

# Kentucky Horse Racing Commission (KHRC)

## 2008 Annual Report

Calendar year except as noted

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# LETTER from CHAIRMAN BECK

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STEVE BESHEAR  
GOVERNOR



ROBERT D. VANCE  
SECRETARY

## PUBLIC PROTECTION CABINET

ROBERT M. BECK, JR.  
CHAIRMAN

### KENTUCKY HORSE RACING COMMISSION

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The Honorable Steven L. Beshear  
State of Kentucky  
700 Capitol Avenue  
Frankfort, Kentucky 40601

Dear Governor Beshear:

On behalf of the Kentucky Horse Racing Commission (KHRC), it is my privilege to submit to you the Board's 2008 Annual Report, pursuant to KRS 230.370. This report presents a summary of the Board and agency's activities and accomplishments, as well as statistical data related to racing and pari-mutuel wagering in the Commonwealth.

As the state agency charged with regulating and overseeing Kentucky's horse racing industry, KHRC overcame many challenges while continuing to pursue various safety and integrity initiatives for both the horses and participants in Kentucky racing. Many of the agency's achievements are detailed in this report and we look forward to building on this success in the future.

My fellow Commissioners and the staff appreciate your continued support of the Kentucky Horse Racing Commission and the horse racing industry and look forward to working with you to address the challenges that confront one of the Commonwealth's signature industries. Despite an ever-changing landscape, by working together, we will strengthen both the agency's and the industry's positions as leaders on the local, national and international level, in order to ensure that Kentucky remains the "Horse Capitol of the World."

Sincerely,

Robert M. Beck, Jr.  
Chairman  
Kentucky Horse Racing Commission



# EXECUTIVE DIRECTOR'S COMMENTS

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STEVE BESHEAR  
GOVERNOR



ROBERT D. VANCE  
SECRETARY

## PUBLIC PROTECTION CABINET

ROBERT M. BECK, JR.  
CHAIRMAN

### KENTUCKY HORSE RACING COMMISSION

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Gov. Steve Beshear established the Kentucky Horse Racing Commission July 3, 2008. It was a reorganization of the Kentucky Horse Racing Authority.

As Executive Director I was privileged to work with two outstanding groups of individuals, the members of the Commission and the Authority. I would like to thank those board members for the work they have done. I was also aided by a professional staff dedicated to ensuring the safety and integrity of the Commonwealth's horse racing industry. In addition, Governor Beshear and Secretary Vance strongly supported the Commission and the industry.

During calendar year 2008 we were able to accomplish many of the goals established earlier and to meet challenges that arose during the course of the year. The industry is an ever changing one and new challenges and opportunities for racing present themselves continually.

2008 was a year of change with increased emphasis on the safety and welfare of the horse and participants of racing. This agency provided a leadership role on various safety and integrity issues which positively impacted the industry. As will be discussed in more detail below, the KHRA/KHRC addressed issues and made forward-thinking decisions in the following areas:

- Related to thoroughbred racing (steroid ban and strengthening the riding crop rule),
- Related to standardbred racing (steroid ban and strengthening the whipping rule),
- Related to the Breeders' Incentive funds (protecting non-race breeds), and
- Related to the horse racing industry overall within the Commonwealth (The Governor's Task Force on the Future of Horse Racing in Kentucky).

In order to move forward in a leadership role, Chairman Beck announced the formation of the Safety and Welfare Committee to review safety issues and concerns related to both thoroughbred and standardbred racing and make recommendations. During 2008, the Committee performed its own research and worked with various industry organizations and owner, trainer and jockey groups to enhance the safety and welfare of all racing participants.

Additionally the board contracted with the University of Kentucky to provide the Commonwealth with its first Equine Medical Director to serve as a consultant in the conduct of oversight of medical research, on equine medication and health issues, and on strategies to enhance equine safety.

One of the first issues on which the Equine Medical Director consulted was the amendment to the KHRC's medication regulations which banned the use of anabolic steroids for both thoroughbred and standardbred racing. As an example of the agency and Commonwealth's desire to act quickly and aggressively, in less than one month's time, this amendment went from being recommended by the Kentucky Equine Drug Research Council to Gov. Steve Beshear signing an emergency regulation to put the amendment in place. This change in the regulations took effect immediately on Sept. 5, 2008 and put the Commonwealth at the forefront nationally in ensuring the integrity of racing.

Another change that illustrated the KHRC's leadership with safety-related issues was the change in racing rules governing the use of whips in standardbred racing. These reforms made Kentucky the first racing jurisdiction in North America to ban abusive whipping in standardbred racing. After adopting the ban on one-handed whipping and use of snappers, many other regulatory agencies contacted the KHRC for guidance and followed Kentucky's lead in adopting these protective measures.

In a similar move for thoroughbred racing, the KHRC approved the riding crop rule, based on the recommendation of the Safety and Welfare Committee at its December meeting.

During 2008, the agency acted to protect more than just the racing breeds. Through its actions, the KHRC was able to demonstrate its commitment to the humane treatment all horses, including the non-race breeds that participate in the Commonwealth's Breeders' Incentive Fund program. As an economic development tool, the fund provides payment to encourage breeders to stable their horses in Kentucky. Although not resolved as of year end, the KHRC was developing guidelines and promulgating regulations to protect the non-race breeds and help ensure compliance with the Horse Protection Act.

On Dec. 15, Gov. Steve Beshear's Task Force on the Future of Horse Racing in Kentucky issued its report documenting recommendations made to address issues facing the industry. It was a report of major importance to the industry which included recommendations from four subcommittees which heard testimony and gathered information from a variety of industry experts over a four-month period. The Task Force provided suggestions to address various safety and integrity issues and developed an action plan for moving the horse racing industry forward. One of the primary findings in the report was that with additional funding and staff, the

KHRC would be in a position in the future to be able to more properly fulfill its statutory mandates.

In conclusion, I would like to say thank you again to all the board members, staff and others who helped to move the agency forward during a year of change. Despite funding and staffing challenges, the Kentucky Horse Racing Commission addressed many concerns and took the lead on many safety and integrity issues, including matters related to thoroughbred racing, standardbred racing, the Breeders' Incentive Funds, and the future of horse racing in the Commonwealth.

Respectfully submitted,

Lisa E. Underwood  
Executive Director  
Kentucky Horse Racing Commission



## **2008 MEETING DATES**

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The Kentucky Horse Racing Commission monthly meetings were open to the public and were generally scheduled for the third Monday of each month.

January 28 - cancelled

February 25

March 24

April 21

May 19

June 16

July 9

July 14

August 25

September 22

October 27

November 17

December 15

## **KENTUCKY HORSE RACING COMMISSION MEMBERS**

The Kentucky Horse Racing Commission is an independent agency of state government charged with the responsibility of regulating the conduct of horse racing and pari-mutual wagering on horse racing and related activities within the Commonwealth.

The Commission is composed of fifteen gubernatorial appointees along with the Secretary of the Tourism, Arts and Heritage Cabinet, the Secretary of the Public Protection Cabinet, and the Secretary of Economic Development serving as ex-officio members of the Commission.

On April 28, 2008, Governor Steve Beshear appointed Robert M. Beck, Jr. to the Kentucky Horse Racing Authority and designated him as Chair. Also on April 28, 2008, Gov. Beshear appointed the following members to fill

vacancies and expired terms: Edward S. Bonnie, Elizabeth Lavin, Alan Leavitt, and Dr. Foster Northrop.

On July 3, 2008, Gov. Beshear signed an Executive Order reorganizing and renaming the Kentucky Horse Racing Authority to become the Kentucky Horse Racing Commission.

The KHRC is honored to have the following racing industry and community leaders serve as voting members of the Commission, appointed by Gov. Steve Beshear on July 3, 2008:

Robert M. Beck, Jr. – Chair

Mr. Beck, a transactional lawyer, has represented both domestic and foreign clients in the purchase, sale and syndication of bloodstock. Mr. Beck also regularly provides corporate and financing legal counsel to equine industry participants, including banks, horse farms, trainers, and organizers of multiple ownership arrangement for racing and breeding syndicates.

Mr. Beck is a licensed Thoroughbred owner and breeder.

Tracy Farmer – Vice Chair

Mr. Farmer owns Shadowlawn Farm near Midway, Kentucky. He also owns automobile dealerships and is involved in banking and commercial real estate development and building management.

Mr. Farmer is a member of The Jockey Club and serves on the boards of Breeders' Cup Limited and the Thoroughbred Owners and Breeders Association. He was the recipient of the 2006 W.T. Young Humanitarian Award sponsored by the Kentucky Thoroughbred Owners and Breeders and was honored as a person in the industry “who recognizes and promotes the human endeavor.”

Mr. Farmer is a licensed Thoroughbred owner and breeder.

Edward S. Bonnie

Edward S. Bonnie, an attorney for *Frost, Brown, Todd, LLC*, concentrates his practice in the area of equine law. He acts as counsel for owners, trainers, veterinarians, jockeys, feedmen, blacksmiths and others in the horse business.

Mr. Bonnie and his wife own, break, train, and ride hunters, jumpers and steeplechasers, and own and operate a 530-acre horse and cattle farm in Oldham County, Kentucky.

Mr. Bonnie is a licensed Thoroughbred owner and breeder.

### F. Thomas Conway

Mr. Conway is a sole practitioner focusing mainly on litigation practice in personal injury, products liability and medical malpractice.

Mr. Conway is a licensed Thoroughbred owner and breeder.

### Thomas Gaines

Mr. Gaines is a founding partner in Gaines-Gentry Thoroughbreds, a leading breeder and commercial seller in the Thoroughbred industry. He serves as president of KBC International, a worldwide horse equipment company.

Mr. Gaines is a partner in several other businesses including one of the largest Thoroughbred sales consignors, Eaton Sales. Additionally he serves on the board of members and trustees of The Breeder's Cup Limited.

On April 28, 2008, Mr. Gaines' term on the Kentucky Horse Racing Authority expired. On July 3, 2008, Gov. Beshear appointed Mr. Gaines to the KHRC.

Mr. Gaines is actively involved in many aspects of the Thoroughbred business.

### Allan Wade Houston

Mr. Houston is Executive Vice-President of Houston-Johnson, Inc., a logistics provider and warehouse management entity that coordinates specific just-in-time activities. Mr. Houston was a partner in JHT Holdings, the second largest minority-owned company in the United States and the largest minority-owned transportation company in North America.

Mr. Houston is a racing enthusiast.

### Frank Jones, Jr.

Mr. Jones is Owner of Recreonics Corporation of Louisville, Ky.

In 1997, he was appointed to the Kentucky Racing Commission where he served 2 terms as the Commission's Vice-Chair. He is the vice-president of the Kentucky Horsemen's Benevolent & Protective Association (HBPA) and serves on the board of directors of the Kentucky Racing Health & Welfare Fund. He has experience in contracts and legislative activities on behalf of Thoroughbred owners.

Mr. Jones is a licensed Thoroughbred owner, racing primarily on the Kentucky circuit.

### Elizabeth S. Lavin

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Mrs. Lavin and her husband, well-known Kentucky equine veterinarian, A. Gary Lavin, own and operate Longfield Farm, a commercial breeding and boarding operation.

Mrs. Lavin previously served on the Kentucky Racing Commission from 1993-1997 where she was the KRC advisor to the Kentucky Racing Health & Welfare fund and representative to the Association of Racing Commissioners International (RCI).

Mrs. Lavin is a licensed Thoroughbred owner and breeder.

### Alan J. Leavitt

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Mr. Leavitt is the president and general manager of Walnut Hall Ltd., Lexington, Ky., which is owned by his wife, Meg Jewett. Mr. Leavitt campaigned Deweycheatumhowe, 2008 Dan Patch award winner for Trotter of the Year, and who will stand stud at Walnut Hall Ltd.

Mr. Leavitt is a director of the Hambletonian Society and the Racing Medication and Testing Consortium and president of the Kentucky Standardbred Breeders Association.

Mr. Leavitt is a licensed Standardbred owner and breeder.

### Tom Ludt

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Mr. Ludt is the co-general manager of Vinery Ltd., a stallion farm with locations in Lexington, KY. and Ocala, FL.

Mr. Ludt serves on the board of members and trustees of The Breeder's Cup Limited and the Thoroughbred Owners and Breeders Association (TOBA).

Mr. Ludt is a licensed Thoroughbred owner and breeder.

### Dr. Foster Northrop

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Foster Northrop is an equine veterinarian with his own practice, Northrop Equine PLLC, practicing primarily on Thoroughbred racehorses at Churchill Downs, Keeneland and Palm Meadows in Boynton Beach, FL.

In addition to currently serving on the Kentucky Horse Racing Commission, Dr. Northrop, also serves as vice chairman of the Racing Task Force for the American Association of Equine Practitioners and serves on the Grayson Jockey Club Research Advisory Committee.

### Michael Pitino

Mr. Pitino is the Chief Operating Officer and Founding Partner of Alliance Group in Louisville, Ky. Alliance Group is a private equity investment firm which makes financial investments into middle market companies across the country. Alliance Group also serves as a business brokerage, helping sellers identify private investors to purchase their companies.

Mr. Pitino is a racing enthusiast.

### Burr Travis

Mr. Travis is a partner with the law firm of Busald, Funk and Zevely, P.S.C. of Florence, Ky.

Mr. Travis has previously served on the board of directors of the Kentucky Horseman's Benevolent Protective Association

Mr. Travis is a licensed Thoroughbred owner and breeder.

### John T. Ward, Jr.

Mr. Ward is a life-long trainer who trained Monarchos, winner of the 2001 Kentucky Derby and advised on the purchase and provided early training for Fusaichi Pegasus, winner of the 2000 Kentucky Derby.

He was a founding member of the Kentucky Thoroughbred Owners and Breeders Association (KTOBA) and has served with the Kentucky Thoroughbred Association (KTA), Kentucky Thoroughbred Owners and Breeders (KTOB), the Kentucky Racing Commission, Kentucky Equine Drug Research Council, National Racing Medication and Testing Consortium, Sales Integrity Task Force and on the National Thoroughbred Racing Association (NTRA) panel formed to examine jockey insurance.

Mr. Ward is a licensed Thoroughbred trainer and equine advisor.

### Dr. Jerry Yon

Dr. Yon is a self-employed physician.

On July 9, 2008, Governor Steve Beshear named Dr. Yon to chair the Kentucky Equine Drug Research Council (EDRC) and when that term expired, Dr. Yon was re-appointed chair to serve for a term expiring August 1, 2012.

Dr. Yon is a horse racing enthusiast and actively involved in equine medication and drug testing research and policies and procedures.



The KHRC is honored to have the following Cabinet secretaries serve as non-voting members of the Board:

**Robert D. Vance**

Secretary Vance was appointed Secretary of the Environmental and Public Protection Cabinet (EPPC) in December, 2008 and continues as Secretary of the Public Protection Cabinet following a restructuring of EPPC in June, 2008.

**Larry Hayes**

Secretary Hayes was appointed Secretary of the Economic Development Cabinet in September 2008. Secretary Hays replaced Secretary Hindman who had been appointed Secretary of the Economic Development Cabinet in June 2008.

**Marcheta Sparrow**

Secretary Sparrow was appointed Secretary of the Commerce Cabinet in December 2007 and continues as Secretary of the Tourism, Arts and Heritage Cabinet following a restructuring of the Commerce Cabinet in June 2008. Secretary Sparrow was represented by Jamie Link at some meetings.

On July 3, 2008, Governor Steve Beshear signed an Executive Order reorganizing and renaming The Kentucky Horse Racing Authority to become The Kentucky Horse Racing Commission. The members of the former Kentucky Horse Racing Authority who served from January 1, 2008 to July 2, 2008 were:

**Voting members:**

William Street, Chair

Constance Whitfield, Vice-Chair

Kerry Cauthen

Thomas Gaines

Dell Hancock

Doug Hendrickson

Franklin Kling

Richard Knock

Tom Ludt

Kenneth Alan Jackson

Larry F. Telle

Dr. Jerry Yon

NOTE: There was one vacancy from January 1, 2008 to April 27, 2008.

Non-voting members:

Robert D. Vance

John Hindman

Marcheta Sparrow

For additional information regarding the members of the former Kentucky Horse Racing Authority, go to the Kentucky Horse Racing Authority 2006 – 2007 Biennial Report at <http://www.khrc.ky.gov/NR/rdonlyres/918FB278-E2BA-437B-9FA1-11165E293000/0/RevisedDRAFTOFBIENNIALREPORT20062007061009.doc>.

## **ADVISORY COMMITTEES and WORKING GROUPS**

Several committees and working groups were appointed by the Governor or Chairman Beck and met throughout the year to advise Commission members on issues pertinent to the duties of the KHRC. In some instances, persons from the industry served on the committee or working group who were not Commission members. The advisory committee and working group members listed below were serving as of the December 31, 2008.

### **Kentucky Equine Drug Research Council**

This committee made recommendations to the KHRC regarding equine racing medication rules and policies, with the most notable recommendation of 2008 being a ban on anabolic steroids for Thoroughbred and Standardbred racing. The Council has working committees researching several industry issues, including the use of anabolic steroids, necropsies and out-of-competition testing which will be discussed in more detail below.

#### **2008 MEETING DATES**

The Council met on the following dates in 2008:

May 20  
June 16  
August 14  
December 15

The following provides a summary of KEDRC activities for 2008.

On July 9, 2008, Gov. Beshear named Dr. Jerry Yon to chair the Kentucky Equine Drug Research Council (KEDRC), and reappointed Dr. Yon to chair the Council on Sept. 22, 2008, to serve a term expiring Aug. 1, 2012.

On August 14, 2008, the KEDRC recommended that the KHRC adopt a ban on anabolic steroids.

On August 25, 2009, the KHRC approved the EDRC's recommendations to ban anabolic steroids for Thoroughbred and Standardbred racing and requested that Governor Beshear adopt the changes in state law through an emergency regulation.

Under the amendment to the drug regulation, anabolic steroids cannot be administered to a horse that is in competition. In addition, the presence of any naturally occurring anabolic steroid in a racehorse that is above natural levels will constitute a violation of the drug rule. The rule set forth naturally

occurring physiological levels for boldenone, nandrolone, and testosterone which can be given for therapeutic reasons, but only under certain conditions. The proposed regulation stated that a horse would be ineligible to race in Kentucky until at least 60 days after administration of a therapeutic anabolic steroid.

In addition, the EDRC recommended strengthening the penalties for detection of anabolic steroids and the KHRC acted on the recommendation by placing all anabolic steroids in the Class B Category when assessing penalties. Under the previous drug rule, those steroids were treated as Class C medications, carrying a penalty of up to 10 days suspension.

The KHRC also approved the following EDRC recommendations:

- Establishment of a 90-day grace period which started September 5<sup>th</sup>, 2008 in conjunction with Gov. Beshear signing the steroid ban into law, noting the KHRC would begin sending notices of positives to trainers and owners after the first 30 days of the grace period.
- Capability for persons who claim a horse to be able to request that the horse be tested for anabolic steroids at the time the claim form is filed with the racetrack. The claimant will bear the cost of the test, but if the test results are positive, the claimant may void the claim.
- Capability for trainers who ship horses to Kentucky shortly before the race may either follow the reporting requirements set forth in the regulation, certify that the horse has not received anabolic steroids in the last 60 days, or if the trainer cannot certify that the horse has not had anabolic steroids because they recently took the horse under their care, then the trainer must acknowledge and accept responsibility if a positive test result is returned for anabolic steroids.

Gov. Beshear supported the KHRC's decision with the following statement:

*"I fully support the action taken today (August 25, 2009) by the Kentucky Horse Racing Commission to ban anabolic steroids in Thoroughbred and Standardbred racing. The vote reflects our shared commitment to strengthening horse racing in the Commonwealth. As a result, I will deem this issue an emergency so that the regulation can go in effect as quickly as possible. I appreciate the commission's quick and aggressive action that will help preserve the integrity of Kentucky's signature industry."*

On September 5, 2008, Gov. Beshear signed the steroid ban into law through emergency regulations banning anabolic steroids from Thoroughbred and Standardbred racing in Kentucky.

On Sept. 22, 2008, Gov. Beshear appointed the following members to the Kentucky Equine Drug Research Council to serve for terms expiring Aug. 1, 2012:

- Hollie I. Swanson, of Lexington, is a professor at the University of Kentucky. She represents pharmacologists.
- W.B. Rogers Beasley, of Lexington, is the Director of Racing for the Keeneland Association. He represents licensed racing associations.
- Frank Dwayne Marcum, of Versailles, is a veterinarian in private practice and president of ArthroDynamic Technologies, Inc. He represents veterinarians.
- Andrew M. Roberts, of Lexington, is a veterinarian in private practice. He represents Kentucky Harness Horsemen's Association.
- John A. Cashman, of Lexington, is the retired president of Castleton Farms. He represents the harness racing industry.
- Gary Lavin, of Goshen, is a veterinarian in private practice. He represents Thoroughbred breeders.

The Governor also reappointed the following members to the council to serve for terms expiring Aug. 1, 2012.

- Jerry L. Yon, of Lexington, a physician in private practice. He represents the Kentucky Horse Racing Commission and will chair the council.
- Rick Hiles, of Louisville, is a Thoroughbred horse owner and trainer. He represents horsemen.

Senator Damon Thayer, representing the Legislature, was a member of the EDRC before the above-mentioned appointments and continued to be a member afterwards.

From January 1, 2008 to July 8, 2008, the Council chair was Connie Whitfield. From January 1, 2008 to September 22, 2008, the Council members were:

Dr. Fairfield Bain  
Susan Bunning  
Alice Chandler  
Dr. Gary Lavin  
Alan Leavitt  
William Napier  
John T. Ward, Jr.

During the course of 2008, the EDRC formed three subcommittees to address pertinent issues, including necropsies, anabolic steroids and out-of-competition testing.

Necropsy Subcommittee

At the May 20, 2008 EDRC meeting, the Necropsy Subcommittee was formed. This subcommittee advises the EDRC on issues related to necropsies and is in the process of developing standard protocol for racing fatality necropsies.

Chair: Dr. Mary Scollay

Members:

Dr. Craig Carter

Dr. Cynthia Gaskill

Dr. Kim Sprayberry

Dr. Neil Williams

Anabolic Steroid Subcommittee

Also at the May 20, 2008 EDRC meeting, the Anabolic Steroid Subcommittee was formed. This subcommittee made recommendations to the EDRC regarding anabolic steroid regulations.

Chair: Dr. Jim Smith

Members:

Dr. Kevin Dunlavy

Dr. David Nash

Dan Rosenberg

Dr. Mary Scollay

Out-of-Competition Testing Subcommittee

This subcommittee advised the EDRC on issues related to out-of-competition testing, especially regarding blood doping, commonly referred to as EPO and d-EPO.

Chair: Alan Leavitt

Members:

Daisy Phipps

Dr. Mary Scollay

## **Safety and Welfare Committee**

At the May 19, 2008, KHRC meeting Chairman Beck appointed the following members to the Safety and Welfare Committee:

Chair: Elizabeth Lavin

Members:

Edward S. Bonnie

Dr. Foster Northrop

Tom Ludt

Dell Hancock (served until July 2, 2008)

At the July 14, 2008 KHRC meeting, the committee recommended the adoption of the amendment to the thoroughbred regulation to provide for the ban on the use of toe grabs and the amendment was approved by the Commission. Based upon the RCI model rule, this change reflected the Commission's commitment to the prevention of racing related injuries.

On Sept. 15, 2008, the committee recommended, and the Commission approved, changes in racing rules governing the use of whips in Standardbred racing. The changes banned all one-handed whipping and the use of a whip with a "snapper" in Standardbred racing in Kentucky. These changes demonstrated the Commission emphasis on ensuring the safety and welfare of both human and equine participants in horse racing and established the KHRC as a leader in this area. Other jurisdictions have since followed Kentucky's lead by adopting similar rules.

In response to these changes, Alan Leavitt noted,

***"These reforms make Kentucky the first racing jurisdiction in North America to ban abusive whipping in Standardbred racing . . . and this great step forward was made possible by the unanimous approval of the board of the Kentucky Harness Horsemen's Association."***

At the December 1, 2008 meeting, the Safety and Welfare Committee approved recommendation of an amendment to the regulation governing the use of the thoroughbred riding crop, which was subsequently approved by the KHRC at the Commission's January 6, 2009 meeting. The amendment was consistent with a recently adopted RCI Model rule. Ms. Lavin, the Committee's chair, noted that at the Sept. 15, 2008 meeting, the jockeys agreed to test the new riding crops at Keeneland, Churchill Downs and Turfway Park. This provided the Committee the opportunity to hear the comments of the jockeys.

During 2008, the committee discussed other issues related to the safety and welfare of the horse and the participants, including but not limited to, safety

helmets, safety vests, track surfaces, the use of shockwave therapy machines and the equine injury database.

### **Rules Committee**

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This committee reviewed the regulatory structure of the KHRC and made recommendations regarding regulations governing the racing industry. The committee members were instrumental in updating Standardbred and Thoroughbred regulations and continue to update the regulations. Multiple meetings were held during the last year. The main regulation proposed by the Rules Committee was an amendment to the individual licensing regulation which was approved by the KHRC on July 14, 2009.

Members:

Edward S. Bonnie  
F. Thomas Conway  
Burr Travis, Jr.

