

Thirty-Fifth Annual Report of the California Horse Racing Board

A Summary of
Fiscal Year 2004 – 2005
Racing in California

California Horse Racing Board

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

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

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

REPORT OF THE CHAIRMAN

On behalf of the California Horse Racing Board, I am pleased to submit our 35th Annual Report. I feel honored to have served as chairman for two years – 2004 and 2005 – and I look forward to serving as a racing commissioner in 2006.

Looking back at 2005, I am bothered that racing was not able to show more positive growth, despite a good California economy. A few tracks, including Del Mar and some of the fairs, did show increases, but many struggled just to stay even. I am especially concerned by the long-term trend of declining attendance and wagering at the sites where races are being run. We are increasingly dependent on off-track and Advance Deposit Wagering. ADW in particular has shown impressive gains, and revenue from ADW has helped maintain average daily revenues going to purses and commissions.

But clearly, we sure are not coming off a robust year, which is a shame. We have a wonderful sport with a rich heritage – a vital business that provides thousands of dependent jobs. California has some of the nicest racetracks in the world, fine horse farms, and dedicated owners, breeders, trainers, jockeys, front and backside workers, and other horse professionals at all levels. What can we do to keep these jobs and this sport healthy in the 21st century?

I think we need to reinvent ourselves. The methods of our fathers and grandfathers do not always work today. We have an aging fan base. I am 62, and I sometimes look around the crowd at a racetrack and feel like one of the younger ones there. I don't want to see us lose our cherished traditions, but we do need to realize that in today's high-tech world, people's priorities are changing. Fewer and fewer are willing to drive through heavy traffic, and then pay for admission and parking just to attend a mediocre racing card. Sure, we get relatively large crowds for important, heavily promoted programs, but there are limited opportunities for "Big Days."

I see where ESPN is paying \$1 billion a year for the rights to Monday Night Football. Racing struggles to get on TV and usually has to pay for the time it does get. It is critical for racing to expand its distribution utilizing the Internet and television, and divide the resulting revenues fairly, while also maintaining the magic and excitement of the racing experience itself, which is what brought so many of us to love the game.

A development in recent years is the proliferation of other types of gaming at racetracks around the country. Slot machines and video lottery terminals are legal in a number of racing states, and are being pushed for legalization in several more. Just a slice of this revenue significantly increases purses for horse racing in those jurisdictions. New Mexico and West Virginia, just to name two, are states with historically mediocre purses that now have strong purse programs. Other major racing states are following suit. These more lucrative purses are attracting horsemen to those areas and away from California.

The California Constitution prohibits racetracks in this state from doing the same. Furthermore, racing faces competition in California from Indian casinos, which offer other types of gaming pursuant to federal law and state compacts. Voters rejected the effort in 2004 to change California law and permit racetracks to expand into these other gaming ventures. Some in racing are working on a consensus initiative as a future ballot measure. It would allow some number of slots or VLTs at various currently operating racetracks. I personally support the effort to bring other types of revenue into racing in order to help restore and maintain its economic vitality. I am concerned that while doing so, we must also keep racing on the front burner and not make it a sideshow to another type of gambling. Remember, the same voters who might approve such a deal could eventually take it a step further and shift the racetrack portion of the revenue to meet other state needs. It's that old adage, be careful of what you wish for.

One accomplishment in 2005 was the increased CHRB focus on equine medication and security issues, ensuring that California's standards are among the highest in the nation. The CHRB supported legislation to make the Maddy Laboratory at UC Davis the primary testing lab for California – a major improvement. California was one of the first thoroughbred jurisdictions to test for bicarbonates. This additional test, combined with our world-class drug testing at the Maddy lab, ably led by Dr. Scott Stanley, has given the state a very strong program, which will become even stronger when the Board institutes the national standards recently endorsed by the Racing Commissioners International. I feel that horse racing is well regulated, and the national standards should help convince the racing public of the same.

The CHRB has put considerable time and effort into jockey weight issues. Weights carried by horses have been raised somewhat by the racing secretaries, which has allowed jockeys themselves to weigh more and perhaps engage in healthier diet regimens – a positive development. A national study on jockey health relative to weight levels is underway, and we need to determine if further adjustments are needed. Efforts also are underway to make the whole system of weighing in and out for races more transparent. The weight listed in the program should accurately show all weight carried by the horse and eliminate any hidden factors that exist today.

The Board wants to see improvements in track surfaces that are more consistent, easier to maintain, and kinder to horses. The synthetic surface Polytrack appears to have all of these very positive attributes. Polytrack is now being well accepted at Turfway Park in Kentucky, and it is scheduled to be installed at Keeneland. It could drastically reduce injuries, a benefit in itself, which as an added bonus could help keep more horses in training and also attract more horses to race in California, resulting in larger, more attractive fields. It could also reduce track variables – a plus for handicappers – and provide a major breakthrough for racing. Polytrack is expensive to install, but a definite payback exists, and the CHRB needs to be a catalyst for the construction of Polytracks in California sooner rather than later.

The Board is fortunate to have attracted Ingrid Fermin to become our executive director. She started in January 2005. Ingrid brings a wonderful depth and breadth of experience to the job, having served as a steward for more than 20 years at a number of California tracks. She is very knowledgeable and motivated. She is a dedicated professional who wants the very best for racing.

John Andreini joined the Board in November and brings a large amount of experience in the quarter-horse sector to the CHRB, as well as strong business experience, and he will be a strong member. John Sperry left the Board in 2005, and I want to thank him for all of his good efforts. Two former CHRB chairmen, Alan Landsburg and Roger Licht, both left the board in 2004, and they both worked hard for the good of the industry. Richard Shapiro joined the Board in late 2004, and he definitely hit the ground running. I feel very good about him succeeding me as chairman, as I highly value his intellect, integrity, racing knowledge, and enthusiasm. He is well equipped to deal with the many challenges the Board faces.

Good wishes to all of the horse industry going forward.

A handwritten signature in black ink, appearing to read "Jeff Harris". The signature is written in a cursive, flowing style with a large initial "J".

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

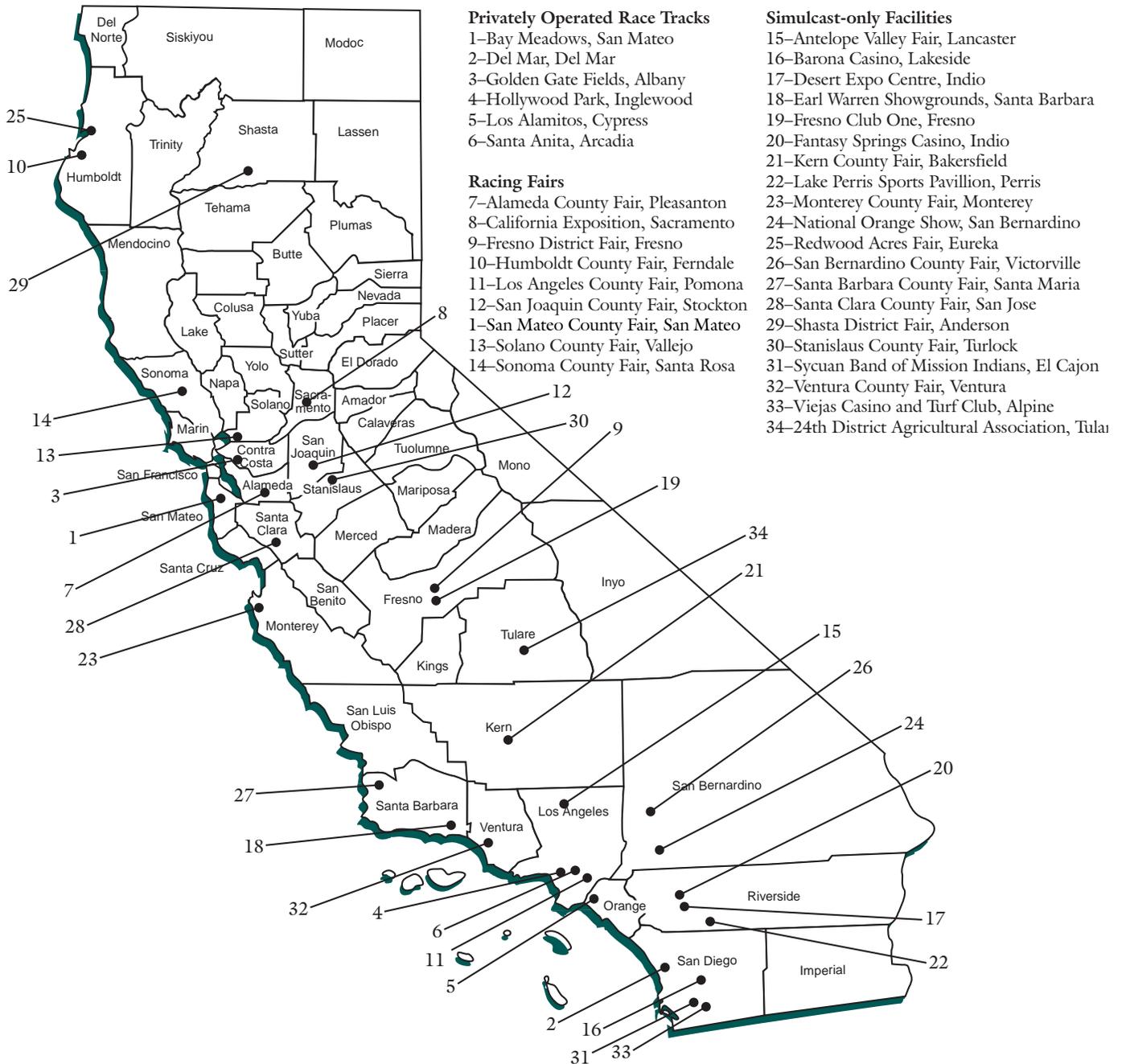
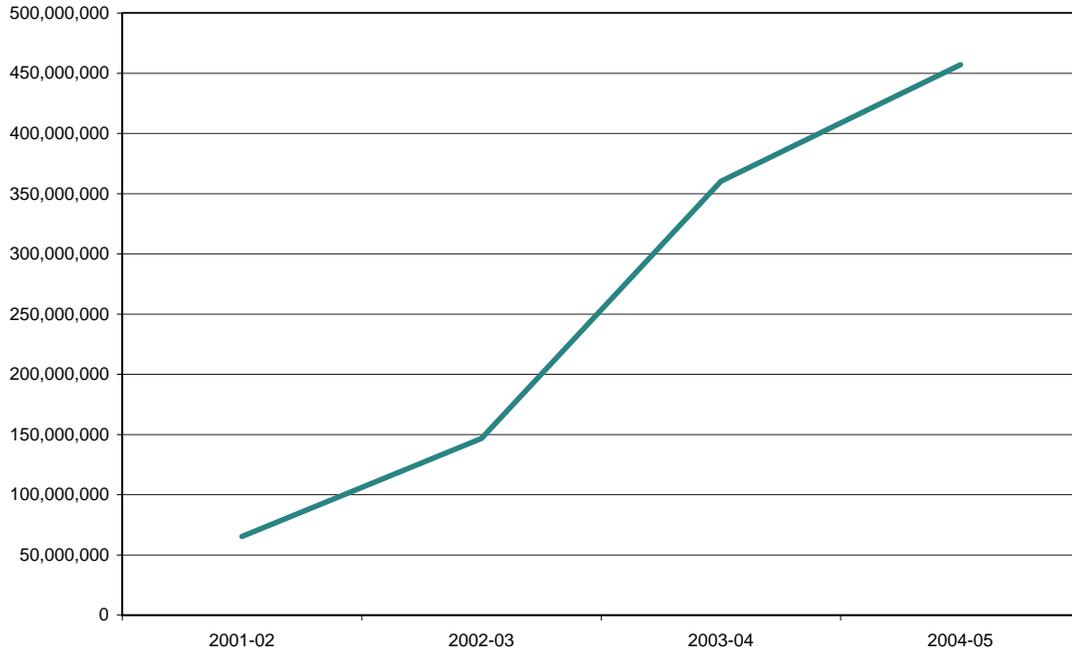


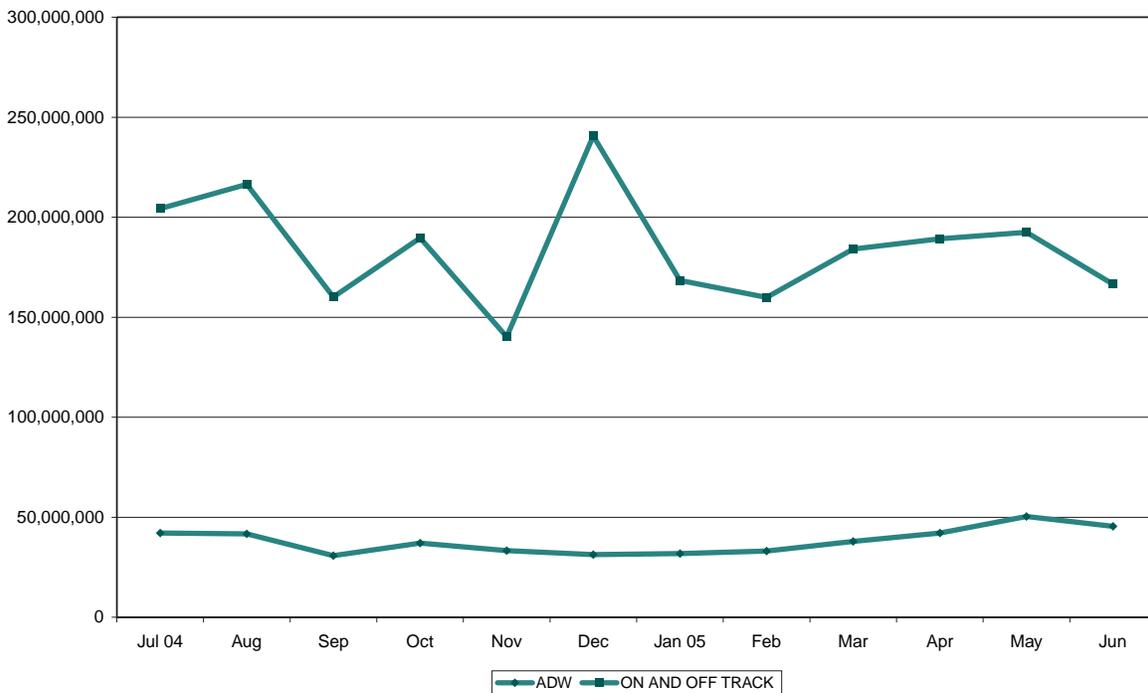
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Total Fiscal ADW Handle 2002-2005



California Commingled Handle All Sources Fiscal 2004-2005



ADVANCE DEPOSIT WAGERING

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

The CHRB has approved three companies to provide this service: TVG, XpressBet, and Yobet.com. During the last fiscal year, the three ADW providers collectively handled \$457,065,448 in wagers made by account holders in California and those in other jurisdictions who placed wagers on races in California. This represented an increase of nearly \$100 million from the previous year, or 27 percent.

ADW is consistently the one segment of pari-mutuel wagering that increases substantially each year in California. As the top-left chart shows, ADW handle began with \$65,207,627 in the 2001-2002 fiscal year, then jumped to \$146,666,131 and \$360,316,199 the following years.

ADW is subject to the same variables that affect overall handle, including economic conditions, the quality and amount of racing during any particular period, and special events, such as the Breeders' Cup. ADW handle during the fiscal year peaked in May at more than \$50 million when California bettors wagered heavily on the Kentucky Derby.

Despite the three providers handling nearly \$460 million between them during the fiscal year, the bottom-left chart shows that ADW still represents just a fraction of the total money wagered through the California pari-mutuel wagering system. During that same 12 months, the total money wagered through the entire system reached \$4,189,727,623. ADW handle represented about 10 percent of the \$4.2 billion in total wagers.

The California Horse Racing Board

A Brief History

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

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

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

To accomplish this, the Constitutional Amendment authorized pari-mutuel wagering on the results of horse races

at licensed race meetings and created the California Horse Racing Board to oversee the industry.

The CHRHB's principal responsibilities are to:

- ◆ Adopt rules and regulations for the protection of the public and the control of horse racing and pari-mutuel wagering;
- ◆ Adjudicate controversies arising from the enforcement of laws and regulations of horse racing and pari-mutuel wagering;
- ◆ License each racing association, each simulcast wagering facility, and all persons, other than the public at large, who participate in a horse

race meeting with pari-mutuel wagering; and

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

The Attorney General of the State of California is the Board's legal counsel, and the Board is assigned a deputy attorney general to provide general legal service. As a member of the Association of Racing Commissioners International, the Board exchanges information on licensees and disciplinary proceedings with other commissions of the RCI through the National Association State Racing Information System.

Board Meetings

The California Horse Racing Board met 12 times throughout the state during the 2004-2005 fiscal year. Meetings were held in conjunction with a licensed racing meet. Board meetings are open to the public and include a published agenda. The following meeting dates and locations were held:

July 22, 2004
Del Mar Simulcast Facility,
Del Mar

August 19, 2004
Del Mar Simulcast Facility,
Del Mar

September 15, 2004
Los Angeles County Fair/Fairplex,
Pomona

October 5, 2004
Cal Expo
Sacramento

October 14, 2004
Arcadia City Hall,
Arcadia

December 2, 2004
Hollywood Park Racetrack,
Inglewood

January 20, 2005
Arcadia City Hall,
Arcadia

February 17, 2005
Arcadia City Hall,
Arcadia

March 24, 2005
Bay Meadows Racetrack,
San Mateo

April 28, 2005
Hollywood Park Racetrack,
Inglewood

May 26, 2005
Los Alamitos Race Course
Los Alamitos

June 30, 2005
Alameda County Fairgrounds,
Pleasanton

Members of the California Horse Racing Board

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

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

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

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

Committees Of The Board

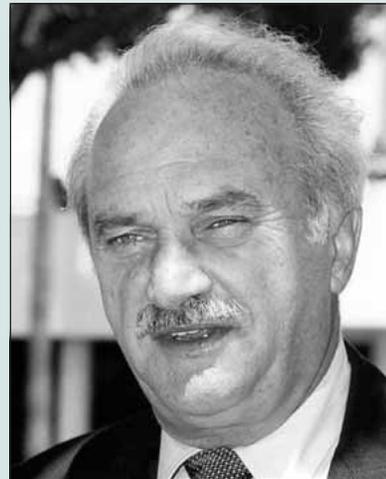
The executive director is directed to provide public notice of a meeting of a standing committee, other than a meeting of the Stewards' Committee. Whenever a Board quorum is expected at any meeting of a committee, the ex-

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



**John C. Harris,
Chairman**

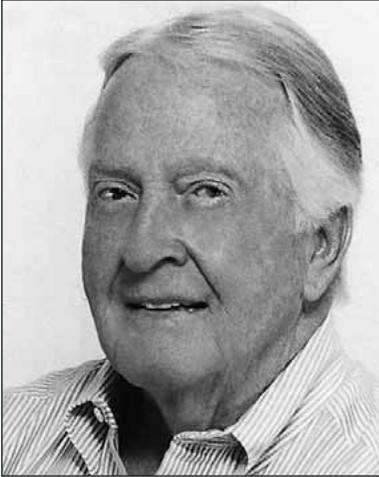
Chairman and CEO of Harris Farms, Inc., in Coalinga. Appointed to the CHRB by Governor Gray Davis on November 9, 2000, through July 26, 2003. Reappointed by Governor Davis through July 26, 2007. CHRB Chairman in 2004 and 2005.



