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October 26, 2018

Mr. Kevin Flannery, President
Churchill Downs Racetrack
700 Central Avenue
Louisville, KY 40208

Re: Notice of Administrative Fine

Dear Mr. Flannery:

The Kentucky Horse Racing Commission ("Commission") has determined that the AGT historical horse racing pari-mutuel wagering system is providing wagering opportunities on races that do not comply with the administrative regulations governing pari-mutuel wagering on historical horse racing. For this reason, the Commission issues this notice of administrative penalty and fine.

The Commission's regulations authorize wagering on "historical horse races." *See* 810 KAR 1:011 Section 3(1). According to 810 KAR 1:001, Section 1(30), "historical horse race" means any horse race that:

- (a) Was previously run at a licensed pari-mutuel facility located in the United States;*
- (b) Concluded with official results; and*
- (c) Concluded without scratches, disqualifications, or dead-heat finishes.*

"Scratch" is defined as "the withdrawal of a horse entered for a race after the time of closing of entries for the race in conformance with 810 KAR Chapter 1." *See* 810 KAR 1:001, Section 1(65). A race that includes one or more scratched horses is not an "historical horse race," and wagering upon such a race is therefore not authorized under Kentucky law.



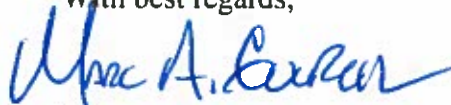
Based upon the observations of the Director of Pari-mutuel Wagering and Compliance and an affidavit provided by Mr. William E. Mudd, President and Chief Operating Officer of Churchill Downs, Inc. on October 24, 2018, the Commission has determined that the AGT wagering system is providing wagering opportunities on races that include horses that were scratched from the original race. The AGT historical horse racing pari-mutuel wagering system has been operating in violation of the regulations cited above since it was placed in operation for public use on September 10, 2018 at the Derby City gaming facility located at 4520 Poplar Level Road in Louisville, KY.

The Commission, therefore, pursuant to KRS 230.260(11) and 810 KAR 1:028 Section 11(4), hereby imposes a fine upon the licensee operating the system, Churchill Downs Racetrack, LLC, in the amount of \$1,000.00 per day beginning on September 10, 2018, for each day the system is operated without complying with the regulations cited above.

At this time, the KHRC has no evidence that any patron has suffered monetary loss as a result of the regulatory violation. However, the Commission continues to review this matter to determine if there are any other regulatory deficiencies. If the KHRC determines that patrons are wagering on the AGT system to their detriment, or if any other regulatory deficiencies are discovered, the Commission may impose additional penalties up to and including a directive to cease operation of the system.

If you wish to appeal this fine, you may request a commission hearing pursuant to 810 KAR 1:028 Section 2(1) and 810 KAR 1:029.

With best regards,



Marc A. Guilfoil
Executive Director