \$133,425,708 was distributed during FY 2016–17 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 \$114 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 \$9,793,922 in awards were divided between programs for thoroughbreds (\$9,239,996), standardbreds (\$205,027), quarter horses (\$334,999), paints (\$218), Arabians (\$7,832), and mules (\$5,850).

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 \$3.2 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 \$14 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 \$161 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 \$54.1 million last year:

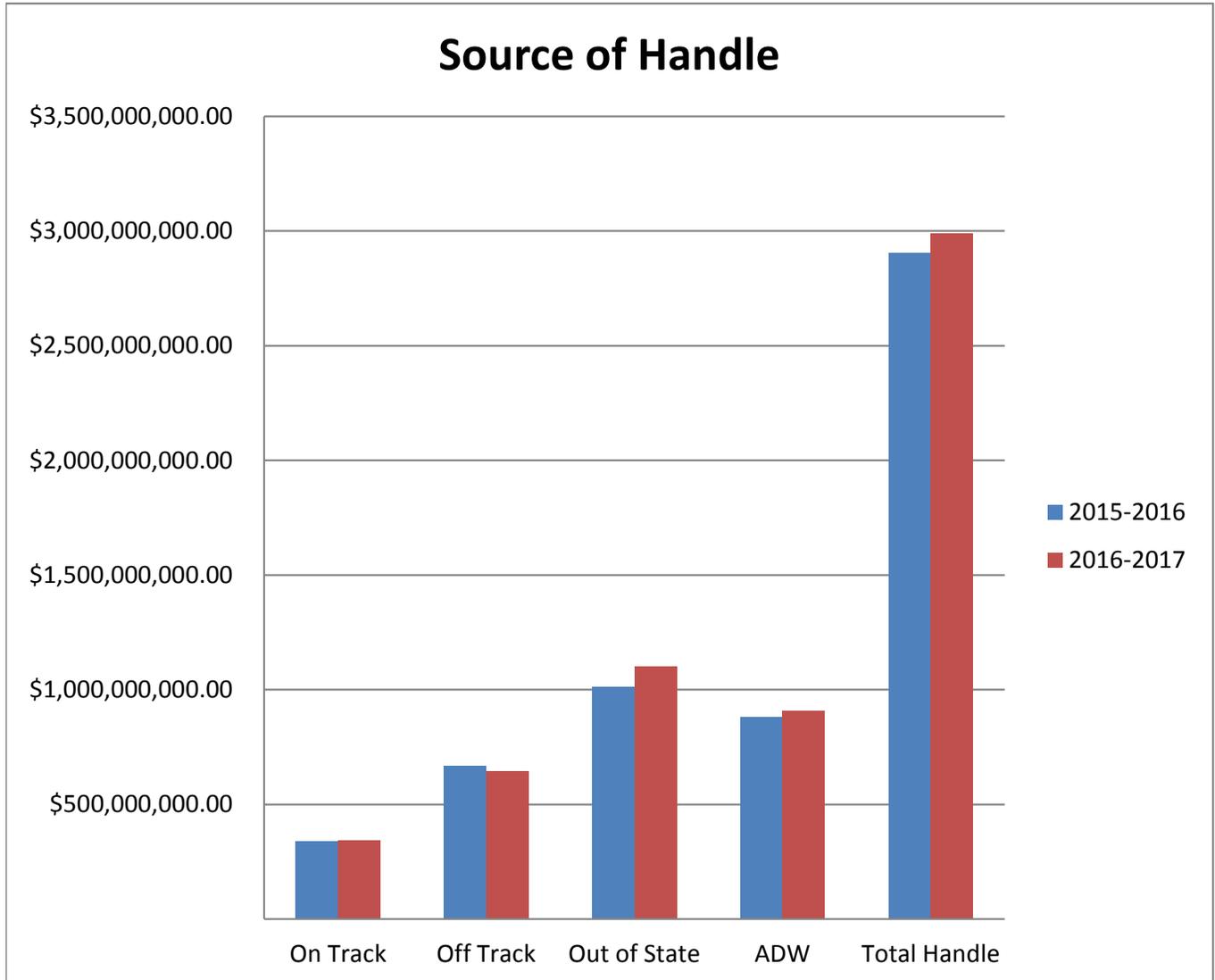
Stable and Vanning Fund:	\$13.1 million
Promotion Fund:	\$2.0 million
Expense Fund:	\$24.2 million
Guest Site Fees:	\$14.8 million

