

Thirty-Sixth Annual Report of the California Horse Racing Board

A Summary of
Fiscal Year 2005–06
Racing in California

California Horse Racing Board

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

This report covers the state fiscal year 2005-06 (July 1, 2005, through June 30, 2006) for revenue purposes, including pari-mutuel handle, fines, taxes, license fees, and the distribution of funds. The report covers the racing year (December 26, 2005, through December 18, 2006) for reports on race meets. CHRB meeting and attendance records include both the fiscal year and racing year (18 months).

*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

It is a privilege to submit this 36th annual report of the California Horse Racing Board. I have been honored to serve as chairman of the CHRB over the past year. Having grown up in and around the horse-racing business in California, I have a deep passion and appreciation for the business, the industry, and all of the valued participants who have made California one of the finest racing states in the country.

This past year we witnessed some outstanding performances, including Lava Man's sweep of the Santa Anita Handicap, Hollywood Gold Cup, and Pacific Classic, and we suffered the loss of the great California-bred champion Lost in the Fog. Along with the rest of the country, we were greatly saddened by Kentucky Derby winner Barbaro's misfortunes in the Preakness.

Recognizing the health of the racehorse as a precious commodity, I am very proud of my fellow CHRB commissioners joining with me to mandate the conversion of conventional dirt tracks to new engineered synthetic racing surfaces. All thoroughbred racing venues that conduct four or more continuous weeks of thoroughbred racing are required to install these safer surfaces by the end of 2007.

Hollywood Park was the first to install such a surface (Cushion Track), and as of this writing there appears to be a significant positive impact as a result. Fewer injuries to horses and riders, increased field sizes, and increased wagering all are evident from the first meet using the new surface. Golden Gate Fields and Del Mar have announced their selections for engineered racing surfaces, and Santa Anita is moving forward as well. All of us hope these investments inure to the long-term benefit of all segments of the industry.

Over the past year, the CHRB has made a considered effort to retool itself — to improve and enhance the role it can play to help the industry grow, while at the same time increasing the transparency of its activities.

Dr. Rick Arthur, DVM, one of the foremost practicing veterinarians in the country, became the new equine medical director for the CHRB. This position is key to the CHRB remaining on the cutting edge of medication testing and protecting the integrity of the sport. In conjunction with testing performed at the Maddy Laboratory at U.C. Davis, California can boast of having the most modern and aggressive testing procedures in the country. Additionally, California, through its Post-Mortem Program conducted at U.C. Davis, continues to analyze, study, and perform research to minimize racing injuries and fatalities to our equine athletes. All of us are committed to taking every step necessary to protect the health of the horse in all respects.

Late in the year, Richard Bon Smith joined the CHRB as the assistant executive director. Bon has an extensive knowledge of government and finance. We anticipate that he will assist us in finding ways for the CHRB to become more proactive and adjust to the needs of racing as it evolves.

For the first time in many years, the CHRB is reviewing all of the rules and regulations that govern the industry, so they can be modified to both protect the industry and the public, yet conform to racing in the 21st century. Examinations have been provided for new official veterinarians and stewards as we strive to improve our officiating and service to the racing community. We continue to bring bright and energetic people aboard to work with our strong roster of experienced officials, and the resulting chemistry is certain to benefit the entire industry.

During the year, we continued to see declines in attendance at our racetracks throughout the state with only a few exceptions. The Santa Anita Park meet, due to an increased and aggressive advertising and marketing program, posted terrific gains in on-track business, including crowds of 54,668 for the Santa Anita Derby and 49,443 for the Santa Anita Handicap. The Del Mar Thoroughbred Club continued its tremendous success as the place to be each summer in California. And both Oak Tree (at Santa Anita) and Hollywood Park featured great fall racing opportunities attracting horses from throughout the country.

Harness racing showed significant gains in overall handle and business as a result of increased racing dates and a new racing operator, while Los Alamitos Race Course featured the best quarter-horse racing in the country, highlighted by the Golden State Million Futurity and the Los Alamitos \$2 Million Futurity.

Similar to much of the country, California horse racing is facing serious challenges. Increased competition for gaming and entertainment dollars is negatively affecting the industry. The expansion of offshore illegal gaming is siphoning more and more revenue away from our mutuel pools. Account wagering and satellite wagering, which draw customers away from the live racetracks, have placed our storied and valued racing venues in jeopardy of closing or being redeveloped. And California faces the daunting task of attempting to attract horses and horsemen from other states where purses are enhanced by subsidies from slot machines.

Additionally, two of our racing venues – Bay Meadows and Hollywood Park – have been acquired for possible redevelopment for non-racing purposes. Should either of these facilities no longer be available to support racing in California, it will become necessary to reorganize the racing calendar and provide alternative stabling opportunities throughout the state.

Recognizing the challenges ahead, the Race Dates Committee of the Board was renamed the Strategic Planning and Race Dates Committee. The Board and this committee met numerous times throughout the year to discuss and develop a strategic plan that will ensure racing's future in California. This process will continue in 2007 as we evaluate all possible scenarios for promoting California racing. In order to complete any such plan, legislative restrictions will need to be lifted to allow the shifting of racing dates to either existing or new locations.

In my opinion, it is essential that the racing calendar be revised to promote the sport and stimulate on-track attendance in order to revive public interest in horse racing. At the same time, it is critical that California racetrack owners improve their facilities to compete with newer gaming and sporting venues.

Racing must improve the quality of the product and introduce new technologies to expand its reach to a younger generation. We must find ways to improve the stagnant breeding industry within the state and provide incentives to owners to bring their horses to California.

A varied group of organizations represent all factions of the racing community, including owners, trainers, jockeys, breeders, employees, and racetracks. Every one of these factions is passionate and dedicated to the success of the industry, yet all too often they find themselves at odds over parts of the puzzle of racing. It is imperative that all factions of the industry find the wisdom and the will to unite for the common cause and help move forward an agenda of change that will benefit the industry overall.

The California Horse Racing Board is poised and willing to work in every way possible with all segments of the industry, with the Legislature, and with the Governor to create a bright and secure future for the tens of thousands of people who work indirectly or directly within this wonderful industry. We are dedicated to protecting the integrity of the sport at all levels for the millions of fans that wager and watch California horse racing.

In closing, I would like to thank my fellow commissioners for their untiring efforts and dedication to improving the racing industry. I appreciate all of the support given to me from the other Board members, racing community, participants, and fans.

Sincerely,

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

Richard B. Shapiro

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

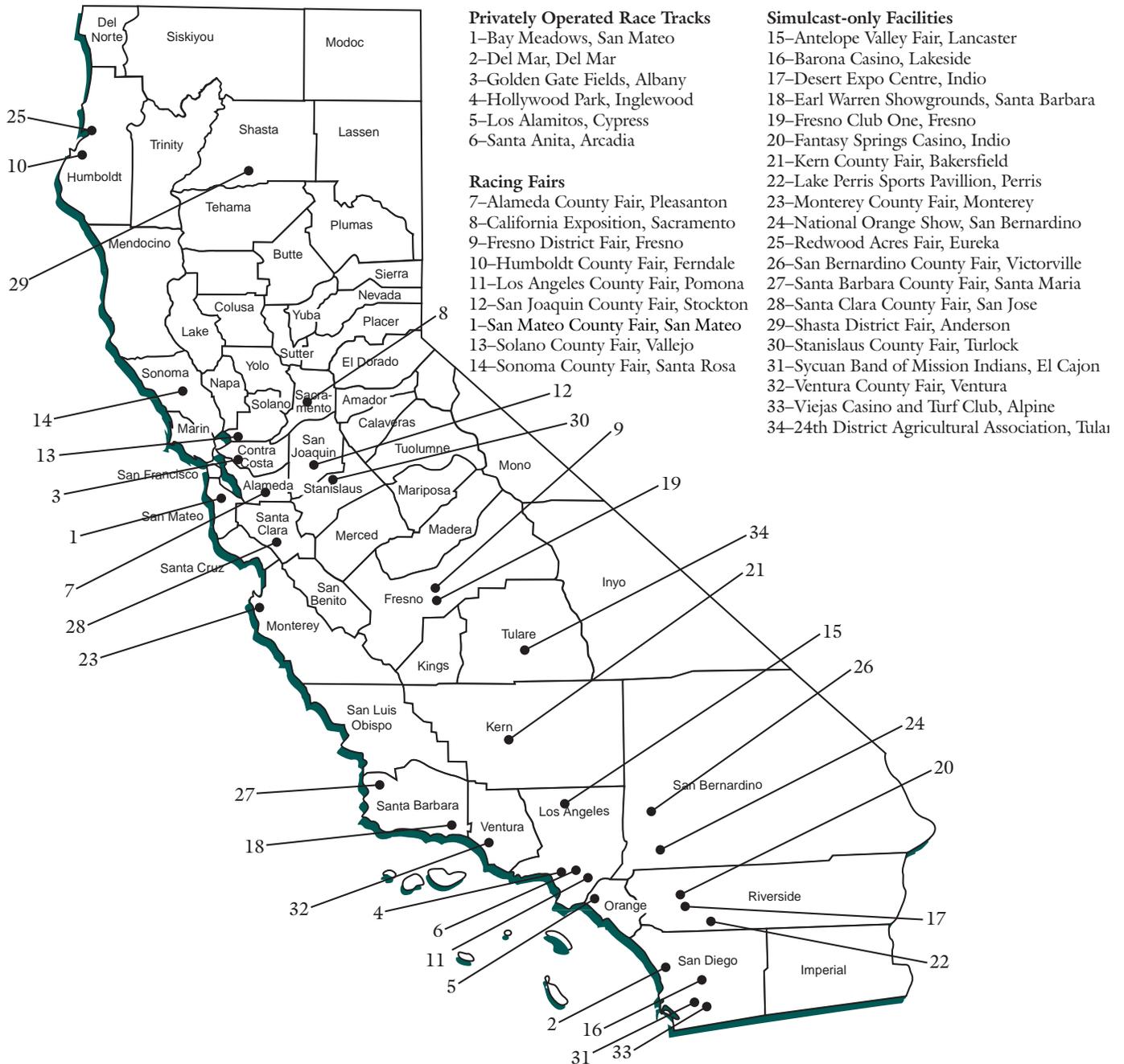


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California

December 26, 2005—Santa Anita opened to a crowd of 34,590 fans, who helped generate the largest opening-day handle in the track's 71-year history and kicked off a highly successful winter meet. (Details of this meet and of other major racing events listed in California Highlights can be found in the Horse Racing section beginning on page 33.)

January 1, 2006—Commissioner Richard B. Shapiro began his first one-year term as chairman of the CHRB.

January 28—A crowd of 32,499 turned out for Sunshine Millions Day at Santa Anita, marking an attendance increase of 81 percent from 2005.

March 4—Lava Man began his march into the record books with a victory in the Santa Anita Handicap before 49,443 on-track patrons.

April 8—The Santa Anita Derby program attracted 54,668 fans, the biggest Derby crowd since 1984.

April 24—CHRB formed its Strategic Planning Committee and launched discussions and meetings to develop long-term strategies for California horse racing. This endeavor will continue through 2007.

May 25—CHRB issued a mandate for synthetic, engineered racing surfaces at major thoroughbred racetracks (see Hollywood Park photo/caption next page).

June 1—Cal Expo, where harness racing is conducted year-round, completed \$1.2 million in improvements to the grandstand, clubhouse, and simulcast facility.

June 30—Governor Arnold Schwarzenegger appointed John Amerman to the CHRB.

July 1—The Japanese star Dance in the Mood contributed to the international flavor of California racing as she won the inaugural Cash Call Mile at Hollywood Park.

Highlights



May 25: In an effort to protect the health and safety of horses and all racing participants, the California Horse Racing Board adopted a regulatory amendment requiring all racetracks in the state conducting four or more continuous weeks of thoroughbred racing to install safer, polymer synthetic-type racing surfaces by December 31, 2007. Hollywood Park was the first to respond to the Board's mandate. The Inglewood racetrack elected to install Cushion Track (above), one of four synthetic surfaces currently available that meet the Board's requirements. Del Mar will be installing its new surface early in 2007, while Golden Gate Fields and Santa Anita Park will make their changeover during the summer. Additional references to the new surface are contained in this publication in the Hollywood Park fall meeting report (page 39).

July 9—Lava Man continued his dominance of older horses in California with an easy victory in the Hollywood Gold Cup.

July 19—Del Mar opened to a crowd of 42,005 - the largest opening-day crowd in the track's history - as it launched its popular summer meet.

August 20—Lava Man completed his sweep of California's premier races for older horses, the first time a horse had ever accomplished this in one year, as he took the Pacific Classic (following victories in the Big 'Cap and Hollywood Gold Cup) in front of 32,039 at Del Mar.

September 4—Victor Espinoza won the Del Mar Debutante aboard Point Ashley, giving the jockey a record seven wins on the day.

September 13—Hollywood Park opened its new Cushion Track surface for training (see photo this page).

September 23—Dr. Rick Arthur assumed the duties of equine medical director for CHRB.



September 13: Hollywood Park opened its new synthetic surface for training. This horse was among the first to exercise over the new surface. Cushion Track consists of natural and synthetic rubbers and fibers, all mixed with silica sand and coated with wax.

September 20 — Fueled by a massive \$988,445 three-day carryover in the Pick 6, Fairplex Park enjoyed a \$10,390,081 single-day record handle, which included nearly \$4 million wagered on the Pick 6.

October 12 — Golden Gate Fields announced plans to replace its dirt oval with the Tapeta Footings engineered surface. The project will begin in June 2007.

October 25 — CHRB approved a 2007 racing calendar that introduced the concept of rewarding associations and fairs for their efforts and long-term commitments to horse racing.

