

KENTUCKY HORSE RACING COMMISSION

September 7, 2011

1:30 PM

U.S. Dressage Federation Building
Kentucky Horse Park
Lexington, KY

MINUTES OF MEETING

The meeting was called to order by Chairman Robert Beck. Chairman Beck then took the roll. Present were Vice-Chairman Tracy Farmer, Mr. Edward "Ned" Bonnie, Mr. Thomas Conway, Mr. Burr Travis, Jr., Mr. Alan Leavitt, Ms. Elizabeth Lavin, Mr. Frank L. Jones, Jr., Mr. Franklin S. Kling, Jr., Dr. Foster Northrop, Dr. Jerry Yon, Mr. Tom Ludt, and Secretary Robert Vance representing the Public Protection Cabinet; Mr. William Dexter representing the Tourism, Arts, and Heritage Cabinet; and Mr. George Burgess representing the Cabinet of Economic Development. The presence of a quorum was recognized.

Chairman Beck noted that because the quorum at the August 17, 2011 Commission meeting was lost prior to the end of the executive session, before addressing the first agenda item, it was necessary to vote to come back into open session and officially adjourn the August meeting. Therefore, Chairman Beck requested a motion for the Commission to return to public session. Mr. Bonnie offered a motion to return to public session and Mr. Farmer seconded. Next, Chairman Beck requested a motion to adjourn the August 17, 2011 meeting. Ms. Lavin offered the motion to adjourn and Mr. Bonnie seconded. Chairman Beck adjourned the August 17, 2011 meeting.

Next, Mr. Marc Guilfoil, KHRC Deputy Executive Director, reported that by letter dated August 30, 2011, Keeneland requested approval of its preference system and its roster of race officials for its Fall 2011 meet. Mr. Guilfoil advised that all the racing officials have been accredited and have previously performed the duties for which they were listed and Keeneland's preference system had been in place for several years. The staff recommended approval. Mr. Travis moved to approve the recommendation. All present voted aye and the motion was carried. A copy of the request was ordered to be attached to the minutes.

Next, Mr. Guilfoil reported that by letter dated August 26, 2011, Churchill Downs requested approval to move the first race post times from 12:40 PM to 4:30 PM on November 18, 2011, from 12:40 PM to 2:00 PM on November 4, 2011 and from 12:40 PM to 12:05 PM on November 5, 2011. Mr. Guilfoil stated that the Chief State Steward and KHRC veterinary staff were in agreement with the time changes and the staff recommended approval. A motion was made to approve the recommendation and Ms.

Lavin seconded. All present voted aye and the motion was carried. A copy of the request was ordered to be attached to the minutes.

Next, Mr. Tim West, KHRC Assistant General Counsel, reported that by letter dated August 30, 2011, Kentucky Downs requested approval to supplement its wagering on historical horse races application as outlined in the request and Mr. West's August 30, 2011 memorandum. Mr. West noted that a 4-page handout that contained updated information had been distributed. Mr. West explained that the first two pages of the handout replaced the first two pages included in the agenda books and the second 2 pages were in addition to what was provided in the agenda books. Mr. West stated that the KHRC staff and Gaming Laboratories International had reviewed the requested changes and recommended approval. Mr. West further stated that pursuant to the authority granted by the Commission, Ms. Lisa Underwood, KHRC Executive Director, had approved the request and the Commission was being asked to ratify her action. A copy of Mr. West's memorandum, Kentucky Downs' request and the attached documentation and handouts were ordered to be attached to the minutes.

Mr. West also reported that in a letter dated August 31, 2011 sent to Mr. Corey Johnsen, President, Kentucky Downs, Ms. Underwood, imposed additional conditions on the KHRC's approval of Kentucky Downs' application to offer wagering on historical horse races. Mr. West stated that the conditions set out in Ms. Underwood's letter would dictate how Kentucky Downs must fund and manage the seed pools incorporated into its wagers on historical horse races and that these conditions are in addition to the conditions previously agreed to by Kentucky Downs, and that Kentucky Downs had agreed to these additional conditions. Mr. West stated that the KHRC staff recommended approval and the Commission was being asked to ratify the Executive Director's action. A copy of Ms. Underwood's August 31, 2011 letter was ordered to be attached to the minutes.

Mr. Travis offered a motion to ratify both actions of the Executive Director and Ms. Lavin seconded. All present voted aye and the motion was carried.

Next, as an informational item, Mr. Brad Lovell on behalf of Keeneland, presented an update of the FastBet mobile wagering platform previously approved by the Commission for testing during Keeneland's Spring 2011 meet. Mr. Lovell reported that due to the successful response from customers and the performance of the system during the testing period, Keeneland intended to go forward with the platform for its Fall 2011 meet. Mr. Lovell stated bets through FastBet mobile would be treated as an on-track wager. Mr. Lovell explained to the Commissioners how the platform worked and answered questions from the Commissioners.

