

AN OVERVIEW OF SELECTED JURISDICTIONS

1.2. ADMINISTRATION OF KHBIF PROGRAMS:

The KHBIF is funded entirely by a 6% tax on stud fees paid in Kentucky. In 2007, the KHBIF was \$19,220,007, up from \$15,000,000 in 2006.

KENTUCKY HORSE BREEDERS INCENTIVE FUND (KHBIF)		<input checked="" type="checkbox"/> Thoroughbred <input checked="" type="checkbox"/> Standardbred <input type="checkbox"/> Quarter Horse	
<i>Program Name:</i>	Kentucky Horse Breeders' Incentive Fund (KHBIF)		
<i>Program Administrator:</i>	Kentucky Horse Racing Authority (Department of Public Protection, Environmental and Public Protection Cabinet)		
<i>Alternate Gaming Revenues (Slots):</i>	NO	<i>Program Established:</i>	1978
<i>Revenue Source:</i>	The KHBIF is funded entirely by a 6% tax on stud fees paid in Kentucky.		
<i>Estimated Annual Value of the Program:</i>	U.S. \$19.2 million in 2007		
<i>Residency Required for Stallions:</i>	YES	<i>Residency Required for Mares:</i>	YES
<i>Program Elements:</i>	Restricted Stakes Racing		YES
	Restricted Overnight Racing		YES
	Breeders Awards		YES
	Stallion Owner Awards		YES
	Owners' Purse Bonus		YES
	Other Programs		YES

Below are the statutory breed amounts of KHBIF awards, with 80% allotted to Thoroughbreds, 13% to Standardbreds, and 7% to "qualified other breeds", based on a percentage of a total annual amount of \$1,370,000.

BREED	ALLOCATED FOR	% OF FUND	Estimated Value
Thoroughbred	Breeders Incentives	80%	\$15,500,000
Standardbred	Sire Stakes Purses	13%	\$2,850,000
Contribution to Other Breeds as % of the \$1,370,000 Available Fund			
KY Appaloosa Owners Association	Unspecified	4.49%	\$61,570
South Central Hackney Association	Unspecified	1.20%	\$16,408
KY Morgan Horse Association	Unspecified	1.23%	\$16,872
KY Mountain Horse	Unspecified	12.06%	\$165,178
KY Paint Horse Club	Unspecified	8.42%	\$115,323
KY Paso Fino Horse Association	Unspecified	1.03%	\$14,139
KY Quarter Horse Association	Unspecified	32.60%	\$446,629
KY Saddlebred Owners & Breeders	Unspecified	10.68%	\$146,381
KY Walking Horse Association	Unspecified	28.28%	\$387,506



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2.3. PROGRAM CRITERIA PENNSYLVANIA STANDARDBRED BREEDERS PROGRAM:

Pennsylvania Standardbred breeders voluntarily supported legislative provisions that divide this 16% equally between purses for Pa. Sire/Fair Stakes and the Pennsylvania Standardbred Breeders Development Fund.

The Harness share to purses will be split at \$108,000,000 (80% of total) to overnight purses at four tracks, \$10,800,000 to Sires Stakes (8% of total), \$10,800,000 to the new Breeders Fund (8% of total) and \$5,400,000 (4 % of total) to new Horsemen's Welfare programs. This division of the funds is entrenched in legislation.

PENNSYLVANIA STANDARDBRED BREEDERS FUND		Thoroughbred <input checked="" type="checkbox"/> Standardbred Quarter Horse	
<i>Program Name:</i>	Pennsylvania Standardbred Breeders Fund		
<i>Program Administrator:</i>	The Pennsylvania Harness Racing Commission administers the Standardbred Breeders Fund and the Sires Stakes Program.		
<i>Alternate Gaming Revenues (Slots):</i>	YES	<i>Program Established:</i>	2004
<i>Revenue Source:</i>	Slots legislation mandates that 18% of Gross Terminal (slots) Revenues be distributed to support the horse racing and breeding industry		
<i>Estimated Annual Value of the Program:</i>	U.S. \$22 million projected for 2008		
<i>Residency Required for Stallions:</i>	YES	<i>Residency Required for Mares:</i>	YES
<i>Program Elements:</i>	Restricted Stakes Racing		YES
	Restricted Overnight Racing		YES
	Breeders Awards		YES
	Stallion Owner Awards		YES
	Owners' Purse Bonus		YES
	Other Programs		YES

Slots legislation mandates that 18% of Gross Terminal (slots) Revenues from Pennsylvania Standardbred racetracks be distributed to support the Pennsylvania Standardbred horse racing and breeding industry. Of this amount, 80% is allotted for improvement of overnight purses, 16% goes to the breeders, and 4% will provide for medical and pension benefits for trainers and drivers.

The Sires Stakes Program dictates that participants must be sired by PA-registered stallions during the PA breeding season; requires nomination and sustaining payments as well as starting fees; allows for one leg per licensee at pari-mutuel tracks, stakes at



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be an active part of the process. And yet, the Pennsylvania breeders I spoke with said that they were represented and that no slots deal would have been approved without serious financing for them.

Without help, New Jersey will soon no longer have a horse breeding industry. That is a shame. Racehorse breeders must be recognized as important partners in any negotiations that affect racing. Without strong and sustainable financial incentives to breed and raise New Jersey racehorses, the industry will die and the state will continue to witness the decline of open green space."