October 28—California Cup XVII drew a crowd of 25,436 during the Oak Tree meet at Santa Anita.



December 1: Russell Baze rode the filly Butterfly Belle into the record books at Bay Meadows when he scored victory number 9,531, making him the all-time winningest rider in horse racing. Laffit Pincay, Jr., the jockey whose record he eclipsed, was on hand to congratulate Baze for breaking Pincay's record of 9,530.

Baze debuted in racing on October 20, 1974, when he finished sixth in a race in Washington. He rode his first winner a week later on October 28. Based in Northern California, Baze has ridden more than 400 winners in 11 of the years since 1992 as he led the country in victories eight times. In 1995, he received a special Eclipse Award acknowledging his career achievements.

For more on Baze, go to the Bay Meadows report (page 46) in this publication.

November 1—Hollywood Park became the first California racetrack to conduct racing over a synthetic surface with the opening of its fall meet.

November 13—Richard Bon Smith assumed the duties of assistant executive director for CHRB.

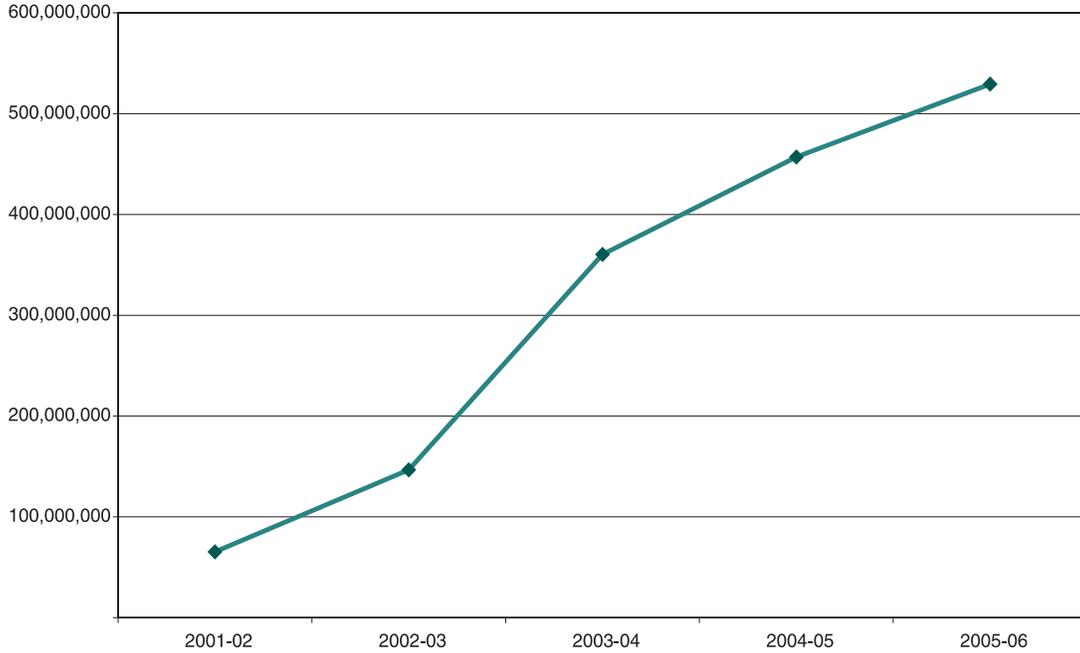
November 27—CHRB commissioners elected Richard B. Shapiro to a second one-year term as Board chairman, effective January 1, 2007. The commissioners elected John Harris vice chairman.

December 1—Russell Baze set an all-time record with victory 9,531 (see photo this page).

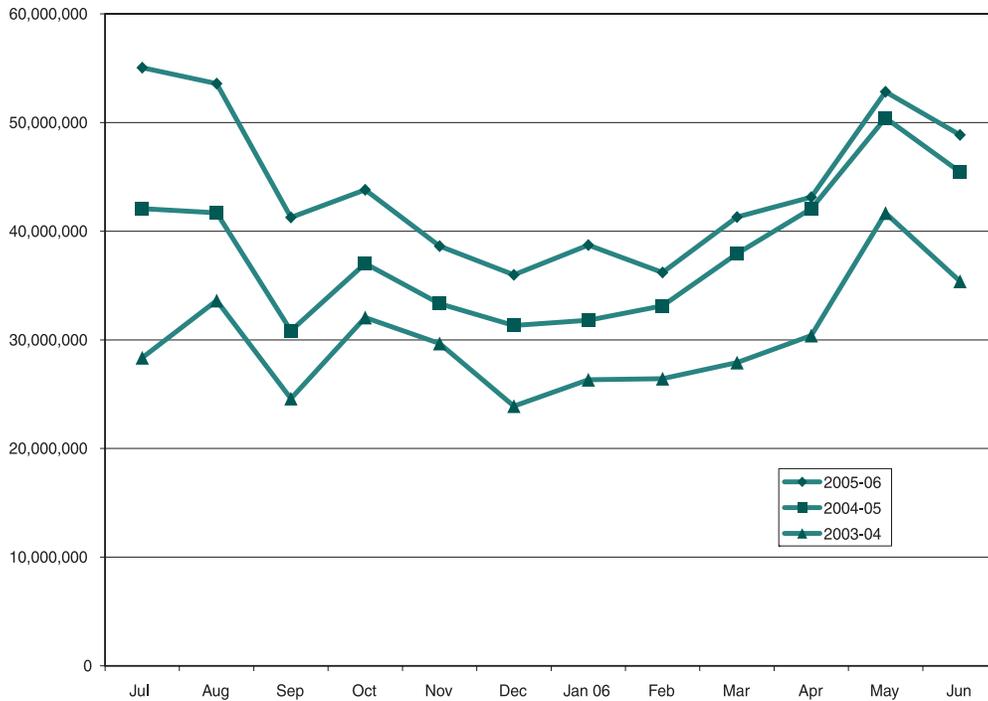
December 8—Los Alamitos staged California's richest race - the Los Alamitos Two Million Futurity - which had a record handle of \$2,059,929.

December 18—Del Mar announced it would install the Polytrack engineered surface to replace its dirt oval before the start of the 2007 season.

Five Year Fiscal Summary 2001-02 through 2005-06



Monthly ADW Handle Fiscal Years 2003-04, 2004-05, 2005-06



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.

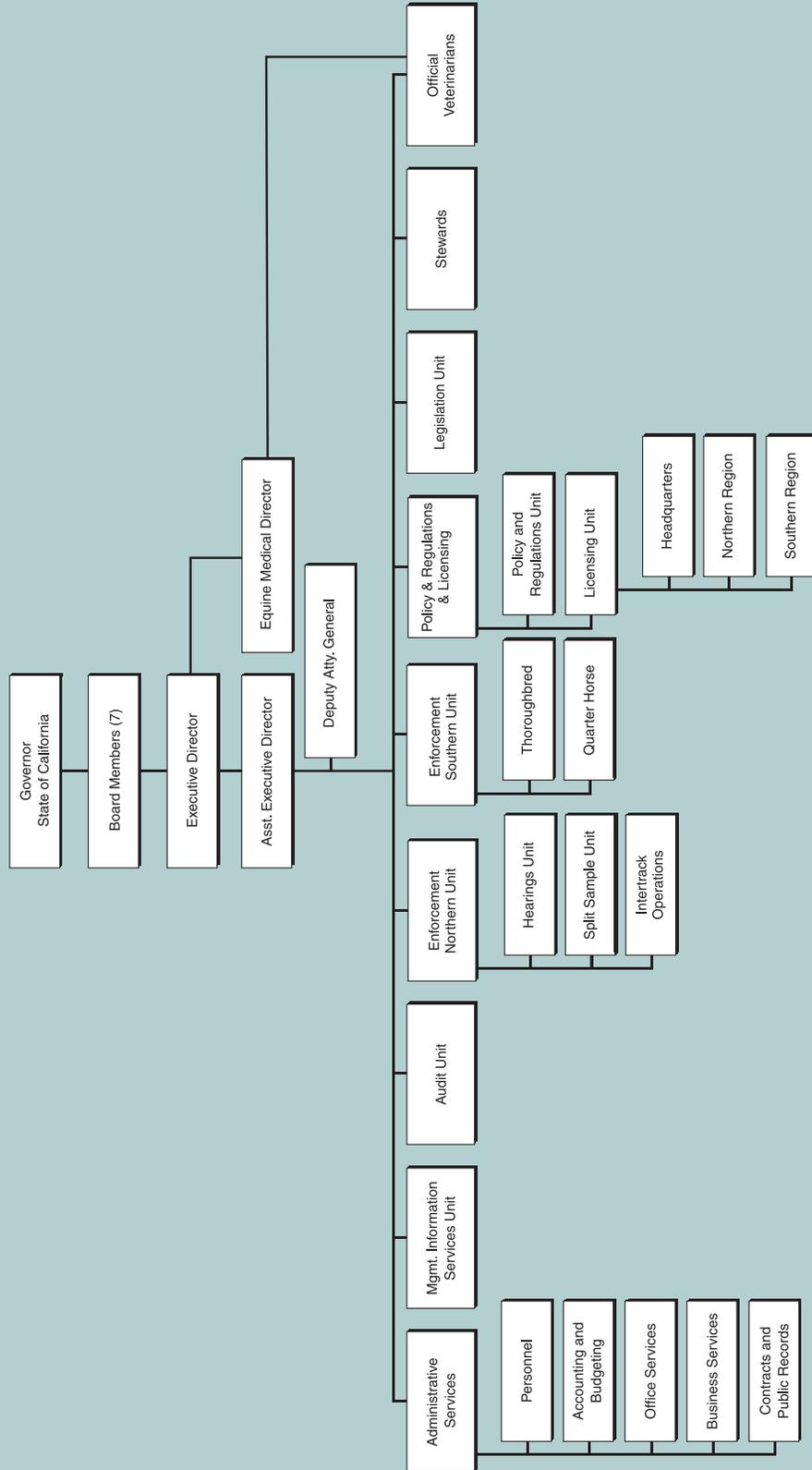
The CHRB has approved three companies to provide this service: TVG, XpressBet, and Yobet.com. During the last fiscal year, the three ADW providers collectively handled \$529,359,708 in wagers made by account holders in California and those in other jurisdictions who placed wagers on races in California. This represented an increase of nearly \$72 million from the previous year, or 16 percent.

ADW is consistently the one segment of pari-mutuel wagering that increases substantially each year in California. As the top-left chart shows, ADW handle began with \$65,207,627 in FY 2001–02, then jumped to \$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.

Despite the three providers handling nearly \$530 million between them during the fiscal year, ADW still represents just a fraction of the total money wagered through the California pari-mutuel wagering system. During that same 12 months, the total money wagered through the entire system reached \$4,239,054,509. ADW handle represented about 12 percent of the \$4.2 billion in total wagers.

California Horse Racing Board Management Organization



The California Horse Racing Board

History and Mission Statement

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

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

- ◆ Assure protection of the public;
- ◆ Encourage agriculture and the breeding of horses in this state;
- ◆ 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.

Mission Statement: The purpose of the California Horse Racing Board is to regulate parimutuel wagering for the protection of the betting public, to promote the horse racing and breeding industries, and to maximize State of California tax revenues.

The CHRHB's principal responsibilities are to:

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

- ◆ License each racing association, each simulcast wagering facility, and all persons, other than the public at large, who participate in a horse race meeting with pari-mutuel wagering; and

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

The Attorney General of the State of California is the Board's legal counsel. 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 State Racing Information System.

Board Meetings

The California Horse Racing Board met 11 times throughout the state during FY 2005-06, plus one teleconference meeting in May 2006, and met five additional times in the latter half of 2006. 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 21, 2005
Del Mar Simulcast Facility
August 18, 2005
Del Mar Simulcast Facility
September 22, 2005
Los Angeles County Fair/Fairplex
October 6, 2005
Big Fresno Fair
December 8, 2005
Hollywood Park Racetrack
January 19, 2006
Arcadia City Hall

February 16, 2006
Arcadia City Hall,
March 23, 2006
Golden Gate Fields Racetrack
April 27, 2006
Hollywood Park Racetrack
May 25, 2006
Los Alamitos Race Course
June 22, 2006
University of California, Davis
July 20, 2006
Del Mar Simulcast Facility

August 17, 2006
Del Mar Simulcast Facility
September 20, 2006
Los Angeles County Fair/Fairplex
October 26, 2006
Arcadia City Hall
November 27, 2006
Hollywood Park Racetrack

Members of the California Horse Racing Board

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

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

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

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

Committees Of The Board

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

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



Richard B. Shapiro, Chairman

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

Appointed to the CHRB by Governor Arnold Schwarzenegger on October 14, 2004, through July 26, 2008.

Attended twelve of twelve Board meetings in FY 2005-06; five of five since July '06.



Marie G. Moretti, Vice Chairwoman

Former Executive Director of the California Service Corps, appointed by Gov. 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. Reappointed by Gov. Schwarzenegger through January 1, 2010.

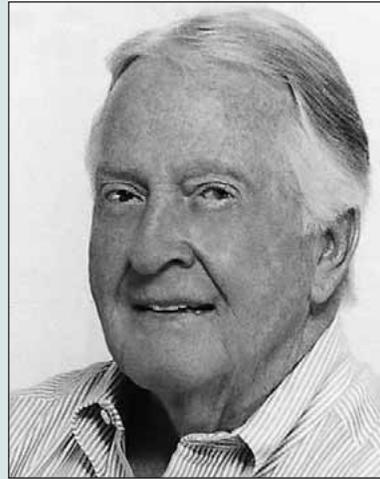
Attended eleven of twelve Board meetings in FY 2005-06; three of five since July '06.

