



RCI Bulletin

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Volume 74, Issue 13
November 14, 2007

REPORTED RACING HANDLE CONTINUES TO DECLINE

Unreported Handle May Increase Total Amount Wagered

LEXINGTON, Ky. - A study just released of 2005 reported racing handle by the **Association of Racing Commissioners International (RCI)** demonstrates a "troubling trend" of significant unreported wagering activity from offshore outlets and tribal hubs, according to the association's President **Edward Martin**.

While reported handle on horse and greyhound racing continued to decline for the fifth straight year, an estimated \$1 to \$2 billion in unreported wagering activity, largely from offshore and tribal wagering outlets, could peg the overall pari-mutuel handle for 2005 near \$19 billion.

"This report should be a red flag to everyone since the reported handle is largely the basis upon which taxes are paid and programs that support racing, such as Breeding Funds, are supported. Unreported handle to the state may also affect the financial arrangements concerning horse and greyhound owners depending on how such arrangements are determined in a particular jurisdiction," said **Martin**.

The report was prepared for RCI by **Paula Welch-Prather** using official handle statistics on file at state racing commissions. Ms. Welch-Prather has been the editor of the American Racing Manual since 2004 and formerly Special Projects Editor of the Daily Racing Form.

According to the report:

- Total reported pari-mutuel wagering handle in the United States dropped 3% in 2005 to \$16.9 billion tracking the 3% decline in Canadian handle that same year;
- Reported 2005 horse racing handle dropped 2% to \$15.4 billion with most horse racing jurisdictions reporting a decline including all of the larger racing states;

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Kentucky
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JOE GORAJEC
Indiana
Chair Elect

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Arizona

- Reported Greyhound racing handle in 2005 dropped 11.8% to \$1.4 billion.
- In 2005, simulcasting accounted for 86% of horse racing handle; 65% of Greyhound racing handle;
- The trend toward simulcast wagering on horse races continued as on track wagering dropped 7.2% while reported simulcast handle dropped 1.2%.

Source: Association of Racing Commissioners International, November 2, 2007

CHRB: Ingrid Fermin Submits Resignation

SACRAMENTO, CA – **Ingrid Fermin**, executive director of the **California Horse Racing Board**, has submitted her resignation effective January 7, 2008, which will be the date of her third-year anniversary as chief executive for the State agency that regulates horse racing.

After reviewing Fermin's job performance, the racing commissioners gave her high marks and expressed confidence in her ability to continue leading the CHRB. However, they did require that she relocate her office to CHRB headquarters in Sacramento. Fermin resides in Del Mar and works primarily out of an office located at the Del Mar Race Track. She commutes regularly to Sacramento and elsewhere as needed.

"I initially committed myself to this position for a period of three to five years," Fermin wrote in her October 24 letter of resignation mailed to CHRB Chairman **Richard B. Shapiro** and the other six racing commissioners. "It was agreed that I would maintain a field office in Southern California while being present in Sacramento as needed. In order to comply with the Board's current wishes, that the executive director be based in Sacramento, it would be necessary for me to relocate. I'm sure that each of you will understand when I indicate that I am unwilling to do that.

"Please be assured that I intend to remain active during my remaining months as the executive director and I am committed to assisting in a smooth transition to the next appointee."

Chairman Shapiro accepted with regret the letter of resignation, while acknowledging Fermin's accomplishments and contributions during her nearly three years as chief executive.

"In recent years the CHRB has taken monumental steps forward to increase transparency and protect the integrity of horse racing in California," said the chairman. "We instituted new training programs for stewards and investigators, adopted new rules for enforcement and consistency of penalties, sponsored legislation that will permit the faster and fairer adjudication of cases, increased surveillance in our stable areas, and instituted new testing procedures, most significantly out-of-competition testing. The Board also transferred all primary testing to the Ken Maddy Laboratory at UC Davis. And we hired highly qualified professional staff at nearly all key positions.

"Ingrid has played an integral role in all of these accomplishments, and it has been a pleasure to work with her over the last three years. I both regret and understand her decision not to relocate to Sacramento. I hope she will stay involved in horse racing in California."

Other Board members voiced similar appreciation for Fermin's work with the Board.

Vice Chairman **John Harris**: "I have much enjoyed working with Ingrid during her tenure as executive director. She has brought professionalism and dedication to the job. I am sorry that she is not able to relocate to our home offices in Sacramento. I wish her well in all future endeavors."

Commissioner **Marie Moretti**: "I wish to personally thank Ingrid for her years of service and her dedication to the horse-racing industry. She has made a very positive difference. She has earned my respect for her steadfast nature and professional integrity."

Commissioner **Jessie Choper**: "Ingrid Fermin's overall knowledge of horse racing and her specific knowledge of the California industry are exceptionally valuable and will be hard to duplicate."

Commissioner **John Andreini**: "Ingrid is a very, very competent person. She certainly knows the industry inside and out. It is unfortunate that she could not run the office from Sacramento. I thank her for her many years of excellent work as a steward and most recently as executive director."

Commissioner **Jerry Moss**: "Her fortitude and dedication were commendable during a period of great change in our industry. As a former steward, she also brought practical knowledge, which helped us in many important areas."