**William A. Bianco,
Vice Chairman**

Founded Kinetics Group in 1971. Appointed to the CHRB by Governor Gray Davis on March 1, 2001, through January 1, 2003. Reappointed by Governor Davis through January 1, 2007.

Members of the California Horse Racing Board



**John Andreini,
Member**
Founder of Andreini
and Company.
Appointed to the
CHRB by Governor
Arnold
Schwarzenegger on
October 14, 2005,
through
July 26 , 2009.



**Sheryl L. Granzella,
Member**
Business Development
Manager with
Republic Services Inc.
Appointed to the
CHRB by Governor
Gray Davis on October
22, 1999, through
January 1, 2002.
Reappointed by
Governor Davis
through January 1,
2006.



**Marie G. Moretti,
Member**
Executive Director of
the California Service
Corps, appointed by
Governor Arnold
Schwarzenegger.
Appointed to the
CHRB by Gov. Gray
Davis on October 22,
1999, through January
1, 2002. Reappointed
by Gov. Davis through
January 1, 2006.



**Jerry Moss,
Member**
Co-founder of A&M
Records and Rondor
Music. Appointed to
the CHRB by
Governor Arnold
Schwarzenegger on
February 24, 2004,
through January 1,
2008.



**Richard B. Shapiro,
Member**
Founder of Winco
Asset Management.
Appointed to the
CHRB by Governor
Arnold Schwarzenegger
on October 14, 2004,
through July 26, 2008.



**John C. Sperry,
Former Member**
Retired, former
President of the United
Food and Commercial
Workers Union, Local
324. Appointed to the
CHRB by Governor
Gray Davis on February
2, 2002, through July
26, 2005.

Assignments for the standing committees of the Board during FY 2004-2005 were as follows:

BENEVOLENT PROGRAMS COMMITTEE

Commissioner Marie Moretti,
Chairwoman
Commissioner Sheryl Granzella

Oversees the Horsemen's Organizations Welfare Special Account funds; makes recommendations to the Board on submitted requests for distributions of charity racing funds; oversees the propriety of charity racing distributing agents; and recommends to the Board revisions of laws or regulations deemed necessary to ascertain appropriate benevolent and charitable uses of funds designated for such purposes.

HORSEMEN'S REPRESENTATION AND ORGANIZATION BYLAWS COMMITTEE

Commissioner Sheryl Granzella,
Chairwoman
Commissioner John Sperry

Considers matters dealing with horsemen's organizations and makes recommendations to the Board regarding their approval. In addition, the Bylaws Committee is responsible for the review and consideration of revisions to Article 22 of the Board's rules, which contains the regulations governing horsemen's organizations.

LEGISLATIVE COMMITTEE

Commissioner Marie Moretti,
Chairwoman
Commissioner Richard Shapiro
Commissioner John Sperry
Commissioner Sheryl Granzella

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

SECURITY AND LICENSING COMMITTEE

Commissioner Jerry Moss,
Chairman
Commissioner William Bianco
Commissioner Richard Shapiro

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

MEDICATION COMMITTEE

Commissioner John Harris,
Chairman
Commissioner William Bianco
Commissioner Richard Shapiro

Establishes the Board's veterinary practices and procedures; selects qualified applicants for listing of official veterinarians for assignment to racing meetings; offers recommendations for laws or regulations deemed necessary to improve veterinary practices; oversees Board enforcement of veterinary practices and medication procedures; and provides leadership in the development of new or amended track safety standards.

PARI-MUTUEL OPERATIONS COMMITTEE

Commissioner Jerry Moss,
Chairman
Commissioner John Sperry

Approves agreements, facilities equipment, and accommodations necessary for wagering; determines appropriate procedures and considers matters dealing with expansion of pari-mutuel operations; and recommends to the Board changes to law or regulations governing pari-mutuel operations.

RACE DATES COMMITTEE

Commissioner Richard Shapiro,
Chairman
Commissioner John Sperry

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

SIMULCAST OPERATIONS COMMITTEE

Commissioner John Sperry,
Chairman
Commissioner Jerry Moss

Oversees the state simulcast program; also receives input from an industry-wide group that makes recommendations to increase revenue to the horsemen, to the associations, and to the state in a coordinated effort to protect the state's share of the simulcasting market and to keep California in front of competition from other states.

STEWARDS' COMMITTEE

Commissioner John Harris,
Chairman
Commissioner William Bianco

Selects by examination qualified applicants for listing of stewards for assignment to racing meetings; advises the Board on matters relating to stewards and racing officials; and recommends to the Board revisions to laws and regulations deemed necessary to improve race officiating.

SPECIAL AD HOC COMMITTEES

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

RCI COMMITTEES

Members of the Board and CHRB staff members participated in Committee functions of the Association of Racing Commissioners International, as follows:

Board of Directors

Richard Shapiro,
Member at Large

Ingrid Fermin
Member

Drug Testing Standards/Practices

Dr. Ronald Jensen

Scientific Review Committee

Dr. Ronald Jensen, advisor

Veterinary Pharmacology Com.

Dr. Ronald Jensen

Veterinary Advisory Committee

Dr. Ronald Jensen

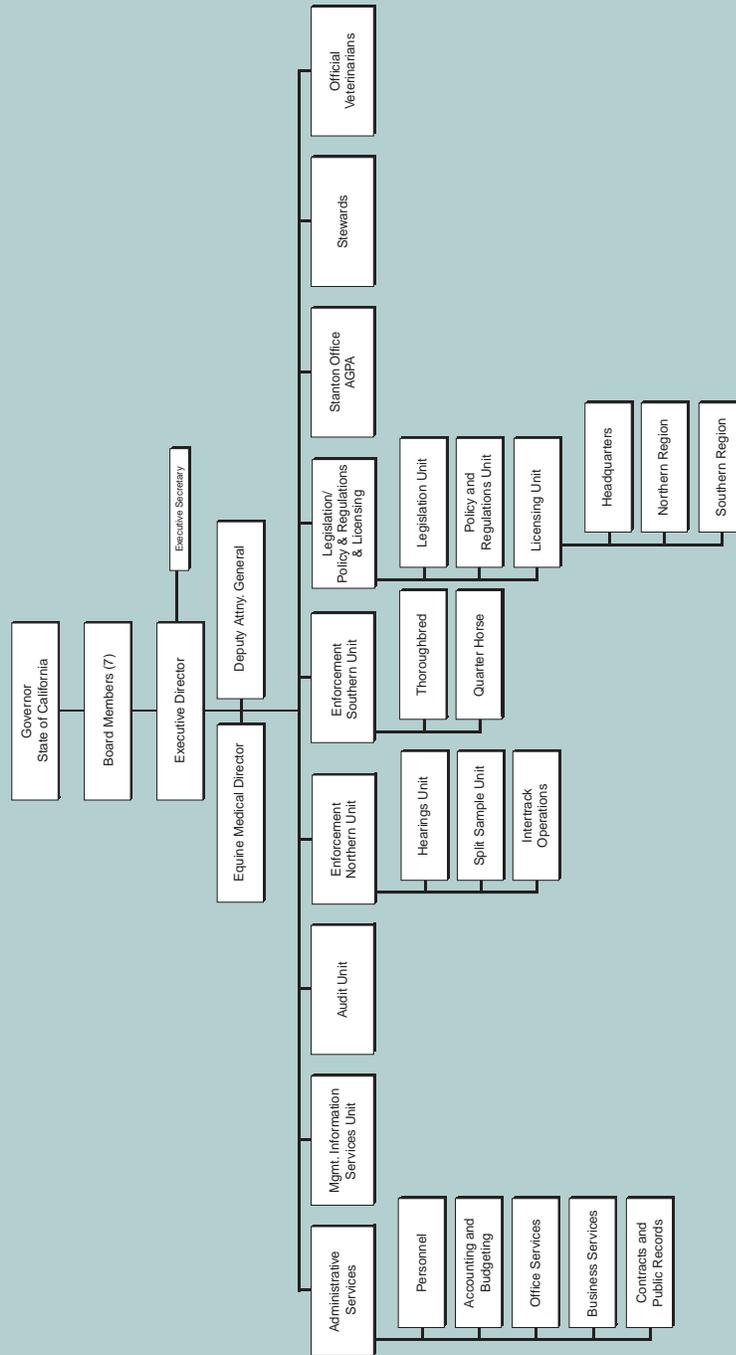
California Horse Racing Board – Operating Budget

July 1, 2004 – June 30, 2005

Appropriations	Item	Total
Personal Services	\$4,864,000	
Operating Expenses	3,803,000	
Total Appropriation		\$8,667,000
Expenditures — Personal Services		
Salaries and Wages	\$2,981,080	
Staff Benefits	976,852	
Total Personal Services		\$3,957,932
Operating Expenses and Equipment		
General Expense	103,420	
Printing	23,882	
Communications	49,971	
Postage	37	
Travel-in-State	220,535	
Travel-out-of-State	3,684	
Training	3,389	
Facilities Operation	182,427	
Contractual & Professional Services-Interdepartmental	715,279	
Contractual & Professional Services-External	3,047,693	
Consolidated data center: Stephen P. Teale Data Center	162,440	
Central Administration Services: Pro Rata	195,813	
Equipment	0	
Total Operating Expenses and Equipment		\$4,708,569
Total Expenditures		* \$8,666,501
Unexpended Balance FY 2004 -2005 to be reverted to General Fund 6/30/07		\$ 499
Total Expenditures & Unexpended Balance		\$8,667,000

* Includes year-end accruals

California Horse Racing Board Management Organization



Executive Division

The specialized and complex requirements for the regulation of horse racing require a unique organizational structure and joint responsibilities for the operational divisions of the Board.

The Board appoints an executive director to execute the duties as specified. The executive director is responsible for the department's operations, which includes overseeing on a daily basis all office and field operations conducted

by the staff, including CHR B investigators and licensing personnel, and contract personnel, including the stewards and official veterinarians. The executive director is assisted in this regard by supervisory personnel at CHR B offices and at racetracks.

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

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

MISSION

To Coordinate and Manage
All Administrative
Departments

ACHIEVEMENTS

Run by the CHIEF OF ADMINISTRATION, the ADMINISTRATION SERVICES DIVISION managed all aspects of administrative and support functions through its various units: Budget and Accounting Unit, Business Services Unit, Contractual Services and Public Records Unit, Office Services Unit, and Personnel Unit. The Division managed the general office, which is the repository for the Board's records, including all proceedings of the Board, records of individuals prohibited from participating in pari-mutuel wagering, records of horses and races, and various files, documents, and papers of the Board.

**Ingrid J. Fermin,
Executive Director**
Appointed January 7, 2005.
Previously a steward with the
California Horse Racing
Board from 1981.



MISSION

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

MISSION

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

MISSION

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

MISSION

To Comply with All Programs Mandated by the State While Effectively Handling All Personnel Transactions and Related Activities for Employees of the Board

ACHIEVEMENTS

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

ACHIEVEMENTS

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

ACHIEVEMENTS

The OFFICE SERVICES UNIT provided support with office-telephone reception, word processing, filing, mail distribution, photocopying, and coordinating the Board's records retention program. This Unit performed the critical function of photocopying, collating, and distributing the monthly Board and Committee meeting notices and packages to the Board members, staff, and interested members of the public. Since May 2000, the Unit has offered subscribers of the Board and Committee meeting notices the opportunity to receive those notices via electronic mail. To date, more than 130 individuals elected to receive their meeting notices in this way. Other significant responsibilities included direct support to the administrative hearings unit and the business services unit.

ACHIEVEMENTS

The PERSONNEL UNIT continued to maintain, update, and keep employees informed on programs relating to defensive driving, CPR and first aid, mentoring, the Americans with Disabilities Act, health and safety, wellness, ergonomics, merit award, and emergency evacuations as part of health and safety.

The Unit processed all actions relating to payroll, health, dental and vision benefits, annual conflict of interest statements, and other related personnel actions. The Personnel Unit continued to administer a variety of examinations throughout the year. Personnel staff continued to attend meetings related to classification, recruitment, training, health and safety, and wellness to keep the California Horse Racing Board current with any changes that may impact the department and its employees.

MISSION

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

ACHIEVEMENTS

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

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

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

MISSION

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

ACHIEVEMENTS

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

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

MISSION

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

ACHIEVEMENTS

The MANAGEMENT INFORMATION SYSTEMS DIVISION (MIS) oversees all aspects of the CHRB's statewide computer network. In FY 2004-2005, MIS improved the Board's computer capabilities, allowing the Board to maintain constant communications with all of the track locations, while simultaneously providing those locations with access to mission-critical information through direct connection to CHRB Headquarters in Sacramento. Additionally, MIS upgraded the entire statewide network to increase speed and capability in order to meet the increased demand for information and provide access to specific CHRB information to an increasing number of personnel and agencies affiliated with the CHRB.

MIS continued its aggressive effort to employ newer, more cost-effective technological solutions throughout the CHRB in order to enhance productivity and

efficiency while significantly reducing communications overhead costs. MIS continued to expand the CHRB licensing system to provide all racetrack offices with immediate online access to CHRB license information that is critical to conducting their day-to-day business. MIS began providing expanded access to stewards, veterinarians and horse identifiers to provide real-time information that was previously unavailable to them.

MIS continued to make major enhancements and refinements to the CHRB Website. The Website increased the availability of meeting notices, agendas, and transcripts. An Accusations and Complaints section now allows the racing community to access critical and pertinent information in a timely manner. These pages allow interested parties to view the details regarding Accusations and Complaints currently being investigated and acted upon by the Board. Additionally, the Website was enhanced and reorganized to make it easier for interested parties to navigate all aspects of the CHRB's Web pages.

MIS fully implemented its state-of-the-art photo identification system that has enhanced the licensing process, while reducing the amount of time required to physically generate a photo ID/license. This system interfaces with existing CHRB databases, while capturing new and important information on each licensee. The new identification cards utilize an encryption technique, which makes licenses virtually impossible to counterfeit while embedding all key elements of information into the card. This new system now serves as the cornerstone of a new information technology environment that will improve all aspects of the Board's ability to monitor and serve the racing community while dramatically reducing the cost of providing information and service.

MIS established a permanent communications circuit with the Department of Justice. This new communications feature allows the newly deployed LiveScan Fingerprinting systems to immediately transmit fingerprint information directly to DOJ for disposition and action within a matter of minutes. Previously, the manual process would take from weeks to months to process fingerprints, during which time individuals had temporary access to racing facilities. This improved system quickly identifies individuals who should not be granted such access.

MISSION

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

ACHIEVEMENTS

The POLICY AND REGULATION UNIT, in response to legislative and Board initiatives, and industry requests, revised several of the Board's rules governing horse racing in California. The Unit also continued the administration of the Board's ongoing track safety program, the farrier and trainer licensing programs, and the review of applications for license to conduct a horse racing meeting.

Rule 1844, Authorized Medication, was revised to change the dosage amount that the test sample shall contain for flunixin from 0.5 micrograms to 20 nanograms, and for ketoprofen from 50 nanograms to 10 nanograms.

Rule 1845, Authorized Bleeder Medication, was modified to change the name of the rule from Bleeder List to Authorized Bleeder Medication, and to change the authorized bleeder medication procedures in accordance with the Racing Medication and Testing Consortium recommendations.

Rule 1877, Trainer to Insure Condition of Horse, was modified to change the timeframe the Board has to notify a trainer of a potential positive test finding from 18 calendar days from the date the sample was taken to 21 calendar days.

Rule 1976.9, Pick (n) Pool, was modified to provide that if a change in racing surface occurs on a Pick (n) Pool race, which was not announced to the public prior to the close of wagering on the Pick (n) Pool, the wager is considered a winning wager for the purposes of the Pick (n) Pool. Additionally, the totalizator can provide information regarding possible Pick (n) Pool payouts for each of the runners when the last race of the Pick (n) Pool is the only race to be run.

Rule 1663, Entry of Claimed Horse, was modified to provide that a horse claimed in a California claiming race is ineligible to race in any state other than California until 60 days after the close of the meeting from which it was claimed except in a stakes race. The required 60 days also applies to standardbred horses.

Rule 1433, Application for License to Conduct a Horse Racing Meeting, was modified due to revisions made to the forms CHRB-17, Application for License to Conduct a Horse Racing Meeting, and CHRB-18, Application for License to Conduct a Horse Racing Meeting of a California Fair.

Rule 1977, Pick Three, was modified to delete the provision that substitutes the favorite horse for all purposes if an entry in a Pick Three race is scratched, excused, or determined by the stewards to be a non-starter. The amendment provided that if a horse is scratched from any leg of the Pick Three, prior to the running of the first leg, all wagers containing such horse will be refunded. In addition, the amendment specified how the payout will be computed if a horse is scratched in the second leg, after the first leg has been run; the payout if a horse is scratched in the third leg, after the second leg has been run; and the payout if a horse is scratched in the second and third leg, after the first leg has been run.