3.2. NEW JERSEY THOROUGHBRED BREEDER INCENTIVE PROGRAM

New Jersey's two racetracks, Monmouth Park and the Meadowlands, offer an average daily purse distribution in excess of \$325,000 per day. The New Jersey-bred incentive program is meant to provide an increased incentive to breed, board, and train Thoroughbred horses on New Jersey farms. In 2006, the incentive program generated over \$13.9 million for breeders, owners and stallion owners.

NEW JERSEY THOROUGHBRED BREEDER INCENTIVE PROGRAM		<input checked="" type="checkbox"/> Thoroughbred Standardbred Quarter Horse	
<i>Program Name:</i>	New Jersey Thoroughbred Breeder Incentive Program		
<i>Program Administrator:</i>	Thoroughbred Association of New Jersey		
<i>Alternate Gaming Revenues (Slots):</i>	YES	<i>Program Established:</i>	
<i>Revenue Source:</i>	Slots legislation mandates that 18% of Gross Terminal (slots) Revenues be distributed to support the horse racing and breeding industry		
<i>Estimated Annual Value of the Program:</i>	U.S. \$13.9 million projected for 2008		
<i>Residency Required for Stallions:</i>	YES	<i>Residency Required for Mares:</i>	YES
<i>Program Elements:</i>	Restricted Stakes Racing		YES
	Restricted Overnight Racing		YES
	Breeders Awards		YES
	Stallion Owner Awards		YES
	Owners' Purse Bonus		YES
	Other Programs		YES

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4.2. PROGRAM CRITERIA – NEW YORK THOROUGHBRED PROGRAMS

The New York State Thoroughbred Breeding and Development Fund organization maintains the registry of New York-breds and participating New York-based Stallions, establishes criteria and ensures that state statutes regarding the eligibility for registration of foals and standings in the state are followed.

NEW YORK THOROUGHBRED BREEDERS INCENTIVE PROGRAM		<input checked="" type="checkbox"/> Thoroughbred Standardbred Quarter Horse	
<i>Program Name:</i>	New York State Thoroughbred Breeding and Racing Program New York Stallion Stakes Series		
<i>Program Administrator:</i>	New York State Thoroughbred Breeding and Development Fund		
<i>Alternate Gaming Revenues (Slots):</i>	NO	<i>Program Established:</i>	1973
<i>Revenue Source:</i>	Levy on wagering		
<i>Estimated Annual Value of the Program:</i>	U.S. \$50 million projected for 2008		
<i>Estimated Total Purses for all Races:</i>	\$142 mill ('06)	<i>Program Value as % of Total Purses:</i>	30% (est. '07)
<i>Residency Required for Stallions:</i>	YES	<i>Residency Required for Mares:</i>	YES
<i>Program Elements:</i>	Restricted Stakes Racing		YES
	Breeder's Awards		YES
	Stallion Owner Awards		YES
	Owners' Purse Bonus		YES
	Other Programs		YES

New York-breds Awards Program

Breeder, Owner and Stallion Owner awards are based on purse money earned (1st thru 4th) while competing in pari-mutuel races run in New York State.

Breeder's Awards

A breeder is the owner of the mare at the time the mare foals in the State of New York. Breeder's awards are determined by covering stallion. If the New York-bred is by a registered New York-based stallion the award is up to 20% of purses earned from 1st through 4th positions.

If the New York-bred is out of state stallion or non-registered stallion the award is up to 10% of purses earned from 1st through 4th positions. All Breeder awards are capped at \$10,000 per horse, per race.



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7. CALIFORNIA

In the absence of slots or on track casino revenues, the California Thoroughbred Breeders Association has managed to maintain a lucrative incentive program for the breeders and owners of registered California-breds. It is noteworthy that State legislation dictates that at least 10 per cent of the total stakes purses paid at any race meeting in California be paid on stakes races restricted to registered California-breds. Racetracks in the State must also offer at least one race per day restricted to California-breds.

7.1. CALIFORNIA THOROUGHBRED INCENTIVE PROGRAM

The California Thoroughbred Breeders Association is the official registering agency for California-bred Thoroughbreds as specified by the California Horse Racing Law. A percentage of every dollar wagered on California races is deposited with the CTBA to be paid to the owner, breeder, and stallion owner so as to encourage the breeding of higher quality horses in the state.

Incentive Award revenues for 2006 totalled approximately \$12.5 million. Coupled with restricted purses of more than \$22 million in 2006, the Cal-bred breeding and racing program currently totals nearly \$35 million.

CALIFORNIA THOROUGHBRED INCENTIVE PROGRAM		<input checked="" type="checkbox"/> Thoroughbred Standardbred Quarter Horse	
<i>Program Name:</i>	California Thoroughbred Incentive Program		
<i>Program Administrator:</i>	California thoroughbred Breeders Association		
<i>Alternate Gaming Revenues (Slots):</i>	NO	<i>Program Established:</i>	
<i>Revenue Source:</i>	Levy on wagering and a rebate on sales taxes on the sale of Thoroughbred horses in the state.		
<i>Estimated Annual Value of the Program:</i>	U.S. \$35 million in 2006		
<i>Estimated Total Purses for all Races:</i>	\$170 mill ('07)	<i>Program Value as % of Total Purses:</i>	21% (2007)
<i>Residency Required for Stallions:</i>	YES	<i>Residency Required for Mares:</i>	YES
<i>Program Elements:</i>	Restricted Stakes Racing		YES
	Breeders Awards		YES
	Stallion Awards		YES
	Owners Awards		YES