Speaking for the CHRB staff, **Richard Bon Smith**, assistant executive director, said, "We are sad to see Ingrid go. She has provided the kind of courageous, steadfast leadership that an organization needs to survive in tough times. For myself, I'm honored to have served under her and to have received the industry knowledge and insights that she has been able to impart in the year I have been with the Board."

Chairman Shapiro will be appointing a selection committee of the Board to screen candidates for the position of executive director.

Source: California Horse Racing Board, November 6, 2007

New Ky. governor supports referendum

LEXINGTON, Ky. – Kentucky voters on Tuesday elected a new governor who supports a referendum on casino gambling in the state, virtually ensuring that the expansion of gambling will be a significant topic during the legislative session in 2008.

Democrat **Steve Beshear**, a former lieutenant governor in the 1980s, was elected by a preliminary margin of 59 percent to 41 percent, defeating incumbent **Ernie Fletcher**, a Republican. The issue of expanded gambling was a major campaign theme for both candidates, with Beshear supporting a referendum on the issue and Fletcher opposed.

Late on Tuesday night, Beshear said that Kentucky voters had given him a "mandate" to push the casino-gambling issue.

"People overwhelmingly want to vote on that issue, whether they're for it or against it," Beshear said. "I think that will be a loud-and-clear message to the legislature."

In general, Republicans oppose expanded gambling, while Democrats support a referendum. The Kentucky Senate is controlled by Republicans, by a 21 to 16 margin. (Another member is an independent who participates in the Republican caucus.) The House is controlled by Democrats by a 63 to 37 margin.

Legislation to put a referendum on the ballot would require a three-fifths majority vote in each house. While polls have shown that Kentucky voters support putting the issue on the ballot, the polls are much closer when voters are asked whether they would support passage.

Beshear has said that he supports allowing casino gambling at all of the state's racetracks and a number of other locations along the state's borders. Racetracks in Kentucky have supported that proposal, along with a lobbying organization formed several years ago called Kentucky Equine Education Project.

Sen. Damon Thayer, a Republican who represents four counties in northern Kentucky, said on Wednesday that the prospects for the bill's passage in the Senate is dependent on the ability of the House to present legislation that Republicans can support. Because the referendum would deal with revenue to the state, the bill has to originate in the House under Kentucky's legislative rules.

"The pressure is on the Speaker of the House," said Thayer, who is also a consultant to the Breeders' Cup. **Rep. Jody Richards**, a Democrat who represents Warren County in southwestern Kentucky, is the speaker, and he has been lukewarm toward casino gambling in the past.

Also, because the issue deals with revenue, the measure could only be put on the ballot in even-numbered years. So if the referendum does not make it on to the 2008 ballot, the earliest the issue could be revisited is 2010.

The election of a new governor may also have implications on the **Kentucky Horse Racing Authority**, the state agency that regulates horseracing. In the past, new governors have made sweeping changes to the composition of the body as part of their political perks.

When Fletcher took office four years ago, he dismantled the regulatory body at the time, the Kentucky Racing Commission, and formed the Kentucky Horse Racing Authority, which over the last four years has revamped Kentucky's medication rules and penalty guidelines.

Source: Daily Racing Form, Matt Hegarty, November 7, 2007

Commentary: Cloud Cover

Clouds were plentiful at Monmouth Park Oct. 26-27 for the Breeders' Cup World Championships. Stalled over the area, they dumped several inches of rain on racing's biggest parade. You can't control the weather.

This comes to mind because of the statement from trainer **Patrick Biancone** after he was suspended for possession of the nerve blocker alpha-cobratoxin, or cobra venom. The drug is a Class A medication under the **Kentucky Horse Racing Authority** Uniform Drug and Medication Classification Schedule, meaning

because it “has a high potential to affect performance” it carries the highest penalty ranking from the **Association of Racing Commissioners International**.

Biancone’s suspension began Nov. 1, after the Breeders’ Cup, but he agreed to have his Breeders’ Cup starters transferred to his assistant. According to his press release: “Breeders’ Cup is a celebration of our sport’s greatest athletes—the horses—and their breeders and owners. It does not deserve the distraction that my situation would create. I do not want to cast a cloud over racing’s most important day.”

Imagine the surprise, then, of those who saw Biancone on the backstretch of Monmouth during Breeders’ Cup week.

The Kentucky ruling only said Biancone could not be the “trainer of record” for the Breeders’ Cup horses; it did not bar him from the grounds of racetracks until Nov. 1.

Still, his presence did “cast a cloud” over racing’s biggest event, and unlike the rain clouds, it was a cloud something could be done about. **Frank Zanzuccki**, executive director of the **New Jersey Racing Commission** since 1992, did do something. He called Biancone and asked him to remove himself from the Monmouth backstretch, which the 55-year-old French-born trainer did.

It makes one wonder why the Kentucky ruling addressed who could be the “trainer of record” for the Breeders’ Cup, but allowed Biancone to wait and begin his suspension less than a week after the event. It also makes one wonder why, if he didn’t want to cast a “cloud” over the event, Biancone showed up.

In many instances, perception is also reality. Biancone’s mere presence on the backside was not good for racing, and Zanzuccki realized that. Anything Biancone wanted to express to his assistant about the horses could have been done over the phone or during the course of a dinner.

Zanzuccki should be applauded for his firm stance.