From January 1, 2008 to July 2, 2008, the committee members were:

Chair: Douglas Hendrickson

Members:

Ken Jackson  
Larry Telle  
Ben Walden  
Connie Whitfield

### **License Review Committee**

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The License Review Committee is composed of commissioners and staff members who review license applications that require more detailed scrutiny and background research than a routine application. Multiple meetings were held during the last year. This committee is discussed more in the Licensing Division section on page 46.

Members:

Edward S. Bonnie  
F. Thomas Conway  
Burr Travis, Jr.  
Lisa Underwood  
Marc A. Guilfoil  
Leesa Moorman

From January 1, 2008 to mid-July, the committee members were:

Lisa Underwood



Marc A. Guilfoil  
Leesa Moorman  
Bill Vest

### **Wagering Integrity Working Group**

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This working group was formed in late 2007. The group was charged with the responsibility to investigate past posting and other wagering integrity and security issues and make recommendations to the KHRC. During 2008, this group visited several race tracks to inspect tote systems and gathered information from various sources related to wagering integrity issues. The group also researched potential remedies for the betting windows being left open after the starting gate was opened.

Chair: Tom Ludt

Members:  
Frank Kling  
Lisa Underwood  
Mike Maloney

### **Kentucky Thoroughbred Development Fund Advisory Committee**

This committee advised and assisted the KHRC in the supplemental purse program funded by a portion of the pari-mutuel tax. The committee meets on a regular basis to approve purse schedules for each association. For additional information regarding the Kentucky Thoroughbred Development Fund, go to: <http://www.kta-ktob.com/Default.aspx>

Chair: Dr. J. David Richardson, representing the Kentucky Thoroughbred Owners and Breeders Association (KYTOBA)

Members:  
Scott Graff, representing the licensed associations  
Bill Landes, representing thoroughbred breeders (KYTOBA)  
Tom Ludt, representing the KHRC  
Pete Salmen, representing the Kentucky Horsemen's Benevolent and Protective Association (KYHBPA)

From January 1, 2008 to July 2, 2008, the KHRC was represented on the KTDF Advisory Committee by Douglas Hendrickson and from January 1, 2008 to June 30, 2008, the licensed associations were represented on the KTDF Advisory Committee by Ron Geary.

The following chart documents the amounts offered by, paid out by and reverted to the Kentucky Thoroughbred Development Fund in 2008:

**KY Thoroughbred Development Fund (KTDF) Calendar Year 2008**

| <u>Track/Meet</u>             | <u>Offered</u> | <u>Paid Out</u> | <u>Reverted</u> |
|-------------------------------|----------------|-----------------|-----------------|
| Turfway Park<br>Winter/Spring | \$1,400,000.00 | \$807,462.00    | \$195,120.00    |
| Turfway Park<br>Fall          | \$670,000.00   | \$592,800.00    | \$77,200.00     |
| Turfway Park<br>Holiday       | \$545,100.00   | \$445,810.00    | \$99,290.00     |
| Keeneland<br>Spring           | \$822,600.00   | \$602,385.00    | \$220,215.00    |
| Keeneland<br>Fall             | \$598,100.00   | \$454,395.00    | \$143,705.00    |
| Churchill<br>Downs<br>Spring  | \$2,106,700.00 | \$1,643,145.00  | \$463,555.00    |
| Churchill<br>Downs<br>Fall    | \$968,200.00   | \$750,610.00    | \$217,590.00    |
| Ellis Park<br>Summer          | \$879,000.00   | \$747,550.00    | \$131,450.00    |

**Health and Welfare Fund**

The Kentucky Racing Health & Welfare Fund is a charitable, non-profit organization that helps certain eligible individuals in the Kentucky Thoroughbred racing industry who demonstrate need. It was founded in 1978 by an act of the Kentucky legislature. It provides funding toward the payment of medical, hospital, vision and funeral expenses for backstretch workers. Richard Riedel is the Executive Director of the Fund. For additional information regarding the Health and Welfare Fund, go to <http://www.kyracinghealth.org/>.

Chair: Donald Ball

Members:  
Rick Hiles, Vice-President

Dr. Randy Scheen, Treasurer  
 Carol Hebel, Secretary  
 Frank Jones, Member

**Thoroughbred Unclaimed Pari-Mutuel Tickets  
 Remitted to KY Health and Welfare Fund**

**Fiscal Year 2008**

| Tracks/OTB        | Amount             |                 | Advertising    | Total Paid         |
|-------------------|--------------------|-----------------|----------------|--------------------|
|                   | Unclaimed          | Claimed         |                |                    |
| Churchill Downs   | \$1,007,264        | \$ 4,407        | \$ 849         | \$1,002,008        |
| Ellis Park        | \$ 154,303         | \$ 0            | \$ 0           | \$ 154,303         |
| Keeneland         | \$ 754,661         | \$ 0            | \$ 349         | \$ 754,312         |
| Kentucky Downs    | \$ 132,285         | \$ 0            | \$ 0           | \$ 132,285         |
| Turfway Park      | \$ 230,196         | \$ 0            | \$ 64          | \$ 230,132         |
| Bell Cnty. OTB    | \$ 8,589           | \$ 0            | \$ 175         | \$ 8,414           |
| Mason Cnty OTB    | \$ 33,033          | \$ 0            | \$ 419         | \$ 32,614          |
| Russell Cnty. OTB | \$ 31,054          | \$ 0            | \$ 110         | \$ 30,944          |
| Whitley Cnty. OTB | \$ 19,640          | \$ 0            | \$ 0           | \$ 19,640          |
| <b>TOTAL</b>      | <b>\$2,371,025</b> | <b>\$ 4,407</b> | <b>\$1,966</b> | <b>\$2,364,652</b> |

**County Fair Purse Fund**

The Kentucky Colt Association, also known as Kentucky Fair Racing, has been in existence for several years and is considered one of the best fair circuits in the nation. In 2008, there were races at nine fairs throughout the state of Kentucky. The races begin in May and end in August. There was also a fair finals at the end of the nine race circuit. There were separate divisions for two and three year old trotters and pacers and separate divisions for fillies and colts at each fair as well as in the finals. Horses that are eligible for the fair races must have been nominated. For additional information regarding the County Fairs, go to <http://www.kentuckycoltassociation.com/>.

**Standardbred Unclaimed Pari-Mutuel Tickets  
 Remitted to KY Colt Racing Association**

**Fiscal Year 2008**

| Tracks/OTB        | Amount            |               | Advertising | Total Paid       |
|-------------------|-------------------|---------------|-------------|------------------|
|                   | Unclaimed         | Claimed       |             |                  |
| Players Bluegrass |                   |               |             |                  |
| Downs             | \$ 29,535         | \$ 0          |             | \$ 29,535        |
| The Red Mile      | \$ 38,732         | \$ 337        |             | \$ 38,395        |
| Thunder Ridge     | \$ 21,072         | \$ 46         |             | \$ 21,026        |
| Pikeville OTB     | \$ 16,461         | \$ 255        |             | \$ 16,206        |
| Hazard U-Bet      | \$ 21,192         | \$ 72         |             | \$ 21,120        |
| <b>TOTAL</b>      | <b>\$ 126,992</b> | <b>\$ 710</b> |             | <b>\$126,282</b> |

## **Kentucky Sire Stakes Advisory Committee**

This committee advised the KHRC on distribution of revenues for the Standardbred Sires Stakes Fund. The money deposited in the Kentucky Standardbred Breeders' Incentive Fund is used to administer the fund and provide rewards for breeders or owners of Kentucky-bred Standardbred horses through the KSDF and Kentucky Sires Stakes Program. On Aug. 31, 2008 the second annual "Unbridled Evening of Champions" was conducted at the Red Mile showcasing the top 2 and year old Kentucky-sired standardbred trotters and pacers. During the premier event of Standardbred racing in Kentucky, 8 races with purses of \$300,000 per division were contested for a total of over \$2.4 million. For additional information regarding the Sires Stakes program, go to: <http://www.khrc.ky.gov/siresstakes/>.

Chair: Alan Leavitt

Members:

Joe Costa

Carter Duer

Marc Guilfoil

Ken Jackson

Bobby Stewart

Art Zubrod

From January 1, 2008 to July 2, 2008, Ken Jackson was chair of the Kentucky Sires Stakes Advisory Committee.

The following chart documents the leading money winners in the Kentucky Sires Stakes Program.

| <b>KENTUCKY SIRE STAKES DEVELOPMENT FUND LEADING MONEY WINNERS</b> |                   |    |            |
|--|-------------------|----|------------|
| <b>CALENDAR YEAR 2008:</b>   |                   |    |            |
| <b>2 YEAR OLDS</b>   |                   |    |            |
| TWO YEAR OLD COLT PACER  | CARNIVORE         | \$ | 172,500.00 |
| TWO YEAR OLD FILLY PACER   | SHAGHAI LIL       | \$ | 178,000.00 |
| TWO YEAR OLD COLT<br>TROTTER                                       | WIZARD TIME       | \$ | 155,000.00 |
| TWO YEAR OLD FILLY<br>TROTTER                                      | DANCING FILLY     | \$ | 168,750.00 |
| <b>3 YEAR OLDS</b>   |                   |    |            |
| THREE YEAR OLD COLT PACER  | BLUE CLAW         | \$ | 200,000.00 |
| THREE YEAR OLD FILLY PACER   | BTWNYURHEARTNMINE | \$ | 181,250.00 |
| THREE YEAR OLD COLT<br>TROTTER                                     | SHAMAN HALL       | \$ | 170,750.00 |
| THREE YEAR OLD FILLY<br>TROTTER                                    | BODY SURFING      | \$ | 225,000.00 |

### **Non-Race Breeders' Incentive Fund Advisory Committee**

This committee made recommendations to the Commission regarding the structure and operation of the Non-race Breeders' Incentive Fund. This committee advised and assisted the KHRC in oversight of the operations of the non-race breeds' incentive fund and reviewed applications to ensure each breed complied with the rules and regulations.

This committee and the KHRC approved holding the Mountain Horse Breeders' awards in escrow until the Mountain Horse groups developed a single breed registry.

The Non-race Breeders' Incentive Fund is discussed in more detail on pages 51-52 of this report. Also, for additional information related to the Non-Race Breeders' Incentive Fund, go to:

<http://www.khrc.ky.gov/breedersincentive/Non-race+Breeders+Incentive+Fund/>

Members:

Thomas Gaines  
Wade Houston  
Frank Penn

From January 1, 2008 to July 2, 2008, Franklin Kling was a member of this committee.

### **Sprint Racing New Track Application Committee**

This committee was charged with analyzing the application of Sprint Partners, LLC, to establish a new race track facility in Laurel County near London, Ky.

Chair: Jerry Yon

Members: New members will be appointed if this application is revived.

From January 1, 2008 to July 2, 2008, the committee members were:

Chair: Larry Telle

Members:

Douglas Hedrickson  
Ken Jackson  
Franklin Kling  
Jerry Yon

## **KHRC STAFF**

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### **Lisa E. Underwood, Executive Director**

Ms. Underwood assumed leadership of KHRC on Oct. 2, 2006, and has continued to implement changes to enhance KHRC's ability to more properly fulfill its regulatory mission. Ms. Underwood supervises the Commission's staff and overall operations, including the staff of the Breeders' Incentive Funds.

Ms. Underwood serves on several advisory committees and working groups within the KHRC.

Ms. Underwood was elected to the Board of Directors of the Association of Racing Commissioners International (RCI) in March of 2008 and will serve as regional representative for a 2 year term.

### **Marc A. Guilfoil, Deputy Executive Director**

Mr. Guilfoil was appointed Deputy Executive Director in July 2007 and now assists the Executive Director in various matters pertaining to the overall operations of the Kentucky Horse Racing Commission, specifically Standardbred racing, enforcement actions and investigative activities.

Mr. Guilfoil has served as Director of Standardbred Racing, Chief Presiding Judge, and Director of Standardbred Development Fund/Kentucky Sire Stakes.

### **John Veitch, Chief State Steward**

Mr. Veitch oversees the regulation of Thoroughbred racing at live racing meets in Kentucky.

### **Rich Williams, Chief State Judge**

Mr. Williams oversees the regulation of Standardbred racing at live racing meets in Kentucky. Mr. Williams started on April 4, 2008.

### **Dr. Bryce Peckham, Chief Racing Veterinarian**

Dr. Peckham was appointed interim Chief Racing Veterinarian on Oct. 14, 2008. Dr. Peckham had spent the last twelve years as the Chief Racing Veterinarian for the Kansas Racing and Gaming Commission. Dr. Peckham

is an active member of the American Association of Equine Practitioners (AAEP) and the AAEP's practice group of racing regulatory veterinarians. Dr. Peckham replaced Dr. Lafe Nichols who resigned on September 26, 2008. For additional information related to Dr. Nichols, go to the Kentucky Horse Racing Authority 2006 – 2007 Biennial Report at:

<http://www.khrc.ky.gov/NR/rdonlyres/918FB278-E2BA-437B-9FA1-11165E293000/0/RevisedDRAFTOFBIENNIALREPORT20062007061009.doc>.

#### **Jamie Eads, Director of the Breeders' Incentive Funds**

Ms. Eads was appointed Director of the Breeders' Incentive Funds on Sept. 1, 2008. She administers the Breeders' Incentive Funds which includes Thoroughbred, Standardbred and Non-race Breeds Funds. She also monitors the Backside Improvement Fund, the Health and Welfare Fund, Kentucky Thoroughbred Development Fund and the Kentucky Standardbred Development Fund. Ms. Eads replaced Jamie Haydon who resigned on May 30, 2008. For additional information related to Mr. Hayden, go to the Kentucky Horse Racing Authority 2006 – 2007 Biennial Report at:

<http://www.khrc.ky.gov/NR/rdonlyres/918FB278-E2BA-437B-9FA1-11165E293000/0/RevisedDRAFTOFBIENNIALREPORT20062007061009.doc>.

#### **John Forgy, General Counsel**

Mr. Forgy is a former Kentucky prosecutor who became the general counsel of the Department of Public Protection in June 2004. He now serves as general counsel for the KHRC and has been instrumental in preparing many new regulations and amendments to regulations for the Standardbred and Thoroughbred industry. Mr. Forgy also managed administrative cases before the Commission as well as civil court litigation to which the Commission is a party.

#### **Dr. Mary Scollay, Equine Medical Director**

Dr. Scollay was hired on May 19, 2008 and serves as a consultant to the KHRC on matters pertaining to equine health, welfare, safety, and medication. Dr. Scollay also serves as a resource to the Stewards when medication violations are declared in post-race testing samples.

#### **Leesa Moorman, Director of Licensing**

Ms. Moorman was appointed Director of Licensing for the KHRC on June 16, 2007. Prior to her appointment, she provided legal counsel on employment and regulatory matters to the KHRC.

#### **Patricia J. Cooksey, Director of Public Relations**

Ms. Cooksey was appointed Director of Public Relations for the KHRC in 2007. Before that appointment, she had served as Deputy Executive Director of the KHRC since September 2005.

## FULL-TIME OFFICE AND FIELD STAFF

### Administrative Staff

Kendra Shoop  
Gwen Webb

### Veterinary and Detention Barn Staff

Dr. Will Farmer (started full-time on 4/30/08)  
Dr. Michael Hardy (started full-time on 8/1/08)  
Dr. Nate Koval  
Dr. Katherine Radtke (until 5/31/08)  
John Asbury  
Greg Berry  
Burnis Caudill  
Victor Mendoza

### Enforcement Staff

Don Kolioutas  
Danny Hyland (started full-time on 6/18/08)

### Incentive Development Staff

Angela Trosclair  
Rick Williams  
Krista Hayden (until 9/30/08)

### Licensing Staff

Jackie Herbstreit  
Trudy Koenig  
Betty Moran  
Alan Slayback  
Bill Vest



## FINANCIAL ANALYSIS

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The following statement is the actual operating budget for the KHRC for the fiscal year ended June 30, 2008.

|                               |    | <b>FY 2008<br/>Amount</b> |
|-------------------------------|----|---------------------------|
| <i>Balance Carryforward</i>   | \$ | 1,958,444                 |
| <i>Receipts:</i>              |    |                           |
| <i>Track Reimbursements</i>   | \$ | 7,000                     |
| <i>General Fund allotment</i> | \$ | 504,200                   |
| <i>License fees</i>           | \$ | 1,141,299                 |
| <i>Fines</i>                  | \$ | 60,736                    |
| <i>Interest</i>               | \$ | 969                       |
| <i>Other</i>                  | \$ | <u>48,058</u>             |
| <i>Total Receipts</i>         | \$ | 1,762,262                 |
| <i>Non revenue receipts</i>   | \$ | (211,800)                 |
| <i>Total Funds available</i>  | \$ | 3,508,906                 |
| <i>Expenditures</i>           |    |                           |
| <i>Personnel</i>              | \$ | 2,040,094                 |
| <i>Operating</i>              | \$ | 672,347                   |
| <i>Capital Outlay</i>         | \$ | 37,618                    |
| <i>Grant</i>                  | \$ | <u>-</u>                  |
| <i>Total Expenditures</i>     | \$ | 2,750,059                 |
| <i>Balance</i>                | \$ | <u>758,846</u>            |

## Discussion of Financial Analysis

For the fiscal year ended June 30, 2008, the KHRC started the year with a balance carry-forward of \$1,958,444 and received funding from the following three sources: Track reimbursements, General Fund allotments, and Participant licensing fees, fines, and other. The carry-forward and receipts were offset during the fiscal year by non-revenue receipts (i.e., governmental transfers) in the amount of \$211,800 resulting in net current receipts of \$1,550,462 for the KHRC. With these net current receipts and the balance carry-forward the agency had \$3,058,906 in total funds for fiscal year 2008.

These total funds were reduced by \$2,750,059 of Personnel and Operating Expenditures for the current year. This left the agency with a balance of \$758,846 as of June 30, 2008.

|   |    |                  |
|---|----|------------------|
| Track reimbursements                        | \$ | 7,000            |
| General Fund allotment                      | \$ | 504,200          |
| Participant licensing fees, fines and other | \$ | <u>1,251,062</u> |
| Current Receipts                            | \$ | 1,762,262        |
| Non-revenue receipts                        | \$ | (211,800)        |
| Current Receipts minus Non-revenue receipts | \$ | 1,550,462        |
| Plus Carry-forward from FY2007              | \$ | <u>1,958,444</u> |
| Total funds available for fiscal year 2008  | \$ | 3,508,906        |
| Total Expenditures                          | \$ | <u>2,750,059</u> |
| Balance at the end of fiscal year 2008      | \$ | 758,846          |

It is important to note that current expenditures of \$2,750,059 are greater than current net receipts of \$1,550,462. Obviously, without the balance carry-forward, the agency would not have sufficient funding to operate.

Based on current projections, the KHRC is estimated to spend all available funds during fiscal years 2009 and 2010, and have a balance of \$0 (zero) dollars as of June 30, 2009 and a negative balance of approximately \$800,000 as of June 30, 2010, respectively. Again, it is estimated that in each of the next two fiscal years, current expenditures will be greater than receipts. The existence of the \$758,846 carry-forward is the only reason the agency will be able to operate in the black during fiscal year 2009. It is imperative that additional funding be secured for the KHRC in the coming years in order for it to continue and to more properly fulfill its statutory mandates.

This information is not new and was highlighted in the 2006 audit by the Auditor of Public Accounts illustrating that the KHRC has been chronically understaffed and underfunded. The KHRC is the entity charged with protecting the integrity of horse

racing in Kentucky. However, the KHRC has not been fully provided the financial resources to hire the staff necessary to fulfill that statutory mandate.

The 2006 APA Audit found that “the total operating expenditures for KHRC are lower, on average, than most other states surveyed.” (Page 34 of the APA Audit)

This concept was also addressed by the Report of the Governor’s Task Force on the Future of Horse Racing.

*“In comparing the resources on a per-race day basis to ensure integrity of other major racing jurisdictions – New York, California, Florida, Pennsylvania and New Jersey – we find that Kentucky instead of being first is last”...“While some states have committed as many as six people to wagering security and made arrangements for independent monitoring, Kentucky has yet to commit one.” - Ed Martin, testimony on Sept 18, 2008, before the Subcommittee on Funding and Staffing of the Governor’s Task Force on the Future of Horse Racing.*

Mr. Martin’s testimony is in reference to the charts included below. The chart titled “Comparison of Regulatory Resources” was compiled from a survey of racing jurisdictions which was independently completed and compiled by the Association of Racing Commissioners’ International, of which Mr. Martin is President. The bar charts that follow the “Comparison of Regulatory Resources” have extracted from the information and data that is included in “Comparison of Regulatory Resources” chart.

It is important to note that at current staffing levels, the KHRC has far fewer personnel than most other major racing jurisdictions (New York, California, etc.) both in terms of overall numbers and by specific, critical divisions. Additionally, at current staffing levels, as mentioned above, the KHRC is projected to not have the necessary funding to operate in the coming years.

So, not only is the agency underfunded at its present staffing levels, but when compared to other jurisdictions, the KHRC is understaffed. Therefore, if the agency were on par with its peers, as it relates to resources committed, the anticipated budget deficits would be larger.

For fiscal year 2008, the KHRC received a General Fund allotment of \$504,200 for its operating budget. This amount is 9.46 percent (\$504,200/\$5,327,539) of the amount of pari-mutuel excise tax that went into the General Fund and 3.78 percent of the total amount of pari-mutuel excise tax collected.

It is essential that the Kentucky Horse Racing Commission receive additional funding in order to ensure the integrity and safety of the Commonwealth’s horse racing industry in the coming years.

# COMPARISON OF REGULATORY RESOURCES

Prepared by the Association of Racing Commissioners International  
 Amounts represent most recent calendar or fiscal year as reported by relevant jurisdiction

| Race Days    | Kentucky | New York | California | Pennsylvania | New Jersey | Florida |
|--------------|----------|----------|------------|--------------|------------|---------|
| Total        | 351      | 1374     | 793        | 850          | 490        | 507     |
| Thoroughbred | 271      | 402      | 444        | 415          | 147        | 349     |
| Standardbred | 78       | 972      | 141        | 435          | 343        | 148     |
| Quarterhorse | 2        |          | 208        |              |            |         |

|                               |                     |                     |                     |                   |                     |                     |
|-------------------------------|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| Handle                        | \$ 1,413,316,709.00 | \$ 3,054,560,741.00 | \$ 4,378,778,214.00 | \$ 934,200,853.00 | \$ 1,400,000,000.00 | \$ 1,480,427,370.00 |
| Purses (Calendar 2007 for KY) | \$ 95,682,401.00    | \$ 229,687,871.00   | \$ 170,038,461.00   | \$ 127,344,002.00 | \$ 80,000,000.00    | \$ 73,018,769.00    |
| Breeder Incentives            |                     | separate agency     | \$ 16,286,236.00    | \$ 61,126,678.00  |                     |                     |

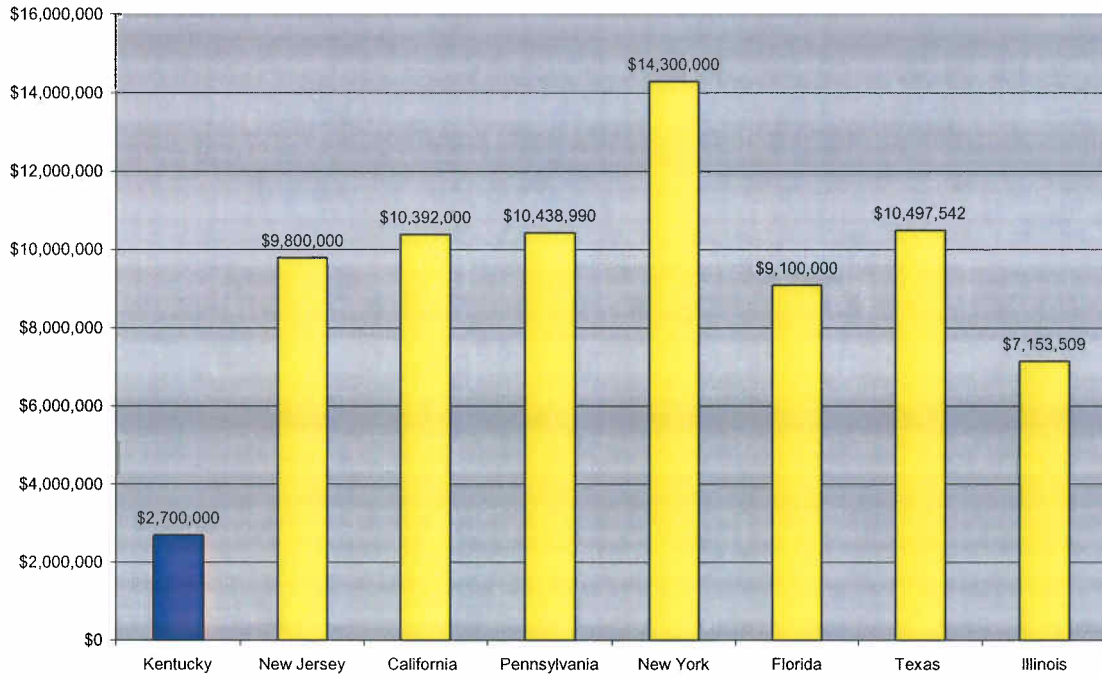
| Functionality: (# of employees by function) | Kentucky          | New York             | California          | Pennsylvania      | New Jersey        | Florida               |
|---|-------------------|----------------------|---------------------|-------------------|-------------------|-----------------------|
| Administrative                              | 6                 | 3 racing + 15 shared | 18                  | 15                | 10                | 15                    |
| Wageing Security                            | 0                 | 6                    | 3                   | 1                 | 4 ft/ 4 pt        | 5 + monitoring system |
| Investigations                              | 2                 | 14                   | 18                  | 15                | 4                 | 17                    |
| Licensing                                   | 6                 | 15                   | 10                  | 25                | 7                 | 13                    |
| Legal                                       | 1                 | 7                    | 1 plus AG           |                   | AG (\$330,000)    | 3 lawyers/ 1 lgl asst |
| Horse ID                                    | provided by track | TB tracks provide    | provided by track   | provided by track | provided by track | provided by track     |
| Equine Med Director                         | 1 (UK Contract)   | 1 (Cornell Contract) | 1 (UofC contract)   | 1                 |                   | 1                     |
| Veterinarians                               | 4 + 1 Vet tech    | 9 per diem           | 6-8 daily/ 5 hourly |                   | 7 ft/ 11 pt       | 5 hourly              |

| Funding (Racing Regulation Only) | Kentucky     | New York          | California | Pennsylvania  | New Jersey   | Florida       |
|----------------------------------|--------------|-------------------|------------|---------------|--------------|---------------|
| General Funds                    | \$ 504,000   |                   |            |               | \$ 8,300,000 | \$ 22,960,118 |
| Assessments                      |              |                   |            | Tax on Handle | \$ 500,000   | \$ 4,419,400  |
| License Fees                     | \$ 1,141,000 |                   |            |               | \$ 1,000,000 | \$ 179,877    |
| Other                            | \$ 1,055,000 | Reg fee on handle |            |               |              |               |
| (FY 2008 for KY)                 |              |                   |            |               |              |               |