Rule 1690.1, Toe Grabs Prohibited, was added. The new regulation provides that toe grabs with a height greater than four millimeters, worn on the front shoes of thoroughbred horses while racing, are prohibited.

Rule 1920.5, Animal Welfare, was added. The new regulation provides for the humane care and treatment of animals at facilities under the jurisdiction of the Board.

Emergency Rule 1843.6, Total Carbon Dioxide Testing, was added for a period of 120 days to establish the procedures for testing a horse for carbon dioxide (TCO₂). The test can be pre-race or post-race, and the TCO₂ levels shall not exceed 37.0 millimoles. The rule provides sanctions if the person responsible for the horse does not comply with the testing and if the levels exceed 37.0 millimoles. The rule provides for a duplicate sample, if the owner or trainer requests one, as well as the timeframe for testing the duplicate sample. The provisions of Rule 1859.25, Split Sample Testing, do not apply to samples collected for TCO₂ testing.

The following redundant or obsolete regulations were repealed:

- Rule 1959.5, Special Sweepstakes
- Rule 1959.6, Limited Sweepstakes
- Rule 1959.7, Pick Seven
- Rule 1959.8, Pick 6 One Pool
- Rule 1976.5, Special Unlimited Sweepstakes
- Rule 1976.7, Special Reserved Unlimited Sweepstakes

MISSION

To Monitor Legislation and Update the Horse Racing Law

Enacted Legislation:

AB 52 – Assemblyman Jerome Horton; Chapter 179

AB 203 – Assemblyman Tom Harman; Chapter 505

AB 449 – Assemblyman George Plescia; Chapter 96

AB 480 – Assemblyman George Plescia; Chapter 117

AB 834 – Assemblyman Dave Jones; Chapter 119

AB 1180 – Assemblyman Alberto Torrico; Chapter 329

SB 124 - Senator Jeff Denham; Chapter 130

SB 1096 – Senator Robert Dutton; Chapter 728

ACHIEVEMENTS

The LEGISLATIVE UNIT, in addition to updating the Horse Racing Law and representing the Board in legislative hearings, tracked and analyzed all legislative bills with a potential impact on the horse-racing industry. During the 2005 legislative session, 28 such bills were introduced. Of these, eight were chaptered into law, and 10 were carried forward as two-year bills.

The following horse-racing bills were chaptered in 2005:

Amended existing law regarding the taking of blood samples from racehorses as “split” samples to include a split sample process related to total carbon dioxide testing, and requires the CHRB to contract with the University of California to be the primary drug testing laboratory for any required equine drug testing. Passed as an urgency measure, this became effective on September 6, 2005.

Made technical changes to the law. Defines the term “handle” to mean aggregate contributions to pari-mutuel pools. Requires that a copy of the annual audit of horsemen’s organizations be provided to the Senate and Assembly Committees on Governmental Organization. Makes specific provisions for Los Alamitos Quarter Horse Racing Association regarding payments from the association to horsemen participating in the racing meeting.

Extended the sunset date to January 1, 2008, to preserve language in law whereby a trainer is defined as a person currently licensed by the Board as a trainer. Persons holding an owner’s license and a trainer’s license are excluded from that definition.

Until January 1, 2008, existing law provides that after the payment of winning wagers and any mandatory or contractual fees or distributions, any remaining money from wagers placed through advance deposit wagering accounts shall be distributed as commissions, purses, and incentive awards. Existing law also exempts market access fees from advance deposit wagering from these calculations. This bill provides that in the event of a reduction in satellite wagering facility commissions, the benefits from this reduction would be distributed to racing associations as commissions, and horsemen and horsewomen as purses, and not accrue to advance deposit wagering companies.

Allows a harness racing association to offer proposition pari-mutuel pool wagers in addition to existing conventional and exotic types of wagers.

Provides that a jockey who agrees to exercise a racehorse shall be paid no less than the standard rate paid to exercise riders unless the jockey has been employed to ride that horse in a pari-mutuel race or is engaged in an official timed or recorded workout. Requires the Board to adopt regulations pertaining to jockeys, as specified.

Extends the sunset date on the California Marketing Committee, a statewide marketing organization to market and promote thoroughbred and fair horse racing, from January 1, 2006, to January 1, 2008.

Grants authority to add San Bernardino to those counties that may operate satellite wagering facilities outside the actual county fairgrounds, but does not require the county to do so.

MISSION

To Supervise All Audits and Authorized Pari-mutuel Wagering Operations

ACHIEVEMENTS

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

MISSION

To Continually Audit Pari-mutuel Operations

ACHIEVEMENTS

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

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

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

MISSION

To Respond to Requests for Information from the Public and the Industry and to Improve the Public Image of the CHRB and Horse Racing

ACHIEVEMENTS

The PUBLIC INFORMATION OFFICER responded daily to numerous inquiries from the news media and the general public on a wide range of matters pertaining to the California horse-racing industry and the Board's activities. The PIO attended all Board and Committee meetings and issued 39 news releases pertaining to those meetings and other actions of the Board. Those releases were routinely distributed to members of the news media and news organizations interested in California horse racing, as well as to all major racing organizations, interested state lawmakers and agencies, and certain national and international groups involved in the industry. The PIO compiled this Annual Report.

In an effort to enhance the image of horse racing, the PIO distributed and arranged for the public viewing of several motion-picture-quality videos, which were developed by the Board and industry to inform the general public of the nature of horse racing and the effectiveness of the State of California in regulating that industry. The PIO arranged for various racetrack stewards to be interviewed on radio and television and to attend seminars and other public events in order to meet and respond to questions from the public, thereby reassuring the public concerning the professionalism and qualifications of those responsible for the orderly conduct of race meetings. And the PIO wrote articles for various publications emphasizing positive aspects of the CHRB and horse-racing industry.

Licensing

All persons participating in horse racing at California racetracks and facilities under the jurisdiction of the CHRB are required to be licensed. This includes horse owners, pari-mutuel employees, and racing officials among the 24 license classifications. The CHRB maintains licensing offices at all 14 racetracks during their meets and at the headquarters office in Sacramento.

MISSION

To License All Participants In Horse Racing

ACHIEVEMENTS

The LICENSING DIVISION issued 13,259 licenses in FY 2004-2005. This was a decline of 230 total licenses. The majority of the licenses issued were renewals, including 4,483 owners (an increase of 6.5 percent); 752 pari-mutuel clerks (a decrease of 31 percent); and 2,976 grooms (a decrease of 8.5 percent).

MISSION

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

ACHIEVEMENTS

The licensing unit processes all fingerprints and reciprocity fingerprint affidavits. Staff verifies that all trainers have the required workers' compensation insurance. The racing program is checked daily to ensure proper licensing. License technicians are trained on the complex circumstances of multiple partnerships, racing syndications, stable names, and various types of corporations, so they can explain the requirements to applicants and assist them in selecting the type of license that best meets their needs. As part of the verification process, license technicians utilize computer databases and consult with other racing jurisdictions.

Despite ongoing staffing shortages, the licensing division workload was handled in an efficient manner, due largely to the flexibility and dedication of the staff. New technologies to facilitate the fingerprint process and the issuance of occupational license cards were introduced. The Board ceased accepting fingerprints taken manually from applicants for license who live in California, or who appear in person. Such applicants now are fingerprinted using a live-scan technology that sends the completed fingerprints directly to the California Department of Justice (DOJ) for processing. This technology eliminates the often messy and cumbersome paper fingerprint cards, and allows the fingerprints to be processed by the DOJ in as little as one working day. Out-of-state horse owners may still apply for license using the old, manual fingerprint cards; however, an exemption to use the cards must accompany the fingerprints. A digital photo identification system was introduced, eliminating many steps in the process, which has the licensee's photo and other information embedded in the card. As current licensees renew, they will be issued the new license identification card.

Applicant and License Processing — Fiscal Year 2004–2005	
Verification of license qualifications:	
Approval for license	13,259
Formal refusal of license	49
Verification of criminal offender records:	
Fingerprints taken and processed	2,562

Enforcement

The ENFORCEMENT DIVISION is comprised of investigators, two chief investigators, and three supervising investigators, all of whom are sworn peace officers. Their primary duty is the enforcement of the Horse Racing Law and provisions of the Penal Code relating to crimes in connection with sporting events and gambling. During the operation of a licensed race meeting at any of the 14 racetracks in the state, a field office of the Board is established at the operating facility and staffed with investigative personnel who investigate all observed or reported offenses.

MISSION

To Check on Fitness for Licensure

ACHIEVEMENTS

As part of required background investigations, the ENFORCEMENT DIVISION conducted investigational interviews of applicants who admitted to having a criminal conviction for any public offense or a suspension or revocation of license for any racing-related violation. The Division received from the Licensing Division and submitted 2,562 fingerprints to the Department of Justice for processing.

MISSION

To Obtain and Submit Information to the National Data Bank

ACHIEVEMENTS

The Division obtained background information on applicants through the computerized national index of the Association of Racing Commissioners International. As part of its participation in this national program, the Board submitted 1,319 rulings of the California stewards for input into the national system. There is online access to the NASRIS index at each field office, as well as microfiche records, to assist in reviewing an out-of-state applicant's license history. Documents supporting eligibility for employment of resident aliens were checked in an effort to prevent subsequent problems between the applicant and the Immigration and Naturalization Service. The Division declined to issue 49 licenses to applicants who failed to meet established criteria or because grounds existed to refuse or deny the license. Such refusals were without prejudice to the applicants, who were permitted to reapply if the license criteria were met.

MISSION

To Enforce Rules and Regulations

ACHIEVEMENTS

Observed or reported offenses were investigated, and the majority of those 1,188 investigations resulted in administrative action against the licensees and the issuance by the stewards of 1,319 rulings. Of those, 251 concerned riding or driving infractions during races and 107 resulted from financial responsibility complaints. Potential or actual criminal offenses were investigated, including horse druggings, bookmaking, possession and/or sales of controlled substances, theft, burglary, arson, and forgery, as well as disorderly conduct and the writing of non-sufficient-fund checks. Board investigators maintained a close liaison with municipal, state, and federal law enforcement agencies, as well as local enforcement officers assigned to anti-gambling operations. Local policing authorities often worked in conjunction with Board investigators concerning matters of mutual interest. Board investigators conducted compliance inspections of each racing facility to make certain that required standards for access, maintenance, cleanliness, fire safety, and officiating equipment were being met.

MISSION

To Process Appeals in a Fair and Timely Manner

ACHIEVEMENTS

The ADMINISTRATIVE HEARINGS UNIT received 57 appeals, coordinated 33 administrative hearings, and processed 38 requests for temporary stays and 51 peremptory orders related to those appeals and other actions of the Board. Ten stay orders were issued.

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

MISSION

To Ensure Compliance with All Laws and Rules at Simulcast Facilities

ACHIEVEMENTS

CHRB investigators conducted random compliance inspections of SIMULCAST WAGERING FACILITIES in California. These inspections focused on the overall facility operation in addition to compliance with California Horse Racing Board Rules and Regulations. Satellite uplink and downlink equipment was also examined during the course of these inspections.

Including the six major racetracks and nine racing fairs, there are currently 34 simulcast wagering facilities located throughout the state. Four of the 34 are located on Indian reservations. The day-to-day operation of a facility is overseen by a simulcast supervisor, who works in concert with a pari-mutuel manager to ensure that all aspects of the facility operation run smoothly.

During FY 2004-2005, investigators continued to conduct a variety of investigations at simulcast wagering facilities. Each location submitted a work list of current onsite personnel.

Another important function performed by the unit was the review of California Department of Justice and Federal Bureau of Investigation criminal history records on all first-time license applicants and subsequent arrest/conviction information on current licensees. In the case of a first-time applicant, this information may result in the termination of the license if the applicant failed to accurately report his or her conviction at the time of the application. In the case of a subsequent arrest or conviction, the information may result in a Complaint and Order to Appear before the stewards being sent to the licensee for adjudication at a steward's hearing. This process helps to keep undesirable elements from actively participating in horse racing.

Enforcement Summary

Enforcement Actions — Fiscal Year 2004–2005	
Investigations:	
Fitness for continued licensing	49
Unlicensed participation	38
Conduct of financial affairs	207
Use of a prohibited drug on entered horse	52
Improper medication practice	189
Possession of contraband	18
General misconduct	103
Intoxication/alcohol or controlled substance	74
Other	458
Total Investigations	1,188
Total Complaints filed:	719
Steward's Rulings	
Racing infractions during a race	251
Misconduct concerning entry or procedure	135
Fitness for continued license	59
Conduct of financial affairs	107
Use of a prohibited drug on entered horse	134
Improper medication practice	5
Possession of contraband	20
Unlicensed participation/security control	67
Intoxication/alcohol or controlled substance	90
Failure to appear	18
Other	433
Total Official Rulings of the Board of Stewards	1,319

Appointed CHRB Officials — FY 2004–2005

STEWARDS

Grant Baker	John Herbuveaux	George Slender
Pamela Berg	Robert Latzo	Zachary Soto
Albert Christiansen	Darrel McHargue	Peter Tommila
Michael Corley	William Meyers	Merlin Volzke
Anne Daftary	Dennis Nevin	Thomas Ward
James Dreyer	Paul Nicolo	John Williams
Ingrid Fermin	Peder Pedersen	
Martin Hamilton	David Samuel	

ASSOCIATE STEWARDS

Pamela Berg	Martin Hamilton	John Williams
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OFFICIAL VETERINARIANS

Dr. B. William Bell, DVM	Dr. Robert Guillen, DVM	Dr. Heather Kerr, DVM
Dr. Donald Dooley, DVM	Dr. Joan Hurley, DVM	
Dr. Robert Goodbary, DVM	Dr. Diane Isbell, DVM	

Racing Supervision

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

The Board selects and contracts with stewards and delegates to each panel of three stewards at a race meeting those powers and duties necessary to ensure the integrity of racing and compliance with the Horse Racing Law and all CHRB rules and regulations.

The Board directly appoints the stewards, official veterinarian, and horse identifier for each race meeting, while the other racing officials are nominated by the racing association and subject to the Board's approval.

The Board has the responsibility for payment of Stewards' costs, including

the official veterinarians. The Legislature provides an annual appropriation to meet the costs of direct racing supervision. The allocation for FY 2004-2005 was \$1.87 million for stewards and official veterinarians. Other racing officials were paid by the associations in the manner prescribed by the Board.

MISSION

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

ACHIEVEMENTS

Essentially acting as surrogates for the Commissioners of the Board in all matters relating to the race meeting assigned, the STEWARDS at all race meetings used their delegated authority to oversee entries, declarations, and the placing of horses for the official order of finish; conducted administrative hearings on matters involving racing infractions and other racing offenses; issued rulings based on those hearings, in accordance with their delegated authority to impose suspensions of license, impose fines, and/or bar individuals from the enclosure for racing offenses; presided over examinations required for certain classes of licenses; made recommendations to the Board regarding the qualifications and fitness for licensure of applicants referred to them by the Board's licensing staff; and maintained minutes of all such proceedings for review by the Board.

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

To remain current on all laws, regulations, and Board policies, and in order to ensure that all stewards' decisions are made in a fair and consistent manner throughout the state, the stewards helped organize and attended in-house seminars at which they heard lectures, received information, and shared their own views and experiences relating to race reviews, veterinary practices, proper administrative hearing procedures, public relations, and other important matters relating to their work.

MISSION

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

MISSION

To Properly Identify All Horses Competing at Race Meetings

ACHIEVEMENTS

The OFFICIAL VETERINARIANS enforced those CHRB regulations relating to veterinary practices, medication, and the health and welfare of the horse.

They supervised operations of the receiving barn, the collection of urine and blood samples for testing, and the preparation and documentation of the samples to be transported to the laboratory.

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

ACHIEVEMENTS

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

Track Safety Program

Enforcement of CHRB track safety standards and backstretch housing standards programs continued in 2005. The programs are evidence of the CHRB's ongoing effort to provide the safest environment possible for the horse racing industry. The CHRB received full cooperation from all segments of the horse-racing industry in these important efforts.

As testimony to its goal to make California racetracks the safest environment possible for its racing participants, the CHRB in 2005 continued its aggressive enforcement of the track safety program.

Rules governing the track safety program at all of the state's racing and sanctioned training facilities establish standards for rails on the racetrack, outline the renovation requirements for dirt tracks, address maintenance of dirt racetracks, and provide the criteria

that must be met by facilities operating golf courses on the infield.

During 2005, all racing associations and racing fairs that submitted applications for license to conduct a race meeting were inspected and monitored to determine compliance with established safety standards regulations.

Racing associations promptly corrected deficiencies noted in the inspections, bringing California's racing facilities into compliance with safety standards and conditions for each racing facility.

The backstretch housing inspection program, which complements the track safety inspections, was continued in 2005. The program established standards that provide the basic conditions for habitable rooms on the backside. Each racing association and fair submitting an application for license to conduct a race meeting was inspected and monitored for compliance with backside housing standards. If a deficiency was noted during an inspection, it was corrected by the industry.

Laboratory Services

To protect animal health and uphold the integrity of the racing industry, the California Horse Racing Board requires analysis of post-race blood and urine samples from horses in competition. The Kenneth L. Maddy Equine Analytical Chemistry Laboratory is the authorized equine drug-testing laboratory for California horse racing. The laboratory offers full-service, routine drug testing of roughly 36,000 samples each year. Program funding comes from a portion of California wagering revenues. Faculty and staff also develop highly specialized methods to document the effects of certain drugs and other substances on equine performance.

The CHRB had 31,517 urine and blood samples analyzed at a cost of \$1,075,119 in FY 2004-2005.

Post-race urine and blood samples are obtained from the winner of every race, the horses finishing second and third in certain stakes races, and from any other horses selected at random from each program, as well as other horses designated by the stewards.

The Maddy Laboratory utilizes mass spectrometers and other sophisticated instrumentation, allowing laboratory personnel to detect and quantify more than 800 drug substances.

In addition, the Maddy Laboratory analyzes blood samples for total carbon dioxide (TCO₂), which can indicate “milkshaking,” a prohibited procedure believed to increase endurance.

The American Association for Laboratory Accreditation certified that the Maddy Laboratory meets international standards for chemical testing.