Members of the California Horse Racing Board



**John W. Amerman,
Member**

Former Chairman of the Board, Mattel Inc. Appointed to the CHRB by Governor Arnold Schwarzenegger on June 30, 2006, through January 1, 2010. Attended five of five Board meetings since his appointment.



**John Andreini,
Member**

Founder of Andreini and Company. Appointed to the CHRB by Governor Arnold Schwarzenegger on October 14, 2005, through July 26, 2009. Attended six of twelve Board meetings in FY 2005-06; four of five since July '06.



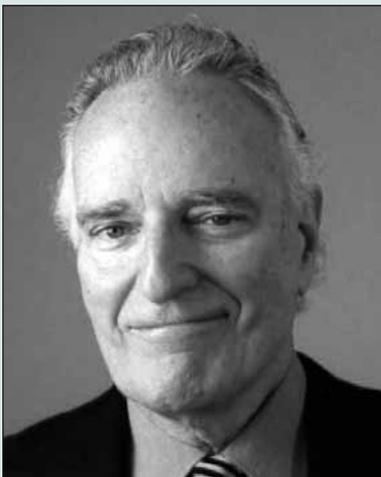
**William A. Bianco,
Member**

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. Attended eleven of twelve Board meetings in FY 2005-06; four of five since July '06.



**John C. Harris,
Member**

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 Gov. Davis through July 26, 2007. CHRB Chairman in '04 and '05. Attended twelve of twelve Board meetings in FY 05-06; five of five since July '06.



**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. Attended ten of twelve Board meetings in FY 2005-06; four of five since July '06.



**Sheryl L. Granzella,
Former 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. Attended seven of seven meetings during her term in the fiscal year.

Assignments for the standing committees of the Board during FY 2005-06 were as follows:

SECURITY AND LICENSING COMMITTEE

Commissioner John Andreini,
Chairman
Commissioner William Bianco
Commissioner Jerry Moss

Oversees the Board's occupational licensing operations; reviews security controls maintained by racing associations; makes recommendations to the Board for changes to laws or regulations governing security at racing facilities; and meets with the security services subcommittee, which consists of the Board's chief investigator, supervising investigators, and security personnel for racing associations, to consider reports and recommendations of the subcommittee. This committee did not meet during FY 2005-06.

MEDICATION COMMITTEE

Commissioner William Bianco,
Chairman
Commissioner John Harris
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. This committee met five times during FY 2005-06; three times since July '06.

PARI-MUTUEL OPERATIONS COMMITTEE

Commissioner Jerry Moss,
Chairman
Commissioner John Andreini

Approves agreements, facilities equipment, and accommodations necessary for wagering; determines appropriate procedures and considers matters dealing with expansion of pari-mutuel operations; and recommends to the Board changes to law or regulations governing pari-mutuel operations. This committee met three times during FY 2005-06.

STRATEGIC PLANNING COMMITTEE

Commissioner Richard Shapiro,
Chairman
Commissioner John Amerman
Commissioner Marie Moretti

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. This committee met two times during FY 2005-06; four times since July '06.

STEWARDS' COMMITTEE

Commissioner John Harris,
Chairman
Commissioner Richard Shapiro

Selects by examination qualified applicants for listing of stewards for assignment to racing meetings; advises the Board on matters relating to stewards and racing officials; and recommends to the Board revisions to laws and regulations deemed necessary to improve race officiating. This committee met one time during FY 2005-06.

LEGISLATIVE COMMITTEE

Commissioner Marie Moretti,
Chairwoman
Commissioner Richard Shapiro
Commissioner John Harris

Considers proposed legislation and, if warranted, recommends positions to be taken by the Board before the Legislature and Governor; transmits such Board views to the authors and appropriate legislative committees; responds to questions from the public concerning such legislation; and considers appropriate regulatory or administrative actions required by enacted legislation. This committee did not meet during FY 2005-06.

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. Ingrid Fermin chairs the Backstretch Security committee and serves on the Model Rules, Standardbred Racing, and Quarterhorse Racing Committees. Commissioner Richard B. Shapiro serves as a director of the RCI and serves on the Wagering Security Systems Committee.

California Horse Racing Board – Operating Budget

July 1, 2005 – June 30, 2006

Appropriations	Item	Total
Personal Services	\$3,884,000	
Operating Expenses	5,192,776	
Total Appropriation		\$9,076,776
Expenditures — Personal Services		
Salaries and Wages	\$2,840,438	
Staff Benefits	948,182	
Total Personal Services		\$3,788,619
Operating Expenses and Equipment		
General Expense	103,375	
Printing	18,282	
Communications	45,395	
Postage	16,000	
Travel-in-State	215,039	
Travel-out-of-State	7,194	
Training	1,324	
Facilities Operation	176,683	
Contractual & Professional Services-Interdepartmental	961,604	
Contractual & Professional Services-External	3,398,833	
Consolidated data center: Stephen P. Teale Data Center	156,747	
Central Administration Services: Pro Rata	187,260	
Equipment	0	
Total Operating Expenses and Equipment		\$5,287,737
Total Expenditures		* \$9,076,356
Unexpended Balance FY 2005-06 to be reverted to General Fund 6/30/08		\$ 420
Total Expenditures & Unexpended Balance		\$9,076,776

* Includes year-end accruals

Executive Division

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

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

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

The dynamics, complexity, and broad geographical base of the horse-racing industry place a tremendous responsibility on the executive staff of the Board as it deals with a myriad of 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. To meet the demands of the horse-racing industry, CHRB maintains offices in both Northern and Southern California. Board executives are available by cellular telephone at any hour of the day.

MISSION

To Coordinate and Manage All Administrative Departments

ACHIEVEMENTS

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

**Ingrid J. Fernin,
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 Complete Regulatory Rulemaking Files and Develop Policies and Procedures to Implement Regulatory Changes and Board Policies

ACHIEVEMENTS

The POLICY AND REGULATION UNIT, supervised by the policy, regulations, and licensing manager (Jacqueline Wagner), 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.

The following rule changes were enacted during 2006:

Rule 1472, Rail Construction and Track Specifications, was modified to remove the requirement for a written certification by a land surveyor or registered civil engineer regarding the track surfaces and elevation grade marks. Additionally, the amendment exempts synthetic and polymer or wax-coated, sand track surfaces from the grade marks and cross-slope requirements of the regulation.

Rule 1486, Term of License, was revised to change the term of license for grooms, stable employees, stable assistant and mule racing participants. All original licenses for these persons will expire on the last day of the calendar year in which they are issued, but automatically be extended once to expire on the last day of the birth month of the licensee.

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

Rule 1733, Whips, was revised to increase the length of harness drivers' allowed whip from three feet, nine inches to four feet. This brings the Board's rule into alignment with the revised United States Trotting Association rule.

Rule 1843.6, Total Carbon Dioxide Testing, was added 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.

Rule 1902.5, Animal Welfare, was added to provide for the humane care and treatment of animals at facilities under the jurisdiction of the Board.

Rule 1976.8, Place Pick (n), was modified to provide that if the condition of the track warrants a change of surface in a race – turf to dirt or dirt to turf – comprising a Place Pick (n) wager and the public is not notified prior to the close of wagering, all wagers on the race shall be considered winning wagers for the purposes of the Place Pick (n) pool.

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.

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

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

MISSION

To Supervise All Audits and Authorized Pari-mutuel Wagering Operations

ACHIEVEMENTS

The SENIOR MANAGEMENT AUDITOR (John Reagan) 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 Accurately Convey the Board's Positions and Activities

ACHIEVEMENTS

The PUBLIC INFORMATION OFFICER (Mike Marten) responded daily to numerous inquiries from the news media and the general public on a wide range of matters pertaining to the California horse-racing industry and the Board's activities. The PIO attended all Board and Committee meetings and issued 31 news releases and several advisories 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. The PIO arranged for various racetrack stewards to be interviewed on radio and television and to attend seminars and other public events in order to meet and respond to questions from the public, thereby reassuring the public concerning the professionalism and qualifications of those responsible for the orderly conduct of race meetings. And the PIO wrote articles for various publications emphasizing positive aspects of the CHRB and horse-racing industry.

MISSION

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

ACHIEVEMENTS

The MANAGEMENT INFORMATION SYSTEMS DIVISION, managed by the chief information officer (Mory Atashkar), oversees all aspects of the CHRB's statewide computer network. In FY 2005-06, 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 Monitor Legislation and Update the Horse Racing Law

Enacted Legislation:

SB 51 – Senator Carole Migden; Chapter 445

SB 746 – Senator Edward Vincent; Chapter 368

SB 1229 – Senator Dean Florez; Chapter 306

SB 1396 – Senator Jeff Durham; Chapter 400

SB 1806 – Senator Florez; Chapter 119

ACHIEVEMENTS

The LEGISLATIVE UNIT, under the legislative coordinator (Sue Ross), 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 2006 legislative session, 21 such bills were introduced, and 10 bills carried forward from the first half of the two-year legislative session. Of these, five were chaptered into law.

The following horse-racing bills were chaptered in 2006:

Requires three owner-trainers be elected to the board of directors of the organization representing owners. It also requires that the organization representing owners provide in its bylaws that all members of the organization shall have the right to vote in the election of all members of its board of directors, and that at least three of the twelve directors who represent owners and at least one who represents owner-trainers shall reside and race in the northern zone. The owners' organization is further required to provide in its bylaws that a subcommittee be formed to specifically address purse schedules in the northern zone.

Restricts the number of thoroughbred horses in races shorter than 5 furlongs to less than one-half of the field unless given the consent of the quarter-horse horse-men's association that is contracting with the association running the race.

This bill affects the Penal Code, not Horse Racing Law, but it has impact on the horse-racing industry. This bill makes it unlawful for any person or entity to advertise, or to facilitate the advertisement of, non-pari-mutuel wagering on horse races.

States that the surrender, suspension, cancellation, or expiration of a license shall not deprive the California Horse Racing Board of its authority to institute or continue a disciplinary proceeding against the licensee. This bill also recognizes that the Board shall contract with licensed veterinarians to perform the duties of official veterinarians at horse-racing meetings.

Existing law provides that every thoroughbred association and fair that conducts a racing meet shall deduct a percentage of the total amount handled in exotic pari-mutuel pools of thoroughbred races, to be distributed in a manner to defray costs of workers' compensation insurance in connection with thoroughbred horses racing in this state. This bill provides that any funds that are not used to defray the cost of workers' compensation insurance may be carried forward to a subsequent year or used to reimburse racing associations for safety-related expenditures.

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, also managed by the policy, regulations, and licensing manager, issued 13,930 licenses in FY 2005-06. This was an increase of 671 total licenses over the previous year. Licenses issued included 4,254 owners (a decrease of 5 percent); 827 pari-mutuel clerks (an increase of 9 percent); and 3,572 grooms (an increase of 20 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.

In FY 2005-06, the licensing process was enhanced by an amendment to Rule 1486, Term of License, which changed the term of license for grooms, stable employees, stable assistants, and mule-racing participants to provide that all original licenses for those persons will expire on the last day of the birth month of the licensee instead of December 31 in the year such license was issued. This revision will eliminate the traditional year-end backlog at CHRB licensing offices. In addition, the new fingerprint process and the issuance of occupational license cards were introduced in August 2005, enabling the licensing division to operate more efficiently. The new fingerprint process requires that applicants who live in California, or who appear in person, be 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. The Board processed 2,383 fingerprints during the fiscal year. The introduction of the digital photo identification card system in September 2005 eliminated many steps in the creation of such cards. As current licensees renew, they will be issued the new license identification card.

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, led by the chief investigator (Frank Moore), 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 2,383 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 1,518 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 76 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 1,200 investigations resulted in administrative action against the licensees and the issuance by the stewards of 1,518 rulings. Of those, 337 concerned riding or driving infractions during races and 104 resulted from financial responsibility complaints. Potential or actual criminal offenses were investigated, including medication violations, bookmaking, possession and/or sales of controlled substances, theft, burglary, 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, staffed by the senior special investigator (Sharyn Jolly), received 53 appeals of stewards rulings for such matters as jockey and trainer suspensions, coordinated 30 administrative hearings, and processed 39 requests for temporary stays and 87 peremptory orders related to those appeals and other actions of the Board. Five stay orders were issued.

All decisions and rulings of the stewards other than the outcome of a race are subject to review by the Board and may be appealed by anyone directly affected by the action. Any applicant for license who is refused the license may appeal for review by the Board. Every person who is excluded and/or ejected from a racing enclosure is entitled to a hearing before the Board for a determination as to the propriety of that action. Complaints not resolved by investigators at the field office are referred to the 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 2005-06, investigators continued to conduct a variety of investigations at simulcast wagering facilities.