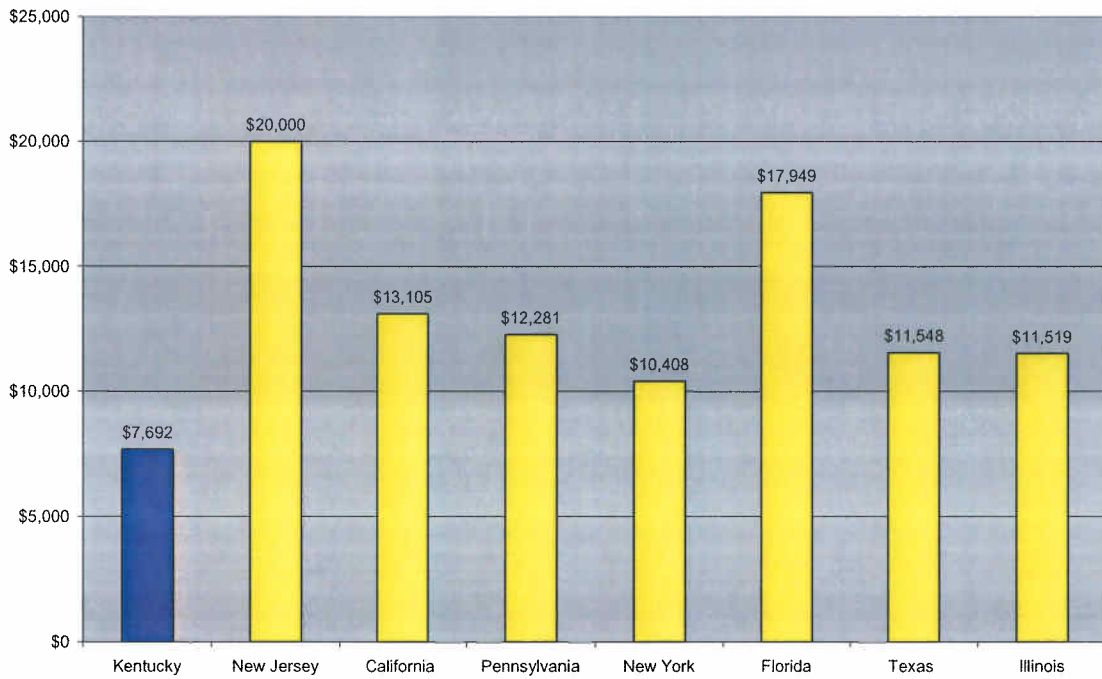
| Racing Commission Budget Allocation: | Kentucky     | New York      | California    | Pennsylvania  | New Jersey   | Florida      |
|--------------------------------------|--------------|---------------|---------------|---------------|--------------|--------------|
| Total:                               | \$ 2,700,000 | \$ 14,300,000 | \$ 10,392,000 | \$ 10,438,991 | \$ 9,800,000 | \$ 9,100,000 |
| Actual FY 2008 Amount:               |              |               |               |               |              |              |
| \$2,750,059.44                       |              |               |               |               |              |              |

|                     |          |           |            |              |            |           |
|---------------------|----------|-----------|------------|--------------|------------|-----------|
| PER RACE DAY        | Kentucky | New York  | California | Pennsylvania | New Jersey | Florida   |
| Resources Committed | \$ 7,692 | \$ 10,408 | \$ 13,105  | \$ 12,281    | \$ 20,000  | \$ 17,949 |

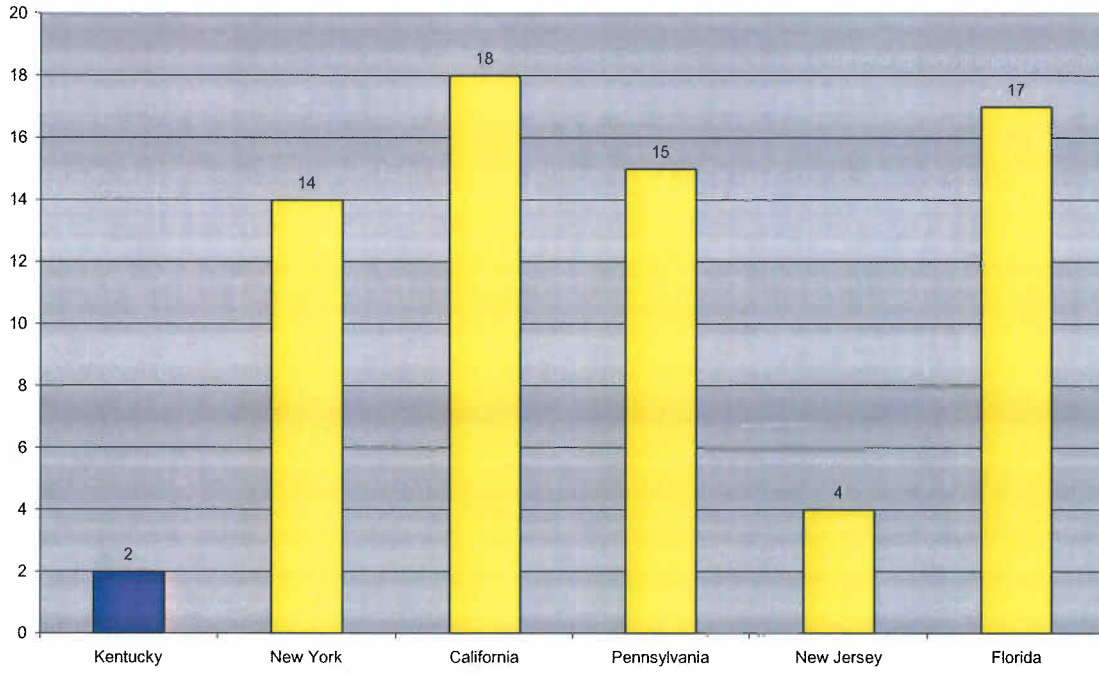
Total Annual Budget Allocations



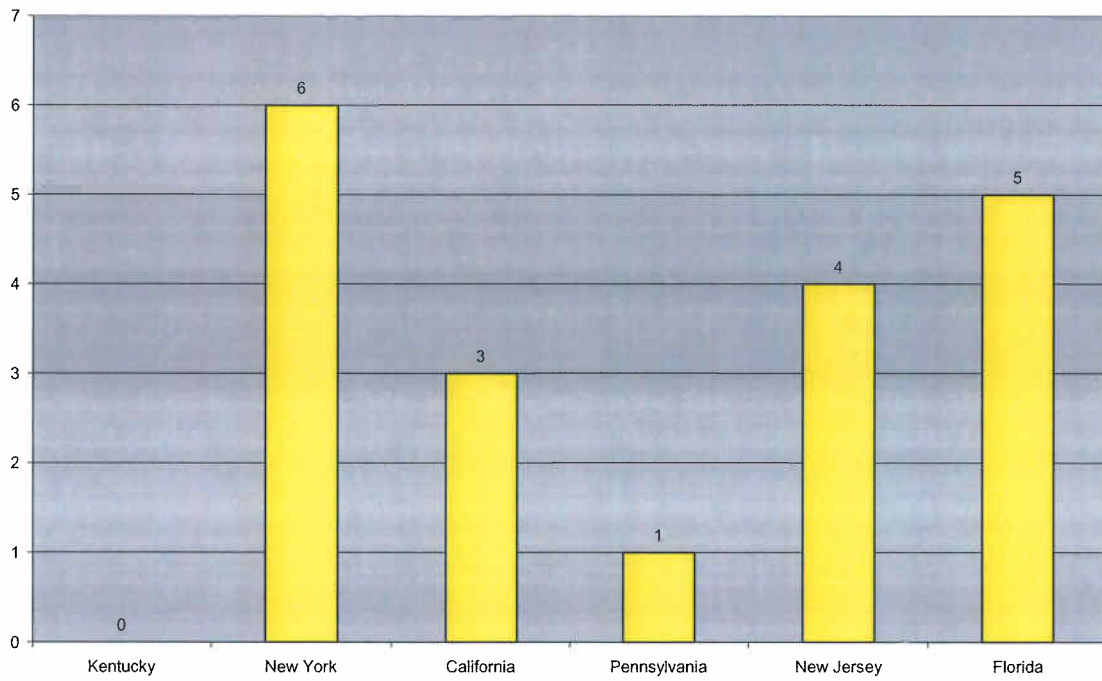
Resources Committed per race day



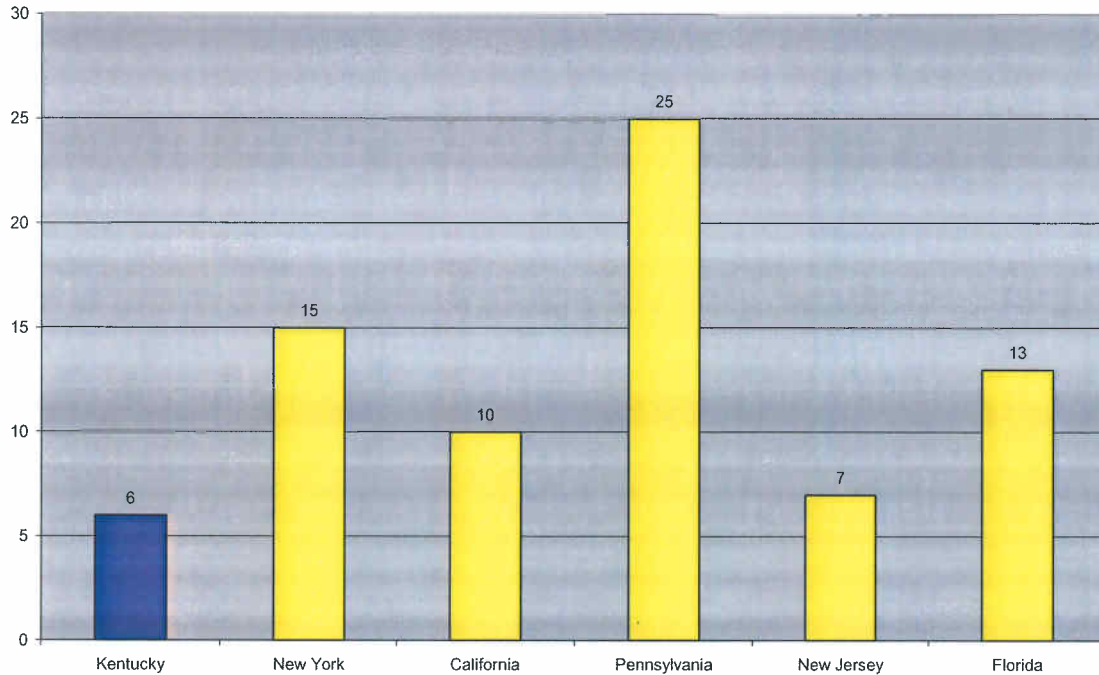
Number of Investigation Personnel



Number of Wagering Security Personnel



Number of Licensing Personnel



## VETERINARY DIVISION

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The Chief State Veterinarian directs the activities of KHRC veterinarians and support staff, supervises the operations of the test barn, the collection of urine and blood samples for testing and preparation and documentation of the urine and blood samples that are transported to the laboratory.

The KHRC veterinarians perform pre-race inspections on all entered horses for soundness and racing fitness to ensure the health and safety of every horse, jockey and driver. By the time a horse reaches the starting gate it has been inspected by KHRC veterinarians no less than three times--during the morning leg checks, while in the saddling paddock and during the pre-race warm up. KHRC veterinarians maintain records for all horses that compete at Kentucky tracks. These health and soundness records allow KHRC veterinarians to compare a horse's current condition to the results of its previous inspections and afford a more comprehensive assessment of each horse.

Commission veterinarians are present in the paddock, at the starting gate, in the test barn and on the horse ambulance during live racing in Kentucky. If, prior to starting in a race, a horse sustains an injury or is determined to be unfit for competition, a KHRC veterinarian could recommend to the Chief State Steward or Presiding Judge that the injured horse be scratched from

participating in the race for the protection, safety and health of every horse and rider or driver.

The KHRC test barn technicians are responsible for the collection of post race equine urine samples to be sent to the official Testing Laboratory for analysis. A strict "chain of custody" protocol is carefully followed with each sample.

As mentioned previously, in 2008 Kentucky instituted a ban on the use of anabolic steroids in racing horses. Gov. Beshear signed an emergency regulation on Sept. 5, and horsemen were afforded a 90 day grace period with phased-in accountability to avoid declaring a rule violation for a medication administration that occurred prior to Sept. 5. During the grace period there was one positive test for the anabolic steroid stanozolol. There have been no other positive test results reported for anabolic steroids.

To keep equine infectious diseases from entering the state, each horse entering the grounds of a race track or training center was required to submit a Certificate of Veterinary Inspection (CVI or health certificate) and negative Coggins test for Equine Infectious Anemia (EIA). Each certificate was required to be dated and signed by a licensed, accredited veterinarian.

The KHRC, on behalf of the California Horse Racing Board, performed blood sampling for EPO testing of Kentucky resident horses pre-entered for the 2008 Breeders' Cup Championships prior to their shipping to Santa Anita. All test results were reported negative by the University of California-Davis Ken Maddy Laboratory.

In Thoroughbred races, the winner and one other horse randomly selected had post-race blood and urine samples collected for drug testing. All Thoroughbred graded stakes races followed the TOBA (Thoroughbred Owners and Breeders Association) testing protocol, in which the top four finishers were subjected to post-race testing. Analysis directed at an expanded and more comprehensive list of prohibited substances was performed on the blood and urine samples collected.

The winner of each Standardbred race was subjected to post-race blood and urine sampling for drug testing. At the discretion of the Stewards a non-winning horse could also be tested.

The detection of excessive levels of carbon dioxide in a blood sample ( $> 37$  millimoles/liter), indicates an abnormal physiologic state resulting from administration of alkalizing agents. This alkaline state neutralizes lactic acid and enhances performance by delaying the onset of fatigue. The



deliberate administration of alkalinizing agents is known as 'milkshaking.' For Thoroughbred races, TCO<sub>2</sub> (total carbon dioxide) testing was conducted through pre-race blood sampling and post-race analysis performed by the Iowa State University Racing Laboratory. Testing was performed on all horses in randomly selected races. For Standardbred races, TCO<sub>2</sub> testing is performed on randomly selected horses in randomly selected races. Blood sampling and on-site analysis is completed pre-race by the KHRC veterinarian.

An RFP was issued for Kentucky's Equine Drug Testing services. Six laboratories responded, including all US ISO 17025 accredited laboratories. A review of these proposals and proficiency testing of the responding laboratories was ongoing at the end of 2008.

## **ENFORCEMENT DIVISION**

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The primary duty of the Enforcement Division is to investigate and detect any violations of the laws as they pertain to Thoroughbred, Standardbred and Quarter Horse racing. The Enforcement Division is made up of an acting Director of Enforcement and two Investigators.

The Enforcement Division conducts numerous investigational interviews with applicants who indicate on their license application to having criminal records and convictions for a public offense or a suspension of or revocation of a license for any racing related infraction.

The Division utilizes records and information from the Association of Racing Commissioners International (RCI), Thoroughbred Racing Protective Bureau (TRPB), the United States Trotting Association (USTA), Standardbred Canada, the KHRC database, security and enforcement divisions in other jurisdictions, federal, state, and local law enforcement and the court systems to gain information for criminal background checks and the suitability for licensure.

The Enforcement Division reviews documents supporting eligibility for employment of resident aliens and all foreign workers applying for licenses to assure legality for employment on association grounds.

Alleged or actual criminal offenses are investigated including human drug violations, assault on association grounds, burglary, theft, forgery and disorderly conduct. Investigations are also conducted regarding a vast array of other potential violations, such as hidden ownership, claims violations and pari-mutuel concerns. Barn and vehicle searches are conducted as necessary.

On Oct. 1, KHRC investigators searched two vehicles owned by the veterinarians as they were treating horses at The Red Mile. The investigators seized records and unidentified substances. Following a hearing, Chief State Judge, Rich Williams ruled that the two had violated state regulations by failing to properly label medications and imposed a six month suspension and a fine of \$10,000 on each of the licensees. They also possessed substances that did not follow Food and Drug Administration procedures for compounded medicines.

*“These strict penalties underscore our determination to protect the racing industry,” said Lisa Underwood, KHRC executive director. “Because other racing jurisdictions will honor our enforcement actions, these suspensions bar them from practicing veterinary medicine at any race track for six months.”*

In November of 2008, KHRC investigators uncovered an issue related to the fabrication and use of fraudulent identification. As of the end of the year, the Enforcement Staff continues to assist city, state, and federal authorities, specifically the Louisville Metro Police Department and Immigration and Naturalization Services, regarding investigation involving the use of fraudulent identification. The efforts of the KHRC investigators led to the confiscation of machinery used to fraudulently create passports and to the arrest of several individuals in Jefferson County.

## **RACING SUPERVISION - STEWARDS and JUDGES**

The stewards and judges exercise immediate supervision, control and regulation of live racing at each licensed race meeting on behalf of the Kentucky Horse Racing Commission. The powers of the stewards and judges include: authority over all horses and all persons, licensed or unlicensed, on association grounds during each race meeting as to all matters relating to racing and the determination of all questions, disputes, protests, complaints or objections concerning racing which arise during a race meeting.

As a matter of course Kentucky stewards review the films of each race from three different camera angles before the results are posted “official.” The Chief State Steward and the Presiding Judge are employees of the KHRC. The other two stewards and judges are employees of each racing association. For additional information regarding Thoroughbred judges rulings, go to: <http://www.khrc.ky.gov/stewardsjudgesrulings/Thoroughbred/2008/>.

For additional information regarding Standardbred and Quarter Horse rulings, go to: <http://www.khrc.ky.gov/stewardsjudgesrulings/Standardbredquarterhorse/2008/>.

## LICENSING DIVISION

Kentucky state law requires all persons wishing to participate at Kentucky racetracks and facilities under the jurisdiction of the KHRC to be licensed. The KHRC provided licensing services at the main office located at the Kentucky Horse Park in Lexington, Ky. and established field offices during live racing meets at all eight licensed associations to accommodate those at the track. During 2008, the Licensing division implemented the following initiatives:

1. Established satellite offices at The Red Mile and at Turfway Park during the off seasons in order to provide additional licensing sites for the convenience of applicants. It also lengthened license office hours and increased the number of dates license offices were opened prior to the Keeneland and Churchill Downs race meets.
2. Implemented the ability to accept credit card payments and faxed applications as a potentially more convenient option for license applicants.
3. Developed improved cash handling policies and procedures to ensure propriety.
4. Developed improved program review procedures to ensure participants were properly licensed.
5. Developed improved background check procedures, including checks with the British Jockey Club for international license applicants.
6. Implemented improved policies and procedures related to the License Review Committee. The license review committee consists of the following commissioners: Mr. Conway, Mr. Travis and Mr. Bonnie, as well as three (3) KHRC staff members (Lisa Underwood, Marc A. Guilfoil, and Leesa Moorman). The committee reviews license applications referred to it by the stewards or KHRC management. It also makes recommendations regarding licensing regulatory matters to the Commission.
7. Reallocated staff assignments to better utilize personnel and decrease travel expenses.
8. Updated licensing regulations.
9. Initiated a Customer Service Survey. The survey asks participants about their contacts with all Divisions of KHRC and seeks to determine whether there are areas in which KHRC can be more responsive to the needs of the racing community while implementing its regulatory mandates.

In regards to #8, on July 14, 2008, the KHRC approved amendments to the thoroughbred and standardbred licensing regulations, 810 KAR 1:025 and 811 KAR 1:070, respectively. The amended regulations moved toward conformity with the Association of Racing Commissioners International (RCI)

Model rule on licensing, as part of a drive toward uniformity across all racing jurisdictions.

In regards to #9, in order to minimize costs, the survey was enclosed with the annual license renewal mailing distributed in December and is available at all licensing offices. The survey has also been posted on-line at:

<http://www.khrc.ky.gov/NR/rdonlyres/463A2554-E95E-40BE-8B1B-C6F45F30C886/0/CUSTOMERSERVICESURVEY.pdf>.

The following charts document the numbers and types of licenses issued by breed (Thoroughbred, Standardbred, and quarter horse):

**Thoroughbred  
CALENDAR YEAR 2008**

| <b>License Type</b> | <b>Number of<br/>licenses issued</b> | <b>Amount</b>      |
|---------------------|--------------------------------------|--------------------|
| Assoc. Employee     | 1,177                                | \$29,425           |
| Asst. Trainer       | 303                                  | \$32,100           |
| Authorized Agent    | 131                                  | \$3,275            |
| Blacksmith          | 78                                   | \$7,800            |
| Claiming            | 12                                   | \$1,200            |
| Dental Tech.        | 26                                   | \$1,450            |
| Exercise Rider      | 1                                    | \$100              |
| Farm Mgr/Agent      | 20                                   | \$1,000            |
| Jockey              | 201                                  | \$22,000           |
| Jockey Agent        | 51                                   | \$5,700            |
| Jockey Apprentice   | 15                                   | \$1,150            |
| Mutuel              | 768                                  | \$38,400           |
| Occupational        | 2,060                                | \$51,500           |
| Owner               | 5,244                                | \$569,450          |
| Owner/Trainer       | 1,117                                | \$123,000          |
| Racing Official     | 151                                  | \$15,100           |
| Special Mutuel      | 963                                  | \$9,630            |
| Stable Employee     | 4,249                                | \$42,490           |
| Steeplechase Jockey | 13                                   | \$1,300            |
| Temporary Owner     | 536                                  | \$54,050           |
| Trainer             | 222                                  | \$23,300           |
| Vendor              | 65                                   | \$3,250            |
| Vendor Employee     | 801                                  | \$20,025           |
| Veterinarian        | 124                                  | \$12,950           |
| Veterinarian Asst.  | 33                                   | \$1,650            |
| <b>Totals</b>       | <b>18,361</b>                        | <b>\$1,071,295</b> |

**Standardbred  
CALENDAR YEAR 2008**

| <b>License Type</b>  | <b>Number of<br/>licenses issued</b> | <b>Amount</b>    |
|----------------------|--------------------------------------|------------------|
| Assoc. Employee      | 50                                   | \$1,250          |
| Blacksmith           | 1                                    | \$100            |
| Dental Tech.         | 1                                    | \$50             |
| Driver               | 43                                   | \$4,300          |
| Driver/Trainer       | 68                                   | \$6,800          |
| Mutuel               | 48                                   | \$2,400          |
| Occupational         | 6                                    | \$150            |
| Owner                | 786                                  | \$78,600         |
| Owner 2009           | 19                                   | \$2,375          |
| Owner/driver         | 11                                   | \$1,100          |
| Owner/trainer        | 111                                  | \$11,100         |
| Owner/Trainer/Driver | 236                                  | \$23,600         |
| Racing Official      | 14                                   | \$1,400          |
| Stable Employee      | 461                                  | \$2,305          |
| Temporary Owner      | 87                                   | \$8,700          |
| Trainer              | 39                                   | \$3,900          |
| Vendor Employee      | 4                                    | \$100            |
| Veterinarian         | 19                                   | \$1,950          |
| Veterinarian Asst.   | 10                                   | \$500            |
| <b>Totals</b>        | <b>2,014</b>                         | <b>\$150,680</b> |

**Quarter Horse  
CALENDAR YEAR 2008**

| <b>License Type</b> | <b>Number of<br/>licenses issued</b> | <b>Amount</b>  |
|---------------------|--------------------------------------|----------------|
| Asst. Trainer       | 2                                    | \$70           |
| Jockey              | 18                                   | \$630          |
| Occupational        | 1                                    | \$10           |
| Owner               | 86                                   | \$3,010        |
| Owner/trainer       | 17                                   | \$1,190        |
| Racing Official     | 1                                    | \$35           |
| Stable Employee     | 42                                   | \$210          |
| Trainer             | 23                                   | \$805          |
| Veterinarian        | 1                                    | \$35           |
| <b>Totals</b>       | <b>191</b>                           | <b>\$5,995</b> |

*NOTE: The total dollar amount of licenses listed in this section is slightly different than the amount listed in Financial Analysis section because this section is based on calendar year and the Financial Analysis section is based on fiscal year and the timing of receipts.*

## **KENTUCKY BREEDERS' INCENTIVE FUNDS**

The Kentucky Breeders' Incentive Fund was implemented in 2005. Included in the plan were tax incentives to ensure the strength and growth of the various breeds of the horse industry. The Breeders' Incentive Funds are financed through the 6 percent sales taxes paid on stallion stud fees, most of which is contributed based on the tax from Thoroughbred stud fees.

