

45th Annual Report

of the

California Horse Racing Board

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

**A Summary of
Fiscal Year 2014–15 Revenue and
Calendar Year 2015 racing in California**

California Horse Racing Board

Chuck Winner, Chairman
Richard Rosenberg, Vice Chairman
Madeline Auerbach, Member
Steve Beneto, Member
Jesse Choper, Member
George Krikorian, Member
Alex Solis, Member
Bo Derek, Former Member
Rick Baedeker, Executive Director
Jacqueline Wagner, Asst. Exec. Director

This report covers the fiscal year (July 1, 2014, through June 30, 2015) for revenue purposes, including pari-mutuel handle, fines, taxes, license fees and the distribution of funds, as well as the report of the Postmortem Program. This report covers the 2015 calendar year for reports on race meets and CHRB meetings.

**The CHRB general office is located at 1010 Hurley Way, Suite 300, Sacramento, CA 95825.
Field offices are located at all operating racetracks. Annual reports are available at:
www.chrb.ca.gov (Publications)**

Report from the Chairman



The California Horse Racing Board and racing industry made great strides together in 2015 by focusing on proactive programs to improve equine welfare and promote racing integrity. And by year's end, all parties came together to stabilize racing and training operations in Southern California as they continued to collectively address the challenges created by the closure of Hollywood Park in 2013.

My second year as chairman went fairly smoothly, thanks in large part to the hard work and support of my fellow commissioners and Executive Director Rick Baedeker and his staff. We were all disappointed to see Bo Derek leave the Board after doing so much fine work during her seven years as a racing commissioner. Fortunately, Alex Solis agreed to serve on the Board and bring his insights as an active jockey. Racing in California is benefiting from his expertise, especially with respect to issues dealing with the safety of racing participants.

I believe that racing in California continues to be well served by a Board of highly qualified and very dedicated individuals. Richard Rosenberg's service as our vice chair has been invaluable to me and to the Board. Commissioners Madeline Auerbach, Steve Beneto, Jesse Choper, and George Krikorian all have impressive credentials and have worked tirelessly to do what is in the best interest of the sport that we love. Together we have a strong commitment to preserving horse racing as a sport and industry for the benefit of the state.

Perhaps most importantly, Rick Baedeker and Jackie Wagner and their entire team are without equal. I can't thank them enough for their knowledge, dedication, work ethic, and integrity. We are all fortunate they are a part of California racing. We are grateful for the support of the Governor, the Legislature, the Business, Consumer Services and Housing Agency (BCSHA), the University of California at Davis (UC Davis), and all other organizations, individuals and interests who sustain our efforts.

Business Highlights

Somewhat remarkably, the California horse racing business has held fairly steady for the last five years, despite the closure of Hollywood Park and the cessation of racing at the Los Angeles County Fair. It seems that racing has reached a set point — holding very close to \$3 billion in wagering by fans of California horse racing after declining by \$1 billion the previous decade. Handle in 2015 dropped 2.7 percent, but that was largely attributable to the Breeders' Cup being held

elsewhere for the first time in four years. Excluding Breeders' Cup business, total wagering actually increased by 1.6 percent.

These figures demonstrate the importance of attracting the world championship thoroughbred races to California as often as possible. In addition to increased wagering, the 100,000 people attending the two-day Breeders' Cup event typically generate in excess of \$40 million in increased sales in the region. The Breeders' Cup will return to Santa Anita in 2016, and then Del Mar will host the event for the first time in 2017. We look forward to having those great days of racing back in our state.

Reflecting the stable business environment, racing interests have continued to invest heavily in the infrastructure. New stalls have been added at Los Alamitos Race Course and San Luis Rey Training Center — with even more stalls anticipated in 2016. And Del Mar replaced its synthetic racing surface with a dirt main track, thanks to the support of the 22nd Agricultural District.

Significantly, racing interests led by the Stronach Group are committing an estimated \$700,000 for the installation of a video surveillance system in the stable area at Santa Anita — the first step in what we hope eventually will be a statewide program at all of the major racing and stabling centers to improve security and reassure fans of California horse racing that only authorized, well-meaning individuals are entering the stalls of horses entered to run and that everyone is playing on a level field.

The industry continues to expand its in-state simulcast wagering network by opening new wagering operations in sports bars, restaurants and other existing businesses. The addition of Striders in downtown San Diego late in the year marked the 10th mini-satellite in the state to offer wagering on horse racing. We still have the potential to increase the number of satellite facilities by as many as 35 to reach the maximum of such facilities authorized by statute. An 11th mini-satellite is scheduled to open in Norco early in 2016.

The industry named a new company to provide totalizator services at all California wagering facilities. Amtote International began operations here on October 28, 2015. The transition from the previous provider to Amtote had some minor start-up glitches, but given that Amtote installed more than 3,000 wagering machines at 40 locations in a matter of weeks and that California has the most complex pari-mutuel system in North America, pari-mutuel executives expressed relief that the transition went as smoothly as it did.

Racehorse Health and Welfare

California is in step with the rest of the country in implementing National Uniform Medication Program model

medication rules, laboratory standards, and enhanced penalties for repeat offenders. To this end, the CHRB, often an industry leader when it comes to medication policy, has adopted rules reducing authorized levels for therapeutic medications, which included restrictions on corticosteroids in racehorses, thus addressing a great source of concern. We also set limits on the amount of the natural element cobalt that can be present in the horse to eliminate abuse by overdosing.

We continued progress toward the eventual requirement that all anti-bleeding medication (Lasix) be administered by an independent veterinary professional rather than private veterinarians. We appreciate the cooperation of the California Veterinary Medical Board and the BCSHA's support in this effort.

Our own safety stewards continued working with racetrack superintendents and maintenance crews on the Racing Safety Program, which includes monitoring racing surfaces and establishing track safety standards with the goal of reducing injuries to both horses and riders.

The CHRB and horse racing industry continue to be focused on equine safety and the reduction of equine injuries and fatalities. These efforts resulted in a further 5-percent reduction in fatalities within CHRB-controlled facilities during the last fiscal year. The CHRB will continue to make equine health and safety issues an extremely high priority, including stressing continuing education for trainers and assistant trainers.

While improvements to their design have made riding crops kinder to horses and all but eliminated injuries due to whipping, the CHRB took a major step to address public perception and rider and horse safety by adopting a rule in 2015 strictly limiting the use of the riding crop. Jockeys using the riding crop in excess of the limitations have been fined and/or suspended.

Protecting the Integrity of Racing

The CHRB received a budget increase of \$1.2 million for FY 2015-16, allowing for the Kenneth L Maddy Equine Analytical Chemistry Laboratory at UC Davis to continue providing its high level of drug testing services and research to the California racing industry. We appreciate the support provided by BCSHA in this matter. As detailed elsewhere in this annual report, the Maddy Laboratory conducts all primary post-race testing as well as out-of-competition testing and other services to provide a critical line of defense against those who would take unfair advantage over those who play by the rules.

We are very pleased to report that California horse racing experienced only four Class 1, 2, or 3 medication violations during the 2014-15 fiscal year — the lowest number of major medication violations in at least 40 years.

Race Dates and Stabling

One of the more difficult issues for the CHRB and the industry has been dealing with the changing landscape of racing in California. The closure of Hollywood Park, the cessation of racing operations at the Los Angeles County Fairgrounds, and, going further back, the demolition of Bay Meadows, all have involved a reallocation of racing dates. Identifying adequate stabling for horses racing in California following the elimination of approximately 4,000 stalls at those three locations has made the process far more complicated.

The racing calendars are evolving with Golden Gate Fields, Santa Anita, Del Mar, and Los Alamitos Race Course picking up the bulk of the dates vacated by Bay Meadows and Hollywood Park. The Board will continue evaluating business trends and other factors at those and other racing facilities in a continuing effort to maximize racing opportunities for racing associations and fairs.

The stabling issue continues to be complex due to the high costs of providing stalls and maintaining racing surfaces for the training of horses preparing to race in California. There also are environmental issues, as some communities are hesitant to authorize the construction of new stalls. Temporary arrangements are in place, thanks to the cooperation of all stakeholders, and we are all working to secure permanent, adequate stabling for the years ahead.

One source of relief for the overcrowding of horses at California racing and training facilities will be a program introduced in 2015 involving the implantation of microchips in a small number of horses stabled at Golden Gate Fields and the Alameda County Fairgrounds. Some owners already have volunteered to have more than 150 horses microchipped, and the CHRB has plans to make microchip identification mandatory. Once racing executives can positively identify the current location of every horse in the inventory, they should be able to determine which horses are actually competing and eligible for stall space.

Chief Steward

The panels of three stewards at every operating racetrack have a tremendous responsibility to represent the Board and oversee operations at those facilities. They are in the public eye when they conduct inquiries that affect millions of dollars in wagers. They make rulings involving the livelihood of individuals licensed by the CHRB. And together with the safety steward, they are responsible for the health and safety of all racing participants.

To assist stewards in this important work and to promote uniformity of regulation, Executive Director Baedeker recommended and the CHRB created the position of Chief Steward. We were fortunate to have a highly qualified steward within our ranks to assume this new position. Darrel McHargue has been a California steward since 1990, and before that he was a highly successful jockey, who earned an

Eclipse Award for his riding achievements in 1978. Beginning December 26, 2015, Darrel left the stewards stand at Golden Gate Fields and began working with his colleagues throughout the state. We are proud to have taken this proactive step for the improvement of horse racing in California.

American Pharoah

On another bright note, American Pharoah, the brilliant colt that began his career by winning major stakes races for 2-year-olds at Del Mar and Santa Anita in 2014, went on to win the Kentucky Derby, Preakness, and Belmont Stakes in 2015 to become the first horse to sweep racing's Triple Crown in 37 years, since Affirmed in 1978. Trained by California-based conditioner Bob Baffert, owned and bred by

Ahmed Zayat, and ridden by Southern California jockey Victor Espinoza, American Pharoah became a major celebrity in North America and provided welcomed public attention to the sport. Given that our state-bred California Chrome won the previous year's Kentucky Derby and Preakness, California has maintained its stature as one of the premier racing centers in the world.

Respectfully,

A handwritten signature in black ink, appearing to read 'Chuck Winner', written in a cursive style.

Chuck Winner, Chairman
California Horse Racing Board

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

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



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



The California Horse Racing Board

History and Mission Statement

Horse racing has been taking place in California since the 1800s, but horse racing as we now know it — under the pari-mutuel wagering system — was not made possible until the electorate passed a Constitutional Amendment in 1933. The Horse Racing Law has since been regularly modified, amended, and enhanced to provide for regulation of live racing, off-track wagering, interstate and international wagering, and online account wagering, known as Advance Deposit Wagering, or ADW.

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

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

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

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

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

Mission Statement

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

Principal activities of the CHRB include:

- ◆ Adopting rules and regulations to protect the public and ensure the safety of the human and equine participants.
- ◆ Licensing racing associations and racing-industry participants and officials.

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

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

Members of the California Horse Racing Board

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

At least four members of the CHRB must concur in the taking of any official action or in the exercise of any of the Board's duties, powers, or functions. The member commissioners elect their chairman, who presides over meetings of the Board. The members also elect a vice chairman or when necessary a 1st vice chair and a 2nd vice chair to preside in the absence of the chairman.

Commissioners receive a per diem of \$100 for each day spent in attendance at meetings and are reimbursed for travel and other expenses necessarily incurred in the performance of their official duties.

Committees of the Board

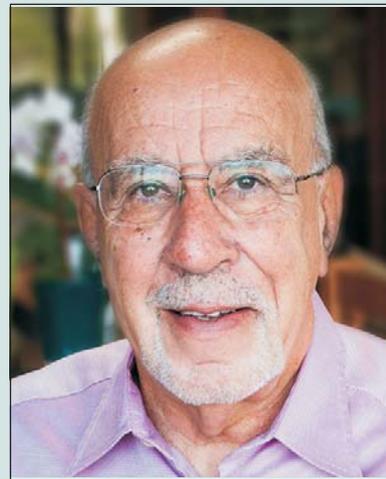
The executive director is directed to provide public notice of committee meetings in accordance with the

Bagley-Keene Open Meeting Act. Whenever a Board quorum is expected at any meeting of a committee, the executive director shall give notice that the meeting is a Special Meeting of the California Horse Racing Board limited to the agenda, the items to be discussed at the meeting, and the expected commissioners in attendance, so that legal notice may be published.



**Chuck Winner,
Chairman**

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



**Richard Rosenberg,
Vice Chairman**

Former worldwide head of the Music Department of the William Morris Agency, later became a member of the executive committee. Appointed to the CHRB by Governor Arnold Schwarzenegger on September 24, 2009. Reappointed by Governor Edmund G. Brown Jr. through July 26, 2016.

Members of the California Horse Racing Board



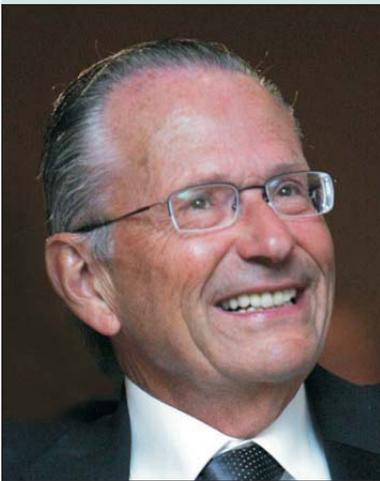
**Madeline Auerbach,
Member**

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



**Steve Beneto,
Member**

Founded Beneto, Inc. in 1979. Appointed to the CHRB by Governor Edmund G. Brown Jr. on May 21, 2012, through January 1, 2016. Reappointed by Governor Brown through January 1, 2020.