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 2005-06	
Investigations:	
Fitness for continued licensing	76
Unlicensed participation	22
Conduct of financial affairs	196
Use of a prohibited drug on entered horse	28
Improper medication practice	174
Possession of contraband	16
General misconduct	228
Intoxication/alcohol or controlled substance	125
Other, principally investigations not resulting in the filing of a complaint	335
Total Investigations	1,200
Total Complaints filed:	691
Stewards' Rulings	
Racing infractions during a race	337
Misconduct concerning entry or procedure	180
Fitness for continued license	58
Conduct of financial affairs	104
Medication and substance violations	171
Improper medication practice	9
Possession of contraband	5
Unlicensed participation/security control	118
Intoxication/alcohol or controlled substance	94
Failure to appear	22
Other, principally minor stable-area violations	420
Total Official Rulings of the Board of Stewards	1,518

Appointed CHRB Officials — FY 2005–06

STEWARDS

Grant Baker
Pamela Berg
Scott Chaney
Albert Christiansen
Anne Daftary
James Dreyer
Martin Hamilton
John Herbuveaux

Robert Latzo
Darrel McHargue
William Meyers
Ruben Moreno
Dennis Nevin
Paul Nicolo
Kim Sawyer
George Slender

Violet Smith
Zachary Soto
Peter Tommila
Nancy Ury
Thomas Ward
John Williams

ASSOCIATE STEWARDS

Pamela Berg

Martin Hamilton

OFFICIAL VETERINARIANS

Dr. Gary Beck, DVM
Dr. B. William Bell, DVM

Dr. Donald Dooley, DVM
Dr. Robert Goodbary, DVM
Dr. Robert Guillen, DVM

Dr. Joan Hurley, 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 the 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 and official veterinarian, 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 Legisla-

ture provides an annual appropriation to meet the costs of direct racing supervision. The allocation for FY 2005-05 was \$1.9 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 stakeholders, 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 appeared on television and attended 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 attended Stewards' Committee meetings and 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, overseen by the equine medical director (Dr. Rick Arthur), enforced those CHRB regulations relating to veterinary practices, medication, and the health and welfare of the horse. They supervised operations of the receiving barn, the collection of urine and blood samples for testing, and the preparation and documentation of the samples to be transported to the laboratory.

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

ACHIEVEMENTS

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

Track Safety Program

Enforcement of track safety standards and backstretch housing standards programs continued in 2006. All segments of the horse-racing industry provided full cooperation in these important efforts.

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

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

Racing associations and racing fairs that submitted applications for a race meeting were inspected and monitored to determine compliance with

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

The backstretch housing inspection program, which complements the track safety inspections, was continued in 2006. 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.

In its commitment to ensuring the safest racetracks for its equine athletes and the resolution of the unacceptable problem of racehorse deaths and injuries, in 2006 the Board adopted an amendment to its rules paving the way for the installation of synthetic racing surfaces at all racetracks offering four or more continuous weeks of thoroughbred racing. Synthetic surfaces provide a safer footing than conventional footings.

Upon the approval of the Office of Administrative Law, such racing surfaces must be installed not later than January 1, 2008. Hollywood Park carries the distinction of being the first California racetrack to install a synthetic racing surface. The surface, known as "Cushion Track," was in place when the stable area opened in September 2006.

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 30,000 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 29,248 urine and blood samples tested at a cost of \$1,392,515 in FY 2005-06.

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 and simulcast rates at the beginning of each race meet, and ad-

justs as needed when rules or business relationships change.

◆ **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, all 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 2006, we extended our data services with an application that nets settlements for import and export simulcast signals and also provides an automated invoice system (see example on next page). We also experienced a major network upgrade. The intrastate tote wagering network was migrated from Frame Relay to AT&T MPLS.

Sample CHRIMS Reports

CHRIMS Net Settlement System - Microsoft Internet Explorer

File Edit View Favorites Tools Help

CHRIMS INFORMATION MANAGEMENT SYSTEMS

CHRIMS Net Settlement v1.0

Partners Create Invoices **Invoices** Receive Payments Make Payments Reports Logout

View/Edit Invoices Screen: **Post Invoices** Options: < Back

To make an adjustment to an unposted invoice, click on the invoice number in the "Inv Num" column.

Inv Num	Inv Date	Post Date	Print	Simulcast Partner	Exports	Imports	Net
<input checked="" type="checkbox"/> 105097	11/13/2006		<input type="checkbox"/>	Golden Gate Fields	0.00	5,769.18	-5,769.18
Line Item Details							
<input checked="" type="checkbox"/> Money Room Shift	Pay To	Golden Gate Fields	Pay From	Keeneland		-4,918.99	
<input checked="" type="checkbox"/> Simulcast Fee	Pay To	Golden Gate Fields	Pay From	Keeneland		9,694.78	
<input checked="" type="checkbox"/> CA workers comp	Pay To	Golden Gate Fields	Pay From	Keeneland		993.39	
	CA workers comp	10/01/2006				72.61	
	CA workers comp	10/06/2006				108.13	
	CA workers comp	10/07/2006				160.33	
	CA workers comp	10/08/2006				187.63	
	CA workers comp	10/09/2006				31.19	
	CA workers comp	10/13/2006				78.54	
	CA workers comp	10/14/2006				142.98	
	CA workers comp	10/15/2006				211.98	
	SubTotal:					993.39	
	Pay To Golden Gate Fields:						5,769.18
<input checked="" type="checkbox"/> 105120	11/13/2006		<input type="checkbox"/>	Golden Gate Fields	59,973.95	0.00	59,973.95
Line Item Details							
<input checked="" type="checkbox"/> Money Room Shift	Pay To	Keeneland	Pay From	Golden Gate Fields	18,311.64		
<input checked="" type="checkbox"/> Simulcast Fee	Pay To	Keeneland	Pay From	Golden Gate Fields	41,662.31		
	Pay To Keeneland:						59,973.95
Number of Invoices: 2		Due to Keeneland			59,973.95	5,769.18	54,204.77

CHRIMS Net Settlement System - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Please Remit To: Golden Gate Fields Albany CA

Customer Number: 219
Payment Due: Immediate

Bill To: Keeneland
P. O. Box 1690
Lexington KY 40592-1690

AMOUNT DUE: \$5,769.18 USD

Amount Remitted

For billing questions, please call:

Race Date	Handle	Pay To	Money Room Shift		Simulcast Fee		CA workers comp	
			Exports	Imports	Exports	Imports	Exports	Imports
10/01/2006	18,330.00	Golden Gate Fields		-2,777.49	549.90			72.61
10/06/2006	31,513.90	Golden Gate Fields		-1,818.90	945.41			108.13
10/07/2006	59,484.80	Golden Gate Fields		-9,581.96	1,784.55			160.33
10/08/2006	65,158.20	Golden Gate Fields		-11,289.32	1,954.74			187.63
10/09/2006	13,494.00	Golden Gate Fields		4,953.38	404.82			31.19
10/13/2006	27,706.70	Golden Gate Fields		6,239.07	831.20			78.54
10/14/2006	45,730.90	Golden Gate Fields		-2,864.30	1,371.93			142.98
10/15/2006	61,740.80	Golden Gate Fields		12,220.53	1,852.23			211.98
	323,159.30			(\$4,918.99)	\$9,694.78			\$993.39
Adjustments								\$0.00
TOTAL AMOUNT DUE: \$5,769.18								

Done

Equine Postmortem Program

The State of California contributes to the health and safety of horses and other racing participants through its continued funding and support of the innovative UC Davis/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, begun in 1990 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 fa-

cility. 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.

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, standard-bred, 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 317 fatalities was reported during the period 11/7/05 to 11/9/06.

Associations	Breed of Horse						Occurred During			
	TB	QH	APP	AR	ST	P	RACE	TRAIN	OTH	
Thoroughbred										
Los Angeles Turf Club/SA 12/26/05-4/23/06	47						14	24	9	
Churchill Downs Op. Co./HP 11/9/05-12/19/05	20						5	12	3	
Hollywood Park Racing Assn. 4/26/06-7/16/06	24						11	9	4	
Hollywood Park Racing Assn. 11/1/06-11/9/06	2							2		
Del Mar Thoroughbred Club 7/19/06-9/6/06	26						10	9	7	
Oak Tree Racing Assn./SA 9/27/06-10/29/06	10						4	3	3	
Bay Meadows Operating Co. 12/26/05-2/05/06	11						4	3	4	
Bay Meadows Operating Co. 5/10/06-6/18/06	10						5	2	3	
Bay Meadows Operating Co. 10/18/06-11/9/06	3						1	1	1	
Pacific Racing Assn./GGF 11/7/05-12/19/05	11						5	5	1	
Pacific Racing Assn./GGF 2/8/06-5/7/06	31						15	8	8	
Pacific Racing Assn./GGF 8/24/06-10/15/06	20						8	5	7	
Harness										
Sacramento Harness Assn.11/7/05-12/18/05					1			1		
Sacramento Harness Assn.1/4/06-7/29/06					3		2	1		
Sacramento Harness Assn.9/22/06-11/9/06					3		1		2	
Quarter Horse										
LA Quarter Horse Racing Assn 11/7/05-12/18/05	1	8		1			6	2	2	
LA Quarter Horse Racing Assn 12/26/05-11/9/06	24	29	1			2	37	2	17	
Fairs										
Stockton (San Joaquin County) 6/14/06-6/25/06	3						3			
Pleasanton (Alameda County) 6/28/06-7/9/06	4						2	2		
Vallejo (Solano County) 7/12/06-7/24/06	5						3	1	1	
Santa Rosa (Sonoma County) 7/26/06-8/7/06	3						1	1	1	
San Mateo (San Mateo County) 8/9/06-8/23/06	5						2	1	2	
Ferndale (Humboldt County) 8/10/06-8/20/06	0									
Pomona (Los Angeles County) 9/8/06-9/25/06	5						4		1	
Fresno (Fresno District) 10/4/06-10/15/06	3	1					4			
Totals	268	38	1	1	7	2	147	94	76	
Total Fatalities 317							317			

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

Race fatalities are the fatalities that occur during or subsequent to a race at the listed racetrack. Training fatalities occur during active training. Other fatalities include fatalities from illness or accidents not associated with racing or training. Training and other fatalities include the operating racetrack and all other auxiliary training facilities reporting through the official veterinarian during the association's meet. For example, during the Los Angeles Turf Club/SA meet, training and other fatalities would include occurrences at San Luis Rey Downs, Fairplex Park, and Hollywood Park.

Horse Racing in California

Every sport has its stars. Horse racing is no exception. And here in California we were treated to spectacular performances in 2006 by Lava Man, who won all seven of his races in California under Corey Nakatani for trainer Doug O'Neill. Lava Man became the first horse to sweep California's trio of premier thoroughbred races in a single season — the Santa Anita Handicap, Hollywood Gold Cup, and Pacific Classic. This section of the CHRB Annual Report reviews these and other highlights of the year's racing activities in California.



Benoit Photos

California Horse-Racing Meetings During 2006

Thoroughbred Race Meetings — Central & Southern Zones	
Santa Anita Park	12/26/05 — 4/23/06
Hollywood Park	4/26/06 — 7/16/06
Del Mar	7/19/06 — 9/6/06
Santa Anita Park (Oak Tree)	9/27/06 — 10/29/06
Hollywood Park	11/1/06 — 12/18/06
Thoroughbred Race Meetings — Northern Zone	
Bay Meadows	12/26/05 — 2/5/06
Golden Gate Fields	2/8/06 — 5/7/06
Bay Meadows	5/10/06 — 6/18/06
Golden Gate Fields	8/25/06 — 10/15/06
Bay Meadows	10/18/06 — 12/18/06
Quarter Horse Race Meetings — Statewide	
Los Alamitos	12/26/05 — 12/17/06
Harness Race Meetings — Statewide	
Cal Expo	1/4/06 — 7/29/06
Cal Expo	7/30/06 — 12/16/06

Fair Meetings — Statewide		
Stockton	(San Joaquin Fair)	6/14/06 – 6/25/06
Pleasanton	(Alameda County Fair)	6/28/06 – 7/9/06
Vallejo	(Solano County Fair)	7/12/06 – 7/24/06
Santa Rosa	(Sonoma County Fair)	7/26/06 – 8/7/06
San Mateo	(San Mateo County Fair)	8/9/06 – 8/23/06
Ferndale	(Humboldt County Fair)	8/10/06 – 8/20/06
Pomona	(Los Angeles County Fair)	9/8/06 – 9/25/06
Fresno	(Fresno District Fair)	10/4/06 – 10/15/06

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

Santa Anita Winter Meet Was the Star of the 2006 CA Racing Schedule

SANTA ANITA PARK

Santa Anita Park concluded its 86-day winter/spring meeting by posting the largest season-to-season gain in on-track attendance since the end of World War II in 1945. The average on-track attendance was 9,144, a 15-percent increase over the previous year's average of 7,849. The 2006 average also was the highest since account deposit wagering (ADW) was instituted in 2002.

"The enthusiasm from racehorse owners, trainers, riders, breeders, the regulatory bodies, and especially the racing fans – both new fans and our loyal regulars – was overwhelmingly positive from opening day onward, and contributed mightily to the success of the best meet here in years," said Ron Charles, President and Chief Executive Officer of Los Angeles Turf Club, Incorporated. "There was this great feeling all season long that so many people really wanted once again to be a part of the Santa Anita experience. We're very grateful."

Daily on-track handle was also up significantly. Average on-track wagering was \$2,242,000, which represented an 11 percent hike from 2005. On-track handle combined with nationwide simulcasting, ADW, and betting at Southern and Northern California off-track locations resulted in an increase of nine percent and an average of \$11.5 million wagered daily on racing from Santa Anita.

Santa Anita enjoyed massive gains on its showcase days. The opening day crowd of 34,590 was the biggest since 1999, generating the largest opening-day handle in the 71-year history of Santa Anita Park and creating momentum that was sustained through closing day. A Sunshine Millions Day record crowd of 32,499 turned out on January 28, which was a phenomenal 81-percent increase from 2005. This was followed by Strub Stakes Day on February 4, which attracted a crowd of 20,718, a 46-percent increase from last year. On-track attendance for the March 4 Santa Anita Handicap was 49,443, which marked an increase of 37 percent from the previous year and was the biggest crowd since the 1990 Big 'Cap. The April 8 Santa Anita Derby attracted 54,668, which was the biggest Derby Day crowd since 1984 and represented a 42-percent increase.

As a direct result of brisk business, Santa Anita was able to institute two separate five percent purse increases, accounting for average daily purse distribution of more than \$450,000, which was the most in six years. Additionally, field size averaged 8.5 horses per race, which was also the largest in six years.