### **Kentucky Thoroughbred Breeders' Incentive Fund (KBIF)**

The Kentucky Thoroughbred Breeders' Incentive Fund is financed from 80 percent of the receipts collected from the sales and use tax on the fees paid for breeding a stallion to a mare in Kentucky, together with any other money contributed, appropriated or allocated to the fund from all other sources. The money deposited in the Kentucky Thoroughbred Breeders' Incentive Fund is used to administer the fund and provide rewards for breeders of horses bred and foaled in Kentucky.

To qualify for the program, the mare must have been covered by a Kentucky stallion and remain in Kentucky from the time of cover until foaling. For each breeding season, the intended breeder of record is required to register the unborn foal with the KHRC before Aug. 1 of the cover year, plus pay a filing fee of \$60 for each mare.

The Thoroughbred Breeders' Incentive Fund paid awards to Kentucky bred winners of horses racing in Kentucky in Maiden Special Weight (MSW), Allowance (ALW), Stakes Races and Grade I, II, and III, and in other states outside of Kentucky in MSW, ALW for two, three and four olds and Grade I, II and III races. Awards are also paid in Group I, II and III races in Canada, England, Ireland and France.

In 2008, approximately 10,875 mares were registered by Kentucky Thoroughbred breeders. Registrations can be made through the end of the yearling year so additional registrations for the 2008 breeding season are still arriving in the KHRC office and could continue up to December 31, 2010, for the 2008 breeding season.

Foals born in 2006 and prior years are grandfathered into the KBIF program if the foal is eligible for the KTDF. In 2008, Kentucky-bred horses won 4,119 races that qualified for incentives totaling \$15,253,911 to 1730 Kentucky breeders for an average check of \$3,703 per breeder. For additional information regarding the Kentucky Thoroughbred Breeders' Incentive Fund, go to:

<http://www.khrc.ky.gov/breedersincentive/>.

**Thoroughbred Breeders' Incentive Fund Statistics Calendar Year 2008**  
**Awards earned in 2008 that will be distributed during 2009**

|   |              |
|---|--------------|
| ○ Total money awarded   | \$15,253,911 |
| ○ Total awarded to KY races   | \$ 6,733,924 |
| ○ Total awarded to non KY races   | \$ 8,519,987 |
| ○ Total claiming awards   | \$ 230,000   |
| ○ Total races awarded   | 4,119        |
| ○ Average award per race  | \$ 3,703     |
| ○ Total number of KY races  | 728          |
| ○ Average award for KY races  | \$ 9,250     |
| ○ Average award for a KY MSW, ALW, AOC                                    | \$ 6,884     |
| ○ Total number of non KY Races  | 3,391        |
| ○ Average award for non-KY races  | \$ 2,512     |
| <b>Kentucky Oaks and Derby</b>  |              |
| ○ Kentucky Oaks, Brereton C. Jones  | \$ 115,000   |
| ○ Kentucky Derby, Monticule   | \$ 115,000   |
| <b>Grade I, II, III Stakes races in KY (not including Oaks and Derby)</b> |              |
| ○ Award per race  | \$ 28,750    |
| ○ Total number of races   | 57           |
| <b>KY Stakes races</b>  |              |
| ○ Average award per race  | \$ 22,940    |
| ○ Total number of races   | 98           |
| <b>Non-KY, Grade I races, U.S. only</b>                                   |              |
| ○ Award per race  | \$ 5,600     |
| ○ Total number of races   | 58           |
| <b>Non-KY, Grade II, III races, U.S. only</b>                             |              |
| ○ Award per race  | \$ 5,600     |
| ○ Total number of races   | 181          |
| <b>International Gr. I (Can, Eng, Fr, Ire)</b>                            |              |
| ○ Award per race  | \$ 5,600     |
| ○ Total number of races   | 8            |
| <b>International Gr. II, III (Can, Eng, Fr, Ire)</b>                      |              |
| ○ Award per race  | \$ 5,600     |
| ○ Total number of races   | 32           |

## **Kentucky Standardbred Breeders' Incentive Fund (KSDF)**

The Kentucky Standardbred Breeders' Incentive Fund is financed from 13 percent of all receipts collected from the sales and use tax on the fees paid for breeding a stallion to a mare in Kentucky, together with any other money contributed, appropriated, or allocated to the fund from all other sources. The Kentucky Standardbred Breeders' Incentive Fund was discussed in more detail in connection with the Kentucky Sires Stakes Advisory Committee on page 22.

## **Kentucky Horse Breeders' Incentive Fund (KHBIF)**

The non-race breeds are awarded under the Kentucky Horse Breeders' Incentive Fund from 7 percent of all receipts collected from the sales and use tax on the fees paid for breeding a stallion to a mare in Kentucky, together with any other money contributed, appropriated or allocated to the fund from all other sources. The money deposited in the KHBIF is used to administer the fund and provide rewards for owners and breeders of horses bred and foaled in Kentucky. On April 16, 2007, the Kentucky Horse Racing Commission, on the recommendation of the Horse Breeders' Incentive Fund Advisory Committee, approved nine applications for the fund. This application period covered calendar year 2006, 2007, and 2008.

For the 12-month collection period of July 1, 2007, through June 30, 2008, the Department of Revenue collected and transferred \$1,315,708 to the KHBIF account. These monies accounted for the 2008 calendar year awards for this fund. The following chart documents the Kentucky Non-race breed affiliate, the amount allocated to the affiliate, the number of registered Kentucky-bred horses for each affiliate and the percentage of the funds allocated to each affiliate as compared to the total amount of funds distributed by the Kentucky Horse Breeders' Incentive Fund.

### **Kentucky Non-Race Breeder's Incentive Fund Results**

| <b><u>Kentucky Affiliate</u></b> | <b><u>2008 Allocated</u></b> | <b><u>Number in Breed</u></b> | <b><u>Percent</u></b> |
|----------------------------------|------------------------------|-------------------------------|-----------------------|
| KY Appaloosa Owners Assoc.       | \$59,130                     | 5,182                         | 4.49%                 |
| South Central Hackney Assoc.     | \$15,758                     | 1,381                         | 1.20%                 |
| KY Morgan Horse Assoc.           | \$16,203                     | 1,420                         | 1.23%                 |
| KY Mountain Horse Assoc.         | \$158,631                    | 13,902                        | 12.06%                |
| KY Paint Horse Club              | \$110,752                    | 9,706                         | 8.42%                 |
| KY Paso Fino Horse Assoc.        | \$13,579                     | 1,190                         | 1.03%                 |
| KY Quarter Horse Assoc.          | \$428,927                    | 37,590                        | 32.60%                |
| KY Saddlebred Owner/Breeder      | \$140,580                    | 12,320                        | 10.68%                |
| KY Walking Horse Assoc.          | \$372,148                    | 32,614                        | 28.28 %               |
| <b>TOTAL</b>                     | <b>\$1,315,708</b>           | <b>115,305</b>                | <b>100.00%</b>        |

For additional information related to the Non-Race Breeders' Incentive Fund, go to: <http://www.khrc.ky.gov/breedersincentive/Non-race+Breeders+Incentive+Fund/>



## LICENSED ASSOCIATIONS

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### **INTRODUCTION – Conditions of Track Licensure**

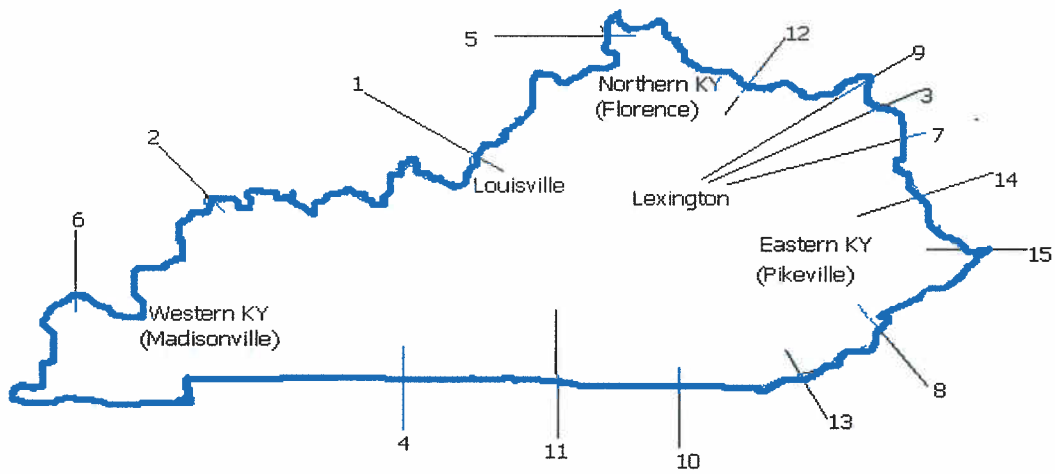
On December 15, 2008, the KHRC approved conditions of track licensure for the licensed racing associations and OTB's that were applying for a license for 2009. As a condition to the issuance of a license by the KHRC, the racing associations and OTB's were required to comply with the following requirements:

1. Each racing association and OTB shall promptly notify the KHRC in writing of any communication, report or investigation conducted by the Thoroughbred Racing Associations of North America, Inc. (TRA) or the Thoroughbred Racing Protective Bureau (TRPB) or any state or federal regulatory agency that relates to the safety, integrity or security of the racing association or OTB. Each racing association and OTB shall further send a copy of any TRA or TRPB communications, correspondence, or reports relating to any such report or investigation to the KHRC promptly upon receipt by the racing association or OTB. This paragraph shall not be construed to include the information delivered to racing association officials acting in the capacity of members of the board of directors of TRA or TRPB.
2. The racing association and OTB shall send a copy of any self-reporting documents, forms, or correspondence to the KHRC at the same time they are filed with the TRA or TRPB, with the exception of any information that is proprietary to the racing association or OTB or has no relevance to the safety, integrity, or security of the racing association or OTB. The racing association or OTB shall identify to the KHRC any information the racing association or OTB considers proprietary or irrelevant to the safety, integrity, or security of the racing association or OTB.
3. On or before Jan. 1, 2009, each racing association shall record the date and time (detailing the hour, minutes, and seconds) on all live video

feeds originating from a Kentucky track. Further, each racing association shall require the tote company with whom it does business to certify, and provide evidence of such certification, to the Chief State Steward of the following:

- a. the official start/off-time of each race and
  - b. the closing of the betting windows
4. On or before January 1, 2009, each racing association shall require that each of the timing systems mentioned in #3 be synchronized with the US Naval Observatory Clock at the beginning of each race day.
  5. In the event technology is not available on January 1, 2009 for the contracted tote company to meet the requests of the live racing association as set forth herein, each racing association shall request the tote company with whom it does business to develop technology to meet such requirements on or before July 1, 2009.
  6. All notices required to be given to the KHRC under these conditions to licensure shall be emailed to the Executive Director and Deputy Executive Director of the KHRC. At the time a supervisor of pari-mutuel betting is hired that person shall also be included in any email notifications.

## MAP OF LICENSED ASSOCIATIONS AND WAGERING LOCATIONS IN KENTUCKY



### Licensed Associations:

#### *Thoroughbred*

1. Churchill Downs, Inc., *Louisville, KY*
2. Ellis Park, *Henderson, KY*
3. Keeneland Association, *Lexington, KY*
4. Kentucky Downs, *Franklin, KY*
5. Turfway Park, *Covington, KY*

#### *Standardbred and Quarter Horse*

6. Players Bluegrass Downs, *Paducah, KY*
7. The Red Mile, *Lexington, KY*
8. Thunder Ridge (part of Appalachian Racing, LLC), *Prestonsburg, KY*

#### *Off-track wagering facilities*

9. Kentucky Off-Track Betting LLC (Corporate Offices – no wagering offered at this location), *Lexington, KY*
10. Corbin OTB
11. Jamestown OTB
12. Maysville OTB
13. Pineville OTB
14. Hazard U-Bet Simulcasting (part of Appalachian Racing, LLC)
15. Pikeville Simulcasting (part of Appalachian Racing, LLC)

## **2008 RACETRACK MEETING DATES**

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### **Thoroughbred (Scheduled – does not include cancellations)**

#### **Keeneland Spring Meet**

April 4, 5, 6, 9, 10, 11, 12, 13, 16, 17, 18, 19, 20, 23, 24, 25

Total racing days - 16

#### **Keeneland Fall Meet**

October 3, 4, 5, 8, 9, 10, 11, 12, 15, 16, 17, 18, 19, 22, 23, 24, 25

Total racing days - 17

#### **Churchill Spring Meet**

April 26, 27, 29, 30

May 1, 2, 3, 7, 8, 9, 10, 11, 14, 15, 16, 17, 18, 21, 22, 23, 24, 25, 26, 29, 30, 31

June 1, 4, 5, 6, 7, 8, 11, 12, 13, 14, 15, 18, 19, 20, 21, 22, 25, 26, 27, 28, 29

July 2, 3, 4, 5, 6

Total racing days – 52

#### **Churchill Fall Meet**

October 26, 29, 30, 31

November 1, 2, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15, 16, 19, 20, 21, 22, 23, 26, 27, 28, 29

Total racing days – 26

#### **Ellis Park Meet**

July 4, 5, 6, 9, 10, 11, 12, 13, 16, 17, 18, 19, 20, 23, 24, 25, 26, 27, 30, 31

August 1, 2, 3, 6, 7, 8, 9, 10, 13, 14, 15, 16, 17, 20, 21, 22, 23, 24, 27, 28, 29, 30, 31

September 1

Total racing days - 44

#### **Turfway Park Winter/Spring Meet**

January 1, 3, 4, 5, 6, 9, 10, 11, 12, 13, 16, 17, 18, 19, 20, 23, 24, 25, 26, 27, 30, 31

February 1, 2, 3, 6, 7, 8, 9, 10, 13, 14, 15, 16, 17, 20, 21, 22, 23, 24, 27, 28, 29,

March 1, 2, 5, 6, 7, 8, 9, 12, 13, 14, 15, 16, 19, 20, 21, 22, 26, 27, 28, 29, 30

April 2, 3,

Total racing dates – 66

#### **Turfway Park Fall Meet**

September 3, 4, 5, 6, 7, 10, 11, 12, 13, 14, 17, 18, 19, 20, 21, 24, 25, 26, 27, 28

October 1, 2

Total racing dates – 22

#### **Turfway Park Holiday Meet**

November 30

December 3, 4, 5, 6, 7, 10, 11, 12, 13, 14, 17, 18, 19, 20, 21, 26, 27, 28, 29, 30, 31

Total racing dates – 22

**Kentucky Downs**

September 13, 15, 16, 20, 22, 23

Total racing dates – 6

**Standardbred (Scheduled – does not include cancellations)**

**The Red Mile**

July 27, 28, 31

August 3, 4, 7, 10, 11, 14, 17, 18, 21, 24, 25, 28, 31

September 1, 4, 7, 8, 11, 14, 15, 18, 23, 24, 25, 26, 27, 30

October 1, 2, 3, 4

Total racing dates – 34

**Thunder Ridge**

May 28, 30, 31

June 4, 6, 7, 11, 13, 14, 18, 20, 21, 25, 27 and 28

July 2, 4, 5, 9, 11, 12, 16, 18 and 19

Total racing dates - 24

**Players Bluegrass Downs**

April 10, 11, 12, 17, 18, 19, 24, 25, 26

May 1, 2, 3, 8, 9, 10, 15, 16, 17

Total racing dates -18

**Quarter Horse (Scheduled – does not include cancellations)**

**The Red Mile**

July 18, 19

Total racing dates – 2

## KENTUCKY THOROUGHBRED RACING and WAGERING STATISTICS

The tables and charts on the following page illustrate Purses, Attendance and Handle for Kentucky's licensed thoroughbred associations for calendar year 2008.



2008 Total Thoroughbred Purses and Attendance

| Track           | Days of racing in 2008 | Purses              | Attendance       |
|-----------------|------------------------|---------------------|------------------|
| Churchill Downs | 78                     | \$32,631,235        | 815,005          |
| Keeneland       | 33                     | \$20,754,355        | 482,723          |
| Turfway Park    | 105                    | \$14,256,291        | 184,270          |
| Ellis Park      | 44                     | \$5,234,644         | 117,847          |
| Kentucky Downs  | 6                      | \$1,345,000         | 5,308            |
| <b>Total</b>    | <b>271</b>             | <b>\$74,221,525</b> | <b>1,605,153</b> |

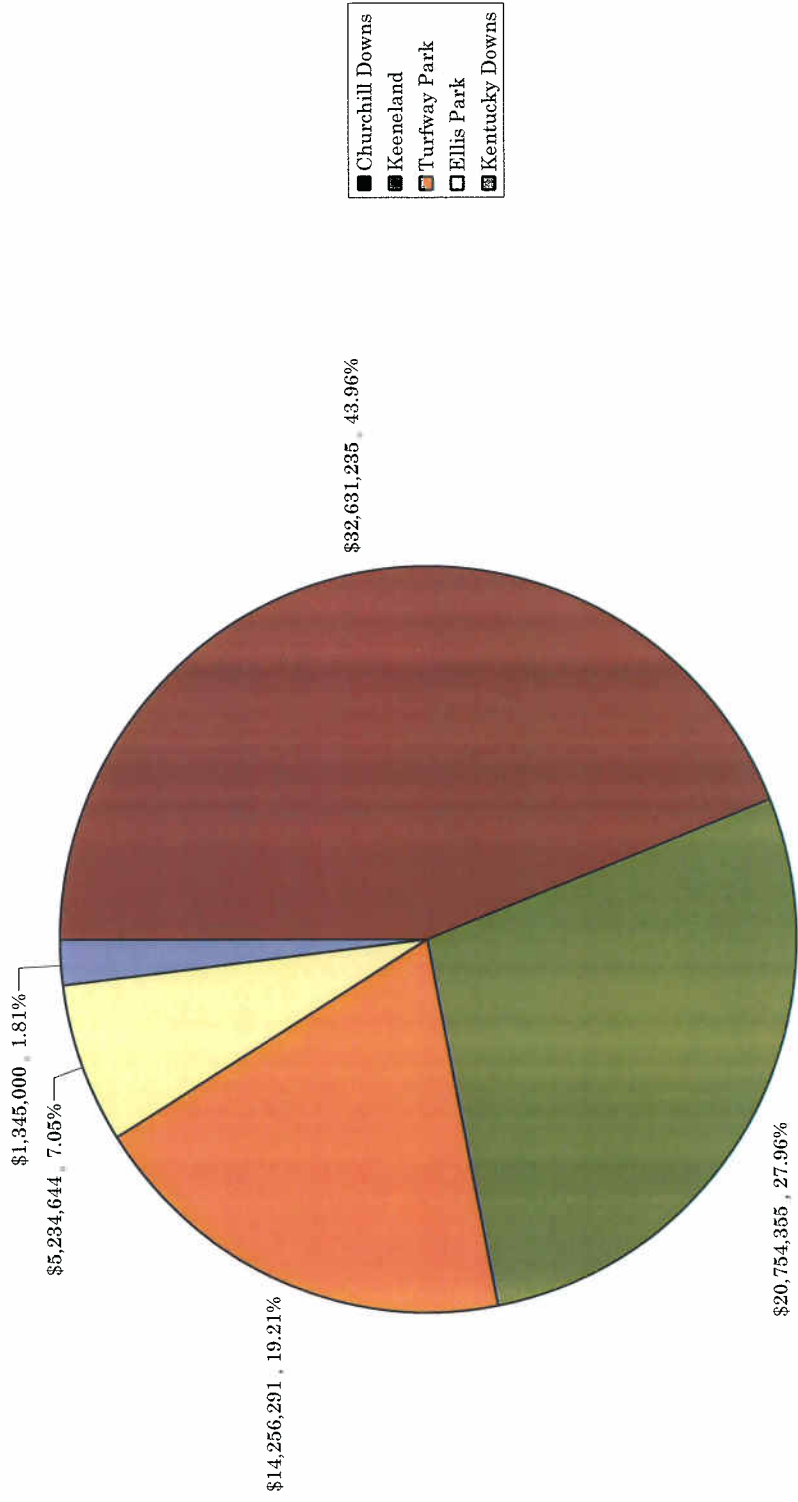
Daily averages

| Track           | Days of racing in 2008 | Purses           | Attendance   |
|-----------------|------------------------|------------------|--------------|
| Churchill Downs | 78                     | \$418,349        | 10,449       |
| Keeneland       | 33                     | \$628,920        | 14,628       |
| Turfway Park    | 105                    | \$135,774        | 1,755        |
| Ellis Park      | 44                     | \$118,969        | 2,678        |
| Kentucky Downs  | 6                      | \$224,167        | 885          |
| <b>Total</b>    |                        | <b>\$305,236</b> | <b>6,079</b> |

NOTE: Thoroughbred Purse and Attendance data provided by the licensed associations.

## 2008 Total Thoroughbred Purses

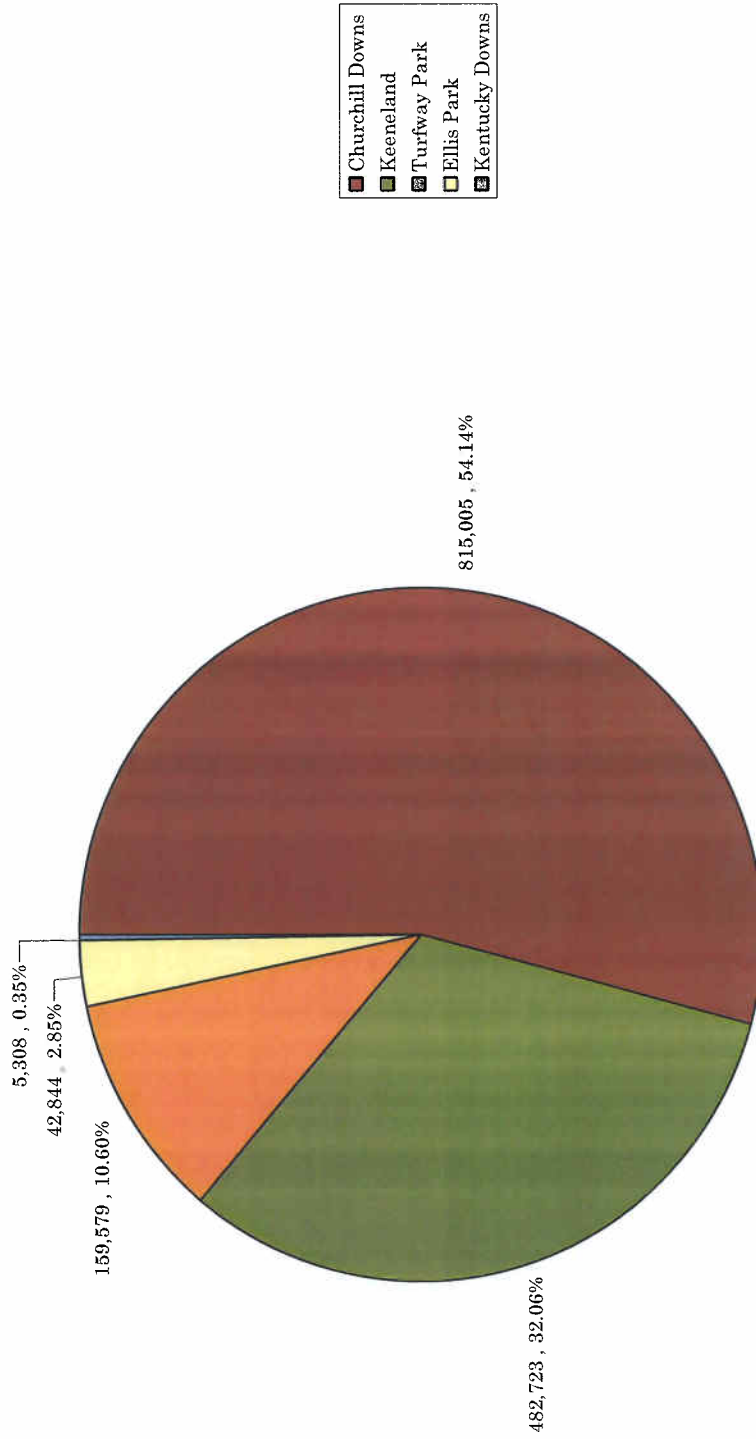
*Purse data is provided by the licensed associations*