**Jesse H. Choper,
Member**

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



**George Krikorian,
Member**

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



**Alex Solis,
Member**

Jockey, riding in the United States since 1982, member of National Museum of Racing's Hall of Fame. Appointed to the CHRB by Governor Edmund G. Brown Jr. on April 30, 2015, through January 1, 2018.



**Bo Derek,
Former Member**

Actress, active in humanitarian efforts for people and animals. Appointed to the CHRB by Governor Arnold Schwarzenegger on July 15, 2008. Reappointed by Governor Edmund G. Brown Jr. through January 1, 2018. She completed her service on April 27, 2015.

Board and Committee Meetings

Racing commissioners met 21 times in 2015 for public Board and Committee meetings. Noticed meetings are open to the public and include a published agenda. The following 11 Board meetings were held:

January 15, 2015
Santa Anita Park

February 19, 2015
Santa Anita Park

April 16, 2015
Golden Gate Fields

May 21, 2015
Santa Anita Park

June 25, 2015
Los Alamitos Race Course

July 17, 2015
Del Mar Simulcast Facility

August 20, 2015
Del Mar Simulcast Facility

September 24, 2015
Los Alamitos Race Course

October 22, 2015
Santa Anita Park

November 19, 2015
Del Mar Simulcast Facility

December 17, 2015
Los Alamitos Race Course

Committee Public Meeting Dates

Medication & Track Safety
January 14, 2015
Santa Anita Park

Pari-Mutuel, ADW & Simulcast
April 8, 2015
Los Alamitos Race Course

Legislative, Legal & Regulations
April 15, 2015
Golden Gate Fields

Medication & Track Safety
May 27, 2015
Santa Anita Park

Jockey & Driver Welfare
May 27, 2015
Santa Anita Park

NorCal Race Dates & Stabling
June 19, 2015
Golden Gate Fields

SoCal Race Dates & Stabling
June 24, 2015
Santa Anita Park

Medication & Track Safety
August 19, 2015
Santa Anita Park

Medication & Track Safety
September 4, 2015
Del Mar Simulcast Facility

Pari-Mutuel, ADW & Simulcast
October 21, 2015
Los Alamitos Race Course

CHRB Operating Budget

July 1, 2014 – June 30, 2015

| Appropriations | Item | Total |
|---|-------------|----------------|
| Personal Services | \$4,974,000 | |
| Operating Expenses | 7,134,000 | |
| Exchange Wagering Allocation | 443,000 | |
| Total Appropriation | | \$12,551,000 |
| Expenditures — Personal Services | | |
| Salaries and Wages | 3,226,000 | |
| Staff Benefits | 1,473,000 | |
| Total Personal Services | | \$4,699,000 |
| Operating Expenses and Equipment | | |
| General Expense | 424,000 | |
| Printing | 46,000 | |
| Communications | 57,000 | |
| Postage | 25,000 | |
| Travel-in-State | 312,000 | |
| Travel-out-of-State | 2,000 | |
| Training | 6,000 | |
| Facilities Operations | 149,000 | |
| Contractual & Professional Services-Interdepartmental | 2,843,000 | |
| Contractual & Professional Services-External | 2,542,000 | |
| Consolidated Data Center | 133,000 | |
| Central Administration Services: Pro Rata | 473,000 | |
| Equipment | 0 | |
| Exchange Wagering | 0 | |
| Total Operating Expenses and Equipment | | \$7,012,000 |
| Total Expenditures | | * \$11,711,000 |
| **Unexpended Balance FY 2014-15 | | 840,000 |
| Total Expenditures & Unexpended Balance | | \$12,551,000 |

* Includes year-end accruals

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

State Operations

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

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

The Board appoints an executive director to carry out its objectives. Execu-

tive Director Rick Baedeker is responsible for the department's operations and regulation of the horse-racing industry. The executive director is supported in this regard by the assistant executive director, Jacqueline Wagner; by the general counsel, Robert Miller, as well as by supervisory personnel and staff at CHRB offices and at all of the state's racetracks.

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

Horse racing's dynamics, complexity, and broad geographical base place a tremendous responsibility on the Board's staff. To assist in this day-to-day oversight, the CHRB contracts with stewards and veterinarians for on-track activities, and with the University of California, Davis, for drug testing and safety-related services.

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



**Rick Baedeker,
Executive Director**

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



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

Regulatory Changes

The following rules were amended, repealed, or added during 2015:

Rule 1433 (amended)

Application for License to Conduct a Horse Racing Meeting: Amended to remove the requirement that a polymer synthetic-type racing surface be installed at California thoroughbred racing facilities. The amendment also revises forms CHRB-17 Application for License to Conduct a Horse Racing Meeting and CHRB-18 Application for License to Conduct a Horse Racing Meeting of a California Fair to require: 1) more detailed stakes information; 2) information regarding equine emergency services; 3) wagering changes that differ from the prior year, and 4) takout percentages for each type of wager.

Rule 1588 (amended)

Horse Ineligible to Start in a Race: Amended to provide that a horse on a Veterinarian's List in another racing jurisdiction is ineligible to start in any race, except with prior approval of the stewards for good cause. Good cause includes: 1) unforeseen administrative issues; 2) the location of the horse prevents it from being evaluated by the official veterinarian of another racing jurisdiction in order to be cleared from that jurisdiction's list, provided the horse is approved by a California official veterinarian, or 3) any other unforeseen event or reason that would prevent a horse that would otherwise not be on a Veterinarian's List from being cleared.

Rule 1632 (amended)

Jockey's Riding Fee: Amended to adjust the scale of jockey riding fees for losing mounts by 12.5 percent in order to comply with the first of two incremental California minimum wage increases, as directed by Business and Professions Code section 19501. The amendment also applied the 12.5 percent adjustment to the scale of the jockey riding fees for all mounts not sharing in purse monies to ensure that riders with second and third- place mounts in races with a gross purse of \$9,999 or less receive more than a losing mount.

Rule 1688 (amended)

Use of Riding Crop: Amended to replace the word "whip" with "riding crop" within the text and title of the rule. The amendment also prohibits a jockey from using a riding crop on a horse more than three times in succession without giving the horse a chance to respond before using the riding crop again.

Rule 1843.2 (amended)

Classification of Drug Substances: Amended to add cobalt to the CHRB Penalty Categories Listing by Classification. The amendment also reclassifies and adds specified drug substances.

Rule 1844 (amended)

Authorized Medication: Amended to remove clenbuterol from the list of drug substances that may be detected in an official urine test sample from a quarter horse.

Rule 1844 (amended)

Authorized Medication: Amended to revise the allowable level of ketoprofen that may be present in a test sample from 10 nanograms per milliliter of blood plasma or serum to 2 nanograms per milliliter of blood plasma or serum of the drug substance. The amendment also adds isoflupredone to the list of drug substances that a blood serum or plasma may contain in an amount that does not exceed 100 picograms per milliliter.

Rule 1858
(amended)

Test Sample Required: Amended to remove the maximum limit of nine horses designated each day for testing by the Equine Medical Director, the stewards, or the official veterinarian. In addition, the amendment requires that every horse nominated, pre-entered, or registered to race at an inclosure be subject to testing. The amendment defines “registered to race at an inclosure,” as a horse that has papers filed with a racing association under the jurisdiction of the Board.

Rule 1866
(amended)

Veterinarian’s List: Amended to provide that after being placed on the Veterinarian’s List (List) as sick or having received veterinary treatment-shockwave therapy, a horse may not work out for 72 hours without the permission of the official veterinarian. The amendment also requires a horse to remain on the List for a specific number of days after being placed on the List as lame or unsound before the horse is eligible to be removed from the List.

Rule 1866.1
(added)

Presence of Clenbuterol in Quarter Horses: Adopted to provide that a quarter horse prescribed clenbuterol will be placed on the Veterinarian’s List (List) until an official test sample shows there is no clenbuterol in the blood or urine of the quarter horse after a workout to demonstrate its physical fitness. A quarter horse placed on the List for clenbuterol will not be allowed to start in a race until the horse is removed from the List. Veterinarians prescribing clenbuterol must fill out form CHRB-24 (Veterinarian Report) and must be in compliance with Rule 1864, Labeling of Medication. Administration of clenbuterol must also be reported by the trainer with form CHRB-60 (Trainer Medication Report).

Rule 1891.1
(added)

Penalty for Possession of Electrical Device: Adopted to provide that a case against any licensee for the possession or use of an electrical device, as prohibited under Rule 1890(c), shall be referred to the Board for hearing. If the Board finds that a licensee has violated or conspired to violate Rule 1890(c), the licensee shall have his or her license revoked. In addition, the amendment provides that if the Board finds that a violation of Rule 1890(c) has occurred, the matter shall be referred to the district attorney for the county in which the violation occurred.

Licensing

The CHRB licensing unit is comprised of two racing license supervisors and eight racing license technicians assigned to the thoroughbred, quarter horse, and harness venues. During a licensed racing meet at any of the racetracks in the state, a licensing field office of the CHRB is established at the operating facility.

The licensing unit issued 8,621 original, renewal, or duplicate licenses in FY 2014-15. Licenses issued included 3,244 new or renewal owner licenses, 371 new or renewal trainer or assistant trainer licenses, 152 new or renewal jockey or apprentice jockey licenses, 1,906 new or renewal groom or stable employee licenses, and 442 new or renewal pari-mutuel clerk licenses as well as many other classes of occupational licenses. The issuance of these licenses generated \$787,580 in licensing fee revenue for the General Fund.

The live-scan fingerprint technology and digital photograph identification card system continued to streamline the licensing process. The applicant's fingerprints were digitally captured and the fingerprint image transmitted to the California Department of Justice and the Federal Bureau of Investigation National Crime Information Center (NCIC) databases. The NCIC database contains criminal history information from federal, state, local, U.S. territory, and foreign criminal

justice agencies as well as authorized courts. License applicants were screened for disqualifying criminal histories by querying these automated criminal history records. Additionally, all CHRB licensees were subjected to the same criminal history checks upon scheduled license renewal intervals.

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

Appointed CHRB Officials — FY 2014–15

STEWARDS

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

Darrel McHargue
William Meyers
Ruben Moreno
David Nuesch
Dennis Nevin
Michael “Wayne” Oke
Jeffery Salmon

Kim Sawyer
George Slender
Victor Stauffer
Thomas Ward
Randy Winick

OFFICIAL VETERINARIANS

Dr. Gary Beck
Dr. Donald Dooley

Dr. Forrest Franklin
Dr. Timothy Grande

Dr. Barrie Grant
Dr. Clifford Zucco

Racing Supervision

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

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

The CHRB directly appoints all stewards and official veterinarians, while the other racing officials are nominated by the racing associations subject to CHRB approval.

The Legislature provides an annual appropriation to meet the costs of direct racing supervision. The CHRB paid \$2,184,641 in FY 2014-15 for stewards and official veterinarians. Other racing officials were paid by the associations in the manner prescribed and agreed to by the CHRB.

Acting for the CHRB in matters relating to the race meets assigned to them, the stewards used their delegated authority for the following:

- ◆ Oversaw entries, declarations, and the placing of horses for the official order of finish.
- ◆ Conducted administrative hearings on matters involving racing infractions and other offenses.
- ◆ Issued rulings based on those hearings to impose suspensions of license, impose fines, and/or bar individuals from the enclosure for racing offenses.
- ◆ Presided over exams required for certain classes of licenses.

- ◆ Made recommendations to the CHRB regarding the qualifications and fitness for licensure of applicants referred to them by the Board's licensing staff.

- ◆ Maintained minutes of all such proceedings for review by the Board and the public.

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

The official veterinarians, overseen by the Equine Medical Director (EMD, Dr. Rick Arthur), enforced CHRB regulations relating to veterinary practices, medication, and the health and welfare of the horse. They supervised operations of the receiving barn, the collection of urine and blood samples for testing, and the preparation and documentation of the samples to be transported to the laboratory.

The official veterinarians consulted with the EMD and track veterinarians, examined horses for fitness, maintained a health and racing soundness record for each racehorse eligible to compete at a race meet, reviewed confidential reports of veterinary treatments of horses under their general supervision; maintained records of

infirm horses, accidents, and injuries; approved prescribed therapeutic treatment regimens; and otherwise acted as the Board's veterinary advisors.

The horse identifiers accurately identified all breeds of racehorses that had to be identified before starting in any race. The horse identifiers supervised the tattooing of horses and maintained that information in the identification records of each horse, along with photographs and other information relating to unique markings, color, pedigree, and a narrative description.

Safety stewards enforced compliance with safety standards. They also:

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

CHRIMS

California is the only state with a statewide pari-mutuel database providing services to racetracks, horsemen, and government. Services provided by CHRIMS include data collection, calculation of takeout distributions, database management, software development, pari-mutuel accounting and settlements, money room balancing, customer resource management, and statistical analysis.

CHRIMS is a not-for profit, mutual benefits corporation whose members include Northern California Off-Track Wagering Inc. and Southern California Off-Track Wagering Inc. An eight-member board of directors, which includes representatives from day and night racing associations, horsemen, and racing fairs, oversees the CHRIMS operation. The CHRIMS databases contain California wagering and attendance data dating back to 1985.

CHRIMS has been instrumental in helping the California racing industry cope with the demands associated with the changing landscape of pari-mutuel wagering during the past 30 years. Specialized applications enable data technicians to electronically collect wagering data and calculate the distribution of takeout based upon California pari-mutuel horse-racing law and contractual business rules.

Each day, CHRIMS downloads parimutuel data from various totalisator systems. The data includes wagering pools, takeout commissions, breakage, minus pools, runner pay, refunds, uncashed tickets, and voucher information. The raw data collected from totalisator systems is compiled and translated into the CHRIMS database parameters. CHRIMS data can be sorted by a myriad of criteria, including by date, race, pool, host track, location of bet, location type, breed, geographic zone, zip code, state, and race type. CHRIMS connects to and downloads data from AmTote, United Tote, and Sportech, plus the six licensed California ADW compa-

nies, which include Game Play, Lien Games, TwinSpires, TVG, XpressBet, and Watch & Wager.