Benoit Photo

Brother Derek and Alex Solis cruise to an easy victory in the Grade I, \$750,000 Santa Anita Derby.

HIGHLIGHT

Oak Tree Offered Breeders' Cup Prep Races, Cal Cup Program To Attract Fans, Posted Gains

OAK TREE

The Oak Tree Racing Association concluded its 2006 season at Santa Anita by posting gains in both on-track attendance and handle. On-track attendance averaged 9,125 per day, a 5-percent increase from 2005. The average on-track handle was \$2 million per day, which represented a 1-percent increase. Oak Tree's on-track increases mirrored the success demonstrated at the 2005-06 Santa Anita winter/spring meeting and confirmed the continued popularity of Santa Anita Park with Southern California racing fans.

The opening-day crowd of 14,008 marked a 48-percent increase over the previous year's opening, and the first two weekends, which showcased a total of eight Breeders' Cup prep races, also represented marked increases in on-track attendance and handle over 2005.

"We concentrated our marketing efforts much more heavily on opening day, and the results were very gratifying," said Oak Tree Director and Executive Vice President Sherwood C. Chillingworth. "We had a new, aggressive television campaign, and our 'Day on Us' on-track promotion really paid dividends throughout the meet. Additionally, with the Breeders' Cup itself running a little bit later this year, we were able to provide horsemen with a three- to four-week cushion leading into Breeders' Cup day, which provided added incentive to run here in preparation for racing's biggest day.

"We are proud to have sent so many horses to the Breeders' Cup. Lava Man, Brother Derek, Giacomo, Super Frolic, Aragorn, Courtnall, Bordonaro, Areyoutalkingtome, Thor's Echo, T.H. Approval, Wait a While, Dancing Edie, Healthy Addiction, Hollywood Story, Cash Included, Quick Little Miss, Adoradora, Principle Secret, Malt Magic and Stormello all went with our best wishes."

On-track attendance for California Cup XVII on October 28 was 25,436, a 15-percent increase over 2005.

Corey Nakatani captured his fourth Oak Tree riding title with 24 wins, while Doug O'Neill won his second Oak Tree training crown with 17 victories. Robert Bone and J. Paul Reddam shared the lead for wins among owners with five each.



The Tin Man and Victor Espinoza, right, hold off a storming T.H. Approval and Alex Solis to win the Clement L. Hirsch Turf Championship.

HIGHLIGHT

Larger Fields, New Turf Course, Lava Man Sparked Increase in Handle

HOLLYWOOD PARK

Larger fields contributed to an increase in wagering as Hollywood Park finished its first spring/summer meet under the management of the Bay Meadows Land Company with daily average handle of approximately \$10.4 million — up 1 percent from 2005. The average field size of 8.1 starters for the 61-day meeting — highest since 1997 — was up 5 percent from 2005, helping generate daily average handle on Hollywood Park races of approximately \$6.5 million — also a 1 percent increase from 2005. The figures included all Advance Deposit Wagering sources and excluded wagering on Hollywood Park races from Northern California, from which no revenue is derived for purses or for Hollywood Park.

“Our initial emphasis has been to make improvements for the horse,” said track president F. Jack Liebau. “The increase in field size indicates (our efforts) have been well received.”

Improvements at Hollywood Park prior to the meet but following the purchase by Bay Meadows Land Company included a new turf course and paddock stalls. An \$8-million project to install Cushion Track began immediately after the meeting and was completed and ready for training on September 13. In addition, a chute was constructed on the inside of the Lakeside Turf Course to allow six-furlong starts.

Lava Man, who joined Native Diver as the only multiple winner of the Hollywood Gold Cup, used a pair of turf races en route to his repeat victory in the 67th running of the 1 ¼-mile classic. The 5-year-old California-bred set a course record of 1:44.26 for 1 1/8 miles in the TVG Khaled Stakes before beating a superior field of turf horses in the Grade I Charles Whittingham Memorial Handicap. He prevailed by a nose over Brazilian-bred Ace Blue in the Gold Cup and was named Horse of the Meet by media for the second straight year.

Owner Robert D. Bone, who swept the six Southern California meet titles in 2005, won his eighth straight meeting title and his third consecutive spring/summer title with 15 wins.



Benoit Photo

Wait a While and Garrett Gomez, right, dominate the field at the top of the stretch and go on to win the Grade I American Oaks Invitational Stakes at Hollywood Park.

Successful Debut of Cushion Track During Fall Meet

Leading the way among all California racetracks, Hollywood Park replaced its dirt oval with Cushion Track – a safer, engineered synthetic racing surface – at a reported cost of more than \$8 million, and the immediate result was fewer injuries to horses, larger fields, and higher handle during the 36-day fall session. Cushion Track played fair, resulting in excellent racing and, most importantly, no catastrophic racing breakdowns.

General Manager Eual Wyatt reported that no horses suffered fatal injuries while racing over the Cushion Track surface in the afternoons during the 36-day meet but three suffered such injuries during morning training hours. He noted that in 2005, seven horses suffered fatal injuries while racing or training over the old dirt oval during that shorter, 27-day fall meet.

The installation of Cushion Track began with the conclusion of the spring/summer meet on July 18 and was completed with the resumption of training on September 13. Horsemen endorsed the project during training, prior to the November 1 opening of the autumn meet, and the positive opinion was reinforced during the meeting as deeper fields were the rule rather than the exception. The field size for horses on the main track averaged 8.5 starters per race, up nearly 14 percent from the previous year.

More horses meant higher handle as the meet experienced a 9-percent increase in on-track handle and a 13-percent overall increase in handle. On-track handle averaged \$1.4 million, compared with \$1.3 million in 2005. Advance Deposit Wagering also increased significantly with a daily average of \$565,000, up 24 percent from 2005. Total handle for the meet was \$350,455,264, while average daily handle was \$9,734,868. Attendance totaled 171,882.

The installation of Cushion Track resulted in racing secretary Martin Panza hanging the “no vacancy” sign in the stable area for the first time in more than a decade. In addition to a strong local contingent, Eastern trainers Todd Pletcher, Lisa Lewis, and Richard Dutrow had strings stabled in Inglewood during the meeting. Others shifted their base from Santa Anita Park to Hollywood Park, reversing a trend of recent years.

Jockey Garrett Gomez returned to California after riding for Pletcher and others in

the East most of the year and was a run-away winner of the jockeys’ title. A leading candidate for an Eclipse Award as the nation’s outstanding jockey, Gomez boosted his purse earnings to more than \$21 million while riding the winners of five stakes races.



Benoit Photo

Showing Up, ridden by Cornelio Velasquez, outclassed the field in winning the Hollywood Derby.

HIGHLIGHT

Del Mar Numbers Continued to Stand Out

Lava Man Continued His Sweep of Premier Races, Winning the Pacific Classic

DEL MAR

Del Mar had another banner season in 2006, once again setting the standards for attendance and handle in California and making an impact on the racing scene nationwide. The track took a slight dip in its ongoing, upward surge in handle, going from a total pari-mutuel handle of \$608 million in 2005 to \$582 million in 2006. But that 2005 number was the highest in Del Mar's history, and the 2006 total still was the second highest ever. The track's daily average handle of \$13.5 million also was the second best in the course's 67-year history.

The track's daily average attendance of 16,658 for the 43-day stand was the best in the West, boosted by two huge big-crowd days – 42,005 for opening day (July 19) and 32,039 for Pacific Classic Day (August 20).

Spearheading the summer show was Del Mar's richest-ever stakes program – 30 events worth a record \$7,150,000. Many of the top racehorses in the land competed on the track's dirt and turf, highlighted by the 16th edition of the \$1-million Pacific Classic, captured by the powerhouse gelding Lava Man, who became the first horse to single-season sweep California's three richest prizes – the Santa Anita Handicap, the Hollywood Gold Cup, and the Pacific Classic.

The leading rider (64 wins) during the stand was Victor Espinoza, the native of Mexico City who was capturing his third Del Mar title. The top trainer (19 firsts) was Doug O'Neill, the Midwestern transplant who earned his second local conditioning crown.

The Del Mar Thoroughbred Club, which since 1970 has run the live race meeting on the Fairgrounds at Del Mar, pays "rent" to the state of California and makes a payment of the total of food and beverage net income realized during the summer. In 2006 those numbers were the second best ever at \$7.15 million in rent and \$5.45 million in food and beverage – totaling out at \$12.6 million.



Benoit Photo

Point Ashley and Victor Espinoza captured the Grade I Del Mar Debutante. The win was Espinoza's record-setting seventh of the day.

HIGHLIGHT

Fairs Lost Ground After Strong 2005 Gains

THE CALIFORNIA FAIRS

Fairs were not immune from nationwide declines in racetrack attendance and handle brought on by soaring gasoline prices and one of the worst midsummer heat waves on record. Stockton, Pleasanton, and Vallejo were most affected.

In 2006, the California Authority of Racing Fairs partnered with Horse Racing TV (HRTV), which is a national horse-racing network owned by Magna Entertainment Corp., to enhance live daily coverage of the circuit. In addition, HRTV produced special live event coverage at Pleasanton, Vallejo, Santa Rosa, Ferndale, and Fresno. The partnership helped to broaden the exposure of California fair racing, and the live remotes were an enjoyable on-track experience for fans.

In an effort to increase field size, horsemen were encouraged to run at the fairs through an extensive program of performance purses (increased to \$150 for thoroughbreds in 2006), out-of-state trainer incentives (\$300 per horse in 2006), and the payment of purses through the eighth-place finisher in each race.

In 2006, the Northern California fair circuit standardized minimum purses to closely match the corresponding Northern California tracks' purse structure (50% at Ferndale). CARF and the California Marketing Committee conducted a starter series for thoroughbreds that had run for a claiming price of \$4,000 or less. Runners earned points in the series for a year-end bonus structure of \$60,000 awarded to both owners and trainers.

The year also brought a new "Voice of Racing" to Stockton, Pleasanton, Vallejo, Ferndale, and Fresno. Announcing duties were passed to former Hialeah Park announcer Frank Mirahmadi. Frank portrayed the Santa Anita track announcer in the movie *Seabiscuit* and was most recently cast as Monmouth Park track announcer in the upcoming television movie *Ruffian*.

HIGHLIGHT

Pleasanton Achieved Third-Highest Handle

PLEASANTON

Home of the "Oldest One Mile Track In America," live racing at the Alameda County Fair etched another line in the record books by scoring the third-highest meet handle in fair history. A total of \$35.54 million was wagered in 2006, following a record year in 2005.

The 11 days of racing garnered several new additions, all deemed a success by fairgoers. The largest and most successful addition was the Trackside Terrace, the grandstand open-air dining lounge. With catered food, private betting windows, full bar, gift bags, and a quiet place to sit and enjoy the day with friends, the Trackside Terrace is sure to become a fixture of Pleasanton racing. The racing crowd was also treated to the daily professional handicapping insight of Gordon "The Professor" Jones, Jockey Photo Day, and a schedule of 10 stakes races.

The leading trainer was Jerry Hollendorfer with nine wins, and the leading jockey was Russell Baze with 15 wins.

HIGHLIGHT

Fairplex Season Again Ended on High Note

FAIRPLEX PARK

Coming off a record-breaking year in 2005, Fairplex Park defied all trends by living up to expectations again in 2006. "Like last year, the stars all aligned and everything came together," said George Bradvica, Fairplex's racing manager.

Final handle figures totaled \$113,919,743. Handle and attendance were both virtually on par with 2005, when both soared to an all-time high. All-sources handle was up 0.2 percent compared to 2005, including a significant 3.4-percent increase from out-of-state wagering. On-track attendance also rose by 1 percent. On-track attendance was 205,940.

As always, the Stute family made its presence felt around the Pomona track, as Mel Stute, Fairplex's all-time leading trainer, saddled 30-1 longshot Quick Little Miss to an upset victory in the \$130,000 Barretts Debutante for 2-year-old fillies. One day later it was Mel's son, Gary, who sent Roman Commander out to post a 30-1 shocker in the \$130,000 Barretts Juvenile.

The weekend of Stute longshots helped generate a massive three-day Pick Six carryover of nearly \$1 million, and drew the attention of bettors from all across the country when the total jackpot swelled to almost \$4 million on the next racing day. The \$988,445 carryover was by far the biggest in Fairplex history, as was the total pool size of \$3,941,142. The all-sources handle of \$10,390,081 generated by the Pick Six craze on Sept. 20 was also a single-day record at the Fair.

As expected, Fairplex's all-time leading rider, Martin Pedroza, led the way in the jockey standings by bagging 27 winners over the course of the 16-day meeting. It was Pedroza's eighth consecutive riding title at the fair, and ninth overall. Jeff Mul-

lins won his third training title at the fair by sending 17 horses to the winners' circle, surpassing the mark set by Doug O'Neill in 2004 for most wins in a season.



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

Stockton Staged Fewer Events But Revived Popular Stakes and Showed Races Throughout Grounds

STOCKTON

The San Joaquin Fair ran 92 races in 2006, down from 102 events in 2005. Field size also declined from an average of 7.4 horses per race in 2005 to 6.9 in 2006. These declines contributed to overall declines in handle. The 10-day meet concluded with a total of \$16.85 million wagered and on-track attendance of 39,466 fans. More than 165,000 fairgoers were able to watch the racing action live on large screen televisions placed throughout the Fairgrounds Midway and Exhibit Halls.

For the first time this decade, the \$40,000, 5½ -furlong Sweepida Stakes was contested on the Stockton oval. The race, run to honor the famous 1940s Stockton-bred Santa Anita Derby winner, was won by Candy Jo, conditioned by Jeff Mullins and ridden by L.V. Martinez. Another first was achieved when the world's first Equine clone, the mule Idaho Gem, won a pari-mutuel event in California at the San Joaquin Fair. Idaho Gem and his cloned brother, Idaho Star, figure to be future staples on the Northern California Fair Circuit.