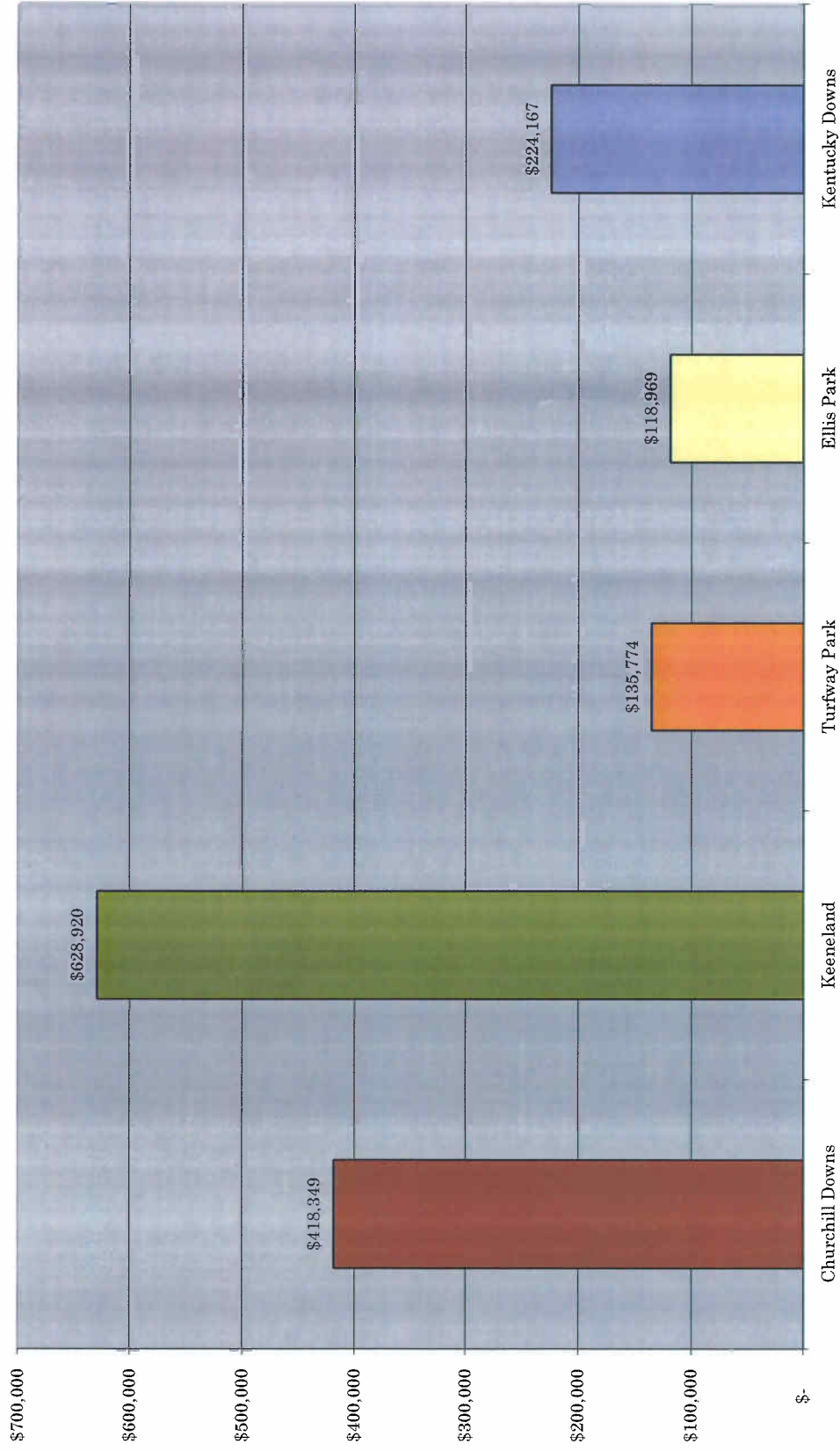
## 2008 Total Thoroughbred Attendance

Attendance data provided by the licensed associations



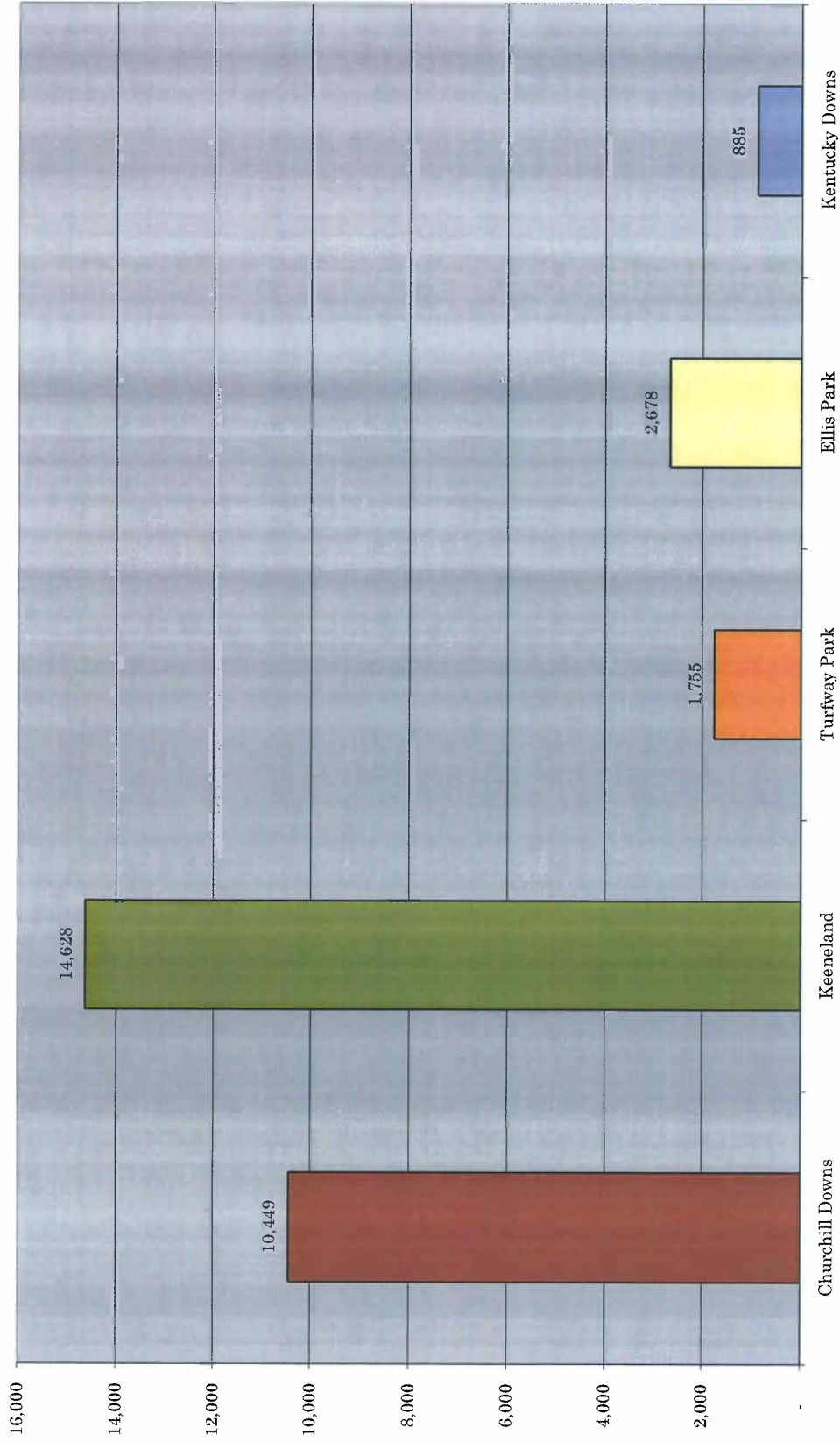
## 2008 Daily average Thoroughbred Purses

*Purse data provided by the licensed associations*



# 2008 Daily average Thoroughbred Attendance

*Attendance data provided by the licensed associations*



2008 Total Thoroughbred Handle Summary

| Track           | Days of racing in 2008 | Live, On-track Handle | Off-track Handle | Total All Sources Handle |
|-----------------|------------------------|-----------------------|------------------|--------------------------|
| Churchill Downs | 78                     | \$96,855,857          | \$545,815,582    | \$642,671,439            |
| Keeneland       | 33                     | \$40,395,520          | \$214,663,062    | \$255,058,582            |
| Turfway Park    | 105                    | \$13,236,860          | \$238,354,790    | \$251,591,650            |
| Ellis Park      | 44                     | \$6,871,602           | \$71,358,397     | \$78,229,999             |
| Kentucky Downs  | 6                      | \$435,807             | \$7,945,784      | \$8,381,591              |
| Total           | 266                    | \$157,795,646         | \$1,078,137,615  | \$1,235,933,261          |

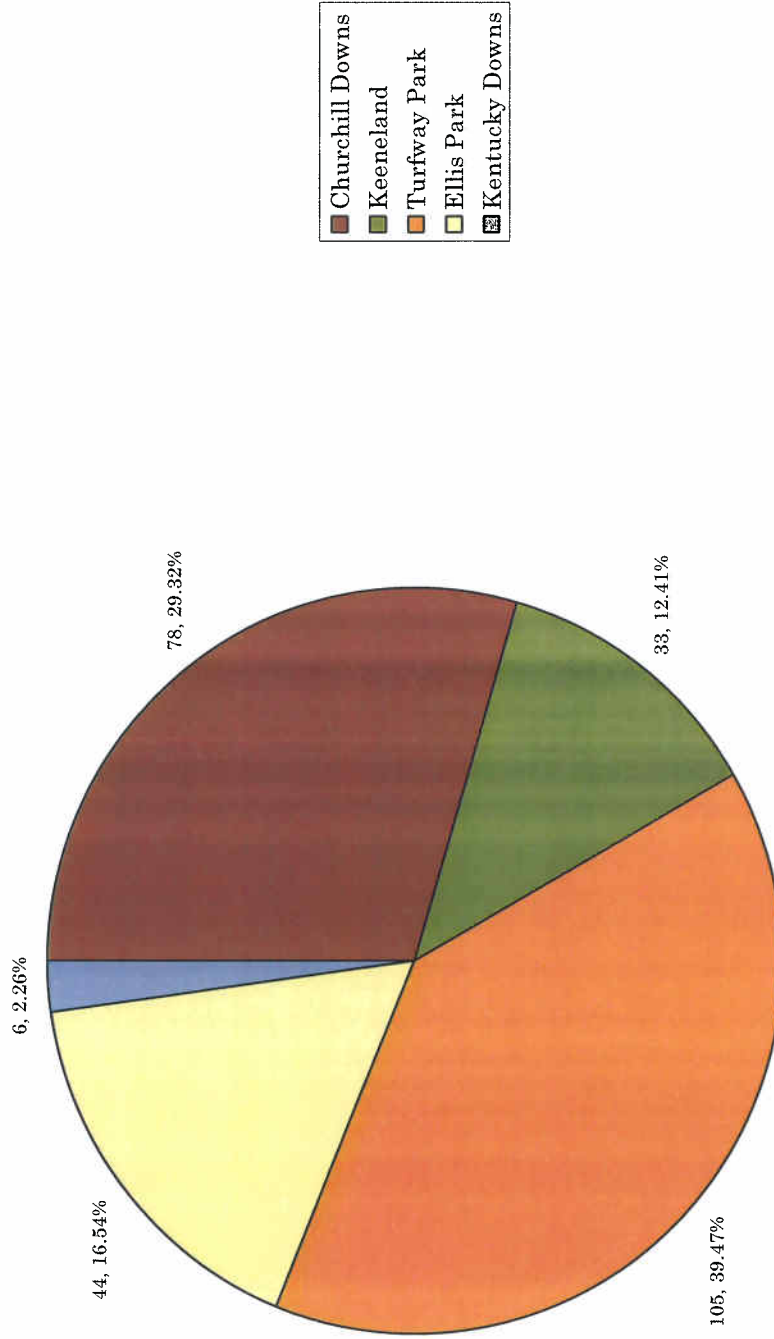
Daily averages

| Track                       | Days of racing in 2008 | Live, On-track Handle | Off-track Handle | Total All Sources Handle |
|-----------------------------|------------------------|-----------------------|------------------|--------------------------|
| Churchill Downs             | 78                     | \$1,241,742           | \$6,997,636      | \$8,239,377              |
| Keeneland                   | 33                     | \$1,224,107           | \$6,504,941      | \$7,729,048              |
| Turfway Park                | 105                    | \$126,065             | \$2,270,046      | \$2,396,111              |
| Ellis Park                  | 44                     | \$156,173             | \$1,621,782      | \$1,777,955              |
| Kentucky Downs              | 6                      | \$72,635              | \$1,324,297      | \$1,396,932              |
| Thoroughbred daily averages |                        | \$564,144             | \$3,743,740      | \$4,307,885              |

NOTE: Wagering data is provided by the licensed associations.

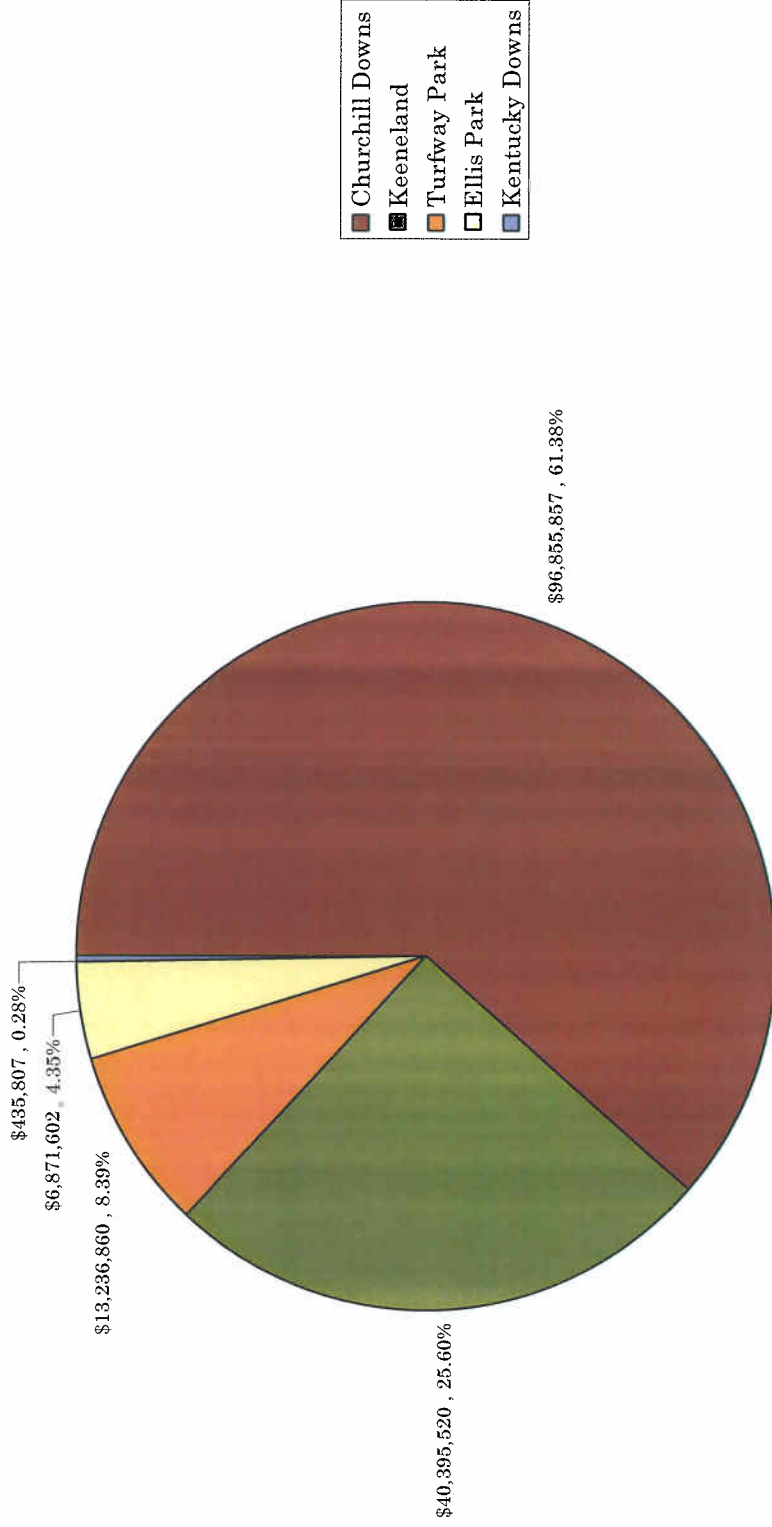
## 2008 Thoroughbred Days of racing

*Days of racing provided by the licensed associations*



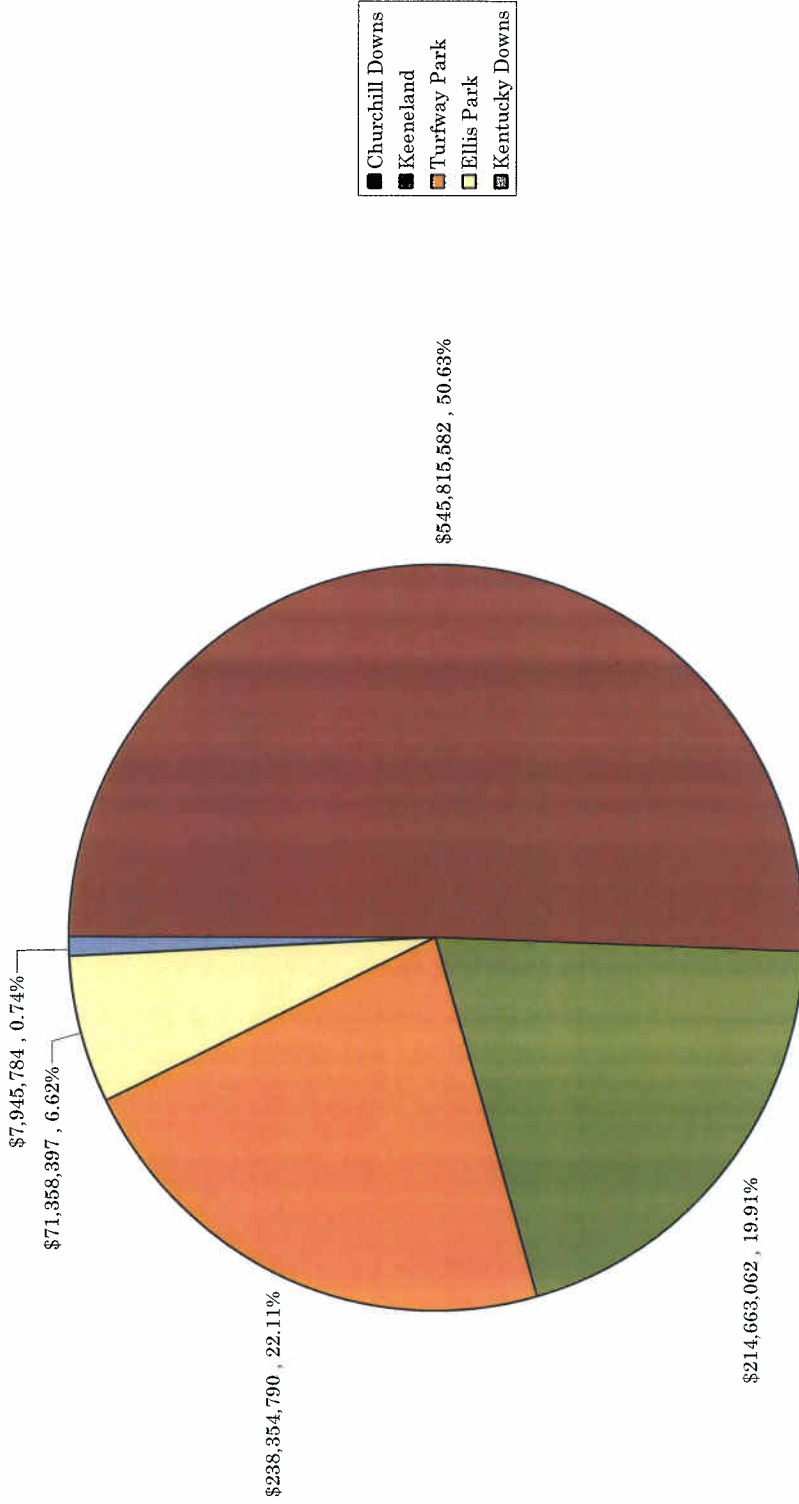
## 2008 Live, On-track Handle on Thoroughbred racing

*Handle data provided by the licensed associations*



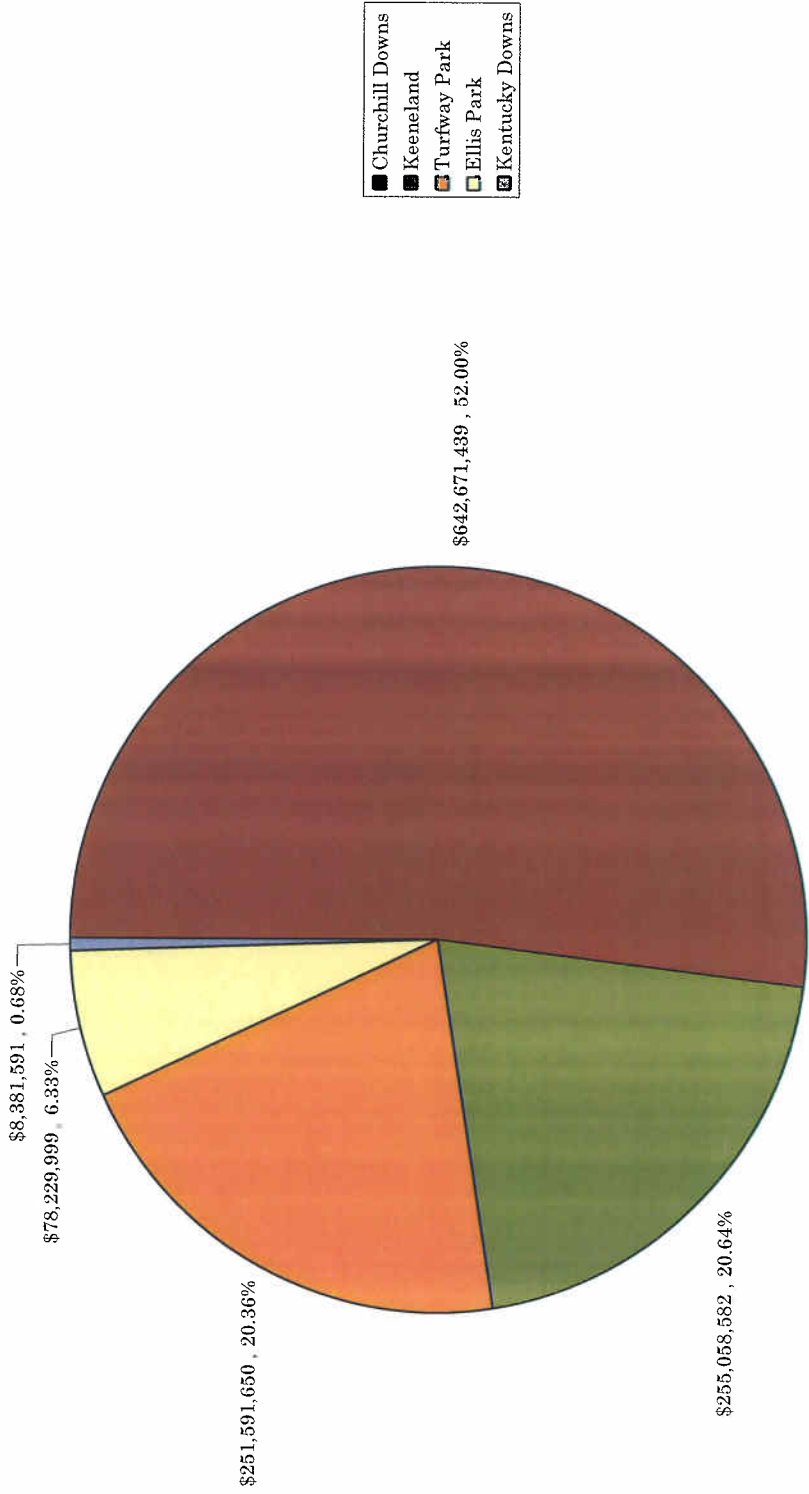
## 2008 Off-track Handle on Thoroughbred Racing

Handle data provided by the licensed associations



# 2008 Total All Sources Handle on Thoroughbred racing

*Handle data provided by the licensed associations*





## Churchill Downs, Inc.

Contact information:  
Churchill Downs, Inc.  
Robert Evans, President and Chief Operating Officer  
Churchill Downs, Inc.  
700 Central Avenue  
Louisville, KY 40208  
(502) 636 - 4400

For additional information regarding Churchill Downs, go to: <http://www.churchilldowns.com/>.