The equine industry uses faculty research data to make regulatory decisions. Researchers have evaluated the effects of prescribed medications, unauthorized drugs, and other substances on the performance of horses. Examples include determining the length of time required for clearance of non-steroidal anti-inflammatory medications from a horse’s system, potential performance effects of the diuretic Lasix, and acceptable residue levels of procaine penicillin. Recent research projects in pharmacology and toxicology focus on controlled studies to es-

tablish more effective drug treatments, dosages and clearance times that currently do not exist for many of the hundreds of therapeutic drugs in use.

Veterinary faculty also provide consultations with veterinary professionals seeking to treat animals and comply with horse-racing rules.

Associated Pathologists Laboratories of Las Vegas performed human drug-test analyses.

The Board utilized the services of an equine medical director (EMD), who advised on all aspects of the drug-testing program. Provided by the UCD School of Veterinary Medicine, the EMD reviewed, evaluated, and monitored testing programs of the laboratories, and evaluated security policies and procedures for the reporting of prohibited substances; recommended types of tests and drugs that needed to be tested by the laboratories; conducted long-range program planning; recommended policies and programs; advised on regulations relating to veterinary practices within racing enclosures; and monitored policies and procedures relating to the health and welfare of horses in regulated areas.

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

1. The owner, trainer, or representative of the horse being tested witnesses the collection of blood and urine samples, which are sealed against tampering.

2. A portion of each sample is placed in a separate container for retention by the Board as a horseman’s split sample.

3. The portion of the sample designated for analysis is sent directly to the laboratory, while the horsemen’s portion is sent to the split-sample storage site in Sacramento.

4. All specimen containers are identified only by a unique number, and the identity of the horse involved is known only to the Board’s official veterinarian until the laboratory informs the Board of the test results.

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

The laboratory reports the presence of any confirmed prohibited substance to the CHRB Executive Director and EMD, who review the report. CHRB investigators confidentially notify the owner and trainer, who have 72 hours to request that the horsemen’s split sample be analyzed at an approved laboratory at their expense.

If the split sample laboratory confirms the presence of the prohibited substance reported by the official racing laboratory, the test is deemed positive, and the laboratory’s test is deemed to be accurate and evidentiary proof of the presence of such prohibited drugs in the test sample. The matter is then submitted by the CHRB for administrative action.

California Horse Racing Information Management System (CHRIMS)

A database system, like no other in the country, is available to the CHRB, Division of Fairs and Expositions, all racing associations and tracks, specified legislators, and other subscribers.

The CHRIMS pari-mutuel system was developed in 1989 from a required accounting and managerial need to keep up with the growth of simulcast wagering. The initial goal of the CHRIMS project was to gather daily handle and attendance numbers from 1985 (when simulcasting began). Shortly after the goal was met, the project was then expanded to include all pari-mutuel distributions. This required processing daily conventional and exotic pools by location, association, and type of race.

The total amount retained from the public (takeout) and the total amount payable to the public are balanced back to total track handle. Handle, along with prospective distributions, can be queried and sorted by location groups (e.g., California on-track, California off-track, and out-of-state wagers) and by various date ranges, breeds, and a variety of other options.

Utilizing software tools that have been developed, the CHRIMS staff loads and balances California pari-mutuel data daily. The basic system operation of CHRIMS occurs in three phases:

◆ **Data Acquisition.** Each night following the close of wagering, CHRIMS computers in Northern California electronically download (via “ftp”) complete wagering files from the three totalizator hubs, data files that include all wagering activity conducted through California pools. Some files are collected with detail available down to the level of individual teller transactions. CHRIMS staff updates the CHRIMS system with statutory rates at the beginning of each race meet, and simulcast rates daily as needed.

◆ **Data Processing.** Each morning, CHRIMS personnel supervise the compilation of tote data into usable information units (pool by pool, site by site, handle, takeout, breakage, and payout). This information is then processed using tables prescribing statutory and contractual takeout distribution formulas to produce new information separating pari-mutuel revenue allocations. This processed information is then available electronically to an official auditor for review, and archived and made available throughout the system’s network of users.

◆ **Information dissemination.** All wagering and takeout information is locked into the system and opened to the CHRIMS network in the form of queried data-sets, such as reports detailing the complete breakdown of handle by date, site, pool, and type of wagering event. System users may query the database across a variety of parameters to obtain consistent, reliable information for accounting purposes, statistical analysis, confirmation of pari-mutuel receipts due, interstate simulcast settlements, and more.

Unlike a spreadsheet, which was the prior industry standard, the database is relational, which allows the end-user to access information by selecting data ranges, host-track combinations, and a variety of data-sorting options.

The database numbers reflect what has actually taken place in California racing and can be used to project any changes that might affect racing statistics. The system has been structured to provide the data needed by mutuel, racing, and accounting departments

within the track, as well as horsemen’s associations. This information is valuable to help determine the probable effects of proposed changes to current law. Upon request, “what-if” scenarios can be run in a testing environment to graph distribution effects by changing distribution percentages that may be affected by proposed law.

In 2002, CHRIMS extended this application to account for handle reporting and the pari-mutuel distributions of Advance Deposit Wagering. In 2003, the ADW system was improved by building out a flexible data model and by adding additional reports. In 2004, the system was modified to calculate the new California Workers’ Compensation distributions, and to make the necessary calculations for the International Import Contracts.

In 2005, CHRIMS focused on internal process improvements, provided an updated IRS W2-G database system to the California Associations, researched Net Pool Pricing in anticipation of International commingled pools, and worked closely with the California Marketing Committee on its technology projects, including Calracing.com. In addition to managing and reporting California pari-mutuel data, CHRIMS built and maintains a secure Wide Area Network connecting all California racetracks and wagering facilities for the purpose of passing totalizator traffic within California. California stakeholders also use this network for software applications, including the technical aspects of the Golden State Rewards Network program, general Internet access, and access to CHRIMS pari-mutuel data (see sample reports).

Sample CHRIMS Reports

CA Settle Agent Report

Date: 1/15/2004
Track: Golden Gate Fields

Source Hub	Agent ID	Settle Agent	Customer ID	Customer	Handle
CDO	CDO	Capital District Regional OTB	CDO	Capital District Regional OTB	\$19,660.00
CDO					\$19,660.00
CNH	ARP	Arapahoe Park	ARP	Arapahoe Park	\$2,454.00
CNH	ARP	Arapahoe Park	CLK	Cloverleaf Kennel Club	\$2,012.00
CNH	ARP	Arapahoe Park	HAV	Havana Park	\$6,810.00
CNH	ARP	Arapahoe Park	MHK	Mile High Kennel Club	\$7,979.00
CNH	ARP	Arapahoe Park	PUE	Pueblo Greyhound	\$2,683.00
CNH	ARP	Arapahoe Park	RAJ	Red and Jerry's	\$9,993.00
CNH	ARP	Arapahoe Park	RMG	Rocky Mountain Greyhound Park	\$3,235.00
CNH					\$35,166.00
CSH	CAR	Catskill Regional OTB	CAR	Catskill Regional OTB	\$13,309.00
CSH	LIG	Lincoln Greyhound Park	LIG	Lincoln Greyhound Park	\$5,432.00
CSH	SRA	Saratoga Harness Raceway	SRA	Saratoga Harness Raceway	\$779.00
CSH					\$19,520.00
CTN	CTB	Connecticut OTB	CTB	Connecticut OTB	\$31,401.00
CTN					\$31,401.00
DPK	DEL	Delaware Park	DEL	Delaware Park	\$6,725.00
DPK					\$6,725.00
FHB	HPH	Hazel Park Harness Raceway	HPH	Hazel Park Harness Raceway	\$16,288.00
FHB	SCR	Sports Creek Raceway	SCR	Sports Creek Raceway	\$3,540.00

Commingled Export Report

Begin Date : 1/15/2004 Locations : All Locations
End Date : 1/15/2004 Tracks : All Tracks
Race Types : All Meets On/Off Track : On/Off Tracks
Hosts : Golden Gate Weekdays : All Week

Location	Out of State Handle	Takeout	Net to Public	Runner Pay	Payout Variance	Fee to Host State	Net to Host State
Arapahoe-Mile High	35,166.00	6,817.39	28,348.61	27,552.40	796.21	1,230.81	2,027.02
Arlington I	136,326.00	25,777.84	110,548.16	103,258.00	7,290.16	4,089.78	11,379.94
Atlantic City	4,704.00	900.95	3,803.05	5,270.90	(1,467.85)	141.12	(1,326.73)
Atokad	3,722.00	719.25	3,002.75	1,494.50	1,508.25	130.27	1,638.52
Bettor Racing OTB	10,172.00	2,052.43	8,119.57	707.30	7,412.27	457.74	7,870.01
Birmingham	19,845.00	3,866.13	15,978.87	13,899.50	2,079.37	893.02	2,972.39
Bluffs Run Greyhound	1,758.00	329.03	1,428.97	1,336.70	92.27	70.32	162.59
Buffalo Raceway	359.00	65.95	293.05	258.60	34.45	10.77	45.22
Canterbury Day	12,322.00	2,367.99	9,954.01	6,220.50	3,733.51	431.27	4,164.78
Capital District OTB	19,660.00	3,753.27	15,906.73	16,531.50	(624.77)	393.20	(231.57)
Capitol Sports	28,048.00	5,380.72	22,667.28	13,430.80	9,236.48	1,121.92	10,358.40
Casino Association	9,864.00	1,872.68	7,991.32	6,279.50	1,711.82	295.92	2,007.74
Catskills OTB	13,309.00	2,625.03	10,683.97	12,711.90	(2,027.93)	266.18	(1,761.75)
Charles Town Race Course	7,115.00	1,388.43	5,726.57	9,836.70	(4,110.13)	213.45	(3,896.68)
Choctaw Racing Services	7,048.00	1,352.05	5,695.95	6,750.10	(1,054.15)	317.16	(736.99)
Coeur d'Alene Greyhound	4,076.00	774.87	3,301.13	2,186.00	1,115.13	142.66	1,257.79
Colonial Downs	27,127.00	5,304.53	21,822.47	32,743.80	(10,921.33)	813.81	(10,107.52)
Comanche Nation	1,094.00	211.92	882.08	1,763.60	(881.52)	43.76	(837.76)
Connecticut OTB	31,401.00	5,940.37	25,460.63	29,774.60	(4,313.97)	1,099.03	(3,214.94)
Crystal Palace	521.00	98.44	422.56	655.80	(233.24)	20.84	(212.40)
Dairyland	4,418.00	868.35	3,549.65	4,939.60	(1,389.95)	176.72	(1,213.23)
Darwin All Sports	18,244.00	3,533.46	14,710.54	39,847.50	(25,136.96)	912.20	(24,224.76)
Delaware	6,725.00	1,271.50	5,453.50	4,918.10	535.40	201.75	737.15
Delta Downs	3,668.00	702.45	2,965.55	2,731.80	233.75	110.04	343.79
Dover Downs	951.00	181.75	769.25	852.90	(83.65)	28.53	(55.12)

Equine Postmortem Program

The State of California is recognized for greatly contributing to the health and safety of horses and other racing participants through its continued funding and support of the CHRB Postmortem Program, which distributes information about the nature of these catastrophic injuries to veterinarians, trainers, and others involved in the care and training of racehorses.

The Postmortem Program has been in operation since February 1990 and performed examinations on over 3,665 horses.

This program, begun by the CHRB in partnership with California Animal Health and Food Safety (CAHFS), formally known as California Veterinary Diagnostic Laboratory System, has become a national role model for the racing industry. The actions of this partnership in advance of heightening public concern with the horse-racing industry in the United States are helping to improve the safety and welfare of racehorses.

The program was established to determine the nature of injuries occurring in racehorses, to determine the reasons for these injuries, and to develop prevention strategies. To accomplish these goals, a broad cooperative approach was organized.

CAHFS is contracted to perform necropsies on any horse that dies or is euthanized on any racetrack or training facility under the jurisdiction of the CHRB. Pathologists at the Davis, Tulare, and San Bernardino branches of CAHFS conduct the postmortems.

Detailed information on each horse is compiled and reported to the CHRB. Various specimens are collected and sent to veterinary scientists in the School of Veterinary Medicine at the University of California at Davis for more in-depth analysis.

Funding for the entire program also is a cooperative effort. The CHRB funds the postmortems while the racing associations provide transportation of the

horses to the nearest laboratory facility. Additional studies are funded by the Center for Equine Health and private sources.

Information from these tests and data gathered from the postmortem examinations are analyzed in efforts to elucidate the specific cause of catastrophic injuries. An advisory board composed of horse owners, trainers, CHRB officials, veterinarians, and track maintenance people gives insight into injury investigations and relays program findings and prevention strategies back to the industry.

After much success demonstrating the role of previously undiagnosed stress fractures contributing to catastrophic complete fractures of the pelvis, femur, and humerus of racehorses, similar studies by the Equine Orthopedic Laboratory group within the School of Veterinary Medicine are now focusing on fractures to the lateral condyle of the cannon bones, vertebrae, and proximal sesamoid bones.

Previous information from the postmortem program indicating that toe-grab height is related to injury of the suspensory apparatus led trainers and racetrack practitioners to participate with Dr. Susan Stover and her associates of UC Davis in a two-year clinical study at the racetracks on horses that are racing. Analysis of the data, including past performances, which has been collected on more than 10,000 racehorses, continues. This data is providing valuable information concerning the types of shoes worn by horses while racing and what effect shoes might have on racing injuries. The findings of this study will help trainers

and officials make factual judgments concerning racing shoes.

Most of the horses in the program sustained injuries to the musculoskeletal system. In addition to studies of musculoskeletal injuries in horses, collaborative studies have been done on stomach ulcers, unrecognized heart conditions leading to sudden unexplained deaths, laminitis, and incoordination due to protozoa organisms in the central nervous system of racehorses. Currently, an instrumented horseshoe and a computer model of the equine forelimb are being developed to measure and help understand racing and training injuries. There is now a computer program in place that simulates the actions and stresses on the ligaments and tendons of the forelimb of the horse, both at rest and in motion.

The postmortem program has detailed information on more than 3,665 horses. This includes information on injuries and illnesses developed during racing, training, and even non-exercise-related activities. Most of the information concerns thoroughbred horses, but the quarter-horse, appaloosa, standardbred, and Arabian breeds also are included. This is a respected program throughout the national racing community. Other states have begun their own programs using the California Postmortem Program as their model. It is the desire of the program's partners to continually improve the welfare of racehorses and foster the public's trust in the sport of racing.

Racehorse Fatalities

A total of 320 fatalities was reported during the period 11/3/04 to 11/6/05.

Associations	Breed of Horse						Occurred During			
	TB	QH	APP	AR	ST	P	RACE	TRAIN*	OTH*	
Thoroughbred										
Los Angeles Turf Club/SA	44						19	16	9	
Churchill Downs Operating Co./HP	33						13	17	3	
Del Mar Thoroughbred Club/DM	17						7	7	3	
Oak Tree Racing Assn./SA	24						10	9	5	
Churchill Downs Fall Operating Co./HP	23						11	9	3	
Bay Meadows Operating Co./BM	31						16	7	8	
Bay Meadows Operating Co. (Fall)/BM	11						6	2	3	
Pacific Racing Assn./GGF	23						13	7	3	
Pacific Racing Assn./GGF	14						9	2	3	
Harness										
Capitol Racing LLC/CE					6		1	1	4	
Calif. Expo & State Fair **										
Sacramento Harness Assn.**										
Quarter Horse										
Los Alamitos Quarter Horse Racing Assn./LA	9	35	1	3		2	29	10	11	
Fairs										
Stockton (San Joaquin County Fair)	4						3	1		
Pleasanton (Alameda County Fair)	4						2	2		
Vallejo (Solano County Fair)	8						1	4	3	
Santa Rosa (Sonoma County Fair)	7						3	1	3	
San Mateo (San Mateo County Fair)		1							1	
Ferndale (Humboldt County Fair)	1						1			
Pomona (Los Angeles County Fair)	14						6	4	4	
Fresno (Fresno District Fair)	5						4		1	
Totals	272	36	1	3	6	2	154	99	67	
Total Fatalities 320							320	320		

TB = thoroughbreds QH = quarter horses ST = standardbreds APP = appaloosas AR = Arabians P = paint

* Training and other fatalities include fatalities that occurred at auxiliary training facilities.

** No fatalities reported.

Racing Injuries

A total of 514 racing injuries was reported during the period 11/3/04 to 11/6/05.

Associations	Breed of Horse					
	TB	QH	APP	AR	ST	P
Thoroughbred						
Los Angeles Turf Club/SA	52					
Churchill Downs Operating Co./HP	39					
Del Mar Thoroughbred Club/DM	52					
Oak Tree Racing Assn./SA	14					
Churchill Downs Fall Operating Co./HP	19					
Bay Meadows Operating Co./BM	47					
Bay Meadows Operating Co. (Fall)/BM	16					
Pacific Racing Assn./GGF	65					
Pacific Racing Assn./GGF	22					
Thoroughbred Total	326					
Harness						
Capitol Racing LLC/CE*						
Quarter Horse						
Los Alamitos Quarter Horse Racing Assn./LA	38	68		2		
Fairs						
Stockton (San Joaquin County Fair)	9	2				
Pleasanton (Alameda County Fair)	10		2			2
Vallejo (Solano County Fair)	8					
Santa Rosa (Sonoma County Fair)	8					
San Mateo (San Mateo County Fair)*						
Ferndale (Humboldt County Fair)	6					
Pomona (Los Angeles County Fair)	17	2				
Fresno (Fresno District Fair)	11	3				
Fair Total	69	7	2			2
Total By Breed	433	75	2	2		2
Total Injuries 514						

TB = thoroughbreds QH = quarter horses ST = standardbreds APP = appaloosas
AR = Arabians P = paint *Statistics not available

Horse Racing in California

Many elements contribute to the excitement of horse racing. The horses are magnificent, the pageantry can be breathtaking, and the thrill of winning (or even coming close to winning) adds even more to the experience.

Jockeys are recognized as some of the best athletes in the world, and fans often take the opportunity to see their idols up close in the saddling paddock. Jockeys are shown here walking to the paddock at Del Mar while appreciative fans look on.