CHRIMS partners with the California Marketing Committee on its technology projects, manages the intrastate tote wagering telecommunications network, and provides data relating to the specifics of races (runners, distance, surface, age, class, etc.) via downloads from Equibase.

CHRIMS also provides services to racetracks, ADW companies, and racing commissions outside California. Contracts include Amtote, Aqueduct, Belmont, Colonial Downs, eBet, Ellis Park, Gulfstream Park, the Horse Races Now, TheHorseRaces.com, Keeneland, Laurel Park, Louisiana Downs, Meadowlands, Monmouth Park, Pimlico, Portland Meadows, Sam Houston, Saratoga, Tampa Bay Downs and The Red Mile. Racing commissions and horsemen's organizations include the Illinois Thoroughbred Horsemen's Association, Kentucky Horse Racing Commission, Massachusetts Gaming Commission, and the North Dakota Racing Commission. CHRIMS processes and provides reporting services relating to the six California licensed ADW companies: Game Play Network, Lien Games, TVG, TwinSpires, WatchandWager, and Xpressbet. CHRIMS also provides simulcast settlement services for many of its customers.

CHRIMS Inc. received \$417,112 from unredeemed vouchers in 2015.

Laboratory Services

To protect animal health and the integrity of racing, the CHRB requires analysis of blood and urine samples from horses in competition. The Kenneth L. Maddy Equine Analytical Chemistry Laboratory (Maddy Lab) at University of California, Davis (U.C. Davis) is the authorized drug-testing laboratory for California horse racing. Funded by wagering revenues, the Maddy Lab tested 53,755 samples in FY 2014-15.

The Maddy Lab analyzed 21,277 post-race urine and blood samples, including in-depth testing of 11,987 for anabolic steroids, 18,234 bicarbonate (TCO²) loading blood samples, 1,398 out-of-competition (OOCT) blood samples, 235 OOCT and post-race hair samples, 42 evidence submissions, and 582 other samples for various purposes in FY 2014-15. The cost to the State of California was \$1,987,250.

Urine and blood samples are obtained post-race from the winner of every race, 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. Post-race testing includes in-depth testing for anabolic steroids and over 1,500 other prohibited drugs, from regularly used therapeutic medications to potent stimulants such as dermorphin. Special testing for cobalt included blood and urine race samples and necropsy tissue samples.

Checking for TCO², a prohibited practice known as “milkshaking,” is conducted on thoroughbreds and harness horses. Thoroughbred TCO² testing is done pre-race; harness horse TCO² testing is primarily done pre-race, but some TCO² sampling is done 90 minutes post-race on winners. The CHRB thoroughbred and pre-race harness TCO² programs are in compliance with the Racing Medication and Testing Consortium (RMTC) Best Practices recommendations and the Association of Racing Commissioners International (RCI) model rule for TCO² testing.

OOCT, conducted throughout the year, is critical for compliance in human sports testing and is necessary to detect certain prohibited drugs. OOCT targets blood-doping agents, anabolic steroids, beta-2 agonists, and other biopharmaceutical agents. The OOCT program monitors compliance with anabolic steroid reporting procedures and for surveillance of other drugs of interest. The CHRB and Maddy Lab expanded the program in FY 2014-15 to include equine hair analysis, an alternative testing matrix to expand the drug-detection window.

The Maddy Lab retains a portion of every urine sample for retrospective testing should a new test become available. Samples underwent retrospective testing for carbazochrome, cobalt, zilpaterol, and ractopamine. Combining this with

OOCT, the CHRB is prepared for the next generation of performance-enhancing drugs.

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

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

The Maddy Lab conducted research or published scientific papers on acepromazine, amikacin, andarine, bambuterol, betamethasone, buprenorphine, butorphanol, carbazochrome, ceftiofur, chloramphenicol, clenbuterol, cobalt dehydroepiandrosterone (DHEA), dexmedetomidine, dextromethorphan, 5a-dihydroxyprogesterone, domperidone, ergoloid mesylate, ethylestrenol (Nitrogen®), fentanyl, firocoxib (Equioxx®), FG4592, formestine, flunixin megalumine, gamma-aminobutyric acid (GABA), GHRP-2, GHRP-6, GW1516, hair testing, insulin, isoflupredone acetate, medetomidine, methocarbamol, methylprednisolone acetate, metronidazole, morphine, neostigmine, nikethamide, ostarine, 6-oxo, pergolide mesylate, penicillin, phenylbutazone, propoxyphene, propofol, propranolol, romifidine, tamoxifen, testosterone esters, tolazoline, tramadol, tranexamic acid, trazadone, triamcinolone acetonide, tripelethamine, zoledronic acid, and numerous other drugs. Of particular interest was research to better regulate the use of corticosteroids, especially intra-articular corticosteroids in horse racing.

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

Racing Safety Program

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

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

The RSP focuses on:

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

The continuing education program is a collaborative effort between the CHRB and U.C. Davis in which two education modules have been completed and a third is nearing completion. The goal is to offer all three of the modules online, free of charge or for a small fee, in the spring of 2016. The CHRB in partnership with U.C. Davis Extension has produced an informative DVD showcasing the two com-

pleted educational modules in an effort to inform the horse racing and other equine industries of the education opportunities they provide. The CHRB's objective is to gain support and participation to ultimately allow for the completion of additional modules.

The CHRB/CAHFS Postmortem Program identifies the pathology related to the death of the racehorse and provides scientific understanding of specifically what injuries occurred. Postmortem Program reports by fiscal year are available on the CHRB website under the Veterinary tab.

The CHRB continues to conduct investigations into every racehorse fatality that occurs at a California racetrack or official training facility. This information is studied to understand the cause of each fatality and to identify methods for detecting and preventing injuries.

The TSSP has the objective of creating operational and maintenance standards for all racing surfaces in California. The program addresses the development of standard racing surface performance measurement tools and surface material performance testing. Regular testing and track evaluation is scheduled for every racing surface in the state. The safety stewards continu-

ally monitor each surface during the race meeting and address any concerns with track management and track superintendents.

The RSP is expanding the MPP by implanting microchips in an ever-increasing number of California racehorses. Launched in 2014, the MPP objective is to develop hardware and software that will allow paperless inventory analysis and movement tracking for California racehorses. InCompass Solutions has developed a microchip module for its racetrack operations software, which will store all information specific to each microchipped horse. A hand-held wand or scanner will identify the chip specific to each horse, and then that data will be transferred via a tablet computer to the InCompass software. The horse's information in the database will be automatically updated. The CHRB developed a plan to microchip horses in Pleasanton and at Golden Gate Fields to allow a comprehensive field trial and demonstration of the hardware and software. The MPP is scheduled to be completed by the end of FY 2015-16.

The CHRB is working closely with other racing jurisdictions and the Association of Racing Commissioners International to update the licensing test for trainers.

Equine Postmortem Program

All fatal equine injuries at California racetracks and authorized training facilities are monitored. This is accomplished through the CHR/B/University of California, Davis (U.C. Davis)/California Animal Health and Food Safety (CAHFS) Laboratory System Postmortem Program. The Postmortem Program annual report provides a descriptive report of findings from the Postmortem Program. These reports are posted on the CHR/B website under the Veterinary link when available.

The CHR/B/U.C. Davis/CAHFS Postmortem Program began in 1990 as a partnership between the CHR/B and the CAHFS laboratory system under the School of Veterinary Medicine at U.C. Davis. The program was established to study the nature of injuries occurring in racehorses, to determine the reasons for these injuries, and to develop prevention strategies.

CHR/B Rule 1846.5, Postmortem Examination, requires a necropsy for all horses dying within a CHR/B facility. More than 6,000 necropsies have been performed over the last 24 years, but FY 2014-15 saw the lowest number of fatalities for any full racing year since FY 1994-95. CAHFS laboratories at Davis and San Bernardino conduct all of the postmortems except those from the Fresno fairgrounds (performed at the CAHFS laboratory in Tulare). CAHFS veterinary pathologists perform the necropsy and prepare a report. Additional testing, such as toxicology, microbiology, histology, virology, or other specialized tests may be necessary before a final report is issued.

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

Musculoskeletal injuries are the most common cause of fatalities at CHR/B facilities. Musculoskeletal specimens of special interest are forwarded to the J.D. Wheat Veterinary Orthopedic Research Laboratory (VORL) at U.C. Davis for in-depth analysis. This is part of the CHR/B's Racing Safety Program. Details on that program can be found on page 21 of this report.

The uniquely equipped VORL is under the direction of Dr. Sue Stover. The immediate goal of the enhanced necropsy is to determine the causes and reasons for horse injuries and fatalities. The ultimate goal of this and other programs is to improve detection of injuries earlier to reduce serious

non-fatal injuries and prevent catastrophic fatalities on the track. There is a distinct link between equine safety and jockey safety. Nearly a third of all jockey falls are associated with a sudden death or catastrophic injury to the horse.

In-depth analysis of necropsy specimens at VORL has demonstrated the role of undiagnosed stress fractures contributing to catastrophic fractures of the pelvis, femur, humerus, scapula, tibia, third metacarpal (shin), and other bones. Pre-existing pathology at the site of the fatal injury is a re-occurring finding at enhanced necropsy, with nearly 90 percent of musculoskeletal racing and training fatalities showing pre-existing pathology associated with the fatal injury. While much of the pre-existing pathology is only detectable at enhanced necropsy using specialized laboratory instrumentation, these pre-existing changes could lead to early clinical detection techniques and injury prevention programs. Using information from the necropsy program, the CHR/B is collaborating with Dr. Stover and The Jockey Club to develop online continuing education modules to help better understand how bone responds to training and racing, while allowing trainers to identify horses at risk.

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

Research findings are published in veterinary medical journals and presented at professional meetings. A list of the published articles can be found in the appendix of the annual postmortem reports on the CHR/B website.

While the focus is on musculoskeletal injuries, the necropsy program allows for the study of other conditions important to equine health and safety. In FY 2014-15 the program allowed CAHFS pathologists and toxicologists to identify a link between traces of anti-coagulant rodenticides and unusual hemorrhage in six fatality cases over the previous two years. The CHR/B instituted an anti-coagulant rodenticide educational outreach and monitoring program at racetracks. Sudden deaths are an internationally recognized sport horse phenomenon. The CHR/B/CAHFS program has greatly improved necropsy and toxicology procedures for sudden death fatality investigations over the last few years and currently is investigating the relationship between subtle pathological findings in cardiac tissue and equine sudden deaths through grants from the Center for Equine Health.

Fatalities at CHRB Facilities by Track and Surface July 1, 2014 — June 30, 2015

| Track | Racing* | | | Training** | | | Other*** | Total |
|-----------------------|-----------|-----------|-----------|------------|-----------|----------|-----------|------------|
| | Dirt | Synthetic | Turf | Dirt | Synthetic | Turf | | |
| Cal Expo (Harness) | 2 | | | | | | | 2 |
| Cal Expo (State Fair) | | | | | | | 1 | 1 |
| Del Mar | | 5 | 5 | | 5 | | 1 | 16 |
| Fairplex (Pomona) | | | | 4 | | | 4 | 8 |
| Ferndale | 1 | | | | | | | 1 |
| Fresno | | | | | | | | 0 |
| Galway Downs | | | | | | | 1 | 1 |
| Golden Gate Fields | | 6 | 4 | | 14 | | 6 | 30 |
| Los Alamitos | 23 | | | 11 | | | 23 | 57 |
| Pleasanton | 3 | | | 5 | | | 10 | 18 |
| San Luis Rey Downs | | | | 2 | | | 1 | 3 |
| Santa Anita | 11 | | 7 | 21 | | | 7 | 46 |
| Santa Rosa | 1 | | | | | | | 1 |
| Stockton | 3 | | | | | | | 3 |
| TOTAL | 44 | 11 | 16 | 43 | 19 | 0 | 54 | 187 |

*Racing includes any fatality associated with racing.