### 2008 Takeout Rates:

Win, Place, and Show: 16%  
Exotics: 19%

### Breakdown of Purses:

|                    |                     |
|--------------------|---------------------|
| Association Purses | \$28,018,430        |
| Steeplechase       | \$0                 |
| KTDF Purses        | \$2,393,755         |
| Breeders' Cup      | \$131,750           |
| Horseman's Fees    | \$2,087,300         |
| Total Purses       | <u>\$32,631,235</u> |

Churchill Downs

On-track wagering on live product

*Wagering data provided by the licensed association*

| Type Bet                                | Spring Meet         | Fall Meet           | TOTAL               |
|---|---------------------|---------------------|---------------------|
| Win                                     | \$19,700,848        | \$4,087,568         | \$23,788,416        |
| Place                                   | \$8,401,137         | \$1,845,971         | \$10,247,108        |
| Show                                    | \$7,182,035         | \$1,395,459         | \$8,577,494         |
| <b>Total Win, Place and Show wagers</b> | <b>\$35,284,020</b> | <b>\$7,328,999</b>  | <b>\$42,613,019</b> |
| Double                                  | \$2,019,222         | \$648,017           | \$2,667,239         |
| Exacta                                  | \$18,158,116        | \$4,598,690         | \$22,756,806        |
| Trifecta                                | \$13,294,156        | \$3,222,920         | \$16,517,076        |
| Superfecta                              | \$4,102,319         | \$1,219,064         | \$5,321,383         |
| Pick 3                                  | \$2,656,246         | \$891,146           | \$3,547,392         |
| Pick 4                                  | \$1,461,345         | \$458,179           | \$1,919,524         |
| Pick 6                                  | \$420,368           | \$33,026            | \$453,394           |
| Super Hi-Five                           | \$778,946           | \$171,199           | \$950,145           |
| Other - Over/Under                      | \$109,879           | \$0                 | \$109,879           |
| <b>Total Exotic wagers</b>              | <b>\$43,000,597</b> | <b>\$11,242,241</b> | <b>\$54,242,838</b> |
| <b>Total Wagers</b>                     | <b>\$78,284,617</b> | <b>\$18,571,240</b> | <b>\$96,855,857</b> |

Churchill Downs

Total All Sources wagering on live product

*Wagering data provided by the licensed association*

| Type Bet                                | Spring Meet          | Fall Meet            | TOTAL                |
|---|----------------------|----------------------|----------------------|
| Win                                     | \$114,592,487        | \$30,215,106         | \$144,807,593        |
| Place                                   | \$40,159,629         | \$11,275,910         | \$51,435,539         |
| Show                                    | \$24,429,388         | \$5,797,080          | \$30,226,468         |
| <b>Total Win, Place and Show wagers</b> | <b>\$179,181,504</b> | <b>\$47,288,095</b>  | <b>\$226,469,599</b> |
| Double                                  | \$14,429,599         | \$5,507,991          | \$19,937,590         |
| Exacta                                  | \$122,387,140        | \$40,003,693         | \$162,390,833        |
| Trifecta                                | \$107,050,705        | \$29,753,082         | \$136,803,787        |
| Superfecta                              | \$36,820,780         | \$14,704,874         | \$51,525,654         |
| Pick 3                                  | \$16,537,749         | \$6,087,537          | \$22,625,286         |
| Pick 4                                  | \$10,813,334         | \$3,299,220          | \$14,112,554         |
| Pick 6                                  | \$2,651,090          | \$173,308            | \$2,824,398          |
| Super Hi-Five                           | \$5,071,512          | \$779,841            | \$5,851,352          |
| Other - Over/Under                      | \$130,386            | \$0                  | \$130,386            |
| <b>Total Exotic wagers</b>              | <b>\$315,892,294</b> | <b>\$100,309,546</b> | <b>\$416,201,840</b> |
| <b>Total Wagers</b>                     | <b>\$495,073,798</b> | <b>\$147,597,641</b> | <b>\$642,671,439</b> |

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## Keeneland Association, Inc.

### Contact Information:

Keeneland Association, Inc.  
Nick Nicholson, President and Chief Executive Officer  
4201 Versailles Road  
Lexington, Ky 40510  
(859) 254 - 3412

For additional information regarding Keeneland, go to [www.keeneland.com](http://www.keeneland.com).

### 2008 Takeout rates:

Win, Place, and Show: 16%  
Exotics: 19%

*Note: The takeout rate on some exotics was less than 19%.*

### Breakdown of Purses

|                    |              |
|--------------------|--------------|
| Association Purses | \$18,372,375 |
| Steeplechase       | \$0          |
| KTDF Purses        | \$1,056,780  |
| Breeders' Cup      | \$182,000    |
| Horseman's Fees    | \$1,143,200  |
|                    | <hr/>        |
| Total Purses       | \$20,754,355 |

Keeneland

On-track wagering on live product

*Wagering data provided by the licensed associations*

| Type Bet                                | Spring Meet         | Fall Meet           | TOTAL               |
|---|---------------------|---------------------|---------------------|
| Win                                     | \$5,102,999         | \$4,544,079         | \$9,647,078         |
| Place                                   | \$2,467,892         | \$2,275,801         | \$4,743,693         |
| Show                                    | \$2,285,683         | \$2,147,825         | \$4,433,508         |
| <b>Total Win, Place and Show wagers</b> | <b>\$9,856,574</b>  | <b>\$8,967,705</b>  | <b>\$18,824,279</b> |
| Double                                  | \$348,531           | \$304,765           | \$653,296           |
| Exacta                                  | \$4,400,309         | \$4,121,658         | \$8,521,967         |
| Trifecta                                | \$3,359,903         | \$3,017,357         | \$6,377,259         |
| Superfecta                              | \$1,679,003         | \$1,487,020         | \$3,166,023         |
| Pick 3                                  | \$720,319           | \$573,409           | \$1,293,728         |
| Pick 4                                  | \$568,465           | \$419,688           | \$988,153           |
| Pick 6                                  | \$327,622           | \$84,670            | \$412,292           |
| Super Hi-Five                           | \$68,977            | \$89,546            | \$158,523           |
| <b>Total Exotic wagers</b>              | <b>\$11,473,128</b> | <b>\$10,098,113</b> | <b>\$21,571,241</b> |
| <b>Total Wagers</b>                     | <b>\$21,329,702</b> | <b>\$19,065,818</b> | <b>\$40,395,520</b> |

Keeneland

Total All Sources on live product

*Wagering data provided by the licensed associations*

| Type Bet                                | Spring Meet          | Fall Meet            | TOTAL                |
|---|----------------------|----------------------|----------------------|
| Win                                     | \$32,475,216         | \$25,711,331         | \$58,186,547         |
| Place                                   | \$12,134,138         | \$9,846,240          | \$21,980,378         |
| Show                                    | \$6,788,997          | \$5,710,658          | \$12,499,655         |
| <b>Total Win, Place and Show wagers</b> | <b>\$51,398,351</b>  | <b>\$41,268,229</b>  | <b>\$92,666,580</b>  |
| Double                                  | \$3,301,974          | \$2,165,145          | \$5,467,119          |
| Exacta                                  | \$35,327,915         | \$27,352,348         | \$62,680,263         |
| Trifecta                                | \$25,734,056         | \$19,089,973         | \$44,824,029         |
| Superfecta                              | \$13,363,702         | \$9,815,973          | \$23,179,675         |
| Pick 3                                  | \$7,054,687          | \$4,776,231          | \$11,830,918         |
| Pick 4                                  | \$5,722,696          | \$3,889,019          | \$9,611,715          |
| Pick 6                                  | \$3,287,143          | \$722,875            | \$4,010,018          |
| Super Hi-Five                           | \$380,504            | \$407,761            | \$788,265            |
| <b>Total Exotic wagers</b>              | <b>\$94,172,677</b>  | <b>\$68,219,325</b>  | <b>\$162,392,002</b> |
| <b>Total Wagers</b>                     | <b>\$145,571,028</b> | <b>\$109,487,554</b> | <b>\$255,058,582</b> |

## Turfway Park

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Contact information:

Turfway Park

Bob Elliston, President and Chief Executive Officer

7500 Turfway Rd.

Florence, KY 41042

(859) 371-0200 or (800) 733-0200

For additional information regarding Turfway Park, go to [www.turfway.com](http://www.turfway.com)

### 2008 Takeout Rates

Win, Place, and Show: 17.5%

Exotics: 22.0%

### Breakdown of Purses

|                    |              |
|--------------------|--------------|
| Association Purses | \$11,887,986 |
| Steeplechase       | \$0          |
| KTDF Purses        | \$1,973,330  |
| Breeders' Cup      | \$75,000     |
| Horseman's Fees    | \$319,975    |
|                    | <hr/>        |

Total Purses \$14,256,291

Turfway Park  
 On-track wagering on live product  
 Wagering data provided by the licensed associations

| Type Bet                                | Spring Meet        | Fall Meet          | Winter Meet        | TOTAL               |
|---|--------------------|--------------------|--------------------|---------------------|
| Win                                     | \$1,880,318        | \$685,012          | \$596,784          | \$3,162,114         |
| Place                                   | \$824,938          | \$281,760          | \$281,397          | \$1,388,095         |
| Show                                    | \$576,376          | \$184,239          | \$191,667          | \$952,282           |
| <b>Total Win, Place and Show wagers</b> | <b>\$3,281,632</b> | <b>\$1,151,011</b> | <b>\$1,069,848</b> | <b>\$5,502,491</b>  |
| Double                                  | \$255,185          | \$78,382           | \$91,054           | \$424,621           |
| Exacta                                  | \$1,725,364        | \$542,930          | \$569,733          | \$2,838,027         |
| Trifecta                                | \$1,412,820        | \$458,553          | \$492,740          | \$2,364,113         |
| Superfecta                              | \$762,704          | \$242,821          | \$296,257          | \$1,301,782         |
| Pick 3                                  | \$331,139          | \$114,556          | \$127,364          | \$573,059           |
| Pick 4                                  | \$128,421          | \$49,103           | \$33,059           | \$210,583           |
| Pick 6                                  | \$9,181            | \$1,632            | \$3,422            | \$14,235            |
| Super Hi-Five                           | \$0                | \$3,605            | \$4,344            | \$7,949             |
| <b>Total Exotic wagers</b>              | <b>\$4,624,814</b> | <b>\$1,491,582</b> | <b>\$1,617,973</b> | <b>\$7,734,369</b>  |
| <b>Total Wagers</b>                     | <b>\$7,906,446</b> | <b>\$2,642,593</b> | <b>\$2,687,821</b> | <b>\$13,236,860</b> |



Turfway Park

Total All Sources wagering on live product

*Wagering data provided by the licensed associations*

| Type Bet                                | Spring Meet          | Fall Meet           | Winter Meet         | TOTAL                |
|---|----------------------|---------------------|---------------------|----------------------|
| Win                                     | \$32,546,425         | \$9,125,184         | \$11,637,176        | \$53,308,785         |
| Place                                   | \$11,375,488         | \$3,266,348         | \$4,318,139         | \$18,959,975         |
| Show                                    | \$5,536,468          | \$1,494,908         | \$2,170,861         | \$9,202,237          |
| <b>Total Win, Place and Show wagers</b> | <b>\$49,458,381</b>  | <b>\$13,886,440</b> | <b>\$18,126,176</b> | <b>\$81,470,997</b>  |
| Double                                  | \$4,129,253          | \$1,161,478         | \$1,642,742         | \$6,933,473          |
| Exacta                                  | \$39,686,218         | \$10,648,689        | \$15,725,945        | \$66,060,852         |
| Trifecta                                | \$32,721,693         | \$9,138,977         | \$12,357,577        | \$54,218,247         |
| Superfecta                              | \$17,474,797         | \$5,192,793         | \$7,571,214         | \$30,238,804         |
| Pick 3                                  | \$4,268,578          | \$1,397,453         | \$1,843,362         | \$7,509,393          |
| Pick 4                                  | \$2,821,626          | \$1,069,646         | \$946,421           | \$4,837,693          |
| Pick 6                                  | \$112,009            | \$22,743            | \$25,635            | \$160,387            |
| Super Hi-Five                           | \$0                  | \$77,815            | \$83,989            | \$161,804            |
| <b>Total Exotic wagers</b>              | <b>\$101,214,174</b> | <b>\$28,709,594</b> | <b>\$40,196,885</b> | <b>\$170,120,653</b> |
| <b>Total Wagers</b>                     | <b>\$150,672,555</b> | <b>\$42,596,034</b> | <b>\$58,323,061</b> | <b>\$251,591,650</b> |

## Ellis Park

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Contact information:

Ron Geary, Owner and President  
3300 U.S. Highway 41  
North Henderson, Ky 42420  
(812) 425-1456 Fax (812) 425-0353

For additional information regarding Ellis Park, go to [www.ellisparkracing.com](http://www.ellisparkracing.com).

2008 Takeout Rates

Win, Place, and Show: 17.5%  
Exotics: 22.0%

Breakdown of Purses

|                    |                    |
|--------------------|--------------------|
| Association Purses | \$4,384,994        |
| Steeplechase       | \$0                |
| KTDF Purses        | \$747,550          |
| Breeders' Cup      | \$43,900           |
| Horseman's Fees    | \$58,200           |
| Total Purses       | <u>\$5,234,644</u> |

**Ellis Park**

**On-track wagering on live product**

*Wagering data provided by the licensed associations*

| Type Bet                         | Summer Meet | TOTAL       |
|----------------------------------|-------------|-------------|
| Win                              | \$1,943,284 | \$1,943,284 |
| Place                            | \$838,749   | \$838,749   |
| Show                             | \$622,812   | \$622,812   |
| Total Win, Place and Show wagers | \$3,404,845 | \$3,404,845 |
| Double                           | \$188,174   | \$188,174   |
| Exacta                           | \$1,399,588 | \$1,399,588 |
| Trifecta                         | \$1,143,901 | \$1,143,901 |
| Superfecta                       | \$429,084   | \$429,084   |
| Pick 3                           | \$201,279   | \$201,279   |
| Pick 4                           | \$73,869    | \$73,869    |
| Pick 6                           | \$15,187    | \$15,187    |
| Super Hi-Five                    | \$15,675    | \$15,675    |
| Total Exotic wagers              | \$3,466,757 | \$3,466,757 |
| Total Wagers                     | \$6,871,602 | \$6,871,602 |

Ellis Park

Total All Sources wagering on live product

*Wagering data provided by the licensed associations*

| Type Bet                         | Summer Meet         | TOTAL               |
|----------------------------------|---------------------|---------------------|
| Win                              | \$20,809,180        | \$20,809,180        |
| Place                            | \$8,683,530         | \$8,683,530         |
| Show                             | \$6,328,807         | \$6,328,807         |
| Total Win, Place and Show wagers | <u>\$35,821,517</u> | <u>\$35,821,517</u> |
| Double                           | \$2,033,980         | \$2,033,980         |
| Exacta                           | \$17,601,750        | \$17,601,750        |
| Trifecta                         | \$15,254,850        | \$15,254,850        |
| Superfecta                       | \$5,006,720         | \$5,006,720         |
| Pick 3                           | \$2,112,210         | \$2,112,210         |
| Pick 4                           | \$86,052            | \$86,052            |
| Pick 6                           | \$164,283           | \$164,283           |
| Super Hi-Five                    | \$148,637           | \$148,637           |
| Total Exotic wagers              | <u>\$42,408,482</u> | <u>\$42,408,482</u> |
| Total Wagers                     | <u>\$78,229,999</u> | <u>\$78,229,999</u> |

## Kentucky Downs

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Contact information:

Corey Johnsen, Owner and President  
P.O. Box 405  
Franklin, KY 42135  
(270) 586-7778

For additional information regarding Kentucky Downs, go to [www.kentuckydowns.com](http://www.kentuckydowns.com).

2008 Takeout Rates:

Win, Place, and Show: 17.5%  
Exotics: 22.0%

Breakdown of Purses:

|                    |                     |
|--------------------|---------------------|
| Association Purses | \$12,700,000        |
| Steeplechase       | \$75,000            |
| KTDF Purses        | \$0                 |
| Breeders' Cup      | \$0                 |
| Horseman's Fees    | \$0                 |
| Total Purses       | <u>\$12,775,000</u> |

Kentucky Downs  
 On-track wagering on live product  
*Wagering data provided by the licensed associations*

| Type Bet                         | Fall Meet | TOTAL     |
|----------------------------------|-----------|-----------|
| Win                              | \$112,819 | \$112,819 |
| Place                            | \$50,029  | \$50,029  |
| Show                             | \$31,953  | \$31,953  |
|                                  |           | <hr/>     |
| Total Win, Place and Show wagers | \$194,801 | \$194,801 |
|                                  |           | <hr/>     |
| Double                           | \$9,660   | \$9,660   |
| Exacta                           | \$91,949  | \$91,949  |
| Trifecta                         | \$83,795  | \$83,795  |
| Superfecta                       | \$35,125  | \$35,125  |
| Pick 3                           | \$14,972  | \$14,972  |
| Pick 4                           | \$5,471   | \$5,471   |
| Pick 6                           | \$34      | \$34      |
|                                  |           | <hr/>     |
| Total Exotic wagers              | \$241,006 | \$241,006 |
|                                  |           | <hr/>     |
| Total Wagers                     | \$435,807 | \$435,807 |
|                                  |           | <hr/>     |

NOTE: Handle data is provided by the licensed associations. Kentucky Downs was unable to provide the data for this chart at the bet type level.

Kentucky Downs  
 Total All Sources on live product  
*Wagering data provided by the licensed associations*

| Type Bet                         | Fall Meet | TOTAL |
|----------------------------------|-----------|-------|
| Win                              | -         | -     |
| Place                            | -         | -     |
| Show                             | -         | -     |
| <hr/>                            |           |       |
| Total Win, Place and Show wagers | -         | -     |
| <hr/>                            |           |       |
| Double                           | -         | -     |
| Exacta                           | -         | -     |
| Trifecta                         | -         | -     |
| Superfecta                       | -         | -     |
| Pick 3                           | -         | -     |
| Pick 4                           | -         | -     |
| Pick 6                           | -         | -     |
| <hr/>                            |           |       |
| Total Exotic wagers              | -         | -     |
| <hr/>                            |           |       |
| Total Wagers                     | -         | -     |

KENTUCKY OFF-TRACK BETTING, LLC

Kentucky Off-Track Betting, LLC owns and operates four off-track betting sites in various parts of Kentucky. The locations of the sites are Corbin, Jamestown, Maysville and Pineville. One percent of the handle goes back to the city and county in the communities which we are located.

For the year ending December 31, 2008

*Handle and attendance data provided by Kentucky Off-track Betting, LLC*

| <b>2008 Handle</b> | <u>Corbin</u>      | <u>Jamestown</u>   | <u>Maysville</u>   | <u>Pineville</u>   | <u>Total</u>        |
|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| Kentucky races     | \$994,583          | \$1,374,286        | \$1,255,275        | \$623,178          | \$4,247,322         |
| Out-of-state races | \$3,942,176        | \$3,641,240        | \$3,671,434        | \$2,701,247        | \$13,956,097        |
| <b>Total</b>       | <b>\$4,936,759</b> | <b>\$5,015,526</b> | <b>\$4,926,709</b> | <b>\$3,324,425</b> | <b>\$18,203,419</b> |

| <b>2008 Attendance</b> | <u>Corbin</u> | <u>Jamestown</u> | <u>Maysville</u> | <u>Pineville</u> | <u>Total</u> |
|------------------------|---------------|------------------|------------------|------------------|--------------|
|                        | 12,834        | 15,227           | 8,317            | 6,320            | 42,698       |



## KENTUCKY STANDARDBRED RACING AND WAGERING STATISTICS

The tables and charts on the following page illustrate Purses, Attendance and Handle for Kentucky's licensed Standardbred associations for calendar year 2008.



2008 Total Standardbred Purses and Attendance

| Track                   | Days of racing in 2008 | Purses             | Attendance    |
|-------------------------|------------------------|--------------------|---------------|
| The Red Mile            | 24                     | \$1,932,672        | 14,998        |
| Players Bluegrass Downs | 18                     | \$296,950          | 5,556         |
| Thunder Ridge           | 24                     | \$230,450          | 3,130         |
| <b>Total</b>            | <b>66</b>              | <b>\$2,460,072</b> | <b>23,684</b> |

Daily averages

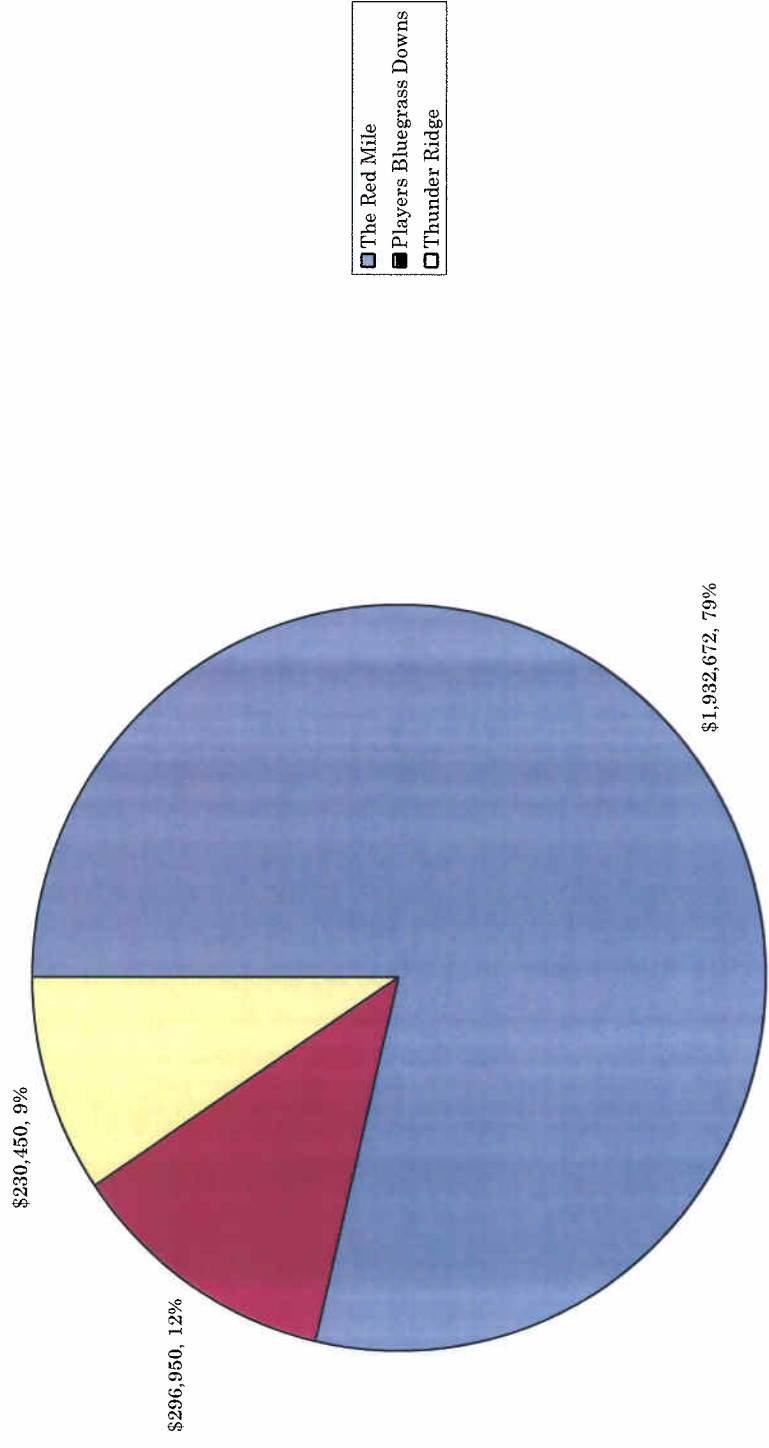
| Track                   | Days of racing in 2008 | Purses          | Attendance     |
|-------------------------|------------------------|-----------------|----------------|
| The Red Mile            | 24                     | \$80,528        | 625            |
| Players Bluegrass Downs | 18                     | \$16,497        | 309            |
| Thunder Ridge           | 24                     | \$9,602         | 130            |
| <b>Total</b>            |                        | <b>\$35,542</b> | <b>506,340</b> |

NOTE: The Grand Circuit, Sires Stakes Program, Quarter Horse and Fair racing are not included in the purse and attendance figures for the Red Mile listed above.

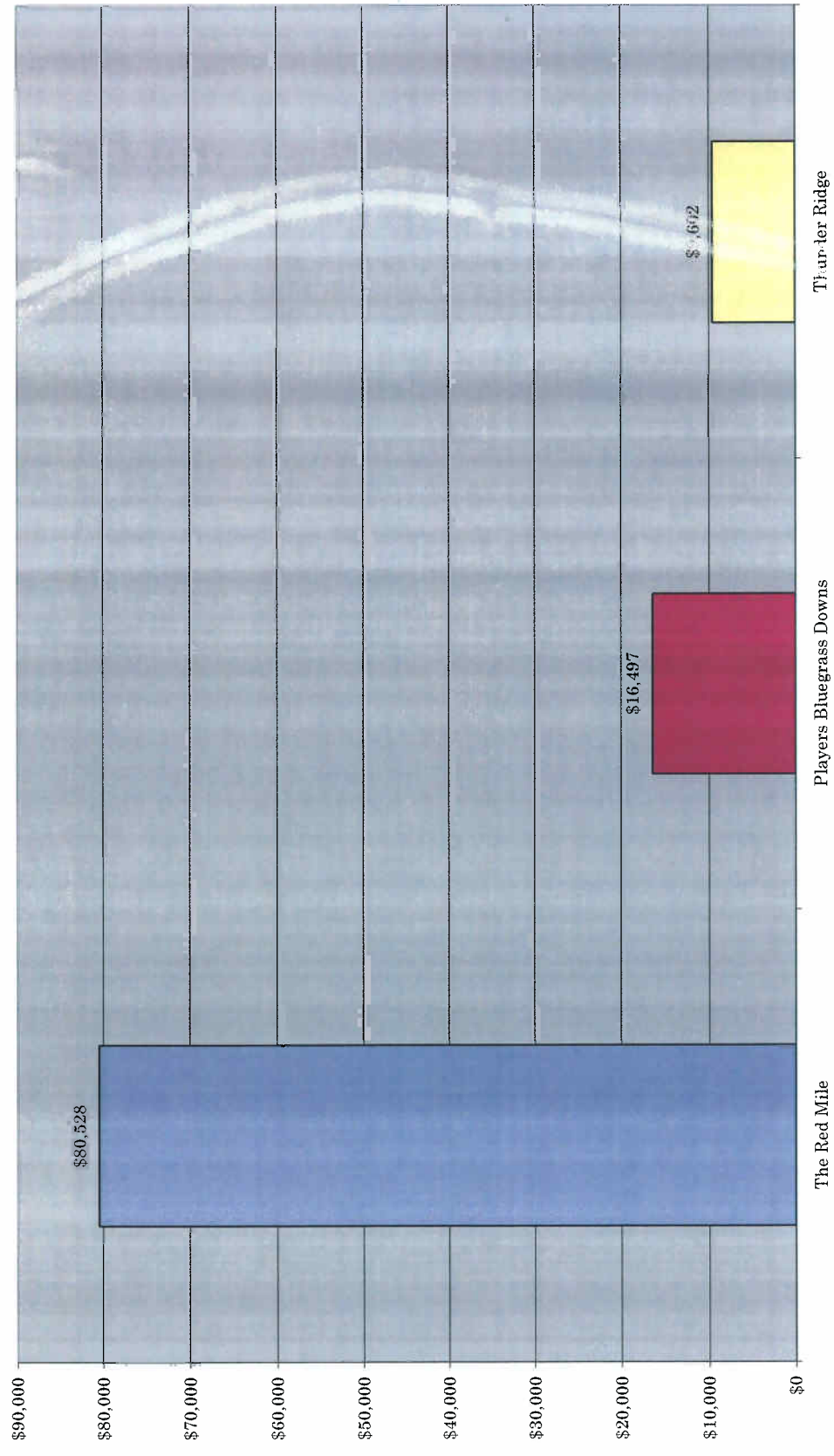
NOTE(2): Standardbred purse and attendance data provided by the licensed associations.