Benoit Photo

California Horse-Racing Meetings During 2005

Thoroughbred Race Meetings — Central & Southern Zones	
Santa Anita Park	12/26/04 — 4/18/05
Hollywood Park	4/22/05 — 7/17/05
Del Mar	7/20/05 — 9/7/05
Santa Anita Park (Oak Tree)	9/28/05 — 11/6/05
Hollywood Park	11/9/05 — 12/19/05
Thoroughbred Race Meetings — Northern Zone	
Golden Gate Fields	12/26/04 — 1/30/05
Bay Meadows	2/2/05 — 5/8/05
Golden Gate Fields	5/11/05 — 6/19/05
Bay Meadows	8/26/05 — 10/16/05
Golden Gate Fields	10/19/05 — 12/19/05
Quarter Horse Race Meetings — Statewide	
Los Alamitos	12/26/04 — 12/18/05
Harness Race Meetings — Statewide	
Cal Expo	1/7/05 — 7/30/05
Cal Expo	7/31/05 — 9/21/05
Cal Expo	9/22/05 — 12/30/05

Fair Meetings — Statewide		
Stockton	(San Joaquin Fair)	6/15/05 – 6/26/05
Pleasanton	(Alameda County Fair)	6/29/05 – 7/10/05
Vallejo	(Solano County Fair)	7/13/05 – 7/25/05
Santa Rosa	(Sonoma County Fair)	7/27/05 – 8/8/05
San Mateo	(San Mateo County Fair)	8/10/05 – 8/25/05
Ferndale	(Humboldt County Fair)	8/11/05 – 8/21/05
Pomona	(Los Angeles County Fair)	9/9/05 – 9/25/05
Fresno	(Fresno District Fair)	10/5/05 – 10/16/05

California Racetracks

The vast horse-racing industry in California includes 14 racetracks that stretch from the Humboldt County Fair near the Oregon border down to Del Mar just above San Diego and the Mexican border. The racetracks, together with simulcast outlets and Advance Deposit Wagering (telephone and Internet), make horse racing accessible to all of California.

HIGHLIGHT

Del Mar Continued Its Remarkable Run with Record Numbers in 2005

DEL MAR

Continuing to play a leading role in horse racing, Del Mar again led the Golden State in daily average handle and attendance during another stellar season at the seaside oval just north of San Diego. The track registered record betting numbers when fans wagered \$608,168,29 during its 43-day stand, for a record daily average of \$14,143,449. Those numbers eclipsed 2004's record digits of more than \$580 million bet for a healthy average of over \$13.4 million per day.

Del Mar's 2005 season ran from July 20 to September 7 and saw 731,287 fans spin the turnstiles at the course that sits alongside the blue Pacific – for an average of just over 17,000 a day. It also saw the track pay out record purses to its horsemen with a total distribution of \$25,473,453 for a daily average of \$592,406.

Improvements to Del Mar Turf Course Paid Off

Among the major upgrades featured for the track's 66th summer season was a new turf course offering GN-1 Bermuda grass atop the 7-furlong oval. The turf turned out to be a hit all around, holding up firmly throughout the season and providing a springboard to four course records – at 5 furlongs, a mile, 1 1/16 miles, and 1 1/8 miles.

Del Mar presented its richest stakes slate ever, with 29 major events worth \$6,775,000. Six of those tests carried Grade I status, headed by the track's premier event, the \$1 million Pacific Classic, which was won by Borrego in a thrilling four-horse photo finish. Pacific Classic Day – August 21 – also turned out to be a record setter when the single-day handle mark was established with \$24,004,733 bet on the 10-race program.

The Del Mar Thoroughbred Club pays rent to the State of California and makes a payment of the total of food and beverage net income realized during the summer. Those two figures reached record levels in 2005, with a rent payment of \$8.35 million and a food and beverage sum of \$5.11 million.

Jockey Garrett Gomez and trainer Beau Greely congratulate each other after Borrego's victory in the Pacific Classic.



Benoit Photo

HIGHLIGHT

Fairs Continued Growth

THE CALIFORNIA FAIRS

California Fairs proudly continue a long tradition that goes back to the 1850s. The fair circuit is a catalyst for the industry, taking the pageantry and excitement of racing to cities around California. The circuit offers consistent, high-quality racing at venues that connect racing back to its historical and agricultural roots.

Owners and trainers are encouraged to run at the fairs through an extensive program of performance purses, out-of-state trainer incentives, and the payment of purses through the eighth-place finisher in each race. These popular programs, in addition to a healthy purse structure, have resulted in increased average field size and number of thoroughbred races at fair venues.

The Track Safety and Maintenance Program, managed by the California Authority of Racing Fairs, continues to improve racing surfaces at fairs. All racing fairs are equipped with uniform all-tread tractors, a state-of-the-art Kimsey horse ambulance, and custom water trucks, providing safety and consistency to the circuit.

HIGHLIGHT

Pleasanton Achieved Record Handle

PLEASANTON

Home of the “Oldest One Mile Track In America,” live racing at the Alameda County Fair achieved the highest handle in the track’s history with \$38.25 million wagered, a 7-percent increase from 2004. On-track attendance was up 17 percent to 57,262, and on-track handle was up 10 percent to \$6.9 million.

The newly renovated paddock turned the heads of many fairgoers. The project included tearing down the old jockeys’ quarters, moving the CHRB licensing office to the backside, and making aesthetic improvements to the paddock and fencing. The improvements were part of a successful effort to make the racing experience visually inviting and more accessible from the fairway.

HIGHLIGHT

Stockton Boosted by Reduction in Overlap

STOCKTON

In 2005, the San Joaquin Fair realized a reduction in overlapping dates, allowing Stockton to offer unopposed live racing in Northern California on seven of its 10 allocated race dates. The Stockton meet also pushed Friday post time back an hour to serve as a bridge to Hollywood Park’s evening card on the simulcast network.

Stockton improved its front side, offering significant enhancements to the apron and food stands. The fair spent more than \$100,000 in the barn area, including major upgrades to the veterinarian’s office. The latest improvements mean more than \$1 million has been spent on improvements at Stockton over the past five years.

Attendance and handle surpassed the 2004 record season. On-track attendance increased slightly from 45,145 patrons in 2004 to 45,338 in 2005, highlighted by a closing-day crowd of 7,344. All-source handle increased 12 percent to \$19.45 million. The increase was attributed to a 19-percent jump in out-of-state handle, a 64-percent increase in Advance Deposit Wagering handle, and a 1-percent gain in on-track handle.

HIGHLIGHT

Fairplex Season Handle Reached All-Time High

FAIRPLEX PARK

Fairplex Park experienced the best of both worlds throughout its 2005 race meeting as temperatures were way down and betting was way up. In fact, handle rose to an all-time high, despite running only 16 days instead of the traditional 17. Handle was up 5.3 percent from all sources compared to the previous year, with a total of \$113,624,214 wagered. The 2003 meet had previously notched the highest all-sources handle with \$109,249,303 being bet throughout a 17-day schedule.

“Everything seemed to click this year, from creating a fun experience on track to offering value to handicappers off track,” said George Bradvica, Fairplex Park’s Racing Manager. “We had full fields, the best jockey colony we’ve ever had, and competitive racing.”

O’Neill Won Training Title for Record 4th Consecutive Season

Doug O’Neill became the first in history to win four straight training titles at Fairplex, while Fairplex’s all-time leading jockey, Martin Pedroza, led all riders with 26 wins from 111 mounts en route to his seventh consecutive riding title.



Fairplex generated its all-time biggest Pick Six pool this season. After giving the second week of the meet a jump start with a massive two-day carryover of \$184,170, the pool had an additional \$725,980 bet into it, which easily crushed the previous record of \$672,756 set on September 15, 2002.

Temperatures in Pomona throughout this year’s three-week race meet averaged 8 to 10 degrees cooler than normal.

Longshot Cisco’s Kite posted an 80-1 shocker on Sept. 22. Cisco’s Kite returned \$166.60 to win, beating out the mark of \$86.20 set earlier in the meet by Two to Get Ready in the Pio Pico Stakes.

A WINNING COMBINATION — Patrons who are attracted to the Los Angeles County Fair by the amusement park and other typical fair activities can also enjoy horse racing, which has no additional admission charge.

HIGHLIGHT

Vallejo Accomplished Overall Gains

VALLEJO

A total of \$33.05 million was wagered on Solano County Fair racing, up 1 percent from \$32.65 million wagered in 2004.

Declines in the number of races run, the number of thoroughbred runners, and starters per race left on-track, out-of-state, and all-source live handle slightly down.

Art Sherman was the leading trainer with eight wins. The jockey race was tight, with David Lopez scoring 14 wins to prevail over Russell Baze with 12.

HIGHLIGHT

Santa Rosa Debuted Turf Course

SANTA ROSA

A total of \$41.72 million was wagered on the Sonoma County Fair racing product, up 3 percent from \$40.33 million wagered in 2004, and some of the credit went to the newly installed turf course at the Sonoma County Fair. On opening day, Taco Willy overcame a troubled trip to win the first race ever run on the new turf course. On-track handle for the opening-day card was up 20 percent over the same day in 2004.

The course, a mixture of tall fescue and bluegrass, was planted in the fall of 2004, and horsemen praised the condition of the surface throughout the meet. The new course received heightened exposure on August 6 when TVG telecast live from the fair. The features of the telecast were the \$100,000 Joseph T. Grace Handicap on the turf and a public workout between races of Lost in The Fog. The then-undefeated Breeders' Cup-bound colt, ridden by Russell Baze, was prepping for the King's Bishop at Saratoga.



Turf racing made the Santa Rosa meet even more popular with horsemen and fans alike..

HIGHLIGHT

San Mateo County Fair Rebounded from Tough 2004 Meet

SAN MATEO

The San Mateo County Fair, operated by the Bay Meadows Race Course, ended its 12-day race meet with a 5-percent increase in on-track handle (from \$6.62 million in 2004 to \$6.94 million in 2005).

An increase in Advance Deposit Wagering of 38 percent, to \$3.5 million, helped boost total handle to \$35.1 million.

HIGHLIGHT

Good Weather Helped Fresno Meet

FRESNO

The Big Fresno Fair concluded its 11-day meet with \$8.1 million total handle, an 18-percent increase compared to 2004. On-track handle increased 10 percent from \$3.1 million in 2004 to \$3.4 in 2005, while on-track attendance jumped from 98,984 in 2004 to 113,914 in 2005 for an increase of 15 percent. Fans wagered \$1.2 million through ADW.

The Big Fresno Fair, which renovated its track and paddock in recent years, continued making improvements to its backstretch by adding a steel stabling pavilion and painting the barns. In addition, the totalizator board and grandstand were painted and murals were added to the paddock. The fair added landscaping improvements to the track, including a grass strip inside the main track and 30 olive trees in the infield.

HIGHLIGHT

Ferndale Posted Gains

FERNDALE

Humboldt County Fair, famous for an atmosphere reminiscent of the early days of racing, generated total handle of \$3.1 million, up 11 percent from the prior year. Ferndale experienced gains in all handle categories, including a 99-percent increase in Advance Deposit Wagering handle.

Ferndale celebrated the 50th running of the C. J. Hindley Humboldt County Marathon. Jockey Victor Miranda won the 1 5/8-mile race aboard Black Horse Money.

Due in part to no thoroughbred racing at the California State Fair, Ferndale experienced an increase in the number of thoroughbred runners and an increase in the number of thoroughbred races run. The 10-day meet featured 274 thoroughbred starters. The average field size was 6.52 starters per race.

HIGHLIGHT

Sacramento Harness Replaced Capitol Racing As Cal Expo Operator

Fair Board Operated Its Own Harness Meet During State Fair

HARNESS RACING

To say that 2005 was a year that brought big changes to California's harness industry would be a huge understatement. The Cal Expo Fair Board awarded a three-year contract to the Sacramento Harness Association, which is a not-for-profit corporation headed by former California Horse Racing Board Chairman Ralph Scurfield. Capitol Racing, which had operated Cal Expo harness racing for the past 10 years, did not submit a bid.

Capitol Racing ceased its operation at Cal Expo in July following a very disappointing meet. Average daily handle of \$843,666 was down nearly 14 percent from the previous year, and the on-track experience was even bleaker as handle plummeted more than 25 percent. Average daily on-track attendance also was down about 25 percent with only 330 fans on a typical evening.

With the harness industry's numbers in decline, the Fair Board stepped up and made a bold move. The Fair Board decided to run harness racing during the historic State Fair mixed breed meeting. The Fair Board reasoned that the survival of the harness industry was at stake because horsemen needed continuity in the racing program. The California Harness Horseman's Association cheered the decision. The quest for a year-round harness circuit finally had been realized.



The California Exposition and State Fair accepted a donation of \$50,000 from the Sacramento Harness Association (SHA) to help finalize the development of Cal Expo's 9/11 Memorial Plaza. Accepting the donation from SHA General Manager Chris Schick (left) and SHA Director R. Burnett Miller (right) were Cal Expo Chairperson Kathy Nakase and Director Kirk Breed.

Cal Expo took over operation of the harness meet in early August, and because harness racing ran during the fair season for the first time, many visitors to the State Fair were exposed to the sport. The fair meet retained harness horses and attracted new ones, which was one measure of success. But the actual numbers were far down compared with previous State Fair meets that had offered mixed-breed racing, principally thoroughbreds. Average daily handled declined more than 60 percent, and average daily on-track attendance sank about 80 percent.

Sacramento Harness began its operation in September under the new contract. Benefiting from the stronger horse population, and a strong stakes schedule, the handle began to rise and continued the upward trend through 2005.

The Cal Expo Fair Board decided to stay with harness racing for the 2006 State Fair meet, providing further continuity with the Sacramento Harness operation, and resulting in fewer days of overlap between the racing fairs and thoroughbred meets. As the year ended, a major grandstand renovation project proposed by Sacramento Harness, at a cost of more than \$1 million, was ready to get underway. And the Fair Board was considering the feasibility of adding a five-eighths-mile track to allow for simultaneous racing for all breeds. The atmosphere in the harness industry was optimistic.

HIGHLIGHT

Lost in the Fog Helped Baze Achieve Milestone 9,000 Career Wins

GOLDEN GATE

The most memorable moments at Golden Gate Fields in 2005 came during the East Bay track's spring meeting, an action-packed 29-day session that featured an electrifying performance by the star 3-year-old colt Lost in the Fog and a milestone victory for Hall of Fame jockey Russell Baze.

Lost in the Fog set a Golden Gate Fields track record for six furlongs when he won the Golden Bear Breeders' Cup by 10 lengths in 1:07.32, which eclipsed the former mark of 1:07.45 set by the 4-year-old gelding Smoke Till Dawn on December 17, 2003.

"He could have gone in 1:06 and change if I had asked him," said Baze moments after Lost in the Fog had recorded his sixth victory in as many starts.

The Golden Bear victory was one of 50 wins at the spring meeting for Baze, who earned his 27th riding championship at Golden Gate Fields. Baze reached a tremendous career milestone en route to the title: 9,000 wins. Baze scored victory No. 9,000 aboard Queen of the Hunt in the eighth race on June 2. Fans had a chance to meet Baze on May 28 when Golden Gate Fields hosted "Russell Baze Day." Fans received a free poster of Baze aboard Lost in the Fog, and the popular rider signed autographs for more than an hour prior to the races.

Jerry Hollendorfer won his 26th straight training championship at Golden Gate Fields by saddling 22 winners. William E. Morey was the second-leading trainer with 16 victories.

Fans wagered an average of \$4.6 million a day during the spring meet, which was held May 11 through June 19. Total handle from all sources was \$134,409,661.

On-track wagering averaged \$714,788 a day, and out-of-state betting averaged \$1.9 million. Average attendance on track was 2,956. Because of changes to the Northern California racing schedule in 2005 – spring racing was conducted at Bay Meadows in 2004 – Golden Gate Fields did not issue comparative numbers.

Russell Baze guides Lost in the Fog to a 10-length victory in the Golden Bear Breeders' Cup.



Vassar Photo

HIGHLIGHT

Fall Meet Showed Handle and Attendance Increases

BAY MEADOWS

Racing at Bay Meadows in 2005 was highlighted by the 33-day fall season (held August 26 through October 16), which concluded with average daily increases in both handle and attendance compared with the 2004 fall meet, while featuring 49 days of racing. On-track increases were particularly strong, with average daily attendance increasing by 37.7 percent (3,665 compared to 2,662) and average daily handle increasing by 14.1 percent (\$724,152 compared to \$634,830).

Off-track sites in Northern California showed increases of 13.3 percent and 16.2 percent in average daily attendance (3,700 compared to 3,265) and handle (\$1,369,879 compared to \$1,178,928). Average daily handle in Northern California generated via the three account wagering companies licensed to conduct wagering in California (TVG, YouBet, and XpressBet) increased by 52 percent. Average daily export wagering by out-of-state customers decreased by 11.3 percent (\$1,477,962 compared to \$1,665,577). All-source average daily commingled handle for the meet was \$4,689,771, compared to \$4,426,671 at the previous fall meeting, representing an increase of 5.9 percent.

Lost in the Fog Remained Perfect with Speed Handicap Victory

The highlight of the meet was an appearance by Lost in the Fog, who improved his record to 10-for-10 with a dominating victory in the \$100,000 Bay Meadows Speed Handicap on October 1. A crowd of 8,314 came to see Lost in the Fog, and fans were packed seven-rows deep in the areas surrounding the indoor paddock, cheering for the colt and his connections.

"I haven't seen anything like this since I was here in 1938 and saw Seabiscuit run," said owner Harry J. Aleo.



Vassar Photo

Other highlights included Labor Day, when 10,887 fans enjoyed the addition of a Raven Symone concert to the racing festivities, and Columbus Day, when fans poured a record \$904,258 into the Pick Six pool, with a \$334,648 carryover.

Appreciative fans give Lost in the Fog a rousing sendoff in the paddock before his popular victory in the Speed Handicap.

HIGHLIGHT

Los Alamitos Stayed Even With 2004 Record Numbers

LOS ALAMITOS

After posting all-time record handle numbers in 2004, Los Alamitos enjoyed a nearly identical average handle in 2005. The average from all sources was \$1,281,367 compared with \$1,281,868 the previous year. The difference was less than one-tenth of a percent.