Perhaps the most important thing to note of the Biancone suspension is he becomes the first trainer in Kentucky who cannot profit from his suspension. The Racing Authority has the right to examine his financial records, and indeed it should.

“Trainer of record” is important in that it means the person ultimately responsible, like Biancone, should illegal medications be found in his barn. But, in many ways, “trainer of record” is a meaningless term.

Racing commissions should insist that if a trainer is handed a lengthy suspension because of medication infractions, the horses in his care may not be transferred to one of his assistants. Instead, they should be sent to other trainers. In this way, the suspended trainer cannot continue training the horses by proxy, which occurs routinely today.

Commissioners must make sure the horses are not taken to a training center where the suspended trainer can oversee their care; or peep through a hole in the fence at the track each morning while speaking to his assistants by phone.

Enact tough penalties for drug violators, and those that are breaking the rules will think long and hard about the consequences. A trainer that must sit for six months, and then return to find no horses in the barn when he returns, may think twice before cheating.

Racing has an image problem. Racing commissions can help change this.

Source: The Blood-Horse, Dan Liebman, November 6, 2007

Youbet.com defaults on loan, waiver granted

The seizure of funds from Youbet.com's offshore rebate shop International Racing Group by federal officials caused the company to default in a credit agreement with Wells Fargo Foothill Inc.

In a filing with the United States Securities and Exchange Commission, Youbet.com reported the default on its \$19-million credit facility arranged in its 2006 acquisition of United Tote Co. The lender, Wells Fargo Foothill, waived the default but required a \$100,000 non-refundable accommodation fee and increased oversight of Youbet.com funds.

Youbet.com spokesman **Hud Englehart** said the loan agreement defined a seizure of funds as a reason for default. The default was not because of a missed payment or lack of funds.

As part of the waiver, Youbet.com will not incur any further liabilities on behalf of IRG and will not make any distributions, declare any dividends, or otherwise make any transfers to IRG. The agreement allows Youbet.com to pay only payroll and operating obligations, and they cannot exceed \$80,000 for any two-week period. The borrowers are required to provide a schedule of all such payments.

Engelhart said he does not believe this part of the agreement prohibits Youbet.com from paying IRG customer account balances.

Also as part of the agreement, Youbet.com agreed to provide within the next 30 days a three-year projection for Wells Fargo Foothill. The projection will include a month-by-month estimate of financial performance for Youbet.com, United Tote, and their subsidiaries.

The waiver also allows Wells Fargo Foothill, without any further consent, to forward by daily sweep all amounts of money in Youbet.com cash management accounts to its account.

To purchase United Tote, Youbet.com reached the \$19-million credit facility agreement with Wells Fargo Foothill in July 2006. The agreement included a \$15-million term loan and a \$4-million revolving credit facility. The \$19-million credit facility replaced United Tote's existing bank credit facility with Manufacturers and Traders Trust Co. As part of its February 2006 United Tote acquisition, Youbet.com guaranteed it would replace the old credit facility.

Youbet.com said the default occurred after the United States government seized \$1.5-million from three different IRG accounts it maintained with Bank of America in what the company says is an investigation of several IRG customers and a former owner of the Curacao-based account wagering provider. Youbet.com purchased IRG in June 2005 from **Lou Tavano** and **James Scott**.

On October 19, the **Oregon Racing Commission** voted to suspend IRG's racing license if it did not pay customers' withdrawal requests. On November 6, an IRG player, who asked to remain anonymous, said he is unable to withdraw funds from his IRG account. Engelhart confirmed that IRG has not been able to pay its customers.

Engelhart said that IRG has banks in place to help fund customers, though there has been a delay because the company wants to make sure it pays customers in good standing and not customers currently under investigation by the United States attorney's office.

Youbet.com and Wells Fargo Foothill officials will meet within 90 days to discuss any further developments in the money seizure and investigation. Wells Fargo Foothill noted the waiver agreement is only effective for the current default. It will not serve as a waiver of any further defaults resulting from any other seizures. Youbet.com will release its third quarter earnings at 4 p.m. EST on Wednesday.

Source: Thoroughbred Times, Frank Angst, November 6, 2007

Despite IRG problems, steady third quarter for Youbet.com

Despite a continuing federal investigation involving customers of Youbet.com's offshore rebate shop International Racing Group, Youbet.com reported an improved third quarter compared with its 2006 third quarter.

Youbet.com reported net income of \$67,000 for the three-month period, compared with 2006 when it lost \$440,000 in those same three months. Still, for the first nine months of the year compared with last year, Youbet.com's net income is down 58.3% to \$1,295,000.

"So far, 2007 has been challenging for several reasons, but we are making progress despite some negative outside influences," said Youbet.com Chief Executive Officer **Chuck Champion**.

In the quarter, handle at the company's online advanced deposit wagering platform Youbet Express, improved 12.6% to \$133,336,000 to help total third quarter revenue improve 3%. Those gains were offset by a 26% handle drop at IRG for the quarter. IRG customers are being investigated by the United States Attorney and the outlet lost some content as compared to last year.

Champion expressed optimism that new California rules which will allow Youbet.com to accept wagers on races from the Santa Anita Park and Golden Gate Fields meetings while reducing fees it pays to Television Games Network for the Hollywood Park signal, will help the company. The rules, which essentially allow all the major ADW platforms access to all the major California tracks, are in place for an eight-month test period.