### 2008 Total Standardbred Purses

*Purse data provided by the licensed associations*

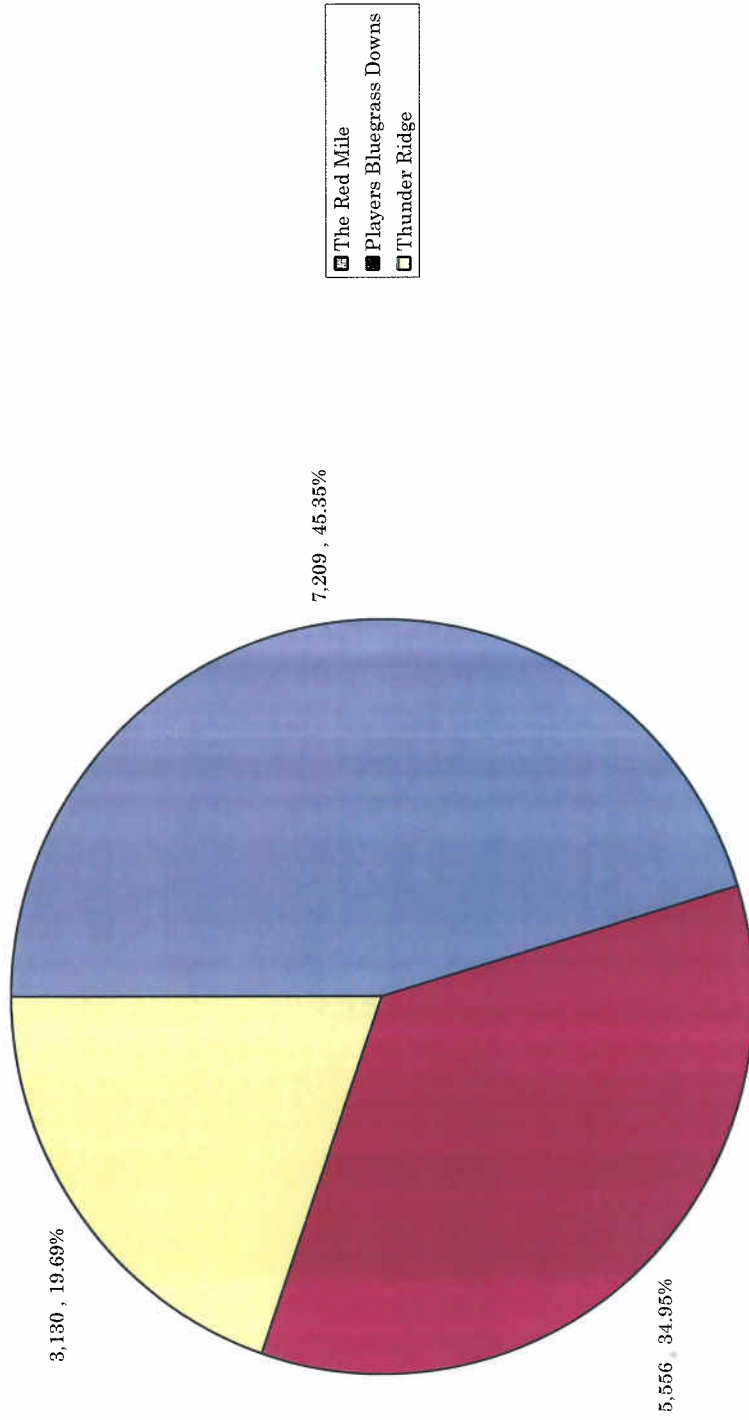


**2008 Daily average Standardbred Purses**  
*Purse data provided by the licensed associations*



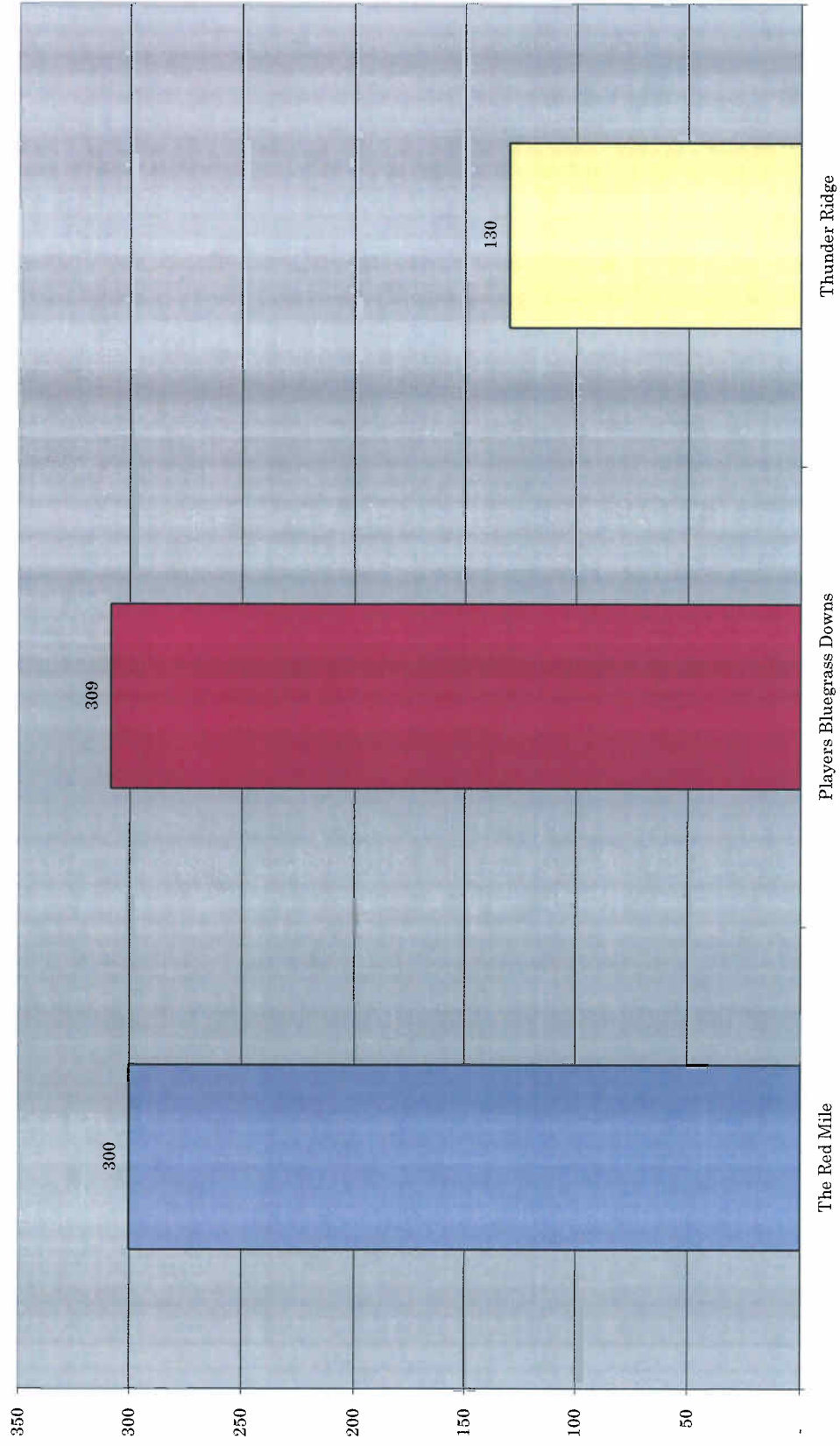
## 2008 Total Standardbred Attendance

*Attendance data provided by the licensed associations*



## 2008 Daily average Standardbred Attendance

*Attendance data provided by the licensed associations*



2008 Total Standardbred Handle

| Track                   | Days of racing in 2008 | Live, On-track Handle | Off-track Handle    | Total All Sources Handle |
|-------------------------|------------------------|-----------------------|---------------------|--------------------------|
| The Red Mile            | 34                     | \$2,458,790           | \$17,215,569        | \$19,674,359             |
| Players Bluegrass Downs | 18                     | \$57,317              |                     | \$57,317                 |
| Thunder Ridge           | 24                     | \$17,534              |                     | \$17,534                 |
| <b>Total</b>            | <b>76</b>              | <b>\$2,533,641</b>    | <b>\$17,215,569</b> | <b>\$19,749,210</b>      |

Daily averages

| Track                   | Days of racing in 2008 | Live, On-track Handle | Off-track Handle | Total All Sources Handle |
|-------------------------|------------------------|-----------------------|------------------|--------------------------|
| The Red Mile            | 34                     | \$72,317              | \$506,340        | \$578,658                |
| Players Bluegrass Downs | 18                     | \$3,184               | \$0              | \$3,184                  |
| Thunder Ridge           | 24                     | \$731                 | \$0              | \$731                    |
| <b>Total</b>            |                        | <b>\$25,411</b>       | <b>\$506,340</b> | <b>\$578,658</b>         |

NOTE: The Red Mile ran 2 days of Quarter Horse racing on which \$132,586 was wagered live, on-track. Additionally, the Red Mile ran 2 days of Fair racing on which \$9,975 was wagered live, on-track. These are not included in the Live, On-Track figure listed above and there was no wagers made off-track on the Quarter Horse or Fair races.

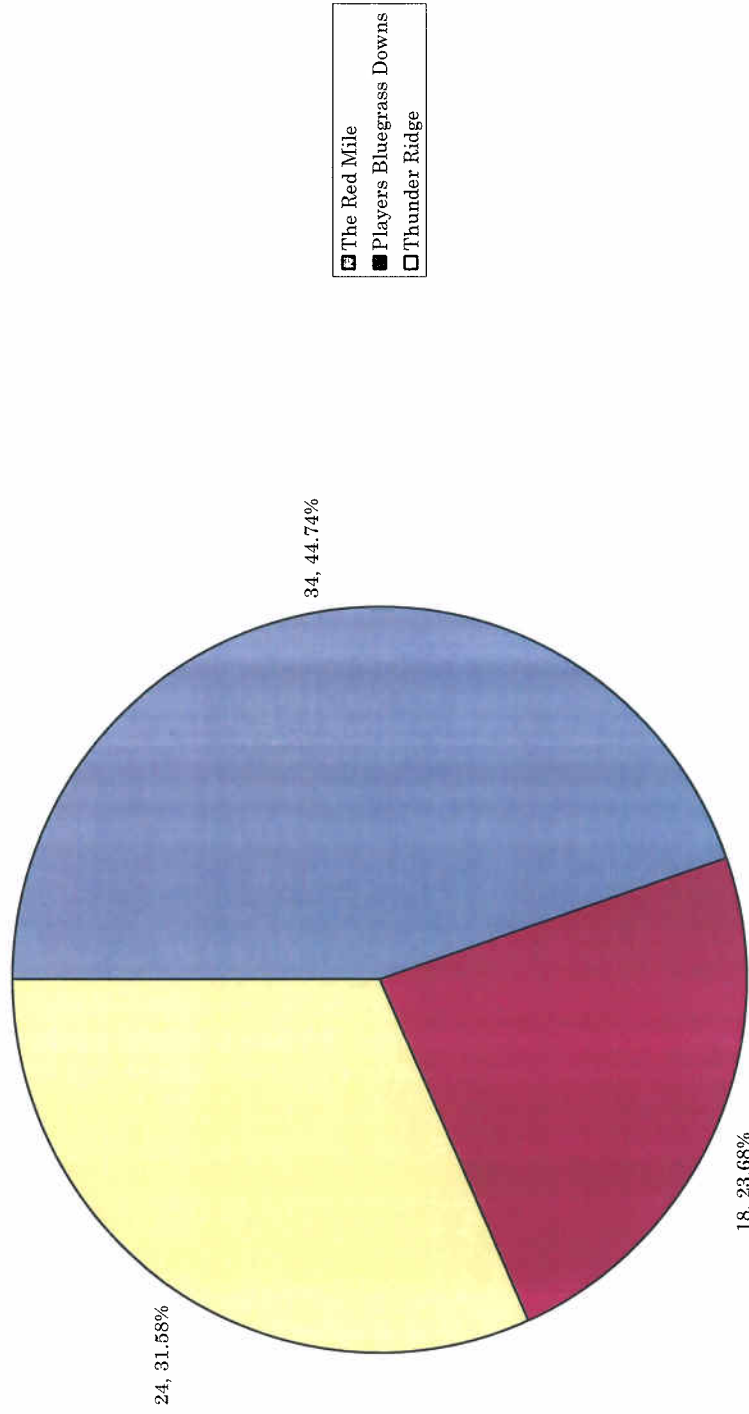
NOTE(2): There is no Off-track wagering on Players Bluegrass Downs or Thunder Ridge because they do not simulcast their signals.

NOTE(3): The Red Mile ran 10 days of the Grand Circuit and the handle for those days are included in the above figures.

NOTE(4): Handle data provided by the licensed associations.

## 2008 Standardbred Days of racing

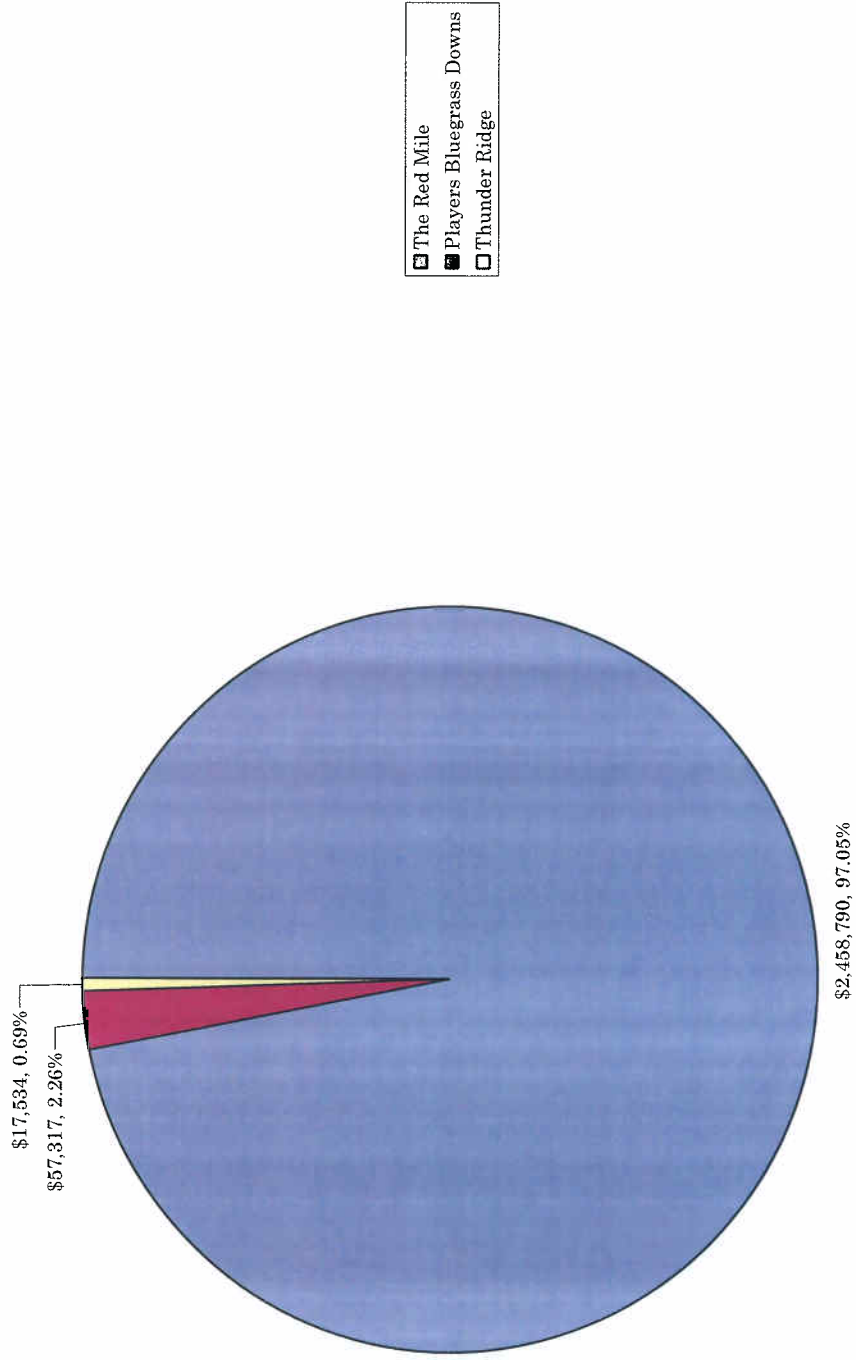
*Days of racing provided by the licensed associations*





## 2008 Live, On-track Handle on Standardbred Racing

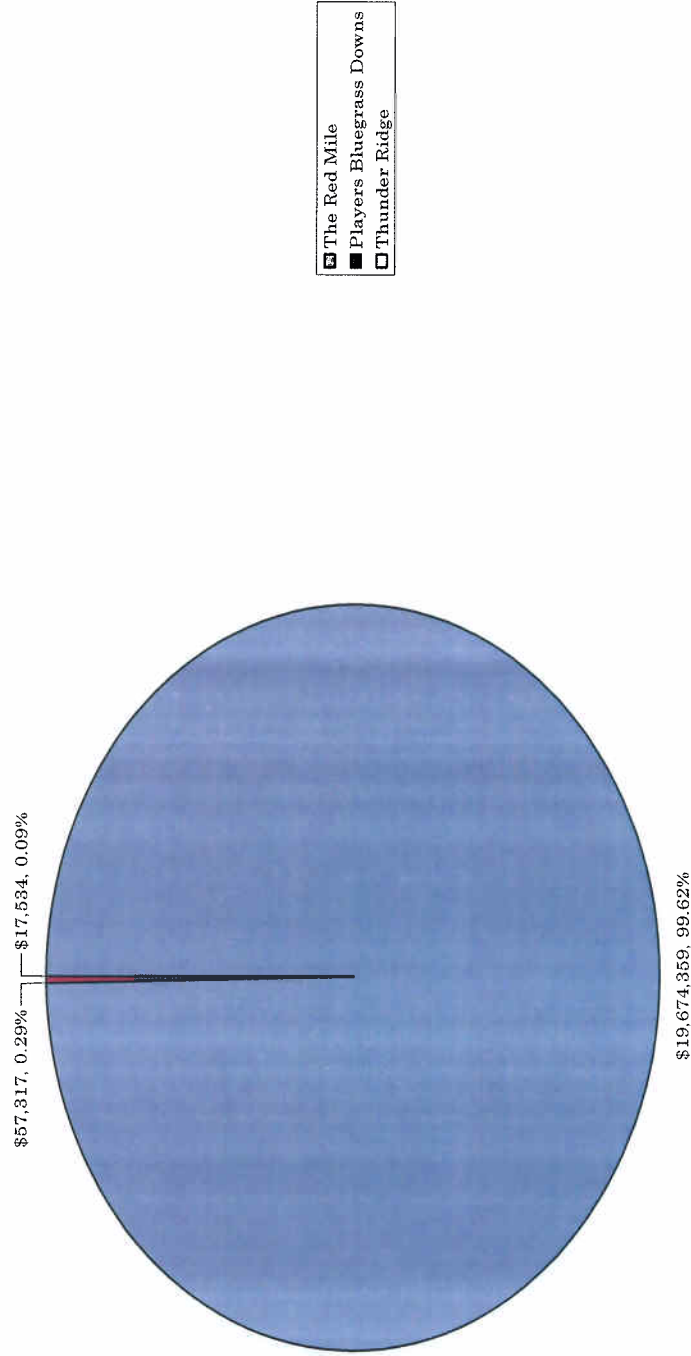
*Handle data provided by the licensed associations*



The Red Mile is the only Standardbred track that simulcasts its signal. A chart is not necessary to illustrate that wagering on the Red Mile represents 100% of Off-track wagers made on Kentucky Standardbred racing. The following chart, however, illustrates Total All Sources Handle.

### 2008 Total All Sources Handle on Kentucky Standardbred Racing

*Handle data provided by the licensed associations*



## The Red Mile

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### Contact information:

Joe Costa, President and Chief Executive Officer  
1200 Red Mile Rd.  
Lexington, KY 40588  
(859) 255-0752

For additional information regarding the Red Mile, go to [www.theredmile.com](http://www.theredmile.com).

### 2008 Takeout Rates:

|                       |       |
|-----------------------|-------|
| Win, Place, and Show: | 18.0% |
| Exotics:              | 25.0% |

### Breakdown of Purses

Not including the Quarter Horse or Fair racing, the Red Mile's races are actually funded from the three different sources. These can be separated by the Fall Meet, the Grand Circuit and the Kentucky Sires Stakes program.

During the Fall Meet, total purses, including overnights and stakes, were \$1,932,672 over 24 days.

During Grand Circuit, total prize money distributed was \$7,818,300 over 10 days. For additional information regarding the Grand Circuit, go to <http://www.theredmile.com/index.cfm?a=394>.

During the Kentucky Sires Stakes program, three legs and a final were contested for each division with awards totaling \$3,700,400.

The Red Mile ran 2 days of Quarter Horse racing with total purses of \$144,076 and total attendance of 3,499.

The Red Mile ran 2 days of Fair racing with total purses of \$34,000 and total attendance of 175.

The Red Mile  
 On-track wagering on live product  
*Wagering data provided by the licensed associations*

| Type Bet                         | Summer/Fall Meet | TOTAL       |
|----------------------------------|------------------|-------------|
| Win                              | \$482,302        | \$482,302   |
| Place                            | \$166,656        | \$166,656   |
| Show                             | \$168,013        | \$168,013   |
| Total Win, Place and Show wagers | \$816,971        | \$816,971   |
| Double                           | \$22,425         | \$22,425    |
| Exacta                           | \$624,282        | \$624,282   |
| Trifecta                         | \$643,282        | \$643,282   |
| Superfecta                       | \$282,614        | \$282,614   |
| Pick 3                           | \$89,216         | \$89,216    |
| Total Exotic wagers              | \$1,661,819      | \$1,661,819 |
| Total Wagers                     | \$2,478,790      | \$2,478,790 |

The Red Mile  
 Total All Sources wagering on live product  
*Wagering data provided by the licensed associations*

| Type Bet                         | Summer/Fall  | TOTAL        |
|----------------------------------|--------------|--------------|
| Win                              | \$3,190,804  | \$3,190,804  |
| Place                            | \$1,202,743  | \$1,202,743  |
| Show                             | \$1,842,329  | \$1,842,329  |
| Total Win, Place and Show wagers | \$6,235,876  | \$6,235,876  |
| Double                           | \$149,423    | \$149,423    |
| Exacta                           | \$4,904,221  | \$4,904,221  |
| Trifecta                         | \$5,386,481  | \$5,386,481  |
| Superfecta                       | \$2,503,151  | \$2,503,151  |
| Pick 3                           | \$495,207    | \$495,207    |
| Total Exotic wagers              | \$13,438,483 | \$13,438,483 |
| Total Wagers                     | \$19,674,359 | \$19,674,359 |

## Players Bluegrass Downs

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Contact information:

Jerry Bradley, President and Chief Executive Officer

PO Box 7907

Paducah, KY, 42002

(270) 444-7117

NOTE: no website

2008 Takeout Rates:

Win, Place, and Show: 18.0%

Exotics: 25.0%

Player's Bluegrass Downs  
 On-track wagering on live product  
*Wagering data provided by the licensed associations*

| Type Bet                         | Spring   | TOTAL    |
|----------------------------------|----------|----------|
| Win                              | \$14,114 | \$14,114 |
| Place                            | \$8,507  | \$8,507  |
| Show                             | \$7,817  | \$7,817  |
| <hr/>                            |          |          |
| Total Win, Place and Show wagers | \$30,438 | \$30,438 |
| <hr/>                            |          |          |
| Double                           | \$1,067  | \$1,067  |
| Exacta                           | \$13,800 | \$13,800 |
| Trifecta                         | \$11,918 | \$11,918 |
| Superfecta                       | \$94     | \$94     |
| <hr/>                            |          |          |
| Total Exotic wagers              | \$26,879 | \$26,879 |
| <hr/>                            |          |          |
| Total Wagers                     | \$57,317 | \$57,317 |
| <hr/>                            |          |          |

NOTE: Players Bluegrass Downs offers only live, on-track wagering.