**Training includes any fatality associated with training.

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

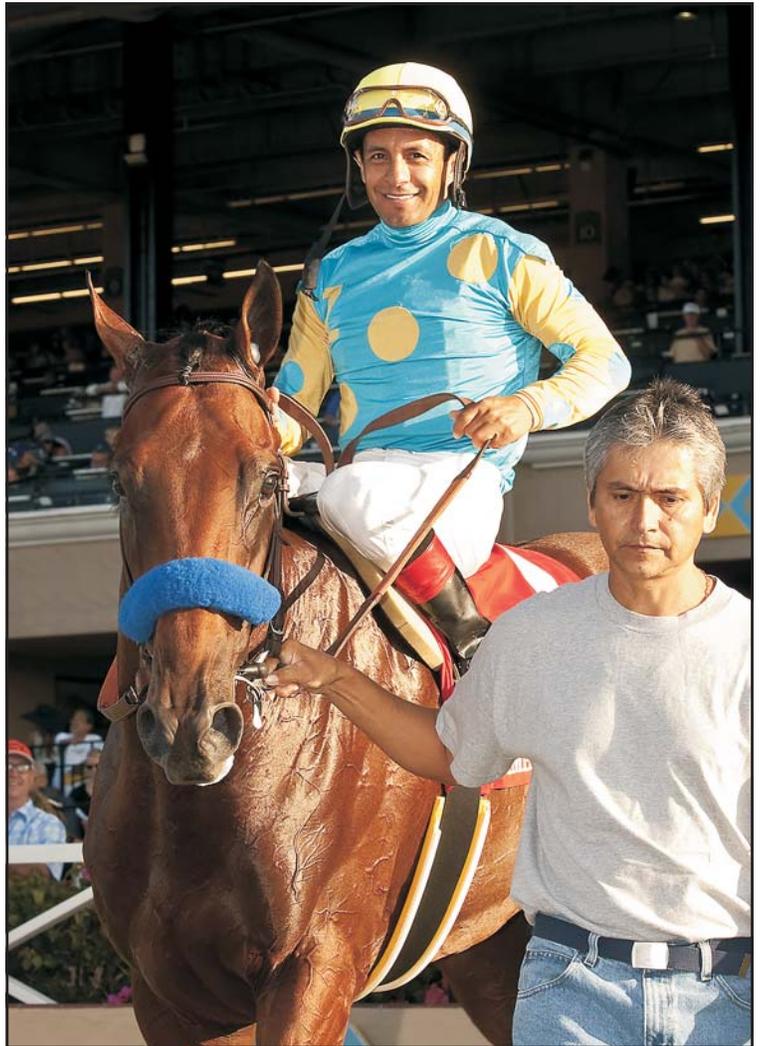
Starts for All Breeds: July 1, 2014 — June 30, 2015

| Track | Racing Surface | | |
|-----------------------|----------------|--------------|--------------|
| | Dirt | Synthetic | Turf |
| Cal Expo (Harness) | 5,577 | | |
| Cal Expo (State Fair) | 394 | | |
| Del Mar | | 2,855 | 1,085 |
| Ferndale | 270 | | |
| Fresno | 544 | | |
| Golden Gate Fields | | 6,776 | 1,809 |
| Los Alamitos | 8,339 | | |
| Pleasanton | 775 | | |
| Santa Anita | 6,226 | | 3,383 |
| Santa Rosa | 498 | | 307 |
| Stockton | 393 | | |
| TOTAL | 23,016 | 9,631 | 6,584 |

Horse Racing in California

California horse racing continues to develop champion race-horses, beginning with a statewide stakes program for 2-year-olds that offers significant prize money and attracts many of the most promising young horses in North America. California also provides rich racing opportunities for the most promising 3-year-olds as they continue to develop. The results of these programs were evident in 2014 when California Chrome followed up on his romp in the Santa Anita Derby by winning the Kentucky Derby and Preakness Stakes.

And then in 2015 American Pharoah did one better by adding a Belmont Stakes victory to become the first horse in 37 years to sweep the Triple Crown. American Pharoah (shown with regular rider Victor Espinoza) began his career at Del Mar, where he won the Del Mar Futurity, and concluded his 2-year-old campaign with a wire-to-wire victory in the FrontRunner Stakes at Santa Anita. Furthermore, Los Alamitos repeatedly showcases champion quarter horses, ensuring that the spotlight remains on California horse racing both day and night throughout the year.



BENOIT PHOTO

California Horse-Racing Meets During 2015

| Thoroughbred Race Meets — Central & Southern Zones | | |
|--|---------------------------|-------------------|
| | Santa Anita Park | 12/26/14—6/28/15 |
| | Los Alamitos Racing Assn. | 7/2/15—7/12/15 |
| | Del Mar | 7/16/15—9/7/15 |
| | Santa Anita | 9/26/15—10/25/15 |
| | Del Mar | 10/29/15—11/29/15 |
| | Los Alamitos Racing Assn. | 12/3/15—12/20/15 |
| Thoroughbred Race Meets — Northern Zone | | |
| | Golden Gate Fields | 12/26/14—6/14/15 |
| | Golden Gate Fields | 8/21/15—9/7/15 |
| | Golden Gate Fields | 9/24/15—10/4/15 |
| | Golden Gate Fields | 10/22/15—12/13/15 |
| Quarter Horse Race Meets — Statewide | | |
| | Los Alamitos | 12/26/14—12/20/15 |
| Harness Race Meets — Statewide | | |
| | Cal Expo | 12/26/14—5/3/15 |
| | Cal Expo | 10/24/15—12/20/15 |
| Fair Meets — Statewide | | |
| Pleasanton (OTRA*) | Alameda County Fair | 6/18/15—7/5/15 |
| Cal Expo | State Fair | 7/10/15—7/26/15 |
| Santa Rosa | Sonoma County Fair | 7/30/15—8/16/15 |
| Ferndale | Humboldt County Fair | 8/21/15—8/30/15 |
| Los Alamitos** | Los Angeles County Fair | 9/10/15—9/25/15 |
| Stockton | San Joaquin Fair | 9/11/15—9/20/15 |
| Fresno | Fresno District Fair | 10/8/15—10/18/15 |

* Oak Tree Racing Association

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

Handle 2015

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

| Annual Report - Racing Year 2015 (12/26/14 through 12/22/2015) | | Thoroughbred Associations | | | | | | | | | | Racing Fairs | | | | | Night Meets | | Total |
|--|--------------------|---------------------------|--------------------|---------------------|---------------------|----------------------|--------------------|-------------------|-----------------------|-------------------|------------------|-------------------------|--------------------|-------------------|-------------------|----------------------------|----------------------|--|-------|
| Host | Del Mar Summer | Del Mar Fall | Golden Gate | Los Alamitos Summer | Los Alamitos Winter | LATC Winter/Spring | LATC Autumn | Alameda County | California State Fair | Fresno District | Humboldt County | Los Angeles County Fair | San Joaquin County | Sonoma County | Watch & Wager | Los Alamitos Quarter Horse | Total | | |
| Days | 40 | 20 | 149 | 8 | 12 | 107 | 19 | 12 | 11 | 9 | 6 | 10 | 6 | 11 | 60 | 150 | 630 | | |
| Starters | 3,108 | 1,390 | 8,514 | 508 | 728 | 7,598 | 1,366 | 743 | 610 | 556 | 324 | 650 | 350 | 695 | 5,125 | 8,334 | 40,589 | | |
| Number of Live Races | 354 | 171 | 1,234 | 68 | 102 | 928 | 167 | 112 | 96 | 84 | 54 | 85 | 55 | 100 | 685 | 1,272 | 5,567 | | |
| Average field size per race | 8.78 | 8.13 | 6.90 | 7.47 | 7.14 | 8.18 | 8.18 | 6.63 | 6.35 | 6.62 | 6.00 | 7.65 | 6.36 | 6.95 | 7.48 | 6.55 | 7.29 | | |
| Brick and Mortar Bets in California | | | | | | | | | | | | | | | | | | | |
| On Track: | | | | | | | | | | | | | | | | | | | |
| Live Races | 65,193,561 | 12,130,507 | 21,105,303 | 2,721,670 | 2,645,103 | 95,378,296 | 13,400,345 | 3,063,559 | 1,236,487 | 2,284,935 | 635,408 | 2,271,289 | 376,051 | 2,317,959 | 1,916,234 | 13,706,213 | 240,382,916 | | |
| Other California Tracks (Intrastate) | 1,948,041 | 661,426 | 13,989,348 | 441,583 | 550,923 | 14,526,156 | 1,821,457 | 792,338 | 432,719 | 303,292 | 10,250 | 314,882 | 135,134 | 625,695 | 5,125 | 8,334 | 35,953,243 | | |
| Races run outside California | 7,718,282 | 2,930,514 | 20,575,983 | 2,229,123 | 2,058,474 | 30,163,645 | 4,344,428 | 991,847 | 560,342 | 207,259 | 11,020 | 1,931,684 | 223,453 | 422,732 | 418,658 | 7,028,306 | 81,819,929 | | |
| Total | 74,259,863 | 15,722,446 | 55,674,634 | 5,392,376 | 5,254,500 | 140,068,297 | 19,568,229 | 4,847,744 | 2,229,548 | 2,795,495 | 656,678 | 4,517,855 | 734,638 | 3,366,386 | 2,334,892 | 20,734,519 | 358,156,089 | | |
| Off Track, In Host's Zone: | | | | | | | | | | | | | | | | | | | |
| Live Races | 43,025,922 | 18,001,981 | 20,877,077 | 5,234,779 | 6,491,851 | 90,540,424 | 13,393,383 | 1,738,796 | 1,386,831 | 1,040,019 | 369,936 | 5,040,947 | 641,570 | 1,791,625 | 8,664,154 | 31,958,575 | 250,197,871 | | |
| Other California Tracks (Intrastate) | 8,065,730 | 6,005,034 | 34,480,489 | 1,494,197 | 2,251,166 | 27,203,728 | 3,312,285 | 2,745,301 | 2,991,373 | 2,125,819 | 575,951 | 1,122,236 | 1,325,517 | 3,972,148 | - | - | 97,660,974 | | |
| Races run outside California | 37,568,899 | 21,452,486 | 67,176,291 | 8,391,652 | 8,585,268 | 106,576,017 | 15,316,828 | 6,160,088 | 6,083,012 | 3,951,520 | 1,343,316 | 7,739,807 | 3,601,298 | 7,160,556 | 6,709,319 | 37,005,073 | 344,621,430 | | |
| Total | 88,660,551 | 45,459,500 | 122,533,857 | 15,110,628 | 17,329,286 | 224,320,169 | 32,022,497 | 10,644,185 | 10,461,217 | 7,117,357 | 2,289,204 | 13,902,990 | 5,568,395 | 12,924,329 | 15,373,473 | 68,963,648 | 692,680,274 | | |
| Off Track, Outside Host's Zone: | | | | | | | | | | | | | | | | | | | |
| Live Races | 11,891,795 | 5,467,775 | 56,192,651 | 1,823,470 | 2,347,293 | 35,841,636 | 5,405,751 | 3,586,540 | 2,517,063 | 1,874,837 | 550,374 | 1,727,653 | 1,098,159 | 3,289,020 | - | - | 133,614,217 | | |
| ADW in California: | | | | | | | | | | | | | | | | | | | |
| Live Races | 36,803,256 | 12,686,547 | 10,081,744 | 3,892,543 | 4,419,411 | 74,614,952 | 11,738,823 | 822,735 | 449,173 | 306,592 | 27,920 | 3,623,903 | 171,867 | 624,807 | 3,713,150 | 26,468,902 | 260,197,871 | | |
| Other California Tracks | 2,387,569 | 2,157,825 | 24,733,887 | 537,464 | 947,285 | 11,549,638 | 1,171,582 | 1,794,147 | 2,595,885 | 1,116,203 | 967,049 | 261,934 | 660,394 | 3,231,984 | 16,370,610 | 38,199,130 | 97,660,974 | | |
| Races run outside California | 42,043,072 | 23,114,619 | 61,520,779 | 9,833,073 | 10,657,266 | 115,019,470 | 17,812,914 | 4,807,121 | 4,906,409 | 2,559,495 | 1,413,321 | 9,355,205 | 2,802,403 | 5,359,355 | 16,370,610 | 38,199,130 | 344,621,430 | | |
| Total | 81,233,837 | 37,958,991 | 96,336,410 | 14,263,080 | 16,003,981 | 201,184,060 | 30,722,919 | 7,424,003 | 7,951,467 | 4,282,290 | 2,408,290 | 13,281,042 | 3,634,665 | 9,216,146 | 20,083,760 | 64,668,032 | 610,652,973 | | |
| Outside Host's zone | 8,310,737 | 2,570,371 | 16,297,284 | 953,836 | 970,527 | 18,749,042 | 2,581,176 | 1,002,719 | 435,295 | 350,809 | 144,599 | 780,750 | 154,887 | 810,813 | - | - | 54,112,846 | | |
| TOTAL GENERATED IN CALIFORNIA | 264,356,783 | 107,179,084 | 347,034,836 | 37,543,390 | 41,904,587 | 620,163,204 | 90,298,571 | 27,505,191 | 23,594,590 | 16,420,778 | 6,049,344 | 34,210,290 | 11,190,733 | 29,606,695 | 37,792,125 | 154,366,199 | 1,205,551,077 | | |
| Exports to Out of State | | | | | | | | | | | | | | | | | | | |
| Commingled | 209,952,388 | 83,287,111 | 174,574,716 | 19,883,760 | 27,874,183 | 563,744,129 | 84,738,722 | 8,545,860 | 4,307,587 | 4,671,957 | 1,192,531 | 20,084,792 | 2,217,150 | 7,008,390 | 23,628,366 | 84,839,445 | 1,205,551,077 | | |
| Non Merged | 8,225,640 | 4,137,297 | 7,722,470 | 441,735 | 1,197,865 | 14,377,495 | 1,766,905 | 557,976 | 491,512 | 247,380 | 85,897 | 370,827 | 157,104 | 427,407 | - | 4,954,683 | 45,662,193 | | |
| TOTAL GENERATED OUTSIDE CALIFORNIA | 218,678,028 | 87,424,408 | 182,297,186 | 20,325,495 | 29,072,048 | 578,121,624 | 86,505,627 | 9,103,826 | 4,799,099 | 4,919,337 | 1,278,427 | 20,455,620 | 2,374,254 | 7,435,796 | 23,628,366 | 89,794,128 | 1,366,213,270 | | |
| TOTAL RACES RUN AT HOST TRACK | 483,034,811 | 194,603,492 | 529,332,021 | 57,868,885 | 70,976,636 | 1,198,284,827 | 176,804,198 | 36,609,018 | 28,393,689 | 21,340,115 | 7,327,771 | 54,685,909 | 13,564,987 | 37,042,491 | 61,420,491 | 244,160,327 | 3,215,429,689 | | |
| PLUS RACES RUN AT OTHER TRACKS | 462,832,278 | 186,565,246 | 456,842,086 | 55,091,578 | 67,658,815 | 1,143,694,150 | 168,817,271 | 32,019,758 | 25,441,330 | 19,114,469 | 6,632,598 | 52,157,507 | 12,311,942 | 32,942,658 | 61,420,491 | 244,160,327 | 3,027,702,606 | | |
| TOTAL DISTRIBUTED BY HOST* | | | | | | | | | | | | | | | | | | | |

*Excludes California bets placed outside host's zone

California Racetracks

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

HIGHLIGHT

Handle, Attendance, and Field Size increased during Santa Anita's Extended Star-Studded Meet

SANTA ANITA PARK WINTER-SPRING

Santa Anita again extended its traditional winter meet later into the spring – from December 26, 2014, through June 28, 2015 – using dates formerly run at Hollywood Park, resulting in all-source handle of \$1,143,694,150 over the course of 107 racing programs, compared with \$1,122,697,736 for the same number of days in 2014. On-track handle stayed virtually even with 2014 at \$95,378,296.