Handle topped \$2 million on four different programs, including MBNA America Challenge Night on November 5 when the track recorded its second-highest single-night handle ever of \$2,195,064, followed closely by the \$2,171,454 wagered on the Ed Burke Million Futurity Trials program on June 4, which ranked third.

Average on-track handle of \$239,781 dropped 6 percent, while the in-state satellites handle and out-of-state handle also were down 6 percent. On-track attendance saw a 2-percent decrease. Advance Deposit Wagering was up 41 percent to \$233,061 per night. Los Alamitos increased overnight purses by 15 percent during the winter portion of the meet.

Track Offered Three Stakes Valued at More Than \$1 Million

Los Alamitos became the nation's first racetrack of any breed to annually host three races guaranteed at \$1 million each: the \$1,500,000 Los Alamitos Million Futurity, the \$1,145,000 Ed Burke Million Futurity, and the \$1,100,000 Golden State Million. Higher Fire missed becoming the first horse to sweep the three \$1-million races when she was upset in the Los Alamitos Million Futurity by Value The Man.

Trainer Paul Jones enjoyed another record-setting season. For the fifth straight year, he set a new track record for most quarter-horse wins (273) in a single year. He also set national records for most wins and earnings in a single year.



Ocean Runaway was voted top horse for the second straight year after breaking the 15-year-old track record at 400 yards in addition to winning the Champion of Champions – the first back-to-back winner since Refrigerator in 1992 and 1993,

In 2006, Los Alamitos will host quarter-horse racing's first guaranteed \$2 million race, the Los Alamitos Two Million Futurity, on Friday, December 8.

Ridden by J.R. Ramirez, Higher Fire won two \$1 million races at Los Alamitos in 2005.

HIGHLIGHT

Rain, Rain, and More Rain Dampened Enthusiasm for Racing in Arcadia

SANTA ANITA PARK

Despite the wettest winter in the track's 70-year history, Santa Anita Park concluded its 2004-05 winter/spring meeting with only a 3-percent decline in total handle. Average on-track attendance for the meet was 8,062, a decrease of 9 percent from the previous meet, while average daily on-track handle was \$2.1 million, down 8 percent.

When 45 inches of rain fell on the Arcadia track during the meet, which ran from December 26 to April 18, one full racing card was canceled and another 28 programs were run over an "off" track. Turf racing was curtailed for long portions of the season. All of this severely affected attendance and impacted handle.

"Notwithstanding the unyielding rain we endured this winter, and the impact that this historic weather pattern had on attendance, field sizes, and training, we were encouraged with several developments," said Santa Anita President Ron Charles. "We recorded substantial increases in attendance and handle for our three showcase events – the opening day, Big 'Cap, and Santa Anita Derby programs. Furthermore, from the mid-point of our season following Presidents' Day until closing, on-track attendance and handle rebounded to a pace that was even with last year."

Average daily total handle, which includes wagers on Santa Anita through Advanced Deposit Wagering, was \$10.8 million, a decrease of 3 percent. At Southern California off-track locations, average daily handle was \$3 million, a decrease of 7 percent, while average daily out-of-state handle was \$4.8 million, a decrease of 2 percent.

Meet Enjoyed Three Huge Days Despite Weather

The Santa Anita Handicap on March 6 drew 35,484 fans on track – up almost 8,000 from the previous year – and the handle of \$24.3 million was up \$1.6 million. On-track attendance for the April 9 Santa Anita Derby was 38,014, up nearly 2,000. The traditional opener on December 26 drew an on-track crowd of 31,874, up over 3,000, and the total handle of \$16.7 million was an increase of over

\$800,000. The 2004-05 winter/spring meet marked the first time in four years that Santa Anita drew three on-track crowds in excess of 30,000.

Patrick Valenzuela won the riding title with 69 victories, while Doug O'Neill won 54 races to capture the training crown.



Benoit Photo

Rock Hard Ten and Gary Stevens (2nd from left) headed for victory in Big 'Cap.

HIGHLIGHT

Hot Weather and Equine Virus Made for Sluggish Start of Oak Tree Meet

Strong Promotions and Good Programs Helped Turn Meet Around

OAK TREE

The Oak Tree Racing Association rallied from a slow start to complete its 37th season of world-class racing virtually even with the previous season in on-track handle. Victimized by unseasonably hot weather early in its 31-day meet and later hit with an equine virus that curtailed entries, Oak Tree registered major gains during the final two weeks to virtually equal 2004 numbers. Despite the slow start, overall wagering, including telephone and Internet, was down just 2 percent.

“The first two weeks were alarming,” said Oak Tree Executive Vice President Sherwood Chillingworth. “We thought we had good cards opening day and the first two weekends with our Breeders’ Cup prep races, but we just couldn’t seem to get any traction.”

Later in the meet, with 18,241 people attending the Breeders’ Cup card on October 29, Oak Tree posted a 25-percent gain in attendance. Furthermore, a Pick Six carryover on November 4, coupled with a strong promotion, resulted in an on-track handle of \$1,797,553, an increase of 52 percent. In addition to the November 4 promotion, Oak Tree offered highly successful promotions on October 5 and 6, providing its Thoroughbred Club members with free parking and admission and a free racing program and *Daily Racing Form*.

“We have seen dramatic increases in our on-track handle and attendance with these promotions,” Chillingworth said. “The market in which we operate has changed dramatically, and we need now more than ever to give people good reasons to participate on track.”

In addition to the Breeders’ Cup program, the largest on-track crowds were 23,959 on October 1 and 22,194 on California Cup Day, which was held on closing day, Sunday, November 6.

Garrett Gomez captured his first Oak Tree riding title with 44 victories, Steve Knapp won four races in the last two days to overtake Jeff Mullins and win his first training title with 16 victories. Robert Bone won the most races among owners.

Megahertz and Alex Solis fly to the finish for an impressive victory in the Yellow Ribbon Stakes during the Oak Tree meet at Santa Anita.



Benoit Photo

HIGHLIGHT

Huge American Oaks Day A Factor as Hollywood Park Rallied in July to Finish Virtually on Par With 2004

HOLLYWOOD PARK

Hollywood Park, in its last meet under the stewardship of Churchill Downs Inc., closed its 2005 spring/summer meet with total common pool wagering of \$667,016,796, down less than one-half percent from the figure of \$679,693,206 in 2004. The daily average for the 64-day meeting was \$10.42 million, compared to \$10.45 million during a 65-day meeting in 2004. A record American Oaks Day handle of \$22 million and a 15-percent increase to a handle of \$19.5 million on Hollywood Gold Cup Day helped the track pull virtually even with 2004 after entering the final three weeks down nearly 3 percent.

During the spring-summer meet, Churchill Downs Inc. held a press conference to announce the sale of the track to Bay Meadows Land Company for \$257.5 million. The California Horse Racing Board later approved the new owners' application for license to operate the fall meet at Hollywood Park. During that licensing process, the new owners committed to racing in Inglewood for at least three years, and promised to spend \$5 million for the installation of a new, synthetic Polytrack to replace the existing dirt track. The new owners also committed to reconstructing the turf course after it was determined that a turf course installed by the previous owners had failed to take root properly, which was considered unsafe for racing and led to the cancellation of turf races for the entire fall meet.

The American Oaks program, which featured five graded stakes, generated more handle than the Kentucky Derby Day program (\$21.8 million), which had annually been Hollywood Park's single biggest day since the inception of simulcast wagering in 1984. The fourth running of the Oaks belonged to the sensational filly Cesario, who dominated 11 rivals in becoming the first Japanese-bred to win a Grade I race in North America.



Benoit Photo

Lava Man and Patrick Valenzuela score an easy victory in the Hollywood Gold Cup during the spring-summer meet.

“The American Oaks has quickly gained world-wide acclaim,” Hollywood Park President Rick Baedeker said. “The response of patrons was gratifying and Cesario’s performance was breath-taking.”

Hollywood Gold Cup Day, scheduled just six days after the Oaks, drew an on-track crowd of 18,501, topped only by Derby Day (21,452) and opening Friday night (20,006). Lava Man won by a record 8 3/4 lengths in becoming the 15th California-bred Gold Cup champion. Also winner of The Californian, the 6-year-old was an overwhelming choice among media as “Horse of the Meet.”



Japanese invader Cesario, with jockey Yuichi Fukunaga aboard scores the easiest of wins in the American Oaks Invitational at Hollywood Park.

On-Track Handle Was Close to 2004; Combined Average Handle Dropped 4 Percent in Autumn

Hollywood Park concluded its 27-day autumn meet with daily average handle of \$8,588,871, a 4-percent decrease from the average of \$8,944,323 during a 36-day meeting in 2004. On track, the figure was virtually even as the average handle of \$1,309,921 was down just one-third of a percent from the figure of \$1,313,553 a year earlier.

The autumn meet was shortened by four days due to the cancellation of turf racing and operated on a four-day race week during the final month rather than the traditional five-day week. With the elimination of turf stakes races, overnight purses were increased 15 percent entering the meet and an additional 5 percent in early December — retroactive to the November 9 opening. Average field size was even with 2004 with 7.5 starters per race.

“We’re very appreciative of all the horsemen – the Thoroughbred Owners of California and the CTT (California Thoroughbred Trainers) – for their support,” said general manager Eual G. Wyatt. “We’re excited about our 2006 spring/summer meet, and we look forward to introducing the new Cash Call Mile on American Oaks weekend.”

While handle was basically on par, the average daily on-track attendance of 5,199 was down 14.5 percent from 6,081 in 2004 and the combined attendance average of 12,758 was down 8.4 percent from 13,929.

Robert D. Bone won 14 races to become the first owner to sweep all six Southern California meeting titles. Jockey Martin Pedroza won his first title at a major meeting by riding 31 winners. Jeff Mullins saddled 13 winners to win the training title. Brother Derek captured the Hollywood Futurity.

Advance deposit wagering (ADW) increased by 9.2 percent to a record \$49,648,778, compared to \$46,155,279 in 2004. A record \$1.8 million was wagered on American Oaks Day.

On track, business declined as the daily handle of \$1,733,157 was down 1 percent and the daily attendance average of 7,801 was down 6.6 percent from 2004.

Purses averaged \$432,078, up 4.8 percent from the figure of \$412,350 in 2004. The average field size of 7.7 was down 3.8 percent from 2004.

Doug O’Neill, trainer of Lava Man, saddled 31 winners to win his fourth Hollywood Park training title. Garrett Gomez rode 62 winners to win his first riding title since the 1998 autumn meet, while David Cohen was leading apprentice with 18 trips to the winner’s circle.

Simulcast Facilities by Location

Stockton, 2nd District Agricultural Association

The San Joaquin Fair facility is located at the east side of Stockton at 1658 South Airport Way. The simulcast wagering facility opened October 24, 1985. The pari-mutuel handle and attendance in FY 2004-2005 were \$32,914,856 wagered by 171,705 patrons.

Monterey, 7th District Agricultural Association

The Monterey County Fair facility is located at 2004 Fairground Road in Monterey. The simulcast wagering facility opened on January 6, 1988. The pari-mutuel handle and attendance in FY 2004-2005 were \$14,175,096 wagered by 50,352 patrons.

Eureka, 9th District Agricultural Association

The Redwood Acres Fair facility is located approximately one mile east of downtown Eureka at 3750 Harris Street. The simulcast wagering facility opened November 11, 1987. The pari-mutuel handle and attendance in FY 2004-2005 were \$2,285,817 wagered by 5,156 patrons.

Bakersfield, 15th District Agricultural Association

The Kern County Fair facility is located in Bakersfield at 1142 South P Street. The simulcast wagering facility opened April 1, 1987. The pari-mutuel handle and attendance in FY 2004-2005 were \$11,672,038 wagered by 50,111 patrons.

Santa Barbara, 19th District Agricultural Association

The Earl Warren Showgrounds facility is located in Santa Barbara at 3400 Callareal St. The simulcast wagering facility opened March 3, 1987. The pari-mutuel handle and attendance in FY 2004-2005 were \$9,810,338 wagered by 29,808 patrons.

Fresno, 21st District Agricultural Association

The Fresno District Fair facility is located in Fresno at 1121 Chance Avenue. The simulcast wagering facility opened December 18, 1985. The pari-mutuel handle and attendance in FY 2004-2005 were \$15,724,046 wagered by 117,286 patrons.

Fresno, Polo Lounge/Club One

The Polo Lounge in Club One is located in Fresno at 1035 Van Ness Avenue. The facility is housed within the Club One Poker Casino and opened on May 1, 1997. The pari-mutuel handle and attendance in FY 2004-2005 were \$4,006,709 wagered by 6,937 patrons.

Del Mar, 22nd District Agricultural Association (Surfside)

The Del Mar Fair facility is located in Del Mar at 2260 Jimmy Durante Boulevard. The simulcast wagering facility opened September 12, 1991. The pari-mutuel handle and attendance in FY 2004-2005 were \$179,501,532 wagered by 736,495 patrons.

Tulare, 24th District Agricultural Association

The Tulare County Fair is located 40 miles south of Fresno, a quarter-mile west of Highway 99 at 215 E. Alpine Avenue. The simulcast facility opened June 25, 1989. The pari-mutuel handle and attendance in FY 2004-2005 were \$5,540,974 wagered by 26,733 patrons.

Anderson, 27th District Agricultural Association

The Shasta District Fair facility is located 12 miles south of Redding on Highway 273. The simulcast wagering facility opened May 18, 1988. The pari-mutuel handle and attendance in FY 2004-2005 were \$3,145,890 wagered by 10,258 patrons.

Victorville, 28th District Agricultural Association

The San Bernardino County Fair facility is located approximately 40 miles north of San Bernardino, adjacent and east of Interstate 15, at 14800 Seventh Street. The simulcast wagering facility opened April 26, 1989. The pari-mutuel handle and attendance in FY 2004-2005 were \$15,641,089 wagered by 74,788 patrons.

**Ventura, 31st District
Agricultural Association**

The Ventura County Fair facility is located in Ventura at 10 West Harbor Boulevard. The simulcast wagering facility opened November 11, 1987. The pari-mutuel handle and attendance in FY 2004-2005 were \$38,344,400 wagered by 120,646 patrons.

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

The Santa Barbara County Fair is located in Santa Maria at 937 South Thornburg. The simulcast facility opened April 7, 1987. The pari-mutuel handle and attendance in FY 2004-2005 were \$9,000,578 wagered by 29,270 patrons.

**Lancaster, 50th District
Agricultural Association**

The Antelope Valley Fair facility is located in Lancaster on the northeast side of town at 155 West Avenue I, approximately two miles east of Interstate 14. The simulcast wagering facility opened April 27, 1988. The pari-mutuel handle and attendance in FY 2004-2005 were \$22,310,687 wagered by 103,792 patrons.

**San Bernardino, National
Orange Show**

The National Orange Show facility is located in San Bernardino at 689 South E Street. The simulcast facility opened November 18, 1987. The pari-mutuel handle and attendance in FY 2004-2005 were \$49,672,591 wagered by 215,432 patrons.

**Sacramento, California
Exposition and State Fair**

The Cal Expo facility is located approximately three miles east of downtown Sacramento at 1600 Exposition Boulevard. The simulcast wagering facility opened October 17, 1985. The pari-mutuel handle and attendance in FY 2004-2005 were \$54,906,384 wagered by 254,772 patrons.

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

The Sonoma County Fair is located in Santa Rosa at 1350 Bennett Valley Road. The simulcast facility opened October 17, 1985. The pari-mutuel handle and attendance in FY 2004-2005 were \$26,986,442 wagered by 154,496 patrons.

Vallejo, Solano County Fair

The Solano County Fair is located on the north side of Vallejo at 900 Fairgrounds Drive. The simulcast wagering facility opened December 1, 1987. The pari-mutuel handle and attendance in FY 2004-2005 were \$27,882,349 wagered by 123,244 patrons.

**Pleasanton, Alameda County
Fair**

The Alameda County Fair is located in Pleasanton at 4501 Pleasanton Avenue. Following the start of simulcast wagering on April 27, 1987, the location of the simulcast wagering was changed to a newly constructed facility on October 9, 1992. The pari-mutuel handle and attendance in FY 2004-2005 were \$67,303,127 wagered by 233,903 patrons.

**San Mateo, Bay Meadows
Racetrack**

The Bay Meadows Racetrack is located in San Mateo at 2600 South Delaware Street. The Bay Meadows simulcast wagering facility opened February 4, 1986. The pari-mutuel handle and attendance in FY 2004-2005 were \$173,786,984 wagered by 620,157 patrons.

**Indio, Shalimar Sports
Center**

The Desert Expo Centre is located approximately 10 miles southeast of Palm Springs just off Highway 111 at 46-350 Arabia Street on the National Date Festival grounds. The simulcast wagering facility opened May 18, 1988. The pari-mutuel handle and attendance in FY 2004-2005 were \$8,759,986 wagered by 41,792 patrons.

Pomona, Fairplex Park

The Los Angeles County Fair facility is located in Pomona on the grounds of the Fairplex public events facility, two blocks north of Interstate 10. The simulcast wagering facility opened July 27, 1988. The pari-mutuel handle and attendance in FY 2004-2005 were \$82,438,564 wagered by 323,620 patrons.