## THUNDER RIDGE

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Appalachian Racing, LLC dba Thunder Ridge  
Anita Ratliff, General Manager  
164 Thunder Road  
Prestonsburg, KY 41653  
606-886-7223

NOTE: no website

2008 Takeout Rates:  
Win, Place, and Show: 18.0%  
Exotics: 25.0%



Thunder Ridge

On-track wagering on live product

*Wagering data provided by the licensed associations*

| Type Bet                         | Summer   | TOTAL    |
|----------------------------------|----------|----------|
| Win                              | \$4,825  | \$4,825  |
| Place                            | \$1,793  | \$1,793  |
| Show                             | \$1,474  | \$1,474  |
| Total Win, Place and Show wagers | \$8,092  | \$8,092  |
| Double                           | \$104    | \$104    |
| Exacta                           | \$7,644  | \$7,644  |
| Trifecta                         | \$1,694  | \$1,694  |
| Total Exotic wagers              | \$9,442  | \$9,442  |
| Total Wagers                     | \$17,534 | \$17,534 |

NOTE: Thunder Ridge offers only live, on-track wagering.

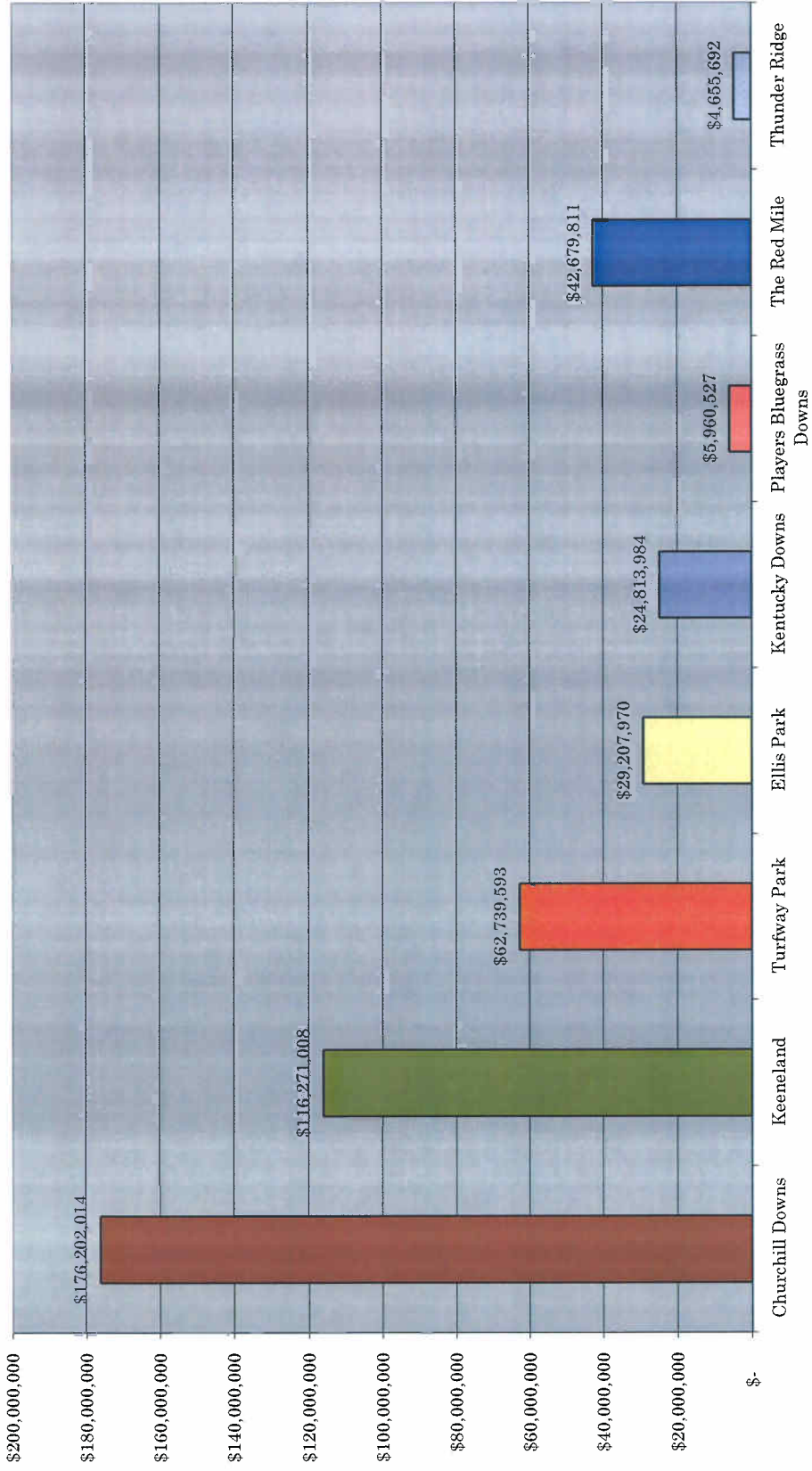
The following chart documents that amounts wagered at Kentucky facilities, including both race tracks and off-track betting locations. For the wagers made at a race track, the amount is separated out by the handle on live product and handle on other signals. For the wagers made at an off-track location, there is no racing, so there are obviously only wagers on other signals.

TOTAL WAGERED at KENTUCKY facilities in 2008  
*Wagering data provided by the licensed associations*

| Association                        | On-track on live racing 2008 | On-track on other signals 2008 | Total wagered On-track 2008 |
|------------------------------------|------------------------------|--------------------------------|-----------------------------|
| Churchill Downs                    | \$96,855,857                 | \$79,346,157                   | \$176,202,014               |
| Keeneland                          | \$40,395,520                 | \$75,875,488                   | \$116,271,008               |
| Turfway Park                       | \$13,236,860                 | \$49,502,733                   | \$62,739,593                |
| Ellis Park                         | \$6,871,602                  | \$22,336,368                   | \$29,207,970                |
| Kentucky Downs                     | \$435,807                    | \$24,378,177                   | \$24,813,984                |
| KY Off-track betting (4 locations) | \$0                          | \$18,203,419                   | \$18,203,419                |
| Total thoroughbred                 | \$157,795,646                | \$251,438,923                  | \$427,437,988               |
| Players Bluegrass Downs            | \$57,317                     | \$5,903,210                    | \$5,960,527                 |
| The Red Mile                       | \$2,478,790                  | \$40,201,021                   | \$42,679,811                |
| Thunder Ridge                      | \$17,534                     | \$4,638,158                    | \$4,655,692                 |
| Hazard U-bet                       | \$0                          | \$2,916,552                    | \$2,916,552                 |
| Pikeville OTB                      | \$0                          | \$5,971,763                    | \$5,971,763                 |
| Total standardbred                 | \$2,553,641                  | \$59,630,704                   | \$62,184,345                |
| <b>TOTAL</b>                       | <b>\$160,349,287</b>         | <b>\$311,069,627</b>           | <b>\$489,622,333</b>        |

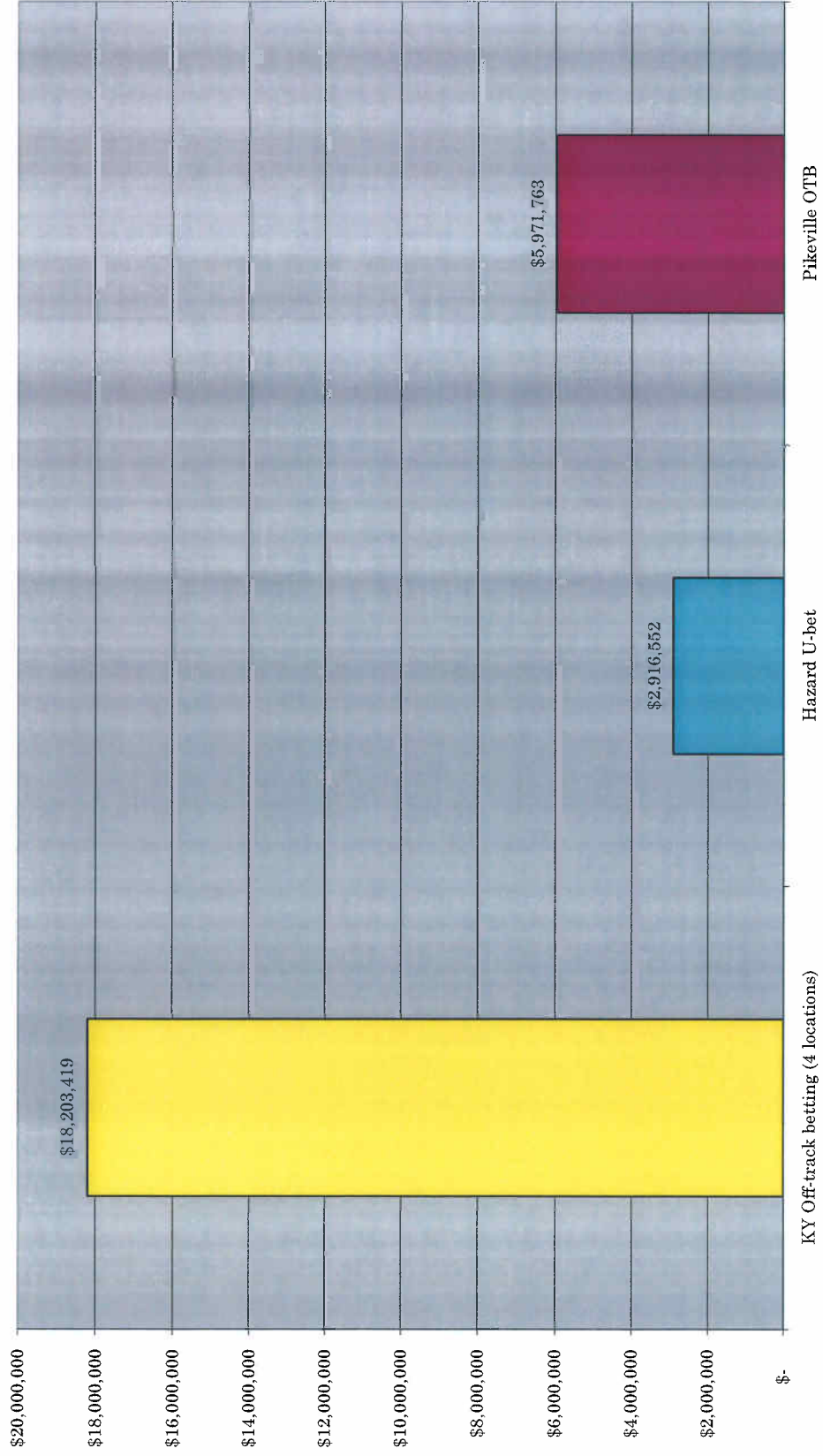
**2008 Total Wagered at Kentucky race tracks**  
**Includes wagering on live racing and other signals**

*Wagering data provided by the licensed associations*



# 2008 Total wagered at Kentucky off-track facilities

*Wagering data provided by the licensed associations*



## **GOVERNOR'S TASK FORCE on the FUTURE of HORSE RACING**

Gov. Steve Beshear announced in July 2008 the formation of a blue-ribbon Governor's Task Force on the Future of Horse Racing. The task force brought together leading figures in Kentucky's racing industry to analyze and make recommendations on some of the critical issues facing Kentucky horse racing today.

### **Governor's Task Force on the Future of Horse Racing**

Chair: Tracy Farmer

Members:

Ed Ashcraft

Robert M. Beck, Jr.

Edward S. Bonnie

Joe Costa

Ron Geary

Ellen Hesen

Brian Lavin

Dr. Robert Lawrence

Nick Nicholson

J. Duncan Pitchford

Steve Sexton

Robert Vance

For a listing of the Subcommittees and Subcommittee members, go to:

<http://www.khrc.ky.gov/NR/rdonlyres/696FF930-7B56-4D22-973C-83F6979DBAF8/0/FinalGovernorsTaskForceReportonHorseRacing.pdf>

The following is the Executive Summary from the Governor's Task Force Report on the Future of Horse Racing.

### **Executive Summary - Governor's Task Force on the Future of Horse Racing**

In his brief tenure as governor, Steve Beshear has moved forcefully to strengthen Kentucky's position as "The Horse Capital of the World." He reorganized the state's horse racing regulatory body into the Kentucky Horse Racing Commission (KHRC). The commission has made national news for its efforts to ensure the safety and integrity of horse racing, becoming among the first to ban anabolic steroids in competing horses. The governor also reconstituted the Equine Drug Research Council by appointing Dr. Jerry Yon

as the new chair, and directing the council to examine and make recommendations on the complex issue of medications in racing.

In another example of his leadership, Gov. Beshear announced in July 2008 the formation of a blue-ribbon Governor's Task Force on the Future of Horse Racing. The task force brought together leading figures in Kentucky's racing industry to analyze and make recommendations on some of the critical issues facing Kentucky horse racing today. It is impossible to overstate the importance of the horse industry to Kentucky's economy and image.

According to figures from the American Horse Council:

- Kentucky's horse industry has an annual economic impact of approximately \$4 billion.
- An estimated 80,000 to 100,000 Kentuckians owe their jobs to the horse industry.
- The horse industry is Kentucky's top agricultural cash crop.
- The Kentucky Thoroughbred is the most sought after "brand" in the equine world. As proof of this, Kentucky breeders export horses worth in excess of \$127 million annually.

The public perception that horse racing is composed mostly of wealthy owners is inaccurate. There are horse farms in every county of the Commonwealth, and the average income of those farm owners is \$50,000. In fact, most people in the horse business make their living producing hay, driving vans, grooming horses, and working in other support jobs. Still others are professionals such as veterinarians, equine accountants and attorneys, bloodstock consultants and race track officials.

Beyond the industry's direct impact on Kentucky's economy is the tourism value of horse racing. Hundreds of thousands of visitors travel to Kentucky each year to experience "the most exciting two minutes in sports" — the Kentucky Derby — attend races at the state's other outstanding tracks, visit a beautiful horse farm, attend sales at Keeneland and Fasig-Tipton, or enjoy the Kentucky Horse Park, the home of the 2010 Alltech FEI World Equestrian Games.

In assessing the importance of the horse industry to Kentucky's economy, it is important to understand the consequences of ignoring the difficulties facing it today and in the future. Citizens of the Commonwealth need to reflect on how they would react if the thousands of jobs provided by Toyota, Ford and Kentucky's many auto-related industries were placed in jeopardy. There would be no question that Kentuckians would do everything necessary to save the state's vital automobile industry. The same mindset should prevail regarding the horse industry in Kentucky.

In creating the task force, Gov. Beshear recognized that Kentucky's horse industry encompasses more than Thoroughbred breeding and racing. The Standardbred, quarter horse and numerous other breeds raised in Kentucky offer benefits to all 120 counties.

Gov. Beshear has acknowledged that the horse racing industry in Kentucky faces unprecedented challenges. What competitive issues are Kentucky's race tracks facing? How can Kentucky maintain its position in horse racing with an inadequately funded regulatory body? Can the industry thrive if racing and betting integrity are not properly overseen? Is Kentucky well served by its laboratory testing services?

The task force was organized into four subcommittees: Industry Financial Matters, Proper Funding and Staffing Levels of the Kentucky Horse Racing Commission (KHRC), Integrity of Racing and All Pari-mutuel Activities, and Laboratory Facilities in Kentucky.

The task force, chaired by industry leader Tracy Farmer, promptly set about gathering information and conducting meetings. The task force invited a wide range of experts to provide their insight and expertise. Over the following four months, the subcommittees held numerous meetings and reviewed hundreds of pages of documents as part of their information-gathering process. The subcommittees then developed their recommendations.

Following is a summary of the work of these subcommittees, along with their recommendations to Gov. Beshear.

### **Industry Financial Matters**

Kentucky's horse industry faces significant and growing competition from other states. Purses and breeding programs in competing states have increased substantially, posing a threat to Kentucky's long-held position as the "The Horse Capital of the World."

The subcommittee noted that purses have grown nationwide at tracks that have alternative gaming revenue. Currently, 15 of the nation's top 20 tracks in total purses are now or will soon have purses subsidized with alternative gaming revenue.

For example, in Maryland, racetracks are projected to receive \$140 million annually from alternative gaming revenue, in the form of \$100 million more in purse money and \$40 million for capital expenditures.

Racetracks with alternative gambling are projected to see a combined increase in annual purses of 45.5 percent by 2013. This compares to an anticipated decline of 11.9 percent at tracks without such gaming revenue.

Two examples hit close to home. Hoosier Park and Indiana Downs in Indiana began operating slot machines in 2008. Projected purses at Hoosier Park for 2008 are estimated at \$8 million. That total is expected to double in 2009. At Indiana Downs, a total purse that now stands at \$4.6 million is expected to reach \$12 million next year.

The subcommittee also learned of challenges to Kentucky in breeding development funds. Pennsylvania is projected to pay \$23 million in 2008 to encourage breeding in that state. Standardbred award programs in other states also are increasing.

The subcommittee noted that the Kentucky Thoroughbred Development Fund and Kentucky Breeders' Incentive Fund have served the state well in providing incentives for owners to race and breed high-quality horses in Kentucky and recommends the expansion of both programs. In conclusion, the Commonwealth needs to increase purses to remain The Horse Capital of the World.

### **Industry Financial Matters Recommendations**

1. Kentucky needs increased purses to remain The Horse Capital of the World.
2. Kentucky's Breeders' Incentive Fund must remain competitive in order to retain the best stallions and mares.
3. Kentucky needs to expand the Kentucky Thoroughbred Development Fund to retain high-quality racehorses.

### **Proper Funding and Staffing for KHRC**

It has been well-established that the Kentucky Horse Racing Commission, the regulatory agency charged with overseeing racing in Kentucky, has been understaffed and underfunded. This conclusion was underscored in a 2006 audit by the Kentucky Auditor of Public Accounts. In the course of its work, the subcommittee learned that all other major racing states have more staff and more funding than Kentucky, according to testimony from Ed Martin, president of the Association of Racing Commissioners International.

The subcommittee also learned that the current pay scale of KHRC veterinarians is competitive but on the low end when compared to the potential compensation of local and national vets in private practice, thus hindering the commission's ability to hire and retain veterinarians. The subcommittee also noted that two out of three stewards are on the payroll of race tracks, creating a potential conflict of interest.



The state auditor's report also noted that KHRC lacks the staff to independently monitor and investigate pari-mutuel wagering activity.

The 2006 state audit pointed out that KHRC's total operating expenditures were generally lower than most other states surveyed.

The total budget for KHRC for the current fiscal year is approximately \$3 million. Its sources of funding are licensing fees and fines (\$1.5 million), track assessments (\$355,000) and General Fund (\$423,700). A carry-over from the prior fiscal year will permit KHRC to operate in the black through much of the current fiscal year, but these funds will not be available for the second year of the biennium.

The subcommittee examined many options for raising revenue, including increasing the takeout on wagers, increasing the pari-mutuel tax, dedicating the claiming tax to the KHRC, assessing the tracks, licensing tote companies and advanced deposit wagering companies, and imposing the cost of drug testing on winning owners. The actual proposals, however, are listed below.

### **Funding and Staffing Recommendations**

1. Hire 10 new full-time staff members, consisting of two state stewards, two auditors, one paralegal, a staff attorney, two investigators, a racing veterinarian, and a veterinarian technician. Hire additional interim personnel as needed.
2. Put all three Thoroughbred stewards and Standardbred judges on the KHRC payroll.
3. Submit a budget request for a pari-mutuel information monitoring system as a capital project.
4. Require the various participants in the industry to share in funding the regulatory body.

### **The Following Funding Mechanisms are Proposed:**

1. Dedicate to the KHRC a specific dollar amount from the General Fund from the pari-mutuel tax.
2. Increase takeout on exotic bets and win-place-show bets, and dedicate the increase to funding the KHRC.
3. Require the owners of the top three finishers to contribute toward the cost of drug testing in any race in which the purse is \$10,000 or more.
4. Require the race tracks to continue to pay any cost of drug testing not covered by the owners.
5. Increase the pari-mutuel tax on race tracks with an average daily handle of \$1 million or more and dedicate the increase to funding the KHRC.
6. License tote companies and advance deposit wagering (ADWs) companies.
7. The subcommittee recommended that if other funding sources are not found, the amount of the reimbursements from tracks for the compensation of KHRC employees be increased and that tracks continue to pay for drug testing charges.

### **Integrity of Racing and All Pari-Mutuel Activities**

Public confidence is essential to a vital racing industry. The racing enthusiast must be assured that wagering activity is closely monitored to ensure a level playing field for all players.

The 2006 state audit noted deficiencies in this area. The audit recommended additional investigatory staff to oversee wagering and to audit tote systems. The audit specifically recommended that the state hire a supervisor of pari-mutuel wagering.

The integrity subcommittee heard from several experts on wagering systems and on software used to detect betting anomalies. United Tote, the tote company for all of the Kentucky tracks, also provided information to the subcommittee.

The subcommittee learned details of a Comprehensive Horse Racing Information Management System (CHRIMS) used to gather and analyze tote information. The subcommittee also heard a presentation on a software system called Advanced Monitoring Systems designed to solve pari-mutuel problems such as account wagering fraud and odds manipulation. The subcommittee also heard from the Thoroughbred Racing Protective Bureau (TRPB) on the services it provides the tracks.

## **Integrity Recommendations**

### **Short-term (end of fiscal year 2010)**

1. Fill current vacancies in the positions of pari-mutuel wagering supervisor, director of enforcement and investigator.
2. Obtain CHRIMS system.
3. Require all race tracks and off-track betting sites to notify KHRC of communications, reports or investigations by any state or federal regulatory agencies.
4. Require a track to record the exact time of races on all video feeds originating from Kentucky, require a tote company to certify the exact time of the closing of betting windows, require all tracks, tote companies and video providers to synchronize their time systems, and require tracks to provide a tote company with written permission for KHRC to receive handle and wagering information directly from the tote company.
5. License and regulate tote companies.
6. Establish a Kentucky Horse Racing Integrity Hotline.
7. License and regulate advance deposit wagering companies.
8. Develop a method to license and supervise all vendors of products sold to trainers, veterinarians and grooms for use at tracks.
9. Hire and train additional security personnel to investigate alleged violations of Kentucky laws and regulations.

### **Long-term**

1. Direct the pari-mutuel wagering supervisor to review available wagering monitoring systems and programs and obtain an appropriate system.
2. Develop career paths for investigators, auditors and stewards.
3. Continue efforts to verify and regulate wagering into Kentucky pools.
4. Monitor the progress of national efforts regarding the early closing of pools.

5. Establish regulations regarding past posting, cancel delay, late odds changes and unusually low payoffs.

## **Laboratory Facilities**

Recent years have witnessed increased public concern regarding the use of illegal medications and overuse of permitted medications in all areas of horse racing. Within the industry, these concerns have led inevitably to an examination of existing equine drug testing facilities. The subcommittee specifically examined the advantages and disadvantages of establishing an equine drug testing lab in Kentucky.

The subcommittee consulted prominent experts to analyze the various methods of testing for medication, drugs and other substances. It learned that laboratories use substantially different methods of analysis, that labs are not standardized, and that with few exceptions, labs are not subject to strict quality control.

The subcommittee met with representatives of The Jockey Club and the Racing Medication and Testing Consortium (RMTC) to assess the volume of equine drug testing in the United States. The RMTC Drug Testing Initiative Task Force has noted that a number of cost efficiencies could be achieved by a reduction in the number of testing laboratories.

The subcommittee weighed other negative aspects of establishing a Kentucky laboratory, including the expense of building, outfitting and staffing the laboratory and the uncertain economic viability of the laboratory.

Several positive factors emerged from the examination. Among them would be more rapid test results, increased cooperation with the KHRC which should lead to higher quality testing and tighter controls, the potential for reduced costs, and the ability to organize research activities with university associated programs. In addition, the laboratory will create high-level, high-paying jobs in the Commonwealth and may lead to the commercialization of research intellectual property.

Data obtained by the subcommittee indicated that a Kentucky lab would require from 12,000 to 17,500 square feet, that equipment would cost up to \$5 million, and that staffing and administrative costs would run up to \$3.5 million annually.

The subcommittee examined several funding sources. The panel learned of state tax incentives for a profit-based facility. The subcommittee also learned of the interest of the city of Lexington and the University of Kentucky in facilitating a nonprofit research and drug testing facility. Several private organizations indicated their interest in either donating funds to or providing expertise to a world-class research and drug testing institute.

It was noted that the presence of a nonprofit facility could spin off for-profit entities that could provide funding to the institute through payment of royalties for intellectual property.

## **Laboratory Facilities Recommendations**

1. Establish a nonprofit, world-class research and drug testing institute with a significant accreditation status.
2. Solidify, through further research, the cost estimates and identify potential additional revenue and funding sources.
3. Establish a foundation to begin raising a \$10 million endowment for operating expenses.
4. Establish an executive board of up to five members, including a chief executive officer, one member of the KHRC, and one member of the Equine Drug Research Council to guide the institute. The executive board would develop goals and a detailed business plan, collaborate with financing partners, work with the University of Kentucky on organization structure and facility development, and hire a lab director, among other functions.