"Recent events outside of our control, including the federal investigation of several IRG customers and the [Oregon Racing Commission] decision to stop taking wagers from the District of Columbia, both occurring subsequent to the end of the third quarter have again put the company in a less than ideal operating environment. Despite these distractions, we continue to move forward on our cost containment program and to grow our Youbet Express wagering platform," Champion said. "We continue to work within the industry to secure a level playing field for all ADW providers, and we believe recent positive events in California could be the beginning of a significant change in how the industry addresses the ADW distribution channel."

Source: Thoroughbred Times, Frank Angst, November 7, 2008

Oak Tree Posts Significant Gains In Handle, Field Size With New Cushion Track Surface

ARCADIA, Calif. (Nov. 4, 2007)—With bullish out-of-state business leading the way, the Oak Tree Racing Association concluded its 39th season by posting significant gains in all sources mutuel handle over 2006. Out-of-state average daily handle was up 18 percent over last year and average daily total handle for the meet was up nine percent.

Oak Tree, which had the benefit of running as a live racing simulcast partner during this year's Breeders' Cup World Championships, also concluded its 31-day meet with gains in off-track handle and field size, both of which are directly attributable to Santa Anita's new Cushion Track surface. Oak Tree average daily handle via Southern California Off Track Wagering Inc. (Scotwinc), was up five percent.

Cushion Track, which was installed over the summer at a cost of more than \$10 million, was responsible along with other Southern California synthetics, for a substantive increase in the active horse inventory, resulting in 8.9 runners per race, up from last year's 8.2.

"We're very happy with the number of starters per race, which was close to nine and we are very pleased with the fact that we had significantly fewer injuries," said Oak Tree General Manager **George Haines**. "The number and quality of horses we can make available to our fans to wager on is hugely important and these increases are attributable to Cushion Track and the other synthetics that our horses run in Southern California. Another very significant byproduct of the larger fields is the fact that we had 10 Pick Six carryovers. We've had a good, safe meet."

"Thanks in large measure to Cushion Track and the other synthetics on this circuit, we witnessed some of the most competitive and exciting racing we've seen in the past five years," said Oak Tree President and Director, **Dr. Jack Robbins**. "We're very hopeful this meet is going to set us up for many more years of world class racing."

Oak Tree, which will play host to Breeders' Cup XXV in 2008, will be the first track to conduct racing's biggest event on a synthetic surface. "We are very happy with the way the Cushion Track performed here

at Oak Tree,” said Oak Tree Executive Vice President and Director **Sherwood Chillingworth**. “The track was safe, it played fair and the racing was exciting. Speed horses could win and so could closers and that’s what our fans want. This surface has earned the confidence of the horsemen and we are confident we’re going to have a sensational two-day Breeders’ Cup event here next year.

“As far as our horse inventory is concerned, we want to acknowledge the role Del Mar, Hollywood Park and Fairplex played in the success we enjoyed here. The synthetics at Hollywood and Del Mar and the natural surface at Fairplex all served to enable us to have the best inventory we’ve had in many years,” added Chillingworth.

Although average daily on-track attendance was down eight percent, off-track average daily attendance was up slightly (one percent). On-track average daily handle, which was up one percent last year, was down two percent.

“As is the case every year, we face tremendous competition from other sports during this meet. Although we would obviously prefer to have been up on-track, our numbers out-of-state were phenomenal and our Scotwinc increases were also very substantial,” said Chillingworth.

Oak Tree once again front-loaded its Grade I stakes racing in order to accommodate the Breeders’ Cup which was run on October 27 at Monmouth Park. A total of seven Gr. I events were run over the first two weekends. “Once again, we had world-class performances in our Breeders’ Cup prep races,” said Chillingworth. “I think all of us here in California can be proud about the way horses like Nashoba’s Key (Gr. I Yellow Ribbon winner) and Idiot Proof (Gr. I Ancient Title winner) ran in the Breeders’ Cup. Although they didn’t win, these are two very talented California-breds and we’re hoping they’ll be able to compete here again next year.”

A meet-high 26,970 attended on September 29, as three Grade I stakes: The Yellow Ribbon, Oak Leaf and Goodwood were contested. Additionally fans received Oak Tree’s traditional collector’s item stein that day as well.

However, California Cup XVIII, which was run on Saturday, was arguably the high point of this year’s meet. An on-track crowd of 25,763 witnessed some of the most competitive racing of the year as Thoroughbred racing’s all-time winningest jockey, **Russell Baze** took the afternoon’s main event, the \$250,000 Cal Cup Classic presented by Smith Barney aboard Bold Chieftan. Conditioned by **Bill Morey**, Bold Chieftan is a 4-year-old gelding by Chief Seattle who is owned by Hall or Langbein Trust or Robinson and partners.

The total Cal Cup Day handle of \$16,852,200 was up more than \$2.1 million from last year. Santa Anita Park will reopen for live racing with its traditional winter/spring meeting on December 26 and will run through April 20, 2008. The 2008 Oak Tree meeting will begin on September 24.

Source: OakTreeRacing.com, November 5, 2007.

Churchill targeting 'bogus' scratches with tests

LOUISVILLE, Ky. - Churchill Downs has announced that it will begin testing horses that it suspects have been improperly scratched with an excuse from a private veterinarian. Blood tests will be run to verify the reason for a scratch, and if the test results do not match the reason, the stewards will be alerted and "take whatever action they see fit," according to Churchill general manager **Jim Gates**.