The Los Angeles Turf Club chose to offer the seamless six months of racing in two parts, the first session beginning as always the day after Christmas through April 19, and then the second session from April 24 through June 28. The track reported slight increases in on-track attendance. Field size for the extended session averaged 8.18 per race, also an increase from 2014, when the average field size was 7.68.

Continuing a trend, Advance Deposit Wagering (ADW, account wagering) grew significantly, from \$189,824,773 in 2014 to \$224,320,169.

Even though his stablemate American Pharoah would go on to overshadow him, Dortmund developed into a major star at Santa Anita by winning all three of his races in the winter and spring, including the Santa Anita Derby, to remain undefeated going into the Kentucky Derby. Even so, many felt the race of the meet was the San Antonio Invitational in which Shared Belief defeated 2014 Horse of the Year California Chrome. And topping it all off was a non-racing appearance by Triple Crown winner American Pharoah on June 28 before a crowd of 21,000.

Shared Belief and jockey Mike Smith make easy work of the Santa Anita Handicap.

Santa Anita Chairman Keith Brackpool publicly thanked trainer Bob Baffert for bringing American Pharoah back to his home at Santa Anita and for allowing significant access to the superstar by the media and public.



BENOIT PHOTO

Shared Belief and jockey Mike Smith make easy work of the Santa Anita Handicap.

HIGHLIGHT

Without the Breeders' Cup For the First Time in Four years, Santa Anita's Fall Meet Posted Weaker Numbers

SANTA ANITA PARK FALL

Santa Anita Park raced six fewer days in the autumn of 2015 than in 2014 and it did not host the Breeders' Cup, as it had for the previous three years, so business comparisons were difficult to make. With the Breeders' Cup held in Kentucky in 2015, California handle on Breeders' Cup weekend declined \$123 million compared to 2014. That huge drop was reflected in Santa Anita's numbers. All-source handle for the 19-day 2015 fall meet was \$168,817,271, compared with \$371,390,506 for the 25-day meet in 2014.

Without the tremendous influx of horses coming to California for the Breeders' Cup and other races during the meet, average field size also declined, from 8.88 in 2014 to 8.18 in 2015.

The Breeders' Cup will return to Santa Anita in 2016, and then move to Del Mar in 2017.

Rafael Bejarano rode 25 winners during the meet to notch yet another riding title at Santa Anita and his 23rd in Southern California.

Doug O'Neill led all trainers with 12 victories. Holly and David Wilson shared the owner title with Reddam Racing LLC, each with four wins.



BENOIT PHOTO

Nyquist and jockey Mario Gutierrez win the FrontRunner Stakes.

HIGHLIGHT

Longer Summer Meet Provided An Extra Weekend for Appreciative Racing Fans to Enjoy Racing at the Popular Seaside Oval

DEL MAR SUMMER

Summertime racing stretched beyond Del Mar's normal seven-week session by picking up an extra weekend at the start with a July 16 opening. By the time the meet closed on September 7, Labor Day, thoroughbred fans had wagered \$462,832,278 on California's most popular race meet over the course of 40 days. This compared with all-source handle of \$421,451,651 for the 36-day meet in 2014. Del Mar's on-track attendance totaled 582,324 for a daily average of 14,558, highest in the state and among the very best nationally.

Field size for the 354 races run over the summer held firm at an average of 8.78 horses per race, the highest number in the state once again

For the second year in a row, Del Mar debuted a new racing surface. In 2014 it put in play its wider and totally renovated turf course. For 2015, Del Mar presented a brand new dirt oval consisting of 31,000 tons of "El Segundo sand," the same soil mix that covers the Santa Anita track in Arcadia. The new surface replaced Del Mar's previous synthetic Polytrack footing, which had been in place for eight seasons between 2007 and 2014. The new strip drew nearly unanimous positive feedback from horsemen and fans alike.

The track had two exceptional highlights during its season. The first saw its premier race – the \$1,000,000 TVG Pacific Classic – won in smashing fashion by the champion mare Beholder, the first time a female had beaten males in the 25-year history of the mile and a quarter race. Later, Triple Crown hero American Pharoah gave his local fans a thrill when he paraded in the afternoon in front of an elbow-to-elbow crowd of nearly 33,000 fans. He also put his Del Mar training to good use when he later captured the Breeders' Cup Classic in Kentucky.



BENOIT PHOTO

Champion mare Beholder and Gary Stevens are well clear at the finish of the TVG Pacific Classic.

HIGHLIGHT

Del Mar's Fall Meet Again Offered Post-Summer Entertainment for Horse Racing Fans

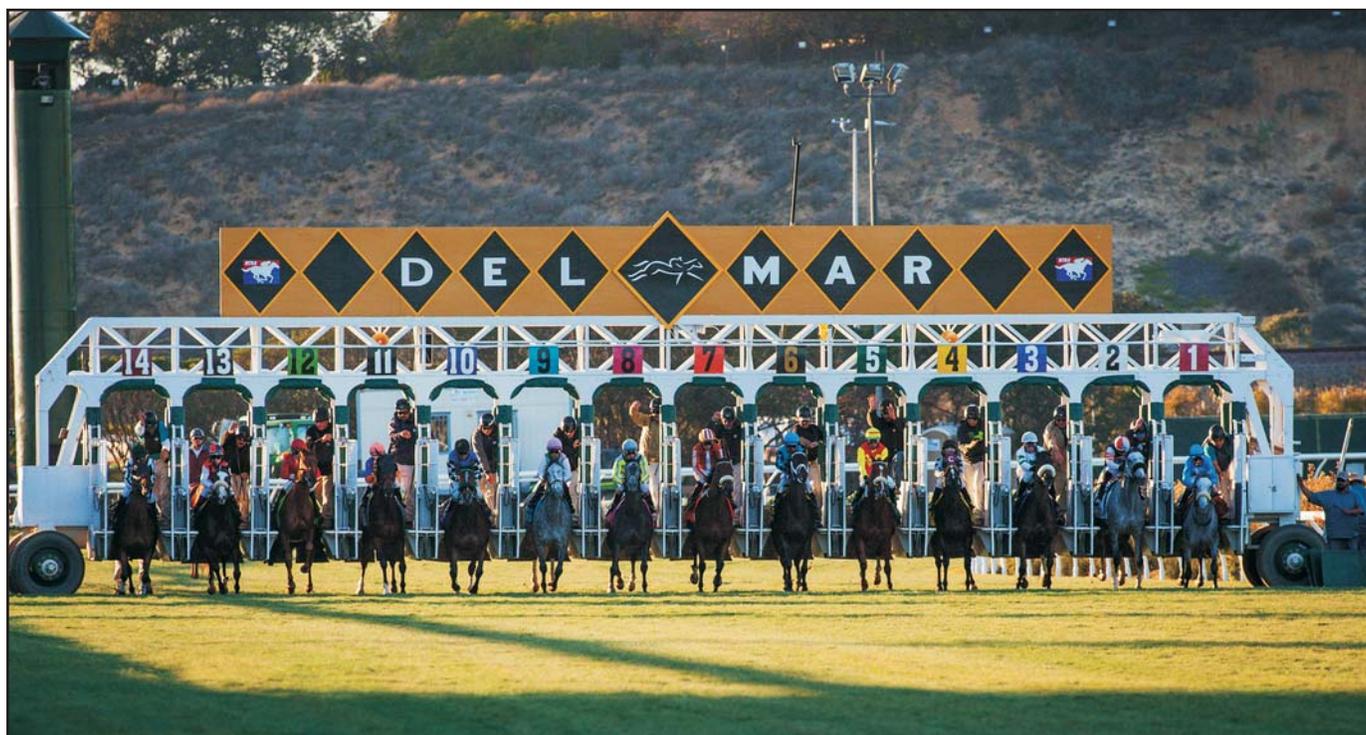
DEL MAR FALL

Del Mar offered a fall season – a meet expanded from four weeks to five – to racing fans for the second straight year in 2015, from October 29 through November 29, utilizing dates formerly run at Hollywood Park. The meet, dubbed the “Bing Crosby Season” as a salute to the track’s iconic founder, showed all-source handle of \$186,565,346 during the 20-day session, compared to \$147,917,844 for the 15-day meet in 2014. Total attendance during the 2015 fall run, which again was blessed with delightful San Diego weather, was 123,608, for a daily average of 6,180.

Both Del Mar’s renovated turf course and its brand-new dirt main track performed well throughout the stand. The turf course, which was built anew in 2014, held up well under 66 races that drew 591 starters for an average field size of 8.95. Hall of Fame rider Kent Desormeaux described it as “the best turf course in the country.”

Del Mar’s racing department was especially pleased and encouraged by the noteworthy participation throughout of Eastern-based horsemen, especially for its stakes races, topped by the Hollywood Derby and the Matriarch Stakes, in which the longshot Stormy Lucy pulled off a \$132.80 upset.

Rafael Bejarano captured his sixth Del Mar riding crown, with 20 winners in 20 days. Top trainer for the session was Doug O’Neill, who saddled 15 winners.



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A full field of 14 breaks from the gate on Del Mar’s expanded turf course.

HJ HIGHLIGHT

Golden Gate Anchored Horse Racing in Northern California While Posting Steady Business Numbers

GOLDEN GATE

Golden Gate Fields offered 149 racing programs over the course of 2015, more than any other thoroughbred track in California but one shy of the quarter-horse total at Los Alamitos. Even so, this was three fewer programs than Golden Gate offered in 2014, which explains why all-source handle of \$456,842,086 was down slightly in 2015 from \$464,622,598 the previous year. Significantly, Golden Gate's on-track handle held nearly even with 2014, reflecting the track's popularity with Bay Area racing fans.

On Thanksgiving Day, Jerry Hollendorfer became only the third trainer to win 7,000 races when Kiss N Scat captured the first race. Through December 13, 2015, Hollendorfer had won 2,943 races at Golden Gate alone. He led all trainers with 103 wins at the Albany oval in 2015. Hollendorfer's star pupil, Shared Belief, trained at Golden Gate in the lead-up to his victories in prestigious races at Santa Anita.

Code Warrior delivered three impressive performances, breaking her maiden in dominant fashion in August before posting a pair of stakes scores in October, beating males in the Golden Nugget Stakes before defeating other fillies in the Golden Gate Debutante. Code Warrior is trained by Manny Badilla, the longtime assistant to Bill Morey, Jr., who passed away in April 2015. Anne Sanguinetti regularly rides

Code Warrior, owned by the jockey's parents, John and Chris Sanguinetti.

Russell Baze was again the track's leading jockey with 207 wins, 49 more than runner-up Ricardo Gonzalez.



VASSAR PHOTO

The promising 2-year-old filly Code Warrior (#6 in front, with Anne Sanguinetti aboard) impressed, winning three starts in 2015 at Golden Gate Fields.

HIGHLIGHT

Los Alamitos Left the Lights on for Guests 51 Weeks Out of the Year as the Quarter Horse Capital of the West

LOS ALAMITOS QUARTER HORSE

Los Alamitos offered 150 nights of quarter-horse racing in 2015, along with 28 daytime thoroughbred programs, 20 of those programs overlapped day and night, making it easily the busiest racetrack in California. The stabling of both quarter horses and thoroughbreds throughout the year added greatly to the excitement at the Orange County oval. And oh yes, the outstanding California-bred 2014 Horse of the Year California Chrome returned to his home base of Los Alamitos during the fall to train for his 2016 campaign, bringing with him the usual bustle of adoring fans and media attention.

With five more racing programs than it offered the previous year, all-source handle of \$244,160,327 in 2015 exceeded the 145-day total of \$231,899,297 in 2014, while showing a slight increase in daily average handle. As usual, ADW (account wagering) of \$64,668,032 represented a significant portion of the track's overall handle.

Highlighting the long quarter-horse meet were outstanding performances by Heza Dasha Fire, winner of the Champion of Champions and Los Alamitos Super Derby; five-time stakes winner Moonist, winner of the Robert L. Boniface Los Alamitos Invitational Championship and Go Man Go Handicap; and Walk Thru Crystal, winner of the Ed Burke Million Futurity and Kindergarten Futurity. Other top stars included three-time derby winner Forget It, multiple futurity winner Ima Fearless Hero, and Quirky, now a two-time winner of the Charger Bar Handicap.

Track owner Ed Allred was the leading quarter horse owner at the meeting with 69 wins from 403 starters, for a 17-percent win ratio in 2015. Paul Jones led all trainers for the 17th time in the last 18 years by saddling 101 winners. Cruz Mendez piloted 119 winners to finish as the meet's leading rider for the fourth straight year.



Cruz Mendez guides Heza Dasha Fire to victory in the Champion of Champions

HIGHLIGHT

Los Alamitos Again Helped Fill the Year-Long Racing Calendar for Thoroughbreds With Three Daytime Meets

LOS ALAMITOS THOROUGHBRED

Los Alamitos Race Course hosted eight weeks of daytime thoroughbred racing in 2015, split into three meets held in July, September, and December, including the Los Angeles County Fair meet that first moved to Los Alamitos in 2014. Altogether, the three meets generated all-source handle of \$174,907,900 over a total of 30 days, which compared favorably to the 2014 handle of \$176,590,830 from 31 total days of racing.