Inglewood, Hollywood Park Racetrack	The Hollywood Park facility is located in Inglewood at 1050 Prairie Avenue. The simulcast wagering facility opened July 27, 1988. The pari-mutuel handle and attendance in FY 2004-2005 were \$336,270,921 wagered by 1,500,978 patrons.
San Jose, Santa Clara County Fair	The Santa Clara County Fair is located in San Jose approximately 40 miles south of San Mateo, just off Hwy. 101 at 344 Tully Road. The simulcast facility opened July 30, 1988. The pari-mutuel handle and attendance in FY 2004-2005 were \$51,591,130 wagered by 179,875 patrons.
Albany, Golden Gate Fields	Golden Gate Fields is located in Albany at 1100 Eastshore Highway, just north of Berkeley, off Interstate 80, eight miles from downtown Oakland and 11 miles from San Francisco. The simulcast wagering facility opened September 24, 1985. The pari-mutuel handle and attendance in FY 2004-2005 were \$132,949,040 wagered by 457,526 patrons.
Arcadia, Santa Anita Park	The Santa Anita facility is located in Arcadia at 285 W. Huntington Drive. The simulcast wagering facility opened July 27, 1988. The pari-mutuel handle and attendance in FY 2004-2005 were \$380,461,972 wagered by 1,395,323 patrons.
Los Alamitos, Los Alamitos Race Course	Los Alamitos Race Course is located in Los Alamitos at 4961 Katella Avenue. The simulcast facility opened July 25, 1990. The pari-mutuel handle and attendance in FY 2004-2005 were \$257,288,584 wagered by 826,142 patrons.
Indio, Fantasy Springs Casino	The Cabazon Band of Mission Indians facility is located approximately 18 miles east of Palm Springs in Indio at the intersection of Interstate 10 and Auto Center Drive. The simulcast wagering facility opened March 3, 1990. The pari-mutuel handle and attendance in FY 2004-2005 were \$15,267,054 wagered by 67,818 patrons.
El Cajon, Sycuan Gaming Center	The Sycuan Band of Mission Indians facility is located approximately six miles east of El Cajon at 5469 Dehesa Road. The simulcast wagering facility opened October 7, 1990. The pari-mutuel handle and attendance in FY 2004-2005 were \$18,497,926 wagered by 91,777 patrons.
El Cajon, Viejas Casino and Turf Club	The Viejas Band of Mission Indians facility is located approximately 13 miles east of Alpine at 5000 Willows Road. The simulcast facility opened September 13, 1991. The pari-mutuel handle and attendance in FY 2004-2005 were \$14,270,010 wagered by 50,335 patrons.
Lakeside, Barona Casino	The Barona Band of Mission Indians facility is located approximately five miles northeast of Lakeside at 1932 Wildcat Canyon Road. The simulcast wagering facility first opened in 1992, then a new facility opened in 2002. The pari-mutuel handle in FY 2004-2005 were \$15,023,969 wagered by 63,235 patrons.
Turlock, Stanislaus County Fair	The Stanislaus County Fair facility is located in Turlock approximately two miles east of Highway 99 at 900 No. Broadway at Canal. The simulcast facility opened on April 7, 1993. The pari-mutuel handle and attendance in FY 2004-2005 were \$9,943,672 wagered by 39,836 patrons.
Perris, 46th District Agricultural Association	The Farmer's Fair and Expo facility is located in Perris approximately three miles east of the 215 Freeway at 18700 Lake Perris Drive and Ramona Expressway. The simulcast facility opened on December 1, 1993. The pari-mutuel handle and attendance in FY 2004-2005 were \$26,767,010 wagered by 118,146 patrons.

Horse-Racing Revenues

The State of California's revenue from horse racing is derived primarily from license fees, which are based on percentages of pari-mutuel wagers. The pari-mutuel handle totaled \$4,189,727,623 for the 2004-2005 fiscal year. This amount included wagers made within the State of California and wagers made in other racing jurisdictions, which were co-mingled (merged) into the wagering pools at live race meets in California. The CHRB was responsible for collecting \$38.5 million from all pari-mutuel sources for the 2004-2005 fiscal year.

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

The takeout is set by law and is a percent taken from each dollar wagered. The takeout on conventional wagering (win, place, and show pools) is 15.43 percent for thoroughbred race meets, 15.63 percent for quarter-horse meets, 16.43 percent for harness meets, and 16.77 percent for fair meets.

The takeout on exotic wagering pools (all pools that are not win, place, or show) is 20.18 percent for thoroughbred meets, 20.38 percent for quarter-horse meets, 21.52 percent for fair meets, and 24.18 percent for harness meets.

In general, once the state license fee, breeders and owners awards, equine research, and other mandated amounts

have been deducted from the takeout, the remaining funds are divided in a prescribed manner between purses and track commissions.

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

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

Breakage is a term used to describe the monies generated by mathematical rounding during the calculation of winning wagers. After a race is run and the results are made official, the totalizer system calculates the payout for winning wagers.

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

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

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

By law, breakage is divided between the state, the track, and purses, with the majority of breakage going to purses. In FY 2004-2005, the state received \$955,705 million in breakage, with the tracks receiving \$3.8 million and purses \$5.9 million.

Charity Days

California horse-racing associations have distributed many millions of dollars to worthwhile charities over the last 68 years. Their donations in the last fiscal year totaled \$905,907.

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

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

Uncashed Pari-mutuel Tickets

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

The amount to the State from unclaimed pari-mutuel tickets during the FY 2004-2005 racing year totaled \$2,031,382.

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

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

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

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

Redistributable Money in Pari-mutuel Pools (Unclaimed Tickets)

2004-2005	TB	QH	HH	Fairs
Los Angeles Turf Club	\$386,774			
Churchill Downs California Spring Oper. Co.	258,896			
Del Mar Thoroughbred Club	334,837			
Oak Tree Racing Assn.	140,810			
Bay Meadows Racing Assn.	115,521			
Pacific Racing Assn.	116,765			
Churchill Downs California Fall Oper. Co.	<u>114,991</u>			
Thoroughbred Total	\$1,468,594			
Los Alamitos Quarter Horse Racing Assn.		\$145,937		
Quarter Horse Total		<u>\$145,937</u>		
Capitol Harness Racing Assn.			\$27,000	
Harness Total			\$27,000	
Los Angeles County Fair				\$184,175
CARF				<u>205,676</u>
Fairs Total				\$389,851
Total to State from unclaimed pari-mutuel tickets				\$2,031,382

Occupational Licenses and Fees

July 1, 2004, through June 30, 2005

Type of License	Fee	Issued	Total
Stable	\$300	321	\$96,300
Multiple Ownership	0	17	000
Horse Owner-Open Claim	250	47	11,750
Officer/Director/Partner	200	0	000
Horse Owner	150	4,483	672,450
Trainer, Assistant Trainer	150	428	64,200
Harness Horse Driver	150	40	6,000
Jockey/Apprentice Jockey	150	115	17,250
Jockey Agent	150	32	4,800
Racing Official/Manager of Association	150	143	21,450
Bloodstock Agent	150	14	2,100
Veterinarian	150	40	6,000
Association Employee	75	390	29,250
Valet/Custodian/Attendant	75	7	525
Pari-mutuel Employee/Tote	75	752	56,400
Horseshoer	75	44	3,300
Exercise Rider/Pony Rider	75	383	28,725
Misc. Employee/Stable Agent Vendor	75	354	26,550
Security Guard	75	177	13,275
Stable Foreman	75	86	6,450
Authorized Agent	25	887	22,175
Replacement License	15	729	10,935
Annual Groom/Stable Employee (Original)	35	794	27,790
Annual Groom/Stable Employee (Renewal)	20	2,976	59,520
Gross Fees		13,259	1,187,195
Less allowance for Franchise Tax Board			-30
Total fees generated to General Fund			\$1,187,165

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

Fines Imposed in 2004 -2005

Thoroughbred Meetings — Central & Southern Zones

Location	Rulings	Imposed	Inclusive Dates
Del Mar	108	\$10,310	7/21/04 — 9/8/04
Santa Anita	23	3,375	9/29/04 — 10/31/04
Hollywood Park	54	9,900	11/3/04 — 12/20/04
Santa Anita	79	14,475	12/26/04 — 4/18/05
Hollywood Park	75	15,650	4/22/05 — 7/17/05

Thoroughbred Meetings — Northern Zone

Bay Meadows	24	\$4,800	9/3/04 — 11/7/04
Golden Gate	29	7,850	11/10/04 — 1/30/05
Bay Meadows	32	5,700	2/2/05 — 5/8/05
Golden Gate	18	5,600	5/11/05 — 6/19/05

Quarter-Horse Meetings — Statewide

Los Alamitos	71	\$18,000	7/1/04 — 12/19/04*
Los Alamitos	94	27,850	12/26/04 — 6/30/05*

Harness Meetings — Statewide

Cal Expo	47	\$7,650	9/24/04 — 12/18/04
Cal Expo	134	22,000	1/7/05 — 7/30/05

Fair Meetings — Statewide

Pleasanton	5	\$900	6/30/04 — 7/11/04
Vallejo	12	4,075	7/14/04 — 7/26/04
Santa Rosa	7	1,600	7/28/04 — 8/9/04
San Mateo	4	800	8/11/04 — 8/23/04
Ferndale	0	0	8/12/04 — 8/22/04
Sacramento	8	3,400	8/25/04 — 9/6/04
Pomona	18	1,550	9/10/04 — 9/26/04
Fresno	13	3,150	10/6/04 — 10/17/04
Stockton	4	500	6/15/05 — 6/26/05

* Although the 2004 Los Alamitos meet ran from 12/26/03 through 12/19/04, and the 2005 meet runs from 12/26/04 through 12/18/05, this chart contains data only from 7/1/04 through 6/30/05.

Statement of Distribution by Fund of Horse-Racing Revenues

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

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

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

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

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

July 1, 2004 through June 30, 2005

	Detail	Total
Revenue To Fair & Expo		
Pari-mutuel License Fees, Fund 0191:		
0.63 percent — total handle	\$10,026,331	
1.00 percent — fair handle	1,370,180	
Escheat of unclaimed warrant	644	
Section 19620-A	265,000	
Section 19620-B	13,014,000	
Total 0191 Fund		\$24,676,155
Simulcast Wagering Fees, Fund 0192:		
Simulcast Wagering	11,160,050	
Other regulatory, licenses, and permits — purses	1,404,557	
Total 0192 Fund		12,564,607
Revenue To General Fund		
Horse racing licenses	900,844	
Breakage	0	
Fines & Penalties	177,236	
Unclaimed Pari-mutuel Tickets	389,851	
Unclaimed Pari-mutuel Tickets (Racetrack Security Fund)	1,372,531	
Occupational Licenses	1,187,165	
Miscellaneous Income	170	
Total General Fund		4,027,797
Wildlife Restoration		
Horse racing licenses		0
Racetrack Security		269,000
CA Veterinary Diagnostic Laboratory		2,413,823
Total Revenue		\$43,951,382

Other Public Revenues

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

During the FY 2004-2005 racing year, there were 3,508 horses “claimed” at authorized race meetings.

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

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

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

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

Inasmuch as the claim of a horse is in fact a purchase, state sales tax is collected on the amount of the claim. During the FY 2004-2005 racing year, the total amount paid for claiming of horses was \$54,431,800, resulting in sales tax revenues of \$4,427,320.

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

During the FY 2004-2005 racing year, \$6.9 million was distributed to local governments under this provision.

Track Commissions

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

Commissions retained by California racing associations during FY 2004-2005 totaled \$170,109,931.

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

Purses

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

Purses for California race meetings during FY 2004-2005 totaled \$166,620,027. In addition, \$15,449,411 was paid out as California-Bred incentives.

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

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

Statistics For Horses Claimed

July 1, 2004 to June 30, 2005

Track Location	Horses Claimed	Amount Paid	Sales Tax
Thoroughbred Meetings — Northern			
Golden Gate	411	\$5,071,500	\$443,758
Bay Meadows	516	6,655,950	549,118
Thoroughbred Meetings-Central-Southern			
Del Mar	348	10,383,000	804,682
Oak Tree	128	3,467,000	286,027
Hollywood Park	285	7,811,500	644,449
Hollywood (fall)	119	3,266,500	269,486
Santa Anita	325	8,994,500	742,046
Sub-total Thoroughbreds	2,132	\$45,649,950	\$3,739,562
Harness Meetings-Statewide			
Cal Expo (fall)	56	363,200	28,148
Cal Expo	240	1,730,200	134,090
Sub-total Harness	296	\$2,093,400	\$162,238
Quarter-Horse Meetings-Statewide			
Los Alamitos	775	\$3,834,300	\$297,158
Sub-total QH	775	\$3,834,300	\$297,158
Fair and Mixed Meetings-Statewide			
Pleasanton	43	\$295,000	\$25,402
Vallejo	40	338,150	24,939
Santa Rosa	50	483,550	36,266
San Mateo	40	499,700	41,225
Ferndale	3	11,400	827
Sacramento Harness	34	196,500	15,229
Pomona	58	868,750	71,507
Fresno	16	64,500	5,079
Stockton	21	98,600	7,888
Sub-total Fairs	305	\$2,854,150	\$228,362
Grand Total	3,508	\$54,431,800	\$4,427,320

Authorized Horse Sales

The CHRB each year authorizes sales for racehorses or breeding stock used in the production of racehorses when such sales are conducted on the premises of a racing association. During FY 2004-2005, there were 1,927 horses sold for a total of \$35,223,750. These sales generated a total of \$1,367,017 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 2004-2005:

Barretts Equine Ltd. Thoroughbred Sales at Fairplex Park

- | | |
|------------------------------|----------------|
| 1. October Yearling Sale | October 5 |
| 2. October Mixed Sale | October 25, 26 |
| 3. January Mixed Sale | January 24, 25 |
| 4. March Two-Year-Olds | March 15 |
| 5. Spring Two-Year Olds | May 17 |
| 6. June Horses of Racing Age | June 28 |

A total of 1,542 horses was sold for \$31,910,850, which generated \$1,279,158 in sales tax.

California Thoroughbred Breeders Association Sales

- | | |
|-------------------------------------|---------------|
| 1. Del Mar Select and Yearling Sale | August 10, 11 |
|-------------------------------------|---------------|

A total of 164 horses was sold for a total of \$1,234,500, which generated \$52,203 in sales tax.

Quarter-Horse Sales At Los Alamitos

- | | |
|---|--------|
| 1. PCQHRA Yearling and Mixed Stock Sale | Oct. 2 |
|---|--------|

A total of 221 horses was sold for \$2,078,400, which generated \$35,646 in sales tax.

California Horse Breeding Programs

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

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

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

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

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

Thoroughbred Breeders Programs

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

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

During FY 2004-2005, \$12,955,342 was generated from the wagering handle. The CTBA is authorized to deduct 5 percent for administrative overhead and expenses, including education, promotion, and research.

Standardbred Breeders Programs

The California Standardbred Sires Stakes Committee, Inc., a California non-profit public benefit corporation, administers the Standardbred Breeders Program. The Sires Stakes Committee is authorized to deduct expenses (not to exceed 4 percent of funds generated) for administering the Standardbred Breeders Program. The program is funded from the breakage at harness meetings and an additional 1 percent takeout on all exotic wagering at harness meetings. In FY 2004-2005, the program generated \$499,621.

Quarter-Horse Breeders Program

Pacific Coast Quarter Horse Racing Association, as the recognized breeders organization, received \$542,886 from the pari-mutuel handle to fund its program in FY 2004-2005. The source of these funds was 0.48 percent of the on-track and 0.48 percent of the off-track handle on quarter-horse racing at the fair race meetings, 0.4 percent of the handle at quarter-horse race meetings, and a proportional payment of the monies required by the state, the association, and the horsemen.

Appaloosa Breeders Program

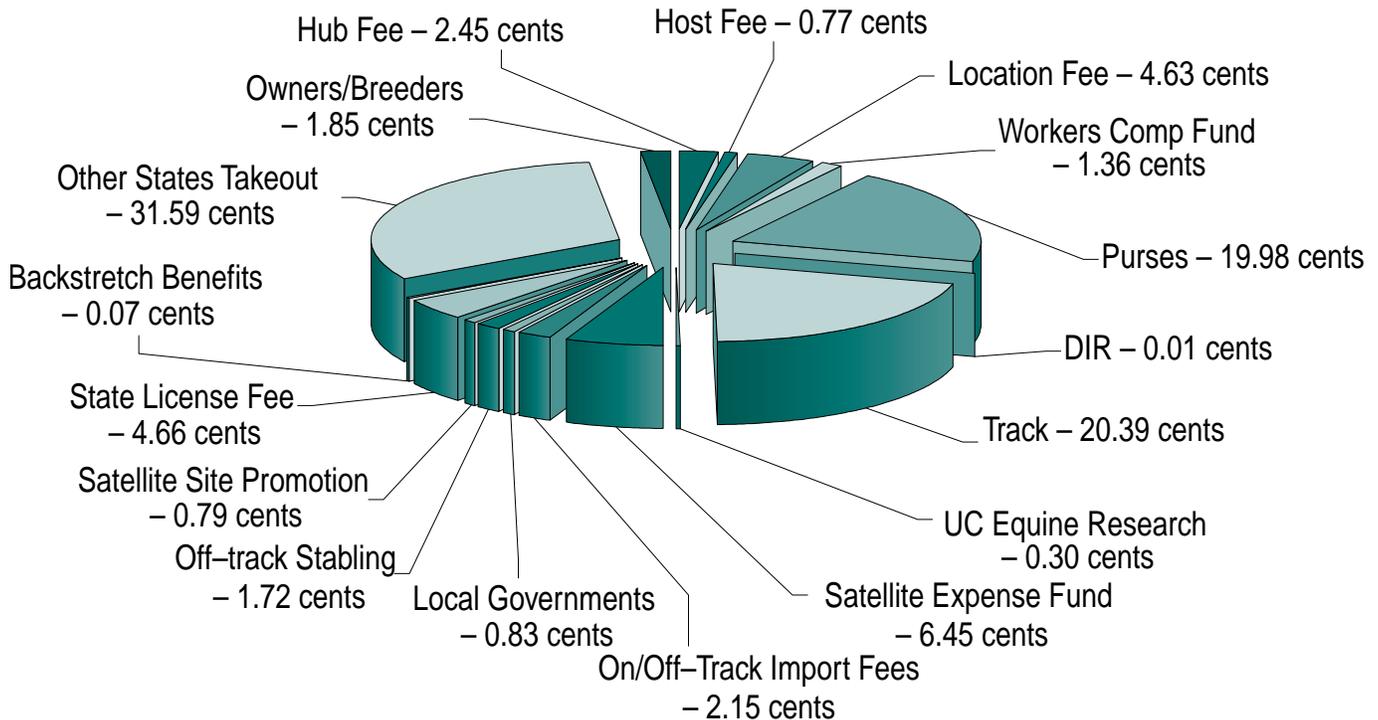
Cal-Western Appaloosa Racing, Inc., as the recognized breeders organization, received \$7,625 for the breeders program in FY 2004-2005.

Arabian Breeders Program

The California Arabian horse breeders awards received \$58,037 for the program during FY 2004-2005.