Retirement and Welfare

ADW Retirement and Welfare Plans received \$1,851,428 in FY 2016–17. These funds supplement the backstretch personnel pension plan and provide welfare benefits for horsemen and backstretch personnel.

Sources of Handle

Fiscal Years 2015-16 and 2016-17



The on-track handle represents wagers at the host track. For FY 2016-17, on-track wagers accounted for 11.39 percent of the total handle. Off-track handle represents wagering at California simulcast locations and accounted for 21.51 percent of the total. Out-of-state handle represents commingled wagers from other U.S. and international sites. Out-of-state wagers accounted for 36.78 percent of the total. Advance Deposit Wager (ADW) represents the handle generated through the seven licensed California ADW companies. The ADW handle accounted for 30.32 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.

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. 018221

California Harness Horsemen's Benevolent Foundation

1600 Exposition Boulevard. Gate 12
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 2016–17: 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 headquarters office in Sacramento.

Audited Financial Statements of California Horse Racing Industry

Pursuant to Business and Professions Code Section 19440.5 and requirements outlined in the license application, the CHRB requires recognized industry participants receiving statutory distributions from the takeout to annually file audited financial statements. The table below lists those organizations and their most recent statements received by the CHRB.

Horsemen's Associations	Last Audit Report
Pacific Coast Quarter Horse Racing Association	2016
American Mule Racing Association	2015
California Thoroughbred Horsemen's Foundation, Inc.	2016
California Harness Horsemen's Association	2017
Arabian Racing Association of California	2016
Thoroughbred Owners of California	2016
California Thoroughbred Trainers	2016
California Thoroughbred Breeders Association	2016
Administrative Funds	
CHRIMS	2016
California Marketing Committee (CMC)	2016
California Thoroughbred Business League	2016
Northern California Off-Track Wagering (NCOTWINC)	2016
Southern California Off-Track Wagering (SCOTWINC)	2016
California Thoroughbred Trainers Inc. Backstretch Employees' Cash Balance Pension Plan	2016
California Jockeys' Welfare Corp	2016
CHRB Defined Contribution Retirement Plan for California Licensed Jockeys	2016
Quarter Horse Benevolent Charity Foundation	2016
California Standardbred Sires Stakes Committee	2016
California Harness Horsemen's Benevolent Foundation	2017
Northern California Auxiliary Vanning and Stabling Fund	2016
Southern California Stabling and Vanning Fund Trust	2016
Racing Associations	
Golden Gate Fields (Pacific Racing Association)	2016
Del Mar (Del Mar Thoroughbred Club)	2016
California Authority of Racing Fairs (CARF)	2016
Santa Anita Park (Los Angeles Turf Club, Inc.)	2016
Los Alamitos Quarter Horse Racing Association (Quarter Horse Racing, Inc. & Subsidiaries)	2016
Los Alamitos Racing Association (Quarter Horse Racing, Inc. & Subsidiaries)	2016
Cal Expo (WatchandWager.com, LLC)	2017
ADW	
TVG (Paddy Power Betfair, Plc)	2016
Twin Spires (Churchill Downs Incorporated)	2016
Watch and Wager, LLC	2017
Game Play Network, Inc.	2016
Lien Games Racing	2016
The New York Racing Association, Inc.	2015
XpressBet, LLC	2016
Totalizator Company	
AmTote International, Inc. and Subsidiaries	2016