Generally, an improper scratch carries a fine of at least \$250.

Current Kentucky regulations allow a horse to be scratched without an excuse if eight or more horses remain in an overnight race (horses can be scratched from stakes races without excuse). But if a scratch leaves seven or fewer in a field, a written explanation from a veterinarian is required. Churchill is believed to be the first track in the country to test horses suspected of being improperly scratched.

The track has hired **Dr. Nancy Davis**, a former chief state veterinarian, to take blood samples on horses. Gates said that when what he called a "bogus" scratch is suspected, Davis will consult with the trainer or veterinarian of the horse and, if needed, pull a blood sample to verify what ailment or medications necessitated the scratch.

Gates said the system has been implemented to reduce scratches. He cited instances at the Churchill spring meet when scratches were accompanied by what he considered questionable documentation and that he has had off-the-record conversations with horsemen in which "they basically admitted" that they scratched without a legitimate veterinary excuse in order to shop for a better spot to run.

Field size at the 21-day Churchill fall meet is expected to average between 9.5 and 10 horses per race, among the highest in the country. But, Gates said, the track wanted to "make horsemen think twice" about scratching horses from races when they believe their horse is overmatched, or would be better off waiting for another race, when they otherwise do not have a legitimate reason for scratching.

Last week, in an e-mail, Gates notified **Marty Maline** of the Kentucky division of the Horsemen's Benevolent and Protective Association and **David Switzer** of the Kentucky Thoroughbred Association about the hiring of Davis, who is being paid by Churchill, and the protocol for the taking of blood samples.

Maline said: "I think everyone's a little concerned about this, because we're not quite sure of the reasons. It calls into question the integrity of trainers and veterinarians, and it looks like the process is fraught with potential problems."

Source: Daily Racing Form, Marty McGee, November 5, 2007

Jacky Martin Indicted On Poaching Charges

October 29, 2007 – Jockey **Jacky Martin** has been indicted on one count of taking wildlife without landowner consent and one count of making a false entry on a hunting license tag.

Late last year, DNA tests revealed that a femur bone taken from the carcass of a deer matched an 11-point deer head seized from Martin's ranch in Parker County, Texas. Martin was subsequently arrested and indicted. He is currently free on \$10,000 bond while awaiting trial.

Martin's agent, **Tracey Porter**, told the Fort Worth Star-Telegram that Martin plans to plead not guilty. Porter told the newspaper that Martin receives invitations from people from throughout the country to hunt game on their land.

"He can hunt anywhere," Porter said. "The whole thing, none of it makes any sense."

If convicted, Martin faces up to 10 years in prison. At the time of his indictment, he was on probation for illegally killing a deer on the Moncrief Ranch in Parker County.

In August 2006, Martin pleaded guilty to possession of a small vial of methamphetamine and to unlawfully taking a deer without the consent of the landowner, and he was sentenced to four years probation. As part of the plea agreement, he was ordered to forfeit his hunting equipment and his Texas hunting license for four years.

On February 3, the **Texas Racing Commission** suspended Martin's jockey license until 2011 because he pleaded guilty to the drug charge. He plans to appeal both the suspension and his conviction on the grounds that his plea bargain was an involuntary plea.

"His attorney (at the time) told him that if he didn't sign (the plea agreement) right then, he would go to jail," Porter said. "We would just like the opportunity to have adequate counsel and face the charges again. That is what we are asking for."

Martin, 53, is American Quarter Horse racing's all-time leading jockey with mount earnings of \$41,405,205, and he ranks sixth all-time in races won at 2,799. He has won the All American Futurity (G1), the sport's richest and most prestigious race, a record seven times, most recently in 2000 with champion Eyesa Special.

Source: American Quarter Horse Association.

NJ report finds video lottery would help tracks but hurt casinos

TRENTON, N.J. (AP) _ A new report estimates New Jersey would earn as much as \$433.5 million annually by allowing video lottery terminals at three horse racing tracks.

But the report also notes that the new gambling would hurt Atlantic City casinos already struggling with increased competition from other states.

The report was done for the state treasurer and released Wednesday.

It studied the effect of allowing the electronic gambling games which simulate casino games such as poker and slots at the Meadowlands, Monmouth Park and Freehold Raceway.

It found the tracks need additional money to survive.

But adding 6,300 terminals at the tracks would cut Atlantic City casino profits by about 2 percent.

Source: *The Press of Atlantic City*, October 31, 2007

New Simulcast Area, Poker Room Open at Mountaineer



Mountaineer Race Track's new on-site simulcast facility

Photo: Chuck Saus

A new poker room and simulcast facility are open in the grandstand at Mountaineer Race Track & Gaming Resort, which earlier this year received state and county approval to add table games to its thousands of video lottery terminals.

Meanwhile, the track announced purses have increased 10%. They were reduced 20% this summer because of a shrinking underpayment in the purse account brought about in part by VLT revenue payments that must be made to support a West Virginia workers' compensation program.

Mountaineer management opted to put the "River Poker Room" on the first floor of the grandstand because it is believed card players would be more likely to wager on horse races. The grandstand apron is accessible from the poker area and the new simulcast area, which replaced a glass-enclosed room used for pari-mutuel wagering.