The Revenue Stream

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



California horse racing is the envy of the nation. Only New York is on a par with California in the national picture of horse racing. A total of \$4,189,727,623 was wagered by fans of California racing during the 2004-2005 fiscal year, and of that money 80.1 percent (\$3,355,610) was returned to winning ticket holders.

Prior to simulcast wagering in 1985, virtually all of the wagering on California's races was at the track, but today "on-track" bets make up only 17.3 percent of wagers placed (\$726 million). Off-track betting within the state provides more than 33 percent of the handle (\$1.39 billion). The balance comes from out-of-state and Advance Deposit wagers (\$2.07 billion).

Patrons failed to cash \$6.8 million worth of winning tickets. By law,

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

Similarly, money from unredeemed vouchers issued by tracks for use by racing patrons at track self-serve betting machines is used to finance the horse-racing revenue database called

the California Horse Racing Information Management System (CHRIMS).

Breakage, a byproduct of the pari-mutuel calculation, is distributed to the state, to purses, and to the racing associations.

Of the \$4.2 billion wagered, \$834 million, or 19.9 percent, was withheld as the "takeout" for such purposes as horsemen's purses, racetrack operations, and government taxation, as follows on the next page:

HORSEMEN'S PURSES

A total of \$166.6 million was distributed last year in the form of purses. This money went to the owners of the horses, the jockeys, the trainers, and through them to the backstretch employees.

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

TRACK COMMISSIONS

The racetracks and fairs that host the racing programs collected a total of \$170.1 million in commissions. Much of that money went toward the cost of operations, such as rent or mortgages and labor costs, of which pari-mutuel clerks represent a large part. The racetracks also are responsible for marketing the sport — for advertising, promotions, and other forms of publicity.

STATE LICENSE FEES

Pari-mutuel wagering was authorized by the voters in 1933. During the last fiscal year, the state received \$38.8 million from pari-mutuel wagering. Of this money, \$1.5 million went to the General Fund for budgeted operating revenues for state programs.

The allocation of the California Horse Racing Board budget (\$8,667,000) comes from the Fairs and Exposition Fund through the yearly budget process conducted by the State Legislature. This allocation is used to fund the Horse Racing Board's mission of overseeing the horse-racing industry on behalf of the state and the California public.

INCENTIVE AWARDS

One of the most important uses of horse-racing revenue is for incentive awards, which promote the agricultural program in California by encouraging horse breeding. Last year those awards were divided between programs for thoroughbreds (\$12,955,342), standardbreds (\$499,621), quarter horses (\$542,886), appaloosas (\$7,625), and Arabians (\$58,037).

LOCAL GOVERNMENT

For those local municipalities who elect to participate, an additional 0.33 of 1 percent is withheld from the handle to reimburse communities for costs incurred due to traffic control, security, and other expenditures resulting from horse-racing events. Last year \$6.9 million was withheld for this purpose.

HOST FEES

Host fees are negotiated or mandated payments to producers of live horse racing imported by tracks via satellite and offered to the betting public in conjunction with a California track's live racing program. Last year, California tracks paid \$17.2 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 \$263.4 million.

EQUINE RESEARCH

A mandated deduction goes to the University of California for equine research. Last year the total for equine research was \$2.5 million.

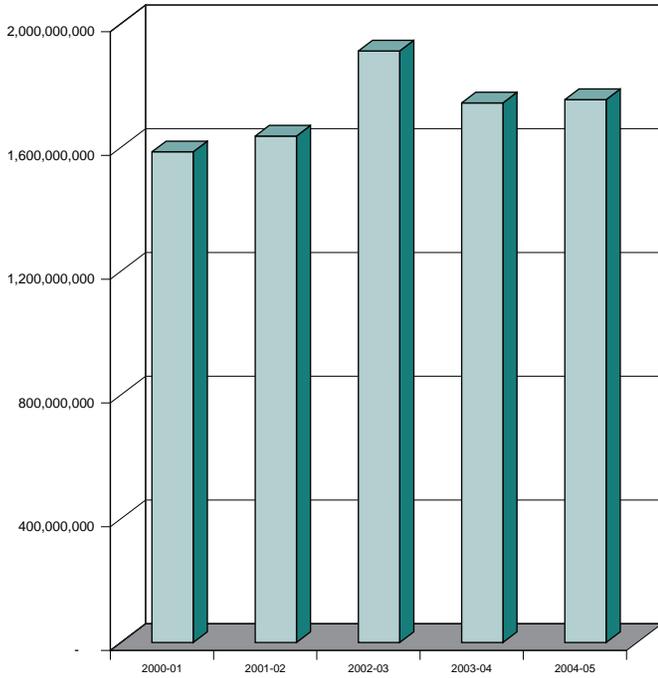
SIMULCAST FEES

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

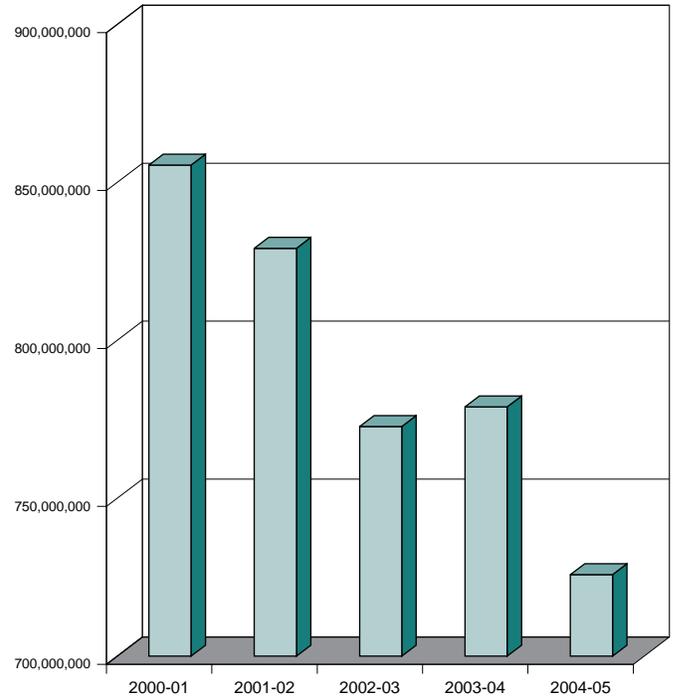
These funds received a total of \$106 million last year:

Stable and Vanning Fund:	\$14.2 million
Promotion Fund:	\$6.6 million
Expense Fund:	\$53.8 million
Guest Fund:	\$31.4 million

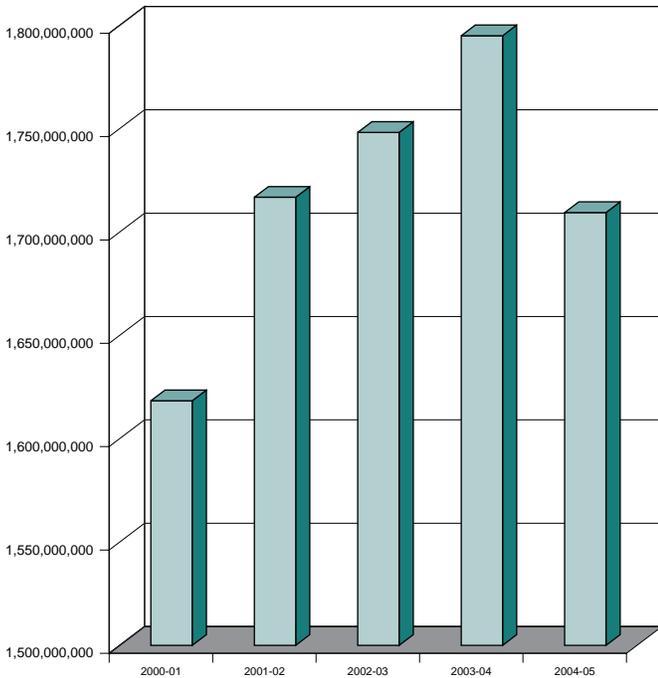
Total Handle Off Track



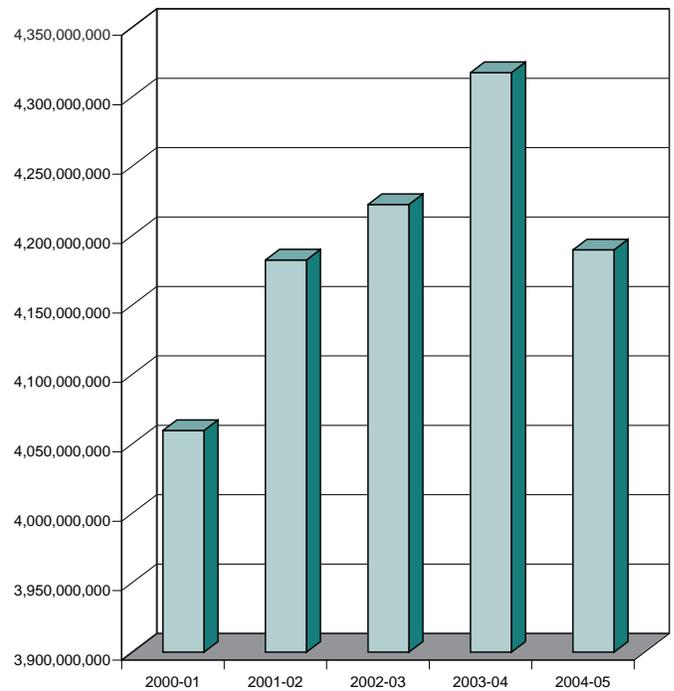
Total Handle On Track



Total Handle Out of State



Total Handle



The Horsemen's Organizations Welfare Funds

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

The California Thoroughbred Horsemen's Foundation, Inc.

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

California Harness Horseman's Association Welfare Fund

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

Quarter Horse Benevolent Charity Foundation

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

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

The California Horsemen's Organizations

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

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

cific Coast Quarter Horse Racing Association for quarter horsemen; Cal-Western Appaloosa Racing, Inc., for appaloosa horsemen; and the Arabian Racing Association of California for Arabian horsemen.

Audited Expenses of California Horsemen's Organizations

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

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

Pacific Coast Quarter Horse Racing Association, Inc.

*Statement of Revenues collected, expenses paid, and changes in fund balance - modified cash basis;
for the year ended December 31, 2004*

REVENUES COLLECTED	2003	2004
Membership dues	\$ 13,375	\$ 12,250
Mutuel fees- HQHRA	400,552	423,552
Mutuel fees- Fairs	16,177	14,861
Mutuel fees- Thoroughbreds	64,378	75,967
Race administration fees	119,059	115,041
Berth transfers	2,250	1,450
Cal-Bred Registry fees	20,040	20,505
Advertising income	6,145	6,835
Interest income	8,176	8,600
Grant income - AQHA	20,000	25,000
	670,152	704,354
EXPENSES PAID		
Advertising	17,815	19,860
Meetings and annual awards	13,530	10,808
AQHA sponsorship	10,358	12,850
Memorial funds	1,513	
Chaplaincy	14,250	14,049
Computer costs	1,064	1,324
Contract services	122,903	102,630
Depreciation	1,525	2,655
Dues and subscriptions	7,286	3,035
Fair representative expenses	9,412	8,378
Insurance	35,920	36,601
Legal and accounting	10,945	13,124
Newsletter & directory	15,441	16,224
Office expense	22,005	19,102
Postage	12,182	11,498
Race Awards	3,366	17,451
Race purse supplements	192,153	64,910
Salaries and benefits	136,943	177,104
Special events	12,979	9,161
Stationery & printing	15,917	8,163
Taxes-payroll	11,156	13,891
Telephone & utilities	6,670	6,730
Travel & meetings	9,279	11,296
	684,612	580,844
Change To Fund Balance Before Horse Sale	(14,460)	123,510
Horse Sale, excess of expenses over income	(10,667)	(1,363)
Change To Fund Balance	(25,127)	122,147
Beginning Fund Balance	768,244	743,117
Ending Fund Balance	\$743,117	\$865,264

California Thoroughbred Trainers

Statements of Activities for the years ended December 31, 2003 and 2004

	2003	2004
Revenues		
Track revenues	\$769,161	\$735,740
Recreation hall income	617,439	616,601
Interest income	12,436	10,595
Track fees		47,250
Other	57,089	88,661
Total revenues	1,456,125	1,498,847
Expenses		
Program services:		
Recreation hall	605,662	588,565
Backstretch programs	124,421	94,526
Membership services	66,178	80,287
Contributions	18,950	12,025
Total program services	815,211	775,403
Supporting services:		
Administrative salaries and related expenses	532,513	512,355
General office expenses	55,754	48,896
Professional and outside services	53,878	52,813
Insurance	13,187	12,491
Depreciation	18,903	12,978
Repairs and maintenance	4,781	3,625
Meetings and conventions	11,181	11,179
Travel – mileage reimbursement	7,324	6,532
Total supporting services	697,521	660,869
Total expenses	1,512,732	1,436,272
Change in net assets	(56,607)	62,575
Net assets at beginning of year	946,215	889,608
Net assets at end of year	\$889,608	\$952,183

Arabian Racing Association of California

*Statement of Activities and Changes in net assets
for the year ended December 31, 2003*

	Unrestricted	Temporarily Restricted	Total
Revenue and Support:			
Owners' and breeders' awards		\$ 78,783	\$ 78,783
Track administration fees	94,850		94,850
Membership	2,160		2,160
Other	2,942		2,942
Net assets released from restriction: Satisfaction of program restrictions:	79,918	(79,918)	
Total	179,870	(1,135)	178,735
Expenses:			
Owners', breeders', and stallions' awards	65,655		65,655
Breed representative	51,214		51,214
Race sponsorship	30,638		30,638
Legal and accounting	10,400		10,400
Promotion	14,783		14,783
Convention, awards, and trophies	8,997		8,997
Other	6,934		6,934
Total	188,621		188,621
Decrease in net assets	(8,751)	(1,135)	(9,886)
Net Assets:			
Beginning of year:	181,699	6,609	188,308
End of year	\$ 172,948	\$ 5,474	\$ 178,422

Cal Western Appaloosa Racing, Inc.

Statement of Revenue and Expenses for the year ended May 31, 2003

Revenue		
Racing income	\$35,314	
Magazine subscriptions and racing dues	1,342	
Interest income	187	
Miscellaneous income	4,016	
Total revenue		40,859
Expenses		
Track representative	38,021	
Trophies and awards	1,843	
Postage	1,789	
Depreciation	111	
Miscellaneous	659	
Total Expenses		42,423
Net Loss		(\$1,564)

Thoroughbred Owners of California

Statements of Activity for the years ended June 30, 2004 and 2005

	2004	2005
Unrestricted Revenues and Gains:		
Proceeds from racetracks	\$1,524,000	1,493,000
Contributed office space	49,000	54,000
Investment income, net	10,000	20,000
Other	3,000	2,000
Total unrestricted revenue and gains	1,586,000	1,569,000
Unrestricted Expenses:		
Consulting	420,000	202,000
Newsletter	82,000	98,000
Seminars	45,000	32,000
Board and member meetings	45,000	57,000
Donations	63,000	126,000
Management and general	978,000	1,035,000
Total unrestricted expenses	1,633,000	1,550,000
Changes in unrestricted net assets	(47,000)	19,000
Unrestricted net assets, beginning of year	1,318,000	1,271,000
Unrestricted net assets, end of year	\$1,271,000	\$1,290,000

American Mule Racing Association

*Statement of Revenues, Expenses and Other Changes in Net Assets—Cash Basis
for the years ended December 31, 2003 and 2004*

	2003	2004
Revenue and other support:		
California Authority of Racing Fairs	\$71,555	\$74,992
Futurities	7,200	8,260
Other income	3,695	6,600
Membership	2,545	2,250
Interest	68	1,526
Cal-Bred fees	545	430
Total revenue and other support	85,540	94,058
Expenses:		
Program expenses		
Owner promotion	27,275	
Breed representative	11,356	14,600
Racing sponsorships	9,480	6,250
Futurities	6,745	1,900
Award fees	3,113	4,676
Other program expenses	776	2,231
Racing stats book		1,150
Jockey mount fees		6,355
Total program expenses	58,745	37,162
Supporting expenses		
General and administrative	12,220	10,207
Total supporting expenses	12,220	10,207
Total expenses	70,965	47,369
Change in net assets	14,575	46,689
Unrestricted net assets, beginning of year	113,903	128,478
Unrestricted net assets, end of year	\$128,478	\$175,167

California Harness Horsemen's Association

Statement of Functional Expenses for the year ended June 30, 2004

	Program Services	General and Administrative	Total
Accounting services	\$7,445		\$7,445
Trailer lease	477		477
Depreciation	1,865		1,865
Dues and membership	6,580		6,580
Equipment leases and maintenance	4,468		4,468
Insurance	25,644	185,535	211,179
Bank fees	195		195
Legal Costs	105,711		105,711
Consulting	3,431		3,431
Office expenses	5,326		5,326
Payroll taxes	7,448		7,448
Hankins relocation	13,068		13,068
Salaries, office staff	131,894		131,894
Sire Stakes subsidy	42,823		42,823
Storage	1,243		1,243
Track representative	17,125		17,125
Taxes and license	150		150
Telephone	1,087		1,087
Travel	25,662		25,662
Workers' Compensation insurance	4,259		4,259
Admin. Fee to CHHA		18,553	18,553
Total expenses	\$405,910	\$204,088	\$609,998
Revenues and Other Support	Unrestricted	Temporarily Restricted	Total
Administration fees	\$483,859		\$483,859
Unclaimed pari-mutuel pool distributions		270,066	270,066
Interest income	68		68
Workers' Compensation Program Funds		45,556	45,556
Sires Stakes–Gold Series	7,250		7,250
Admin. Fee: pari-mutuel pool distributions	18,553		18,553
Membership dues and registration	6,001		6,001
Total revenues and other support	515,731	315,622	831,353
Total operating expenses–current period	405,910	204,088	609,998
Excess revenue over expenses	109,821	111,534	221,355
Increase in net assets	78,889	94,552	173,441
Net assets, June 30, 2003	113,754	75,522	189,276
Net assets June 30, 2004	\$192,643	\$170,074	\$362,717