The three meets were held July 2-12 (eight days), September 10-25 (10 days), and December 2-12 (12 days). Among the highlights at the three meets:

- ◆ The 2-year-old colt Mor Spirit showed signs of being a star in the making when he outran heavily favored Toews on Ice (both trained by Bob Baffert) to win the Los Alamitos Futurity.
- ◆ Management was pleased with the inaugural Showdown Series, a five-race sequence that offered purses totaling \$175,000 for horses eligible for \$8,000, \$16,000, and \$25,000 starter allowance races.
- ◆ Four jockeys – Santiago Gonzalez, Mario Gutierrez, Edwin Maldonado, and Fernando Perez – started the Los Alamitos thoroughbred season tied for the riding title with six wins each during the summer meet. But by the end of the year after the fall and winter meets, Perez pulled away from his rivals to lead all jockeys with 29 winning rides, three more than runner-up Maldonado.
- ◆ Doug O'Neill led all trainers with 18 wins over the course of the three meets.

“We’re happy,” said Brad McKinzie, vice president and general manager of the Los Alamitos Racing Association. “I thought (racing secretary) Bob Moreno did a great job at all three meets this year. Being able to fill races without a turf course is very impressive to me.”



BENOIT PHOTO

Mor Spirit and jockey Gary Stevens outrun Toews On Ice (Martin Garcia) to win the Los Alamitos Futurity

HIGHLIGHT

The Northern Fairs Faced Challenges from Increased Competition, the Weather, and a Difficult Schedule

THE NORTHERN CALIFORNIA FAIRS

It was a challenging summer for the Northern California fair racing circuit as it raced head-to-head with Emerald Downs in Washington, where purses had been boosted by 20 percent. Supplementing the California horse population with out-of-state runners during the summer has long been the backbone of fair racing. But now Emerald Downs looked increasingly attractive for horses shipping from Arizona, New Mexico, Oregon, and Idaho.

The California Authority of Racing Fairs (CARF) met the challenge by expanding its trainer incentive program, which offers cash bonuses for trainers passing start thresholds at each fair. Thoroughbred trainers making 5-9 starts at the Pleasanton, Ferndale, Stockton, and Fresno meets received a \$500 bonus, while trainers making 10 or more starts received \$1,000. Bonuses at the State Fair were even higher at \$800 and \$1,500. Those incentives totaled more than \$160,000, plus another \$55,200 in shipping incentives. The recruitment program helped bring 166 horses to California, and those horses made a total of 359 starts on the fair circuit. For comparison, the program recruited 175 horses for 328 starts in 2011, when competition from Washington was not as great.

The 2015 northern fair circuit encompassed six racetracks racing a total of 64 days, from June 18 to October 18, and offered a balanced program by strengthening the purses for low-level maidens and first-level allowance runners. Young trainers, including Jonathan Wong, Joshua Stein, and Marcia Storz, helped expand the trainer roster. CARF continued its Track Safety and Maintenance Program. As in recent seasons, a single racing secretary provided oversight for the entire circuit. And again, a single-credential VIP program was available for horsemen and bettors.



VASSAR PHOTO

Off to a good start for the fair circuit at the Oak Tree meet in Pleasanton

HIGHLIGHT

The Partnership with Oak Tree Racing Association Continued to Benefit the Alameda County Fair Meet

PLEASANTON

For the second consecutive year, the Alameda County Fair partnered with one of the most respected racing operators in California – the Oak Tree Racing Association – to conduct the Oak Tree at Pleasanton meet and kick off the fair circuit at the oldest one-mile racetrack in America. In keeping with Oak Tree’s founding mission of “horsemen helping horsemen,” purses were increased and more than \$50,000 in shipping and starting incentives were paid to trainers by Oak Tree and the Alameda County Fair. The 12-day meet featured six thoroughbred stakes, including the \$100,000 Oak Tree Distaff. All-source handle of \$32,019,758 exceeded the 2014 handle of \$31,800,636.

The Pleasanton surface continued to serve as an effective launching pad for 2-year-olds, like Smokey’s Image, a colt that broke his maiden opening Sunday, and then won the Everett Nevin Stakes on closing day. Smokey’s Image went on to win three more stakes, including the Golden State Juvenile at Del Mar.

More than \$2 million in cash and in-kind advertising was spent on advertising, marketing, and promotions to draw people from the Bay Area and surrounding communities to the fair and race meet. “Spin to Win” prize wheels were placed within the fairgrounds, redeemable at the grandstand to drive fair traffic to the races, thereby giving some fairgoers their first experience at a live horse race. Marketing efforts targeted to racing included traditional advertising, on-track promotions, and expanded television coverage through partnerships with ADW companies.

HIGHLIGHT

A Longer Race Meet Proved Popular During the State Fair

SACRAMENTO

Beginning in 2015, the California State Fair was granted an additional week of horse racing. The resulting three-week meet generated all-source handle of \$25,441,330 in 11 days. Handle for the two-week meet in 2014 totaled \$15,677,878 in seven days. The 2015 average daily handle increased more than 3 percent from 2014.

Several on-track promotions were designed to drive fairgoers from the three main admission gates to the Miller Lite Racetrack Grandstand. For example, each fairgoer received a coupon with admission, redeemable at the races for a free wager, a table for four in the turf club, and other merchandise. Special events at the grandstand included the Best of California Brewfest, held on the apron, where fans could watch the races and participate in a seminar on how to select winners and place wagers, while sampling some of California’s best craft beers. Another event, A Night at the Races, was held in the clubhouse to attract a young professional audience and expose them to the track as a social outlet. In addition, a significant amount of the State Fair’s advertising was dedicated to creating awareness about the three weeks of horse racing. Billboards, television ads, signage, and collateral materials were developed to promote horse racing at the fair. Safety and comfort improvements for horsemen included a new safety rail, misters in the test barn, a loose-horse alert system, and other renovations. A \$500,000 upgrade to 22 tack rooms, improvements to water runoff, repainted tote board, and enhanced security on the backside were completed in 2014.

HIGHLIGHT

Turf Racing Enhanced the Mid-Circuit Meet in Santa Rosa

SANTA ROSA

“Wine Country Racing” at the Sonoma County Fair has proven to be a successful setting for Northern California turf horses. The 11-day meet in 2015 carded 82 thoroughbred races, with 35 of those races run on the turf course. While the average thoroughbred field size was 7.1, an average of eight horses per race competed on turf. Santa Rosa continued to offer seven thoroughbred overnight stake races, including the Wine Country Debutante for 2-year-old fillies.

All-source handle for the meet was \$32,942,658, which resulted in an average daily handle of nearly \$3 million. Handle exceeded the \$31,319,378 wagered during the longer, 13-day meet in 2014. Even with the challenge of being moved back a week in the 2015 racing calendar and despite running two fewer days than in 2014, handle increased in many significant categories, though live handle declined by about 1 percent. Incentives for horsemen in 2015 included an additional starter bonus of \$100 for runners placing 6th through 10th, daily gas card drawings, and weekly BBQ dinners hosted by the Sonoma County Fair Board of Directors.

HIGHLIGHT

A Long Tradition of Racing Continued in the Charming Village

FERNDALE

An aggressive recruitment program for horses in Idaho and Oregon, and improvements to the racing surface and stable area, helped bring in horsemen to the Victorian Village of Ferndale, home to the Humboldt County Fair. The six-day meet offered eight more races than it ran the previous year, and this resulted in 54 more starts. Average field size remained steady at six horses per race. A total of 118 starts were made by horses from out of state.

Efforts to attract patrons included a beer garden in the newly developed Friendship Square and a surf and turf barbecue contest, hosted by former Ferndale resident and Food Network star Guy Fieri. These fairground promotions helped generate an 11-percent increase in on-track attendance. Racing on Fridays, Saturdays, and Sundays, the 2015 meet generated all-source handle of \$6,632,598, compared with \$6,262,844 in 2014. On-track handle was up 8 percent.

HIGHLIGHT

The Joaquin County Fair Took the Heat in 2015

STOCKTON

Predictions of a heat wave and an irregularity in the racing calendar presented challenges for the 2015 San Joaquin Fair in Stockton. Temperatures were predicted to hit 107 degrees during the first two days of the six-day meet. The heat wave never came, but the forecast was enough to deter horsemen and fans from attending opening weekend.

In addition to weather hardships, the racing schedule adopted in May called for two weekends of racing at Stockton, a return to Golden Gate Fields for two weeks, and then a two-week meet at Fresno. The schedule made it easier for trainers to sit out Stockton, especially when excessive heat was predicted. Understandably, all-source handle of \$12,311,942 was down from \$13,794,438 over the same number of days in 2014. On-track handle declined by over 9 percent.

HIGHLIGHT

Fresno Again Celebrated California Chrome During Its Steady Meet

FRESNO

The Big Fresno Fair, known for its packed grandstand apron, especially on Fridays when racing is a popular social event, brought the 2015 Northern California fair circuit to a close on Columbus Day, October 18. All-source handle for the nine-day meet was \$19,114,469, which was virtually even with handle for the nine-day meet in 2014. On-track handle was essentially unchanged.

The 2015 meet faced a scheduling challenge, with two weeks at Golden Gate Fields inserted between the Fresno and San Joaquin County Fair meets, which made it more difficult to persuade horsemen in the Bay Area to ship horses to the Central Valley. Nonetheless, the average field size of 6.62 was up slightly from the 2014 average of 6.54.

The \$2.8 million Fresno County Historical Museum was open for the first time during the fair. The museum contains a section dedicated to California Chrome, the San Joaquin Valley-born Kentucky Derby winner and 2014 Horse of the Year.

HIGHLIGHT

Watch and Wager's Harness Operation Continued Its Strong Showing at Cal Expo

CAL EXPO HARNESS

Cal Expo, the home of harness racing in California, offered 60 nights of racing during the 2015 racing year, staged as two meets, the first in the winter and spring, the second in the fall. This was one more program than Cal Expo hosted in 2014, as reflected in the all-source handle of \$61,420,491 in 2015, compared with \$58,255,022 for the slightly shorter meet.

The surprising thing about the handle numbers is that Cal Expo ran only 685 races during its 60 days of racing in 2015, compared with 747 races in 2014, and yet increased total handle, despite offering 62 fewer races.

"It wasn't due to just one thing," said Christopher Schick, general manager for the Watch & Wager harness meet. "We ran more three-day weeks, fewer two-day weeks, than we did in 2014, and that worked out well for us. We wrote the races differently, and that proved popular with fans. Some bettors who had drifted away from us came back. Everything seemed to work out well. We finished in the best shape ever with purses – so well that we increased purses by 10 percent for the initial 2016 meet."

On the racing front, Steve Wiseman edged out Luke Plano, 95 to 93, to capture the driving title at the first meet, with Plano leading the standings for the fall meeting.

Bob Johnson, who is in his fifth decade as a trainer in California, led the first meet by a wide margin, with 54 trips to the charmed enclosure, while Wiseman finished one winner ahead of Plano to be the leading conditioner at the fall stand.

Heading into the 2016 meet, Ben Kenney, Chief Financial Officer for the harness meet, echoed Schick's remarks when he said, "The purse pool was in good shape coming out of the last meet. This meet is off to a good start, and the horsemen deserve this purse increase."



Popular driver Luke Plano winning with the trotter El Azteca.

Simulcast Facilities by Location

| California Simulcast Facility | Total Handle FY 2014-15 | Number of Attendees |
|--------------------------------------|----------------------------|------------------------|
| Anderson | \$1,185,635.60 | 4,514 |
| Bankers Casino | 1,301,861.50 | 4,707 |
| Barona | 12,643,891.50 | 56,145 |
| Cabazon | 10,192,612.50 | 38,353 |
| Commerce Casino | 23,256,033.90 | 80,970 |
| Del Mar | 127,163,935.30 | 824,261 |
| Ferndale | 753,015.80 | 15,160 |
| Firehouse Restaurant (Bakersfield) | 5,094,377.90 | 18,153 |
| Fresno | 8,899,066.70 | 90,891 |
| Fresno Club One | 3,228,206.60 | 5,941 |
| Golden Gate | 73,586,353.30 | 353,721 |
| Hollywood Park | 84,092,450.70 | 239,014 |
| Lake Perris | 10,675,545.60 | 44,063 |
| Lancaster | 10,642,681.50 | 41,645 |
| Los Alamitos | 120,736,467.90 | 474,284 |
| Monterey | 4,719,555.20 | 20,359 |
| OC Tavern | 6,785,062.20 | 25,750 |
| Ocean's 11 Casino | 7,732,048.10 | 33,137 |
| Pleasanton | 32,326,058.30 | 134,770 |
| Pomona | 52,826,331.70 | 193,901 |
| Sacramento | 23,392,949.80 | 105,668 |
| Sammy's Restaurant and Bar | 18,096,230.90 | 84,510 |
| San Bernardino | 20,405,628.10 | 79,482 |
| San Jose | 26,792,098.10 | 101,804 |
| San Mateo County | 57,279,855.60 | 152,297 |
| Santa Anita | 235,838,289.90 | 1,146,536 |
| Santa Anita Tablet | 7,297.60 | - |
| Santa Clarita Lanes | 14,467,480.30 | 39,569 |
| Santa Maria Original Roadhouse Grill | 2,833,066.40 | 9,190 |
| Santa Rosa | 11,252,449.50 | 73,738 |
| Shalimar (Indio) | 2,636,523.60 | 15,381 |
| Stockton | 13,825,052.10 | 57,427 |
| Sycuan | 5,976,770.20 | 28,437 |
| Tilted Kilt (Thousand Oaks) | 8,803,193.80 | 9,870 |
| Turlock | 5,196,746.30 | 17,550 |
| Vallejo | 13,654,848.00 | 47,796 |
| Ventura | 16,703,980.30 | 47,689 |
| Victorville | 5,759,322.70 | 31,862 |
| Viejas | 6,251,085.20 | 28,872 |

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

Horse-Racing Revenues

Senate Bill 16, which took effect in 2009, eliminated the license fees paid to the state by racing associations. In lieu of license fees, the horse-racing industry is responsible for providing support to the CHRB. Each year, the CHRB develops a formula in consultation with the industry. The formula is used to determine the share each racing association should pay towards the funding of CHRB operations. During FY 2014-15, the pari-mutuel handle totaled \$3,095,263,930, and \$11,912,000 was remitted to fund CHRB operations.