The poker room and simulcast facility opened Oct. 19. The 3,000-square-foot betting parlor has 120 television-equipped carrels, betting clerks, and self-service machines. It's located adjacent the poker room. Concession stands also were renovated.

"The recent enhancements to our racing program have been very favorably received and are indicative of Mountaineer's continued commitment to both our racing product and our racing fans," Mountaineer director of racing **Rose Mary Williams** said in a statement.

The poker room, with 37 tables, is open seven days a week, 24 hours a day. A \$2 to \$4 minimum bet limit will be in place in an 8,000-square-foot main poker room, while a separate 1,900-square-foot high-roller room will have a bet limit based on demand.

Total renovation on the first floor of the grandstand cost about \$1.2 million, officials said.

Early in 2008, the West Virginia racetrack will add roulette, craps, blackjack, and specialty card games such as Let It Ride and Caribbean Stud. Four areas for table games will be located in the main VLT casino, which is connected to a hotel. Another pit will be constructed on the second floor of the grandstand.

MTR Gaming, parent company of Mountaineer, portrayed the referendum on table games as a jobs issue for Hancock County. The measure passed by an 18% margin. Mountaineer officials project about 700 or more new jobs when all the table games are operating.

Hilbert Invests in Hoosier Park

MH Equity, led by former Conseco chief executive, will spend \$650 million to bring slot machines to horse track

A private-equity fund led by former Conseco Chief Executive **Stephen Hilbert** is ponying up part of \$1 billion to bring slot machines to Hoosier Park.

The deal with Centaur Inc., which owns the Anderson horse track, was put together by Massachusetts-based Credit Suisse and funded by MH Equity, led by Hilbert and Wisconsin businessman **John Menard**.

"MH Equity is always looking for good investments," said **Linda Pence**, a spokeswoman for the equity firm. "Any investment that assists the Indiana economy is a good thing."
The size of MH Equity's stake was not disclosed.

In a statement issued Tuesday, Indianapolis-based Centaur said it will spend more than \$400 million of the \$1 billion to build a 92,000-square-foot facility at Hoosier Park and stock it with 2,000 slot machines. That will more than double the track's size.

The company will spend \$250 million more for a state licensing fee. That money, in turn, could be used for property-tax relief for homeowners.

The balance of the \$1 billion is earmarked for building a harness-racing horse track in western Pennsylvania, according to Centaur.

The goal of all this is to draw business to the financially struggling racetrack, and as a byproduct, create "hundreds" and possibly "thousands of indirect jobs" for the state.

Indiana Downs in Shelby County has similar aspirations.

"Our success will mean more economic development in Indiana and more jobs for Hoosiers," said Centaur's chairman, **Rod Ratcliff**, in a statement.

He said MH Equity is an essential part of Centaur's strategy for the future.

Hilbert and Ratcliff have been partners before. In 1993, shortly after Indiana legalized casino gambling, they developed the Argosy Gaming riverboat in Lawrenceburg.

ABOUT CENTAUR

Indiana-based Centaur, a privately held business, owns and manages Hoosier Park (Anderson) and Fortune Valley Hotel & Casino (Central City, Colo.) and is seeking final approval to develop Valley View Downs in western Pennsylvania.

ABOUT MH EQUITY

MH Equity was formed by Stephen and Tomisue Hilbert in August 2005 as Indiana's largest private--equity fund. MH Equity's investments include United Marketing Group and New Sunshine.

Source: *The Indianapolis Star*, October 31, 2007.



Photo ID (L to R): David Lin (Director at Palm Beach Habilitation Center), Renee Lampman, Dorothy Becky Schrader and Linda Hanson (PBKC Director of Administration).

Palm Beach Kennel Club Honored At Disability Employment Awareness Celebration

West Palm Beach, Fl. - Palm Beach Kennel Club was recently honored as one of the State of Florida's Exceptional Employers during award ceremonies at the Disability Employment Awareness Celebration held in Tallahassee on October 9, 2007.

The Palm Beach Habilitation Center nominated Palm Beach Kennel Club for working with their clients who have disabilities.

"Thru out the years, we have employed hundreds of employees with disabilities through agencies like the Palm Beach Habilitation Center.", said kennel club Human Resources Director **Renee Lampman**. "The Palm Beach Kennel Club realizes that these employees

are the most dedicated and loyal any company could have. They are and will continue to be a valuable asset to our business."

Representing Palm Beach Kennel Club in Tallahassee was Poker Room Card Inspector **Dorothy Becky Schrader** who has been employed by the track for the past ten years.

Along with the Kennel Club, the Studer Group, Chef Imondi's Bakery and Café, Fidelity National Information Services, Wendy's of Jacksonville / Ramsey Development, Health First and Publix were also named as The Agency for Persons with Disabilities Exceptional Employers honorees.

Source: *Palm Beach Kennel Club/AGTOA*, October 31, 2007

Maryland's horse racing industry losing ground, facing big challenges



BALTIMORE - Maryland's horse breeders are once again looking to slots to reverse years of decline, driven by the same kind of operations in other states, that have eroded the once-mighty racing industry.

"I'd say it's pretty sick," said **Mike Hopkins**, chairman of the **Maryland Racing Commission**. "I don't think it's beyond coming back, but it's going to take a lot of time."