Next, Ms. Underwood presented for informational purposes, a draft summary of the KHRC staff's highlights for August, 2011. Ms. Underwood noted that the highlights did not include day-to-day activities. Among the highlights were the following: 1) responses to requests for information from the Legislative Research Commission on breeders' incentive funds; 2) the licensing division began preparing for the 2012 mass

mailing and has decided to use a postcard approach to save money; 3) the KHRC contracted with a private investigation firm to perform in depth background checks on applicants related to employment at Kentucky Downs who would work on historical horse racing ("HHR"); 4) the licensing office licensed over 80 new employees for Kentucky Downs to work on HHR; 5) Mr. Greg Lamb, KHRC Supervisor of Pari-Mutuel Wagering, and his team conducted an on-site inspection of the new Amtote International hub facility in Louisville; and 6) the Breeders' Incentive Fund team processed nominations for 8,324 mares for a foal of 2012. A copy of the draft August 2011 Highlights was ordered to be attached to the minutes.

Dr. Northrop then made a comment that he was at the World Championship of the Tennessee Walking Horse and that the ruling the Commission made a few years ago on soring had made a huge difference. Dr. Northrop congratulated Mr. Bonnie and others who worked on that reform.

Next, Dr. Jerry Yon and Dr. Mary Scollay, KHRC Equine Medical Director, presented a report on the Equine Drug Research Council ("EDRC or the "Council"). Dr. Yon stated that to date the EDRC had conducted three meetings related to the drug regulations for all breeds. Dr. Yon noted the preliminary language for the classification regs and amended language for the medications regs would be deliberated and drafted by the EDRC, and the preliminary amended language for the penalty regs would be deliberated and drafted by the Rules Committee. He explained that a joint meeting of the EDRC and Rules Committee would then be conducted to finalize the drafts of all three regulations. Dr. Yon stated that the Council members had reached a consensus on several points. Dr. Scollay explained that the EDRC had voted to agree on the philosophical conditions and the proposed language was being drafted. The concepts agreed to so far are that Lasix would be allowed to be used, but would be administered by regulatory veterinarians or a designee. Adjunct bleeder medications would probably no longer be allowed. The threshold for Phenylbutazone would be lowered. Dr. Scollay noted that it was the beginning of a long process and that input would be solicited from horseman's groups, practicing veterinarians, owners and trainers.

Next, John Veitch, the Chief Steward, gave his report for thoroughbred racing and addressed questions asked by the Commissioners. A copy of the report was ordered to be attached to the minutes.

Next, Rich Williams, Chief Judge, gave his report for standardbred racing. A copy of the report was ordered to be attached to the minutes.

Next, for informational purposes, Ms. Jamie Eads, Director of the Division of Incentives and Development, presented a report on the 2011 Kentucky Breeders' Incentive Fund nominations. She clarified that the total number of mares registered was 8,324. A copy of the report was ordered to be attached to the minutes.

Next, Mr. Lamb presented his report and addressed questions asked by the Commissioners. Mr. Lamb noted the handout distributed that reflected the first five days of handle for historical horse race wagering at Kentucky Downs. A copy of the report was ordered to be attached to the minutes.

Next, Mr. Corey Johnsen, President of Kentucky Downs, presented a report on the soft opening and first week of operation of wagering on historical horse races at Kentucky Downs. He thanked the Commission and KHRC staff for their support and hard work. Mr. Johnsen stated that Kentucky Downs was ready to take this new product and grow with it and generate significant revenue for the horse industry and the state. Mr. Johnsen then answered questions from the Commissioners. Mr. Johnsen stated that Kentucky Downs had requested to increase its live racing dates from four to six days in its 2012 license application, and anticipated expanding from there.

Next, Chairman Beck noted that the Administrative Regulations and Litigation Status Report and Priority Schedule was included for informational purposes. A copy of the report was ordered to be attached to the minutes.

Next, Chairman Beck requested a motion to go into executive session, as permitted by KRS 61.810(1)(c), to deliberate on proposed litigation matters. Dr. Yon offered the motion, and was seconded by Mr. Bonnie. All present voted aye and the motion was approved.

At the conclusion of the executive session, Chairman Beck requested a motion to return to public session. Ms. Lavin offered the motion, and was seconded by Dr. Yon. All present voted aye and the motion was carried. The Commission returned to public session.

Vice Chairman Farmer offered a motion to adjourn the meeting and Ms. Lavin seconded. All present voted aye and the motion was carried.