CHRB support, purses, track commissions, and other distributions are generated from a portion of the wagering handle referred to as the “takeout.”

The takeout is set by law and is a percent taken from each dollar wagered. The takeouts on conventional wagering (win, place, and show pools) are 15.43 percent for thoroughbred race meets, 17.63 percent for quarter-horse race meets, 17.43 percent for harness race meets, and 16.77 percent for fair race meets.

The takeouts on exotic wagering pools (all pools that are not win, place, or show) are, for thoroughbred race meets, 22.68 percent for wagers involving two runners or legs and 23.68 percent for wagers involving three or more horses or legs; for quarter-horse race meets, 22.88 percent; for fair race

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

In general, once the state license fees, breeders and owners awards, equine research, and other mandated amounts have been deducted from the takeout, the remaining funds are divided in a prescribed manner between purses and track commissions.

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

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

zator system calculates the payout for winning wagers.

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

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

The 7 cents that is broken for each dollar in the calculation then becomes part of the total breakage for that pool, that race, and that day of racing, etc. Breakage in FY 2014-15 totaled \$7,909,154. State statutes require breakage to be split evenly between purses and commissions.

Charity Days

California horse-racing associations have distributed many millions of dollars to worthwhile charities over the last 70 years. Their donations in the last fiscal year totaled \$556,655.

Business and Professions Code section 19550 requires racing associations to contribute a portion of handle to charity. Associations have the option of selecting a number of racing days determined by the length of their racing meet or two-tenths of one percent of the live handle for the entire race meet. 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 charitable organizations favored by distributing foundations, the CHRB encourages the foundations to exceed this minimum percentage. On charity racing days, the

racing association furnishes the facilities and personnel necessary for the conduct of racing.

The income from all operations of the race meet on charity racing days, less deductions for actual expenses, is dedicated to charitable purposes. The following racing associations distributed funds last year: Los Angeles Turf Club, Del Mar Thoroughbred Club, Los Alamitos Quarter Horse Racing Association, Hollywood Park Racing Association, Pacific Racing Association, and Watch and Wager LLC.

Uncashed Pari-mutuel Tickets

Winning pari-mutuel tickets can be cashed until May 15 of the year following the year in which the race meet ends. Racing patrons may mistakenly tear up, lose, or forget about winning tickets.

After May 15, any unclaimed monies are distributed as indicated below.

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

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

1. Fifty percent of live races unclaimed pari-mutuel tickets shall be paid to a welfare fund established by the horsemen's organization contracting with the association with respect to the conduct of the racing meet for the benefit of the horsemen, and the said organization shall make an accounting to the Board within one calendar year of the receipt of such payment. During FY 2014-15, the distribution to the welfare funds was \$938,848.

2. The other 50 percent of live races unclaimed pari-mutuel tickets shall be divided equally between the association (as commissions) and horsemen (in the form of purses). Not-

withstanding the distribution of live races unclaimed tickets, unclaimed ticket monies generated by wagering on intrastate (north/south) thoroughbred and fair races and interstate imports are split equally between purses and commissions. During FY 2014-15, the tracks and the horsemen each received \$1,568,211.

3. Unclaimed refunds totaled \$743,380 for FY 2014-15. Unclaimed refunds provide health and welfare benefits to California licensed jockeys, former California licensed jockeys, and their dependents. The California Jockey Welfare Corporation is the organization designated by the CHRB to receive these funds.

4. Cash vouchers that are not redeemed within 365 days of the close of the racing meeting at which the voucher was purchased are distributed to a nonprofit organization for the purposes of maintaining a database of horse-racing information. CHRIMS is the organization designated by the CHRB to receive these funds. During calendar year 2014 uncashed vouchers totaled \$417,112.

Statement of Distribution by Fund of Horse Racing Revenues

July 1, 2014 through June 30, 2015

| | Detail | Total |
|--|--------------|---------------------|
| Revenue To Horse Racing Fund | | |
| License Fees — CHRB Support | \$11,203,000 | |
| ADW License Fees — CHRB Support | 709,000 | |
| Miscellaneous Income | 0 | |
| Income from Surplus Money Investment Fund | 3,000 | |
| Escheat of Unclaimed Checks, Warrants | 0 | |
| Total 3153 Fund | | \$11,915,000 |
| Revenue To General Fund (0001) | | |
| Fines & Penalties | 206,000 | |
| Occupational Licenses | 929,000 | |
| Miscellaneous Income | 1,000 | |
| Total Fund 0001 | | 1,136,000 |
| Revenue to CA Veterinary Diagnostic Laboratory (0881) | | |
| Equine Research License Fees | 1,001,000 | |
| ADW Equine License Fees | 499,000 | |
| Total Fund 0881 | | 1,500,000 |
| Total Revenue | | \$14,551,000 |

Occupational Licenses and Fees

July 1, 2014, through June 30, 2015

| Type of License | Fee | Issued | Total |
|---|---------|--------|-----------|
| Stable | \$300 | 341 | \$101,300 |
| Multiple Ownership* | 300 | 10 | 3,000 |
| Horse Owner-Open Claim | 250 | 14 | 3,500 |
| Officer/Director/Partner** | 150-200 | 106 | 16,650 |
| Horse Owner** | 150-250 | 3,244 | 387,200 |
| | | | |
| Trainer, Assistant Trainer*** | 150 | 371 | 53,050 |
| Harness Horse Driver*** | 150 | 26 | 3,900 |
| Jockey/Apprentice Jockey*** | 150 | 152 | 20,300 |
| Jockey Agent | 150 | 29 | 4,350 |
| | | | |
| Bloodstock Agent | 150 | 13 | 1,950 |
| Veterinarian | 150 | 44 | 6,600 |
| Association Employee | 75 | 253 | 18,975 |
| Valet/Custodian/Attendant | 75 | 15 | 1,125 |
| | | | |
| Pari-mutuel Employee/Tote | 75 | 442 | 33,110 |
| Horseshoer | 75 | 32 | 2,400 |
| Exercise Rider/Pony Rider*** | 75 | 355 | 25,925 |
| Misc. Employee/Stable Agent Vendor** | 35-75 | 436 | 25,660 |
| Security Guard | 75 | 94 | 7,050 |
| Stable Foreman | 75 | 84 | 6,180 |
| | | | |
| Authorized Agent | 25 | 607 | 15,175 |
| Replacement License | 15 | 349 | 5,235 |
| Annual Groom/Stable Employee (Original)*** | 35 | 319 | 11,165 |
| Annual Groom/Stable Employee (Renewal)** | 20-35 | 1,587 | 33,780 |
| Total fees generated to General Fund | | | \$787,580 |

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

* Includes partnership registrations

**Variable fee

***Includes reduced license fees

Other Public Revenues

Horse racing contributes to local economies through sales tax from the sale of claimed horses. During FY 2014-15, there were 1,830 horses “claimed” at authorized race meets.

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

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

An owner who over-values the horse will find competition in the race too severe and will not win a purse — but probably

retain the horse; the owner who under-values the horse may well win a purse — but in all probability lose title to the horse to a successful claimant. Thus, it is the owner who establishes the true competitive value of a horse in a claiming race.

Inasmuch as the claim of a horse is in fact a purchase, state sales tax is collected on the amount of the claim. During FY 2014-15, the total amount paid for claiming of horses was \$25,171,600, resulting in sales tax revenues of \$2,173,924.

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

During FY 2014-15, \$3.6 million was distributed to local governments under this provision.

Track Commissions

Under the system known as pari-mutuel wagering, the racing association acts as the stakeholder for all wagers, deducting from each pari-mutuel wagering pool the statutory “takeout,” which includes the state license fee, the percent-

age deduction for purses, and the track’s commission. Commissions retained by California racing associations during FY 2014-15 totaled \$122,679,948.

Purses

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

Purses for California race meets during FY 2014-15 totaled \$145,134,186. In addition, \$10,273,997 was paid out as California-bred incentives.

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

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

Statistics For Horses Claimed

July 1, 2014 to June 30, 2015

| Track Location | Horses Claimed | Amount Paid | Sales Tax |
|---|----------------|---------------------|--------------------|
| Thoroughbred Race Meets — Northern | | | |
| Golden Gate | 377 | \$3,857,350 | \$351,903 |
| Thoroughbred Race Meets-Central-Southern | | | |
| Del Mar | 284 | \$6,556,000 | \$524,480 |
| Los Alamitos | 24 | 436,000 | 34,880 |
| Santa Anita | 461 | 10,938,500 | 984,465 |
| Harness Meets-Statewide | | | |
| Cal Expo | 53 | \$151,300 | \$12,861 |
| Quarter-Horse Meets-Statewide | | | |
| Los Alamitos | 525 | \$2,289,600 | \$183,168 |
| Fair and Mixed Meets-Statewide | | | |
| Pleasanton | 34 | \$388,200 | \$35,871 |
| Santa Rosa | 19 | 127,600 | 11,165 |
| State Fair | 15 | 75,000 | 6,375 |
| Stockton | 5 | 40,500 | 3,645 |
| Ferndale | 4 | 15,400 | 1,155 |
| LACF @ Los Al. | 10 | 178,500 | 14,280 |
| Fresno | 19 | 117,650 | 9,677 |
| Grand Total | 1,830 | \$25,171,600 | \$2,173,924 |

Authorized Horse Sales

Each year the CHRB authorizes sales for racehorses or breeding stock used in the production of racehorses when such sales are conducted on the premises of a racing association. During FY 2014-15, there were 1,034 horses sold for a total of \$24,713,500. These sales generated a total of \$895,881 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 2014-15:

Barretts Equine Ltd. at Del Mar

Paddock Sale July 20, 2014

Barretts Equine Ltd. Thoroughbred Sales at Fairplex Park

October Yearling Sale October 7, 2014

January Mixed Sale January 26, 2015

March Two-Year-Olds February 28, 2015

Spring Two-Year Olds May 28, 2015

Altogether, 568 horses were sold at Barretts' Del Mar and Fairplex Park sales for a total of \$18,000,500, which generated \$723,114 in sales tax.

California Thoroughbred Breeders Association Sales

Nor-Cal Yearling Sale August 12, 2014

A total of 92 horses was sold for a total of \$1,097,300, which generated \$53,087 in sales tax.

Quarter-Horse Sales At Los Alamitos

Los Alamitos Equine Sale Oct. 4, 5, 2014

A total of 374 horses was sold for \$5,615,700, which generated \$119,680 in sales tax.

California Horse Breeding Programs

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

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

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

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

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

Thoroughbred Breeders Program

The California Thoroughbred Breeders Association (CTBA) administers the California-bred awards, owners premiums, and stallion awards for thoroughbreds. In addition, the CTBA supervises the California-bred race fund, which has supplemented the very successful California Cup Program each year since 1990. In FY 2014-15, \$681,808 was generated as owners premiums and \$9,698,932 for the breeders program from the wagering handle.

At California thoroughbred race meets, the amount of 0.54 percent on track and 0.54 percent off track of all pari-mutuel pools is deducted as takeout and transferred to the CTBA for distribution. A further amount equal to .07 percent of the handle is specified for owners premiums and transferred to the CTBA for distribution. The CTBA is authorized to deduct five percent for administrative overhead and expenses, including education, promotion, and research.

Standardbred Breeders Programs

The California Standardbred Sires Stakes Committee, Inc., a California non-profit public benefit corporation, administers the Standardbred Breeders Program. The Sires Stakes Committee is authorized to deduct expenses (not to exceed four percent of funds generated) for administering the Standardbred Breeders Program. The program is funded from the breakage at harness race meets and an additional one percent takeout on all exotic wagering at harness race meets. In FY 2014-15, the program generated \$224,569.

Quarter-Horse Breeders Program

Pacific Coast Quarter Horse Racing Association, as the recognized breeders organization, received \$330,248 from the pari-mutuel handle to fund its program in FY 2014-15. The source of these funds was 0.48 percent of the on-track and 0.48 percent of the off-track handle on quarter-horse racing at the fair race meets, 0.4 percent of the handle at quarter-horse race meets, and a proportional payment of the monies required by the state, the association, and the horsemen.

Paint Breeders Program

The Paint breeders awards received \$404 for the breeders program in FY 2014-15. No Paints ran in California. This revenue came from ADW wagers.

Arabian Breeders Program

The California Arabian horse breeders awards received \$10,615 for the program during FY 2014-15.