The racing industry in Maryland generates about \$800 million annually, including \$72 million in taxes, said **Rob Burk**, executive director of the Maryland Horse Industry Board, a division of the state Department of Agriculture.

A Maryland Equine Census, conducted in 2002 by the U.S. Department of Agriculture, showed 20,200 horse farms in Maryland — from large stables to small backyard pastures — totaling 87,000 horses. About 40 percent of those horses are used for racing.

Maryland also has more horses per square mile, eight, than any other state, including Kentucky, according to the department's census. Burk hopes to complete an updated study by 2009.

The Maryland Jockey Club has reported at least a 50 percent decline in operating horse farms in the state in the last several years. Most of that business seems to be going to nearby states, Burk said.

"We haven't done an exact study to find out why they're leaving," he said. "But at the same time the numbers in Maryland have declined by half, the numbers in Pennsylvania have doubled."

A key factor in the shift is incentives attached to purses — the extra money awarded to a breeder if a winning horse was raised in that state. Maryland spends about \$3 million on the incentives, but neighboring states offer as much as \$50 million total, Burk said.

The actual amount of thoroughbred racing taking place has decreased as well.

A decade ago, Maryland's tracks operated 306 racing days, Hopkins said. This year, that number is down to 190 — and next year, only 135 to 140 racing days are scheduled, he said.

"You're basically transforming a business that's been a year-round employment base to a part-time [job]," Hopkins said. "They're running four days a week now. Most of those people at the race track are paid per diem, so going to four days from five, you cut their paycheck 20 percent."

For all the industry's financial woes, Burk said Maryland's thoroughbred horse breed is still respectable. If slots do come to the tracks, he added, the state will be back on equal footing with its neighbors, and the playing field will once again be level.

Photo: (ChrisAmmann/Examiner)
The racing industry in Maryland generates about \$800 million annually, including \$72 million in taxes. Jockey Robby Albarado riding Curlin, left, edges out Calvin Borel and Kentucky Derby winner Street Sense at the finish line during the Preakness Stakes at Pimlico on May 19.

"From a racing perspective and a breeding perspective, Maryland has been king," Burk said. "If the money is put into the state's racing industry, hopefully once again our infrastructure ... will win out against our competitors, like it used to."

Source: *The Examiner*, Aaron Cahall, November 5, 2007

Emotions high on slots

Rallies, hearing part of marathon day of debate in Annapolis

ANNAPOLIS -- A barrage of positive and negative slots rhetoric returned to the statehouse Friday with two nearby demonstrations and a five-hour joint hearing on the controversial topic with senators and delegates on both sides perhaps no closer to resolving the major differences.

Maryland **Gov. Martin O'Malley** has proposed legislation authorizing 15,000 slot machines statewide distributed between five locations, including Ocean Downs in Worcester County. The plan is projected to generate more than \$500 million, which the Democratic governor wishes to earmark for education and school construction.

The slots press frenzy began shortly after 9 a.m. with Maryland Comptroller **Peter Franchot** speaking before a wall of nearly 50 anti-slots protesters. Franchot, who has questioned the need for a special session and constantly rallied opposition all year, continued his onslaught against the gambling industry.

"We're going down the road of sleazy, predatory taxes on poor people," Franchot said. "But here we go down the same troubled path that will condemn the next generation."

Around 10 a.m., a pro-slots group, about four times the size of opposition, engulfed the plaza outside the statehouse. Half a dozen labor leaders and facility supervisors took the microphone to lead the crowd -- comprised mostly of people with ties to horse racing -- in cheers.

"Save our jobs. Save our jobs. Save our jobs," the crowd yelled in unison.

Senate President Thomas V. Mike Miller jumped in the middle to tell the crowd to be optimistic.

"We're going to get it done," Miller said. The crowd cheered again, "Keep the fight, Mike."

At 11 a.m., the Senate Budget and Taxation and House Ways and Means committees began a joint hearing on the governor's Maryland Education Trust Fund and Video Lottery Terminals legislation which, if approved, authorizes the location, monetary fees and regulations of slot machines if a referendum vote is passed by the voters during the next general election in November 2008.

O'Malley's senior policy and legislative advisor, **Joseph Bryce**, summarized the bill to the committee, but legislators quickly questioned every aspect of the plan, especially how the locations were determined.

Sen. J. Lowell Stoltzfus, R-38-Somerset, was one of the first to question Bryce, asking why each location must be identified in the state constitution. Stoltzfus, an outspoken opponent, has repeatedly said he will side with Ocean City elected leaders who fear slots will ruin family businesses.

Bryce replied that the state must give voters a clear question so they know what they're deciding.

"It's a check to the voter," Bryce answered. "The number of machines is capped, too, so the voters know they're not buying a pig in a poke and wouldn't get anything else."

Delegate Page Elmore, R-38A-Somerset, questioned Bryce next about the state's decision to set a "woefully low" \$10 million license fee each owner must pay to obtain slots. Bryce answered that price tag was the minimum bid, adding that the future licensees will only receive 30 percent of the revenue to operate each facility, compared to nearly 50 percent for Delaware operations.