The leading trainer title went to John F. Martin with five wins. The leading jockey was Barrington Harvey with 11 wins.

HIGHLIGHT

Vallejo Saw Declines in Handle and Starters

VALLEJO

A total of \$30.72 million was wagered on the Solano County Fair racing, down 7 percent from \$33.05 million wagered in 2005. Declines in the number of thoroughbred runners and declines in starters per race left on-track, out-of-state, and all-source live handles slightly down.

Art Sherman was leading trainer with eight wins. Luis V. Martinez went wire-to-wire in the jockey standings to prevail with 20 wins.

HIGHLIGHT

Santa Rosa's New Turf Course Remained Popular and Contributed to Enhanced Racing Product

SANTA ROSA

A total of \$40.23 million was wagered at Sonoma County Fair, down 4 percent from the \$41.72 million wagered in 2005. Despite the decrease, Santa Rosa still recorded the fifth-highest all-time handle in 2006. In its second year of use, the Santa Rosa turf course once again received glowing praise from horsemen and wagering fans alike. The second surface also provided the track with extra options to fill cards and enhance field size.

In an effort to better synchronize with Southern California racing, Friday post times were moved to 2:15 p.m. The later post was very popular and had a positive impact on out-of-state and emerging-breed handle. A change was made in the fair schedule in 2006 to offer Free Seniors Day on Wednesday instead of Tuesday, which is traditionally dark. The change exposed more people to Santa Rosa's racing product.

The leading trainer title went to John F. Martin with six wins. The leading jockey was Russell Baze with 19 wins.

HIGHLIGHT

San Mateo County Fair Experienced Declines from 2005 Meet

SAN MATEO

The San Mateo County Fair, operated by the Bay Meadows Race Course, ended its 12-day race meet with a 7-percent decrease in on-track handle (from \$6.97 million in 2005 to \$6.44 million in 2006). Total handle was \$32.98 million.

Steve Miyadi was leading trainer with seven wins. Jockeys Russell Baze and Luis V. Martinez closed out the meet with 16 wins each.

HIGHLIGHT

Capital Improvements, Elimination of Overlap, Larger Fields All Helped Fresno Meet

FRESNO

The Big Fresno Fair concluded its 11-day meet with increases in all handle categories. On-track handle increased 1 percent to \$3.48 million, and on-track attendance increased 9 percent to 89,434. Total handle increased 15 percent, from \$8,104,725 in 2005 to \$9,364,097 in 2006. Fresno handle was positively affected by a reduction in overlapped racing days in Northern California.

The Big Fresno Fair, which has made significant improvements to the grandstand, paddock, and backstretch in recent years, has continued to upgrade the facility. Horsemen have praised the backstretch improvements, and fans continue to make the paddock cantina one of the most popular locations on the apron.

The number of races run at Fresno increased slightly, from 99 events in 2005 to 100 in 2006. More impressively, field size also increased from an average of 7.1 horses per race in 2005 to 8 in 2006. Fresno's trainer contest (for a new truck and trailer) and special recognition to a variety of trainers, jockeys, and grooms were strong incentives to run at the fair.

HIGHLIGHT

Ferndale Handle Declined, But Rustic Track Remained Popular With Loyal Fans

FERNDALE

Humboldt County Fair, famous for an atmosphere reminiscent of the early days of racing, generated total handle of \$2.96 million, down 4 percent from the prior year. Ferndale was well supported by out-of-state horsemen, especially those from Oregon. The 10-day meet featured 484 starters. The half-mile oval at Ferndale limits its field size to eight. The average field size was 6.3 starters per race.

Ferndale celebrated the 52th running of the C. J. Hindley Humboldt County Marathon. The 1 5/8-mile race gives fans the opportunity to see the runners cross the finish line four times before the completion of the race.

HIGHLIGHT

Jockey's Milestone, Charmo Victory, Topped Racing Highlights at Golden Gate Fields

GOLDEN GATE

Golden Gate Fields featured many highlights in 2006, including a milestone victory for veteran jockey Roberto Gonzalez, a terrific performance by French-bred Charmo in Northern California's richest race, commitments to improving the facility, achievements in racetrack safety, and innovations in marketing.

Gonzalez, born in 1954 in Micheacon, Mexico, is the dean of the Bay Area jockey colony. Gonzalez won his first race in 1975 at Hollywood Park and is still going strong. On February 20, 2006, at Golden Gate Fields, the rider affectionately known as "Gonzo" achieved a tremendous career goal when he rode his 4,000th winner.

Charmo, a 5-year-old horse owned by television producer David S. Milch, employed an explosive stretch kick to win the \$400,000 San Francisco Breeders' Cup Mile by one length over the classy Aragorn.

Golden Gate Fields announced it would install a synthetic racing surface in the summer of 2007. The track also continued to make capital improvements in the backstretch area, which included the renovation of some barns and the repairing of access roads. The track installed a new "Thoroughbreds" admission system, which offers discounted admission to fans based on frequency of visits. The program has increased the size of the Golden Gate Fields database, allowing the marketing department to better identify the track's most loyal customers and to employ direct marketing strategies to effectively communicate with them.

Total handle and attendance for the winter/spring meet was \$263,322,483 and 396,890. For the fall meet they totaled \$130,848,652 and 206,680.

Golden Gate Fields obtained its highest score on the Liberty Mutual Safety Audit in five years by making substantial gains in safety and environmental compliance at its facility.



Vassar Photo

Charmo (center), with Martin Pedroza aboard, posts a hard-won victory in the San Francisco Breeders' Cup Mile.

HIGHLIGHT

TVG, National Media Focused on Baze, Mount by Mount, Until He Broke Riding Record

BAY MEADOWS

Historic Bay Meadows, a venue that has played host to great jockeys like Johnny Longden and Bill Shoemaker and equine stars such as Seabiscuit and Citation, was once again the site of a momentous occasion in horse racing as Russell Baze became the winningest jockey in thoroughbred racing history on December 1, 2006. He guided Butterfly Belle to a come-from-behind victory in the fourth race. It marked career victory number 9,531 for Baze, who broke the all-time win record of 9,530 set by Laffit Pincay, Jr. in 1999.

Pincay was among those at Bay Meadows who witnessed the historic victory and remarked, "It takes a lot of ability and a lot of dedication to win that many races. He deserves the title. He's a great rider." Baze responded, "I thank Laffit for being here. I know he was pulling for me. There's not a greater rider or better sportsman in horse racing." Then Baze thanked all the trainers who put him on horses, and the racing fans. "From the biggest stables on the grounds to the little guys with two horses, they've all shown a lot of faith in me. And to the fans, you make the wheels turn. You make it possible for all the riders, the trainers, and the horses to have a place to run. From the bottom of my heart, I can't thank you enough."



Vassar Photo

Russell Baze guides Butterfly Belle into the record books with career victory number 9,531 on December 1, 2006, at Bay Meadows.

Track officials from both Bay Meadows and Golden Gate Fields presented Baze and his wife, Tami, with a European vacation as a congratulatory gift.

During 2006, Bay Meadows raced during different periods of time than was the case during the past few years. Live racing was conducted during three separate time frames: from December 26 through February 5, May 11 through June 18, and October 18 through December 18, for a total of 105 days. Average on-track attendance and handle increased substantially when compared to similar time frames the previous year. Average off-track wagering declined.

The handle and attendance numbers for the three Bay Meadows meets were as follow:

Meet	Total Handle	Total Attendance
Winter	\$127,261,210	184,030
Spring	\$120,005,928	216,806
Fall	\$177,328,013	128,106

HIGHLIGHT

Rich, Spectacular Quarter-Horse Racing Drew Increased Handle at Los Alamitos

LOS ALAMITOS

Los Alamitos enjoyed a record meeting in 2006 as the average nightly handle from all sources topped the \$1.3 million mark for the first time in the track's 56-year history. The overall handle was up 2 percent from 2005, though on-track handle and on-track attendance dipped 4 percent. Telephone wagering on Los Alamitos races increased 15 percent from 2005.

Los Alamitos continued its great tradition of hosting quarter-horse racing's most prestigious races as the Orange County oval hosted three races with purses of \$1 million or more in the form of the Ed Burke Million, Golden State Million, and Los Alamitos Two Million Futurity. The latter is California's richest race (excluding hosting the Breeders' Cup). Ten juvenile sprinters competed in the Two Million Futurity on December 8, and the all-source handle for the program was an event record \$2,061,758. The following night, Los Alamitos hosted the \$600,000 Champion of Champions, which had an all-source handle of \$1,933,521. And the June 10 trials for the Ed Burke Million Futurity resulted in an all-source handle of \$2,059,929. Handle for the meet totaled \$287,407,446, a nightly average of \$1,422,809, with attendance totaling 240,698.

With the announcement the Champion of Champions will feature a guaranteed \$1 million purse in 2007, making it the sport's richest race for older horses, Los Alamitos will offer a national record of four races worth over \$1 million.

Blues Girl Too won the Two Million Futurity when she defeated FDD Dynasty, winner of the Ed Burke Million; No Secrets Here, winner of the All American Futurity; and Jess You And I, winner of the Golden State Million. Wave Carver won the Champion of Champions, matching his older brother Ocean Runaway's victory in the same race the previous year.



Blues Girl Too, ridden by Saul Ramirez defeats FDD Dynasty in the richest California-based race, the Los Alamitos Two Million Futurity.

The track is also the home of the Los Alamitos Equine Sale, California's top quarter-horse yearling sale. Masters Call, a colt by noted thoroughbred sire Hennessy, was the \$485,000 sale topper in 2006. He has already been syndicated for stallion purposes.

HIGHLIGHT

Turnaround Continued For California's Standardbred Industry

Business Jumped During Winter-Spring Meet and Into the Summer

HARNESS RACING

Buoyed by the new year-round schedule at Cal Expo, 2006 saw the industry move forward on a number of different fronts. The California Sire Stakes program received major relief with a change in the interpretation of the law concerning breakage. This change saw Sire Stakes purses rise from \$18,000 to \$22,500 for legs, and \$18,000 to \$32,500 for championships. This came as great news to standardbred breeders and owners in the state, who have struggled with low purses and an uncertain schedule.

The \$1.2-million grandstand, clubhouse, and simulcast renovation, which began in December of 2005, was completed in June to rave reviews. The project totally opened up the enclosed simulcast center and clubhouse for live race viewing.

Business for the 119-night winter/spring meet was strong. Total handle was up 13.5 percent from 2005. Gains were across the board; on-track handle rose 12.2 percent for the period, with a 15-percent gain in attendance. The second annual State Fair harness meet attracted many new horses, and handle soared 23 percent compared to the inaugural State Fair harness meet in 2005. State Fair harness racing is scheduled to continue in 2007.

In August the California Harness Horseman's Association partnered with Sacramento Harness on a unique new horse incentive plan. Each new horse receives a \$2,000 bonus upon making its first start, and receives a \$500 bonus on each win through March 31, 2007. The incentive plan brought many new faces from Canada and the Midwest to compete in California. Trackman Marty Bridges, a 25-year veteran of California racing, stated that he has not seen so many horses in close to a decade.

On a somber note, the industry suffered major losses with the passing of Robert Gordon, Jack Marsh, John McGregor, his wife Ann McGregor, and Raleigh Wiseman.

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 2005-06 were \$31,626,066 wagered by 166,491 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 2005-06 were \$14,498,834 wagered by 55,830 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 2005-06 were \$1,986,483 wagered by 4,785 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 2005-06 were \$12,292,174 wagered by 49,479 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 2005-06 were \$9,395,599 wagered by 29,018 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 2005-06 were \$16,882,455 wagered by 131,133 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 2005-06 were \$5,387,075 wagered by 8,571 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 2005-06 were \$110,002,315 wagered by 736,308 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 2005-06 were \$5,180,429 wagered by 25,127 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 2005-06 were \$3,184,395 wagered by 8,997 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 2005-06 were \$15,524,128 wagered by 74,496 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 2005-06 were \$38,263,068 wagered by 117,160 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 2005-06 were \$8,447,105 wagered by 28,012 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 2005-06 were \$21,931,528 wagered by 108,964 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 2005-06 were \$48,708,617 wagered by 208,294 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 2005-06 were \$53,689,057 wagered by 209,856 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 2005-06 were \$26,995,700 wagered by 100,730 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 2005-06 were \$28,030,019 wagered by 123,285 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 2005-06 were \$61,518,468 wagered by 227,726 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 2005-06 were \$162,160,690 wagered by 589,681 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 2005-06 were \$8,318,026 wagered by 40,214 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 2005-06 were \$80,336,258 wagered by 298,856 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 2005-06 were \$323,235,381 wagered by 1,296,115 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 2005-06 were \$52,503,837 wagered by 169,883 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 2005-06 were \$126,750,977 wagered by 445,863 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 2005-06 were \$404,627,374 wagered by 1,493,042 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 2005-06 were \$253,384,099 wagered by 848,048 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 2005-06 were \$16,198,355 wagered by 74,438 patrons.

El Cajon, Sycuan Gaming Center

The Sycuan Band of Mission Indians facility is located approximately six miles east of El Cajon at 5469 Dehesa Road. The simulcast wagering facility opened October 7, 1990. The facility was closed for renovations in FY 2005-06.

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 2005-06 were \$20,494,768 wagered by 75,626 patrons.