Mule Breeders Program

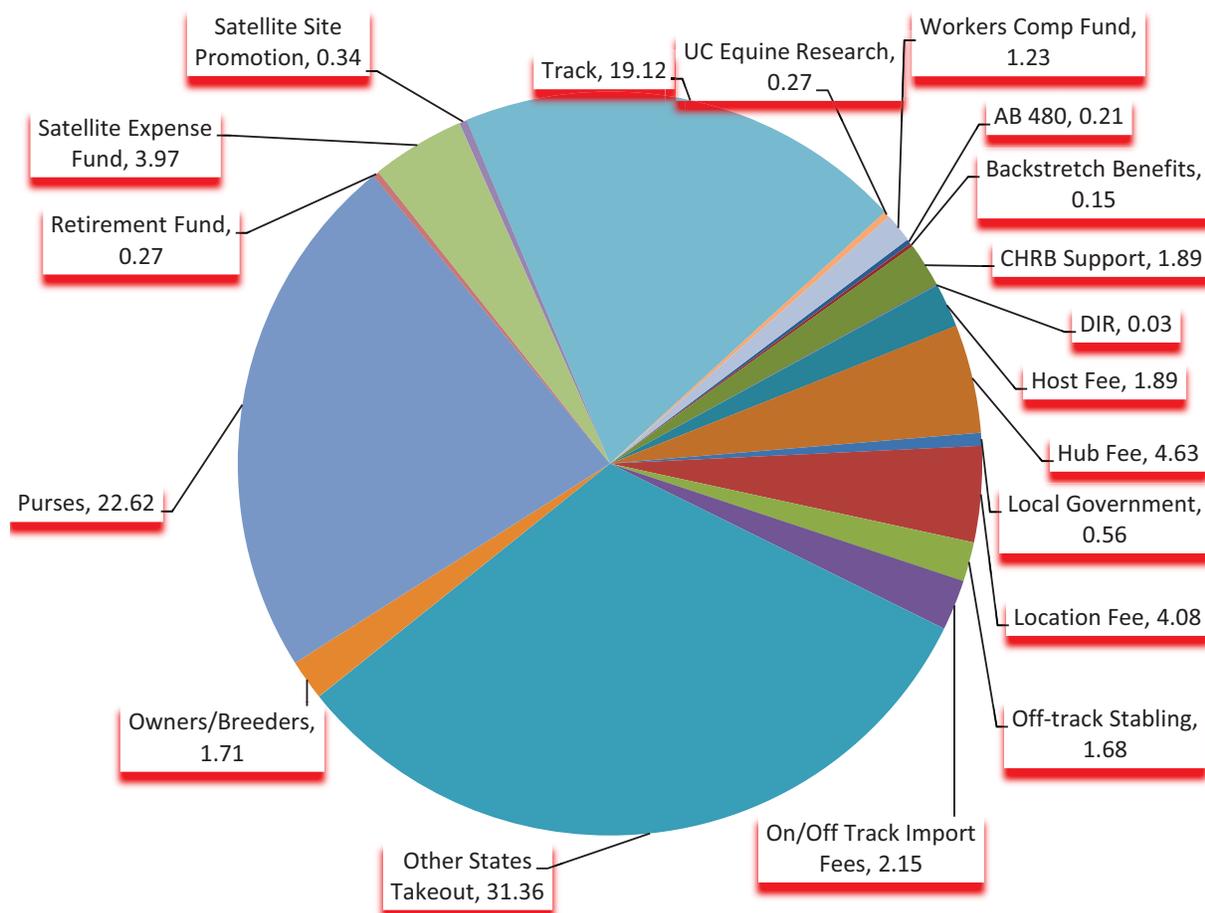
The California mule breeders awards received \$9,215 for the program during FY 2014-15.

Appaloosa Breeders Program

California did not host Appaloosa breed races during FY 2014-15.

The Revenue Stream

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



A total of \$3,095,263,930 was wagered by fans of California racing during FY 2014-15, and of the money, 79 percent (\$2,450,117,734) was returned to winning ticket holders.

Prior to simulcast wagering in 1985, virtually all of the wagering in California races was at the track, but today “on-track” bets make up only 12.70 percent of wagers placed (\$393 million). Off-track betting within the state provides 22.42 percent of the handle (\$694 million) The balance comes from out-of-state and Advance Deposit Wagers (totaling \$1.1 billion). ADW accounted for \$879,079,830 of the handle.

Patrons failed to cash \$4.1 million worth of winning tickets. By law, money from uncashed tickets, except for fairs, is split between a welfare fund for the benefit of the backstretch, the associations, and horsemen. Money from uncashed tickets at fairs is turned over to the state’s General Fund.

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

Breakage, a byproduct of the pari-mutuel calculation, is distributed to the state, to purses, and to the racing associations. This totaled \$7,909,154 in FY 2014-15

Of the \$3.1 billion wagered, \$645 million, or 20.84 percent, was withheld as the “takeout” for such purposes as horsemen’s purses, racetrack operations, and government taxation, as discussed on the next page:

Horsemen's Purses

A total of \$145,134,186 was distributed during FY 2014-15 in the form of purses. This money went to the owners of the horses, the jockeys, the trainers, and through them, to the backstretch employees.

Portions of the purse money also went to organizations that represent owners and other horsemen.

Track Commissions

The racetracks and fairs that host the racing programs collected a total of \$123 million in commissions. Much of that money went toward the cost of operations, such as rent, mortgages, and labor costs, of which pari-mutuel clerks represent a large part. The racetracks are also responsible for marketing the sport with advertising, promotions, and other forms of publicity.

CHRB Support

The allocation of the CHRB budget comes from the horse-racing industry through the yearly budget process conducted by the State Legislature. This allocation is used to fund the CHRB's mission of overseeing the horse-racing industry on behalf of the state and the California public.

Incentive Awards

One of the most important uses of horse-racing revenue is for incentive awards, which promote the agricultural program in California by encouraging horse breeding. Last year \$10,273,997 in awards were divided between programs for thoroughbreds (\$9,698,932), standardbreds (\$224,569), quarter horses (\$330,248), paints (\$404), Arabians (\$10,615), mules (\$9,215), and Appaloosas (\$14).

Local Government

For those local municipalities who elect to participate, an additional 0.33 of one percent is withheld from the handle to reimburse communities for costs incurred due to traffic control, security, and other expenditures resulting from horse-racing events. Last year \$3.6 million was withheld for this purpose.

Host Fees

Host fees are negotiated for mandated payments to producers of live horse racing imported by tracks via satellite and offered to the betting public in conjunction with a California track's live racing program. Last year, California tracks paid \$12 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 \$168 million.

Equine Research

A mandated deduction goes to U.C. Davis for equine research. Last year the total for equine research was \$1.7 million.

Simulcast Fees

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

These funds received a total of \$54.4 million last year:

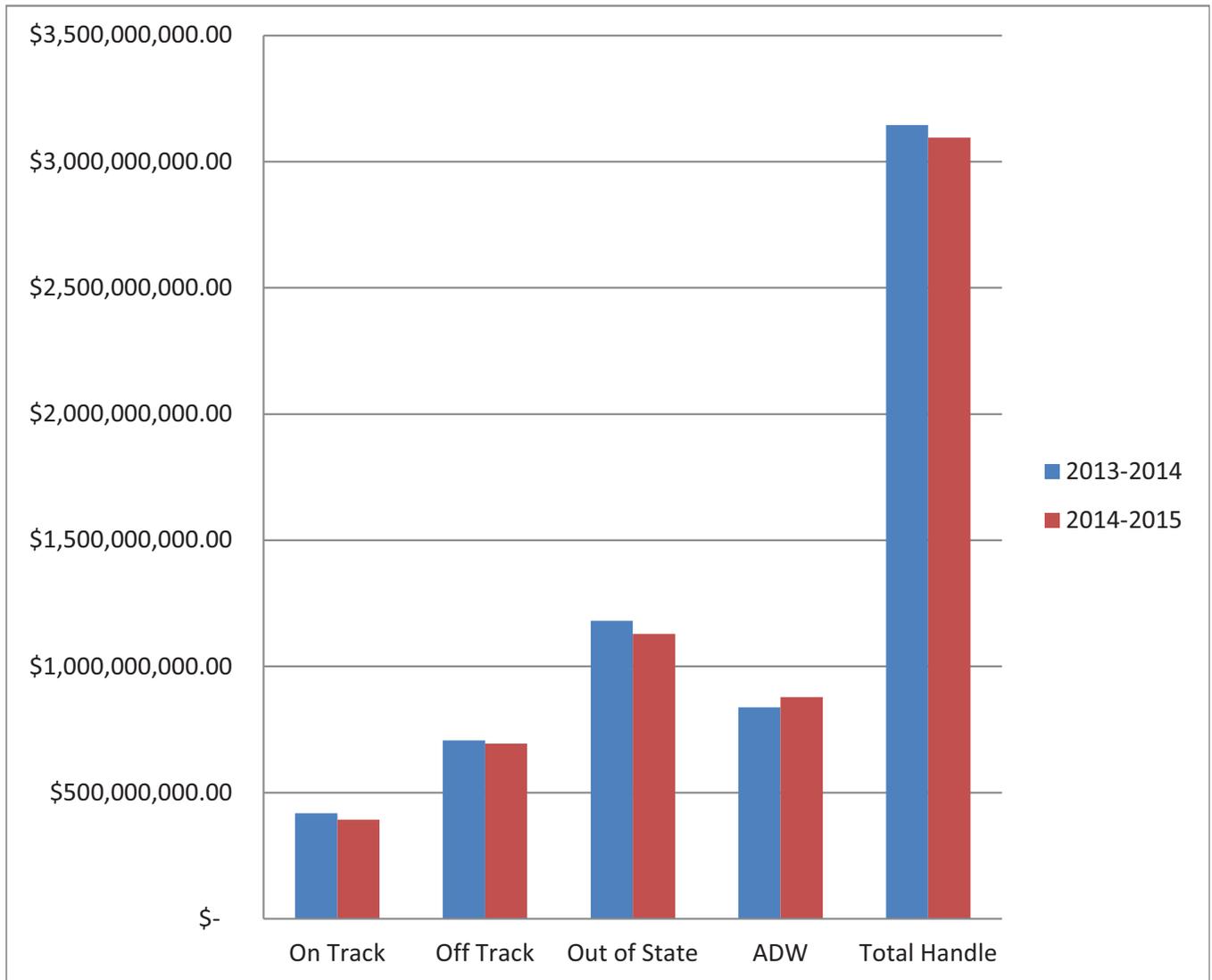
| | |
|--------------------------|----------------|
| Stable and Vanning Fund: | \$10.8 million |
| Promotion Fund: | \$2.2 million |
| Expense Fund: | \$25.5 million |
| Guest Site Fees: | \$15.9 million |

Retirement and Welfare

ADW Retirement and Welfare Plans received \$1,736,887 in FY 2014-15. These funds supplement the backstretch personnel pension plan and provide welfare benefits for horsemen and backstretch personnel.

Sources of Handle

Fiscal Years 2013-14 and 2014-15



The on-track handle represents wagers at the host track. For FY 2014-15, on-track wagers accounted for 12.70 percent of the total handle. Off-track handle represents wagering at California simulcast locations and accounted for 22.42 percent of the total. Out-of-state handle represents commingled wagers from other U.S. and international sites. Out-of-state wagers accounted for 36.48 percent of the total. ADW represents the handle generated through the six licensed California ADW companies. The ADW handle accounted for 28.40 percent of the total.

The Horsemen's Organizations Welfare Funds

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

The California Thoroughbred Horsemen's Foundation, Inc.

P. O. Box 660129
Arcadia CA 91006
Registry of Charitable Trusts
No. 052861

Quarter Horse Benevolent Charity Foundation

11278 Los Alamitos Blvd., Suite 243
Los Alamitos, CA 90720
Registry of Charitable Trusts No. 018221

California Harness Horsemen's Benevolent Foundation

P.O.Box 254767
Sacramento, CA 95864
Registry of Charitable Trusts No. CT0202834

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

The California Horsemen's Organizations

The CHRB determines the organizations to represent California horsemen with respect to each breed.

The following horsemen's organizations were recognized by the Board during FY 2014-15: Thoroughbred Owners of California for thoroughbred owners; California Thoroughbred Trainers for thoroughbred trainers; California Harness

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

Audited Expenses of California Horsemen's Organizations

The information regarding the expenditures of these organizations is only one portion of the total audited financial statements submitted to the CHRB. Persons wishing to obtain a

copy of the complete audited financial statements of a horsemen's organization can do so by contacting the CHRB's headquarter office in Sacramento.

Audited Financial Statements of California Horse Racing Industry

Pursuant to Business and Professions Code Section 19440.5 and requirements outlined in the horse race meet application, the CHRB requires recognized industry participants receiving statutory distributions from the takeout to annually file audited financial statements. The table below lists those organizations and their most recent audit reports received by the CHRB, along with two recognized participants that do not receive statutory distributions.

| Horsemen's Associations | Last Audit Report |
|--|-------------------|
| Pacific Coast Quarter Horse Racing Association | 2014 |
| American Mule Racing Association | 2014 |
| California Thoroughbred Horsemen's Foundation | 2014 |
| California Harness Horsemen's Association* | 2014 |
| Arabian Racing Association of California | 2013 |
| California Thoroughbred Breeders Association | 2014 |
| California Thoroughbred Trainers | 2014 |
| Thoroughbred Owners of California | 2014 |

| Administrative Funds | Last Audit Report |
|---|-------------------|
| CHRIMS | 2014 |
| California Marketing Committee - CMC | 2014 |
| California Thoroughbred Business League | 2014 |
| Northern California Off-Track Wagering (NOTWINC) | 2014 |
| Southern California Off-Track Wagering (SCOTWINC) | 2014 |
| Quarter Horse Racing, Inc. & Subsidiaries | 2014 |
| Disabled Jockeys' Endowment** | 2014 |
| California Jockeys' Welfare Corp | 2014 |
| Quarter Horse Benevolent Charity Foundation | 2014 |
| California Standardbred Sires Stakes Committee* | 2007 |
| California Harness Horsemen's Benevolent Foundation | 2014 |
| AmTote International** | 2014 |

| Racing Associations | Last Audit Report |
|-------------------------------------|-------------------|
| Pacific Racing Association (GGF) | 2014 |
| Del Mar Thoroughbred Club | 2014 |
| CARF | 2014 |
| Los Angeles Turf Club (Santa Anita) | 2014 |
| Los Alamitos Quarter Horse Racing | 2014 |
| Watch and Wager, LLC at Cal Expo | 2014 |

| ADW Companies | Last Audit Report |
|--|-------------------|
| TVG | 2014 |
| Twin Spires ADW | 2014 |
| Magna Entertainment Corp. (GGF/Santa Anita/ExpressBet) | 2014 |
| Watch and Wager, LLC | 2014 |
| Game Play Network, Inc. | 2014 |
| Lien Games Racing | 2014 |
| XpressBet | 2014 |

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

** Do not receive statutory distributions.