Other legislators questioned Bryce heavily about how the governor came to choose the five locations for slots -- one each in Anne Arundel, Cecil and Worcester counties, as well as the city of Baltimore and on state property at the Rocky Gap Lodge and Golf Resort near Cumberland -- especially since so many other locations have been mentioned before, including Harford and Dorchester counties. Why no location closer to West Virginia's most successful slot machine facility in Charles Town was chosen also raised frustration.

Bryce answered that the governor's office agonized over the number of licenses and the locations of the facilities in order to capitalize on different markets. Since Charles Town is about 90 minutes from suburban Washington locations, the assumption is slot machine players would rather drive to Laurel Park.

Finally, Bryce relented when asked about the locations being "locked in stone."

"I'm not saying this would be the only idea that would work in Maryland ... but if there is a better way to do this, I'm here all week," Bryce joked.

Slots testimony

Slots supporters were called to offer testimony in three-minute slots, and after about two hours, Ocean Down co-owner **Bill Rickman** addressed the committees. Rickman pushed slots as the last hope for the state's horse racing industry, adding that tracks not participating can't survive. He also pushed for more than a 30 percent share of the revenue because it doesn't allow for much flexibility in operations.

"This is a last chance for the horse racing industry," Rickman said, conceding that he is biased. "This makes it very tough for the licensees."

Stoltzfus, however, questioned Rickman's influence, citing a \$48,000 contribution made from his family to the governor last year, according to The Washington Post.

"I don't know how to ask this question, so I'm just going to come out with it: 'How can we know money isn't influencing this decision?'" Stoltzfus asked.

Rickman downplayed the question.

"I donate to people on both sides of the aisle. I donated to you," he said, with the crowd laughing behind him.

Stoltzfus ran with the joke.

"I did receive a \$100 check. Thanks," Stoltzfus replied, adding to the commotion.

Testimony lasted for more than five hours, and opponents -- such as the half-dozen officials from Ocean City groups -- weren't called until nearly 4 p.m.

Mayor Rick Meehan said disposable income would be drastically siphoned away from the town if slot machines are placed on the gateway to the largest community in Worcester County, Ocean Pines.

"The mayor and council are opposed to any slots in Maryland," Meehan said. "Ocean City generates \$100 million in sales tax revenue each year for the state. Why would we, as a state, do anything to put this at risk?"

Other Lower Shore members such as **Delegate Jim Mathias**, D-38B-Worcester, said he's open to the right slots plan with adequate local monies because the overall public opinion in Worcester County is swaying pro-slots. He prefaced this, however, that much negotiation must still take place before he casts a ye a vote.

"It's very troubling for me. I understand the industrial and commercial value of Ocean City to the whole region," Mathias said. "But what I sense is a shift in popular opinion to support it, assuming the public benefits are there."

O'Malley told reporters during a mid-afternoon news conference that he is optimistic about slots because legislators are closer to resolving the issue than ever. Legislators are planning work sessions over the weekend and early next week to resolve differences.

Source: The Daily Times, (Salisbury, Maryland), Joseph Gidjunis, November 3, 2007

Slots lose luster at Fla. track

Revenue minuscule at year-old casino

Gulfstream Park, South Florida's major thoroughbred horse-racing track, installed slot machines last year, rows and rows of them. And gamblers came.

Then they stopped.

Today, many of those machines have little to do. The average one took in \$74 a day after winnings in the July-September quarter, and that was before operating costs and state and local officials and others took a cut of more than 60 percent. It's a fraction of what neighboring slots parlors collected and is so little that the racetrack can't service the debt it took on to build the casino.

That is fueling concern among some Maryland lawmakers about the ability of money-losing Magna Entertainment Corp., the Toronto company that owns Laurel Park and Pimlico Race Course in Maryland along with Gulfstream, to run a slots operation at Laurel if slots are legalized during the General Assembly's special session.

For years, Magna officials and others in Maryland's horse racing industry have lobbied for slots to shore up declining racing attendance and revenue. But Magna's experience in Florida indicates that slots might not be a panacea.

"The one facility that they built on their own, Gulfstream, which is a very nice racetrack, has the lowest winning per day per machine ... in the country," **House Speaker Michael E. Busch** said in an interview. Magna has to show why it should be the one that gets the license, he said.

Magna officials have acknowledged missteps at Gulfstream. The company didn't start aggressively marketing its new gambling business until at least six months after the casino opened, and the facility did not contain the appropriate slots denominations or mix of machines, the company said.

In addition, construction at an adjacent mixed-used project, Village at Gulfstream Park, led many to think the slots were closed.

Magna says it is taking steps that will turn the business around, including hiring an executive with 25 years of experience in the gambling industry, scaling back the number of machines and changing slots offerings.

"First of all, Magna can be a good manager of casinos," said **Steve Calabro**, Magna's new vice president of gaming operations. "To judge it in the first six or eight months, it's unfair."

Gulfstream became the first racetrack in South Florida to open a casino, starting with 516 slot machines in November 2006. Two other tracks within several miles of the Hallandale Beach track entered the market later, Mardi Gras Racetrack & Gaming Center, also in Hallandale Beach, in December and Isle Casino & Racing in Pompano Beach in April.

Gulfstream also faced competition from the Seminole Indians, who operate several nearby casinos.

Gambling analysts had expected the three "racinos" to produce more than \$500 a day per machine, an estimate Magna's Calabro called unrealistic. The actual number from the three facilities has hovered at about \$155, according to figures from **Florida Division of