Lakeside, Barona Casino

The Barona Band of Mission Indians facility is located approximately five miles northeast of Lakeside at 1932 Wildcat Canyon Road. The simulcast wagering facility first opened in 1992, then a new facility opened in 2002. The pari-mutuel handle and attendance in FY 2005-06 were \$21,169,761 wagered by 90,341 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 2005-06 were \$11,049,589 wagered by 39,629 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 2005-06 were \$25,452,578 wagered by 102,981 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 \$4,239,054,509 for FY 2005-6 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 on behalf of the State of California \$38.1 million from all pari-mutuel sources for FY 2005-06.

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, 17.43 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 20.68 percent for thoroughbred meets, 20.88 percent for quarter-horse meets, 22.02 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 CHRB, the racing association, and other interested parties.

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

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

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

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

By law, breakage is divided between the state, the track, and purses, with the majority of breakage going to purses. In FY 2005-06, the state received \$1.06 million in breakage, with the tracks receiving \$4.2 million and purses \$6.6 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 \$785,787.

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 2005-06 racing year totaled \$1,916,238.

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

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

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

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

Redistributable Money in Pari-mutuel Pools (Unclaimed Tickets)

FY 2005-06	TB	QH	HH	Fairs
Los Angeles Turf Club	\$390,247			
Churchill Downs California Spring Oper. Co.	263,113			
Del Mar Thoroughbred Club	356,224			
Oak Tree Racing Assn.	70,141			
Bay Meadows Racing Assn.	98,115			
Pacific Racing Assn.	117,187			
Churchill Downs California Fall Oper. Co.	<u>137,238</u>			
Thoroughbred Total	\$1,432,265			
Los Alamitos Quarter Horse Racing Assn.		<u>\$166,281</u>		
Quarter Horse Total		\$166,281		
Capitol Harness Racing Assn.			<u>\$126,937</u>	
Harness Total			\$126,937	
CARE				<u>\$ 190,755</u>
Fairs Total				\$ 190,755
Total to State from unclaimed pari-mutuel tickets				\$ 1,916,238

Occupational Licenses and Fees

July 1, 2005, through June 30, 2006

Type of License	Fee	Issued	Total
Stable	\$300	398	\$119,400
Multiple Ownership	0	19	000
Horse Owner-Open Claim	250	28	7,000
Officer/Director/Partner	200	0	000
Horse Owner	150	4,266	639,900
<hr/>			
Trainer, Assistant Trainer	150	456	68,400
Harness Horse Driver	150	45	6,750
Jockey/Apprentice Jockey	150	142	21,300
Jockey Agent	150	43	6,450
<hr/>			
Racing Official/Manager of Association	150	163	24,450
Bloodstock Agent	150	10	1,500
Veterinarian	150	59	8,850
Association Employee	75	314	23,550
Valet/Custodian/Attendant	75	26	1,950
<hr/>			
Pari-mutuel Employee/Tote	75	827	62,025
Horseshoer	75	46	3,450
Exercise Rider/Pony Rider	75	468	35,100
Misc. Employee/Stable Agent Vendor	75	349	26,175
Security Guard	75	178	13,350
Stable Foreman	75	91	6,825
<hr/>			
Authorized Agent	25	860	21,500
Replacement License	15	735	11,025
Annual Groom/Stable Employee (Original)	35	877	30,695
Annual Groom/Stable Employee (Renewal)	20	3,572	71,440
Gross Fees		13,972	1,211,085
Less allowance for Franchise Tax Board			-23
Total fees generated to General Fund			\$1,211,062

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

Fines Imposed in FY 2005-06

Thoroughbred Meetings — Central & Southern Zones

Location	Rulings	Imposed	Inclusive Dates
Del Mar	126	\$13,465	7/20/05 — 9/7/05
Santa Anita	51	9,400	9/28/05 – 11/6/05
Hollywood Park	52	7,775	11/9/05 – 12/19/05
Santa Anita	160	18,985	12/26/05 – 4/23/06
Hollywood Park	126	21,900	4/26/06 – 7/16/06

Thoroughbred Meetings — Northern Zone

Bay Meadows	33	\$6,850	8/26/05 – 10/16/05
Golden Gate	70	14,100	10/19/05 – 12/19/05
Bay Meadows	33	5,550	12/26/05 – 2/5/06
Golden Gate	67	23,650	2/8/06 – 5/7/06
Bay Meadows	39	10,650	5/10/06 – 6/18/06

Quarter-Horse Meetings — Statewide

Los Alamitos	158	\$27,525	7/1/05 – 12/18/05*
Los Alamitos	153	29,800	12/26/05 – 06/30/06*

Harness Meetings — Statewide

Cal Expo	58	\$13,500	9/23/05 – 12/30/05
Cal Expo	121	27,150	1/5/06 – 7/29/06

Fair Meetings — Statewide

Pleasanton	15	\$2,250	6/29/05 – 7/10/05
Vallejo	9	500	7/13/05 – 7/25/05
Santa Rosa	15	4,500	7/27/05 – 8/8/05
San Mateo	11	1,200	8/10/05 – 8/25/05
Ferndale	10	300	8/11/05 – 8/21/05
Sacramento	27	3,700	8/6/05 – 9/17/05
Pomona	33	3,900	9/9/05 – 9/26/05
Fresno	6	0	10/5/05 – 10/16/05
Stockton	10	900	6/14/06 – 6/25/06

* Although the 2005 Los Alamitos meet ran from 12/26/04 through 12/18/05, and the 2006 meet runs from 12/26/05 through 12/17/06, this chart contains data only from 7/1/05 through 6/30/06.

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, 2005 through June 30, 2006

	Detail	Total
Revenue To Fair & Expo		
Pari-mutuel License Fees, Fund 0191:		
0.63 percent — total handle	\$9,835,831	
1.00 percent — fair handle	1,245,034	
Escheat of unclaimed warrant	197	
Section 19620-A	265,000	
Section 19620-B	13,046,000	
Total 0191 Fund		\$24,392,063
Simulcast Wagering Fees, Fund 0192:		
Simulcast Wagering	11,204,019	
Other regulatory, licenses, and permits — purses	1,369,187	
Total 0192 Fund		12,573,205
Revenue To General Fund		
Horse racing licenses	785,331	
Breakage	0	
Fines & Penalties	234,966	
Unclaimed Pari-mutuel Tickets	190,755	
Unclaimed Pari-mutuel Tickets (Racetrack Security Fund)	1,455,483	
Occupational Licenses	1,211,108	
Miscellaneous Income	145	
Total General Fund		3,877,787
Wildlife Restoration		
Horse racing licenses		0
Racetrack Security		270,000
CA Animal Health and Food Safety UC Davis		2,603,272
Total Revenue		\$43,716,328

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 2005-06 racing year, there were 3,572 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 2005-06 racing year, the total amount paid for claiming of horses was \$56,327,600, resulting in sales tax revenues of \$4,595,159.

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 2005-06 racing year, \$6.8 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 2005-06 totaled \$172,770,288.

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 2005-06 totaled \$169,265,203. In addition, \$16,008,691 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, 2005 to June 30, 2006

Track Location	Horses Claimed	Amount Paid	Sales Tax
Thoroughbred Meetings — Northern			
Golden Gate	521	\$6,628,250	\$579,710
Bay Meadows	453	5,589,250	461,113
Thoroughbred Meetings-Central-Southern			
Del Mar	348	10,383,000	804,682
Oak Tree	128	3,467,000	286,027
Hollywood Park	258	7,191,500	593,299
Hollywood (fall)	114	2,916,000	240,570
Santa Anita	406	11,370,500	938,066
Harness Meetings-Statewide			
Cal Expo (fall)	211	1,805,200	139,903
Quarter-Horse Meetings-Statewide			
Los Alamitos	881	\$4,487,600	\$347,789
Fair and Mixed Meetings-Statewide			
Pleasanton	45	\$436,150	\$38,163
Vallejo	46	288,200	21,254
Santa Rosa	28	213,500	17,080
San Mateo	42	493,500	40,721
Ferndale	9	46,900	3,740
Pomona	58	866,750	71,507
Fresno	9	46,900	3,740
Stockton	15	97,400	7,792
Grand Total	3,572	\$56,327,600	\$4,595,159

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 2005-06, there were 2,093 horses sold for a total of \$42,599,390. These sales generated a total of \$1,487,290 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 2005-06:

Barretts Equine Ltd. Thoroughbred Sales at Fairplex Park

- | | |
|------------------------------|----------------|
| 1. October Yearling Sale | October 4 |
| 2. October Mixed Sale | October 24, 25 |
| 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 1,528 horses was sold for \$34,171,600, which generated \$1,392,837 in sales tax.

California Thoroughbred Breeders Association Sales

- | | |
|--------------------------|-----------|
| 1. Nor-Cal Yearling Sale | August 16 |
|--------------------------|-----------|

A total of 165 horses was sold for a total of \$1,244,500, which generated \$52,203 in sales tax.

Quarter-Horse Sales At Los Alamitos

- | | |
|-----------------------------|-----------|
| 1. Los Alamitos Equine Sale | Oct. 2, 3 |
|-----------------------------|-----------|

A total of 400 horses was sold for \$7,183,290, which generated \$45,250 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 2005-06, \$12,594,940 was generated from the wagering handle. The CTBA is authorized to deduct 5 per-

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

Standardbred Breeders Programs

The California Standardbred Sires Stakes Committee, Inc., a California non-profit public benefit corporation, administers the Standardbred Breeders Program. The Sires Stakes Committee is authorized to deduct expenses (not to exceed 4 percent of funds generated) for administering the Standardbred Breeders Program. The program is funded from the breakage at harness meetings and an additional 1 percent takeout on all exotic wagering at harness meetings. In FY 2005-06, the program generated \$780,040.

Quarter-Horse Breeders Program

Pacific Coast Quarter Horse Racing Association, as the recognized breeders organization, received \$499,707 from the pari-mutuel handle to fund its program in FY 2005-06. 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 \$2,477 for the breeders program in FY 2005-06.

Arabian Breeders Program

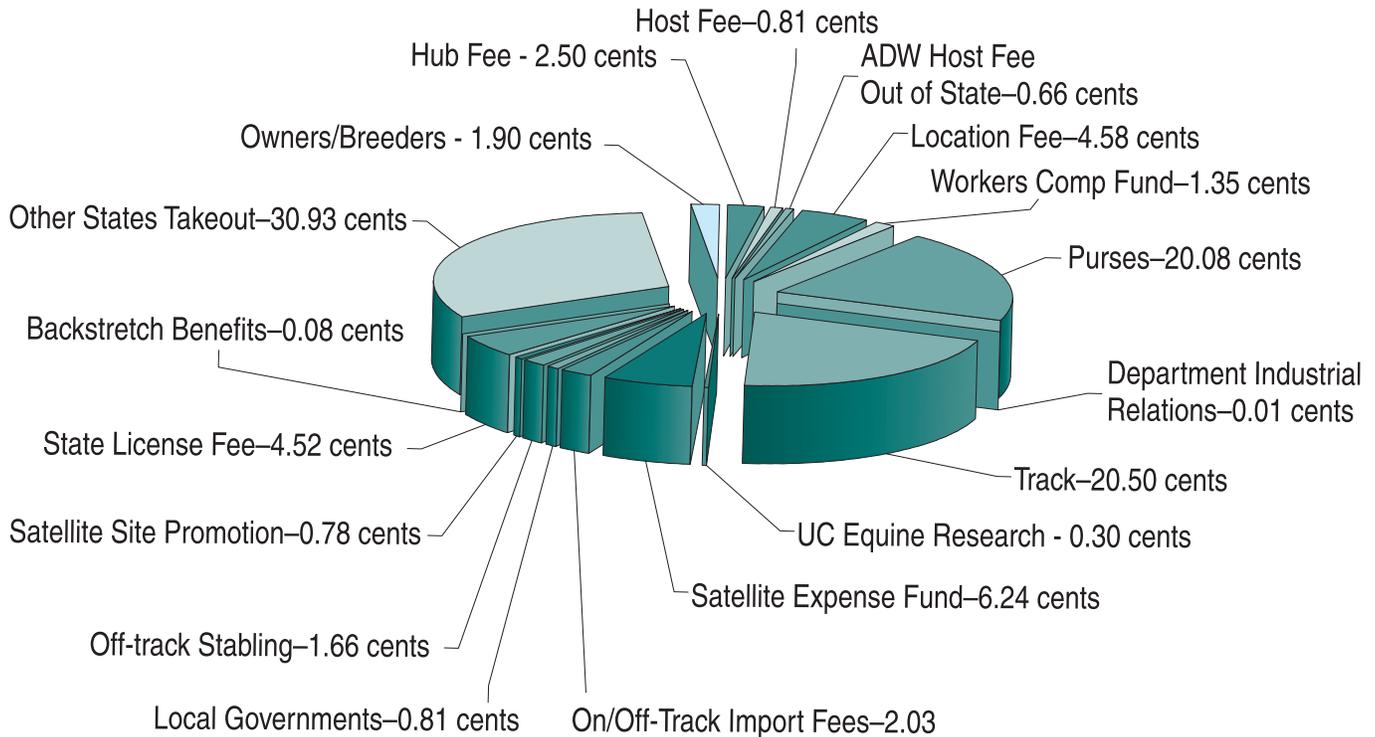
The California Arabian horse breeders awards received \$51,886 for the program during FY 2005-06.

Mule Breeders Program

The California mule breeders awards received \$30,272 for the program during FY 2005-06.

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 \$4,239,054,509 was wagered by fans of California racing during FY 2005-06, and of that money 80.9 percent (\$3,389,454,287) 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 17.2 percent of wagers placed (\$732 million). Off-track betting within the state provides more than 32 percent of the handle (\$1.36 billion). The balance comes from out-of-state and Advance Deposit wagers (\$2.13 billion).

Patrons failed to cash \$6.9 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, \$842 million, or 19.8 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 \$169.2 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 \$172.7 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 \$38.1 million from pari-mutuel wagering. Of this money, \$785,331 went to the General Fund for budgeted operating revenues for state programs.

The allocation of the California Horse Racing Board budget (\$9,076,776) 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 (\$12,544,940), standardbreds (\$780,040), quarter horses (\$499,707), appaloosas (\$2,477), Arabians (\$51,886), and mules (\$30,272).

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 \$6.8 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 \$17.1 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 \$262.7 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.

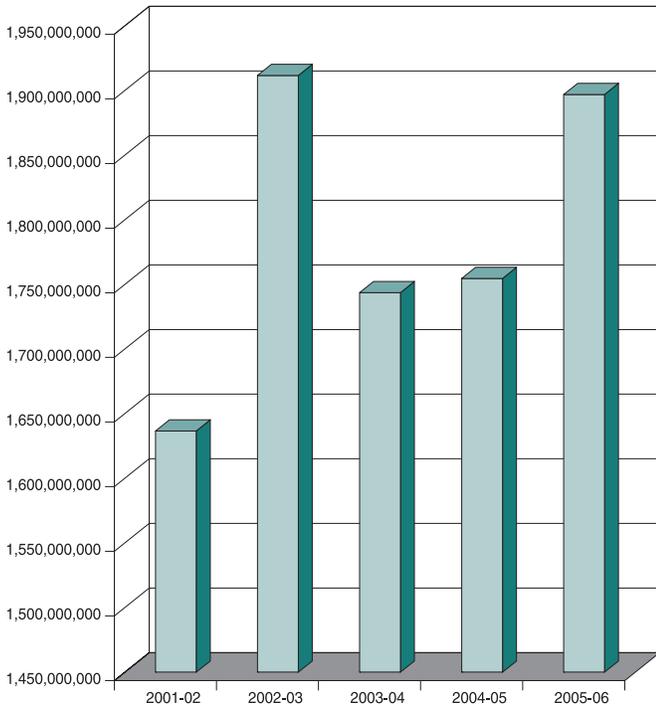
SIMULCAST FEES

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.

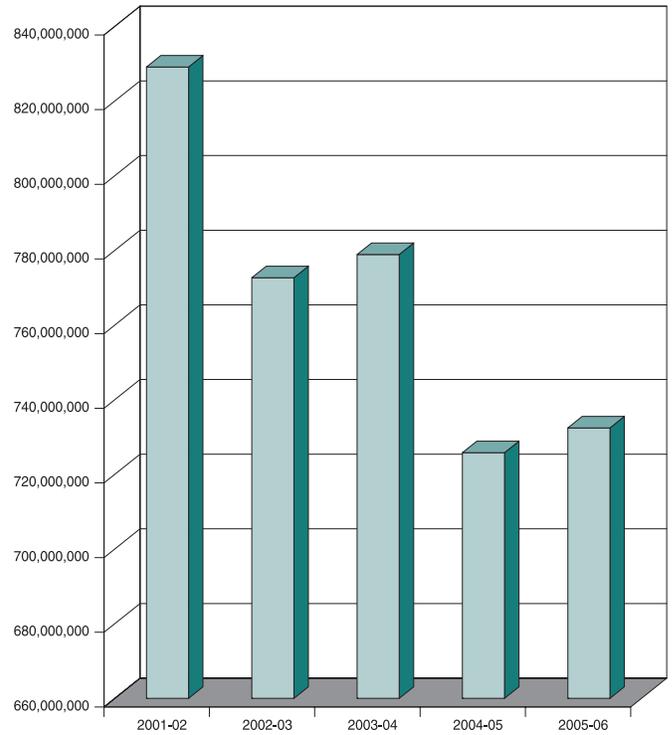
These funds received a total of \$103.8 million last year:

Stable and Vanning Fund:	\$14 million
Promotion Fund:	\$6.6 million
Expense Fund:	\$52.5 million
Guest Site Fees:	\$30.7 million

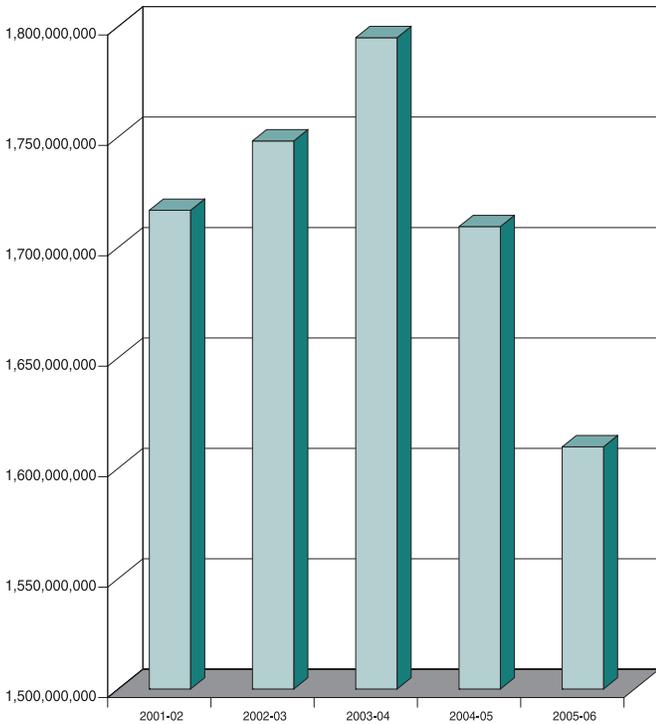
Total Handle Off Track



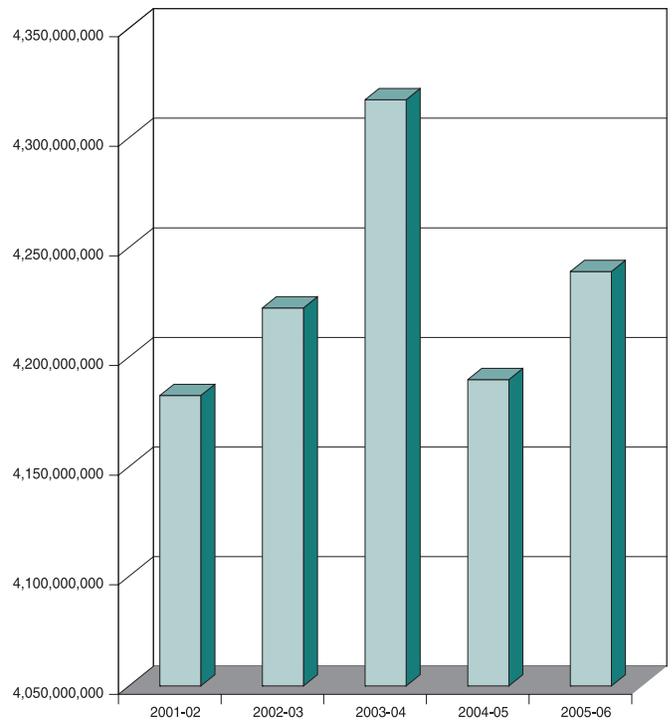
Total Handle On Track



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. These funds are registered with the Registry of Charitable Trusts of the Office of the Attorney General. The three horsemen's organizations have established and maintain the following welfare funds:

The California Thoroughbred Horsemen's Foundation, Inc.

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

California Harness Horseman's Association Welfare Fund

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

Quarter Horse Benevolent Charity Foundation

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

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

The California Horsemen's Organizations

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

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

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

Audited Expenses of California Horsemen's Organizations

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

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

Pacific Coast Quarter Horse Racing Association, Inc.

*Statement of Revenues collected, expenses paid, and changes in fund balance - modified cash basis;
for the year ended December 31, 2005*

REVENUES COLLECTED	2005
Administration fees	\$443,879
Race administration fees	55,396
Membership dues	12,340
Cal-Bred Registry fees	19,035
Investment income	23,029
Sale costs reimbursement	25,000
Other income	2,750
Total revenue	581,429
EXPENSES PAID	2005
Administrative salaries and related expenses	209,450
Professional services	93,494
General operating expenses	79,037
Race and awards expenses	62,801
Insurance expenses	46,464
Memorial Funds	25,500
Legal expense	24,927
Chaplaincy expense	14,500
Depreciation	2,193
Total expenses	558,366
Increase To Fund Balance	23,063
Beginning Fund Balance	865,264
Ending Fund Balance	\$888,327

California Thoroughbred Trainers

Statements of Activities for the years ended December 31, 2004 and 2005

	2005	2004
Revenues		
Track revenues	\$754,119	\$735,740
Recreation hall income	685,243	616,601
Interest income	14,772	10,595
Track fees	64,656	47,250
Other	94,000	88,661
Total revenues	1,612,790	1,498,847
Expenses		
Program services:		
Recreation hall	655,475	588,565
Backstretch programs	121,091	94,526
Membership services	84,130	80,287
Contributions	7,070	12,025
Total program services	867,766	775,403
Supporting services:		
Administrative salaries and related expenses	535,487	512,355
General office expenses	46,955	48,896
Professional and outside services	59,302	52,813
Insurance	11,828	12,491
Depreciation	14,298	12,978
Repairs and maintenance	2,563	3,625
Meetings and conventions	8,019	11,179
Travel – mileage reimbursement	5,803	6,532
Total supporting services	684,255	660,869
Total expenses	1,552,021	1,436,272
Change in net assets	60,769	62,575
Net assets at beginning of year	952,183	889,608
Net assets at end of year	\$1,012,952	\$952,183

Arabian Racing Association of California

*Statement of Activities and Changes in net assets
for the year ended December 31, 2004*

ACTIVITY	2004
Revenue and Support:	
Owners' and breeders' awards	\$72,259
Track administration fees	100,552
Membership	2,310
Other	3,318
Total	178,439
Expenses:	
Owners', breeders', and stallions' awards	65,013
Breed representative	39,145
Race sponsorship	21,752
Legal and accounting	10,400
Promotion	13,382
Convention, awards, and trophies	7,297
Other	5,933
Total	162,922
Increase in net assets	15,517
Net Assets, Unrestricted:	
Beginning of year:	178,422
End of year	\$193,939

Thoroughbred Owners of California

Statements of Activity for the years ended June 30, 2006 and 2005

	2006	2005
Unrestricted Revenues and Gains:		
Proceeds from racetracks	\$1,502,000	1,493,000
Contributed office space	56,000	54,000
Investment income, net	39,000	20,000
Other	3,000	2,000
Total unrestricted revenue and gains	1,600,000	1,569,000
Unrestricted Expenses:		
Consulting	211,000	202,000
Newsletter	99,000	98,000
Seminars	67,000	32,000
Board and member meetings	48,000	57,000
Donations	67,000	126,000
Management and general	1,076,000	1,035,000
Total unrestricted expenses	1,568,000	1,550,000
Changes in unrestricted net assets	32,000	19,000
Unrestricted net assets, beginning of year	1,290,000	1,271,000
Unrestricted net assets, end of year	\$1,322,000	\$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, 2005 and 2004*

	2005	2004
Revenue and other support:		
California Authority of Racing Fairs	\$62,263	\$74,992
Fairplex	13,945	
Futurities	9,075	8,260
Other income	6,886	6,600
Membership	1,350	2,250
Interest	4,250	1,526
Cal-Bred fees	769	430
Total revenue and other support	98,538	94,058
Expenses:		
Program expenses		
Owner promotion	23,975	
Breed representative	12,000	14,600
Racing sponsorships	1,000	6,250
Futurities	7,600	1,900
Award fees	6,967	4,676
Other program expenses	439	2,231
Racing stats book	313	1,150
Jockey mount fees	32,660	6,355
Total program expenses	84,954	37,162
Supporting expenses		
General and administrative	16,679	10,207
Total supporting expenses	16,679	10,207
Total expenses	101,633	47,369
Change in net assets	(3,095)	46,689
Unrestricted net assets, beginning of year	175,167	128,478
Unrestricted net assets, end of year	\$172,072	\$175,167

California Harness Horsemen's Association

Statement of Functional Expenses for the year ended June 30, 2005

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Administration Fees	\$322,887		\$322,887
Unclaimed pari-mutuel pool distributions		\$255,809	255,809
Workers compensation program funds		261,583	261,583
Membership dues	16,005		16,005
Interest income	39		39
Admin. fee: pari-mutuel pool distributions	17,430		17,430
Admin fee: self-pay	832		832
Admin. Fee: workers compensation fund	1,235		1,235
Misc. income	7,055		7,055
Net assets released from restrictions			
Satisfaction of program restrictions	342,372	(342,372)	
Total revenues and other support	707,855	175,020	882,875
EXPENSES			
Administrative costs	77,601		77,601
Administrative fee to CHHA	20,940		20,940
Capital Racing subsidy	95,000		95,000
Depreciation	5,438		5,438
Donations	14,018		14,018
Dues and memberships	6,497		6,497
Events	23,115		23,115
Insurance	40,596		40,596
Internet, Website	6,601		6,601
Legal Costs	167,527		167,527
Marketing	3,767		3,767
Payroll taxes	13,772		13,772
Salaries and wages	144,801		144,801
Sire Stakes subsidies	135,122		135,122
Stabling costs	3,000		3,000
Track representative	12,698		12,698
Trailer lease	5,446		5,446
Travel (airfare, meals, and lodging)	25,402		25,402
Welfare fund insurance payments	161,483		161,483
Workers compensation insurance subsidy program	159,949		159,949
Total expenses	1,122,773		1,122,773
Change in net assets	(414,918)	175,020	(239,898)
Net assets, June 30, 2004	329,259	169,471	498,730
Net assets June 30, 2005	\$(85,659)	\$344,491	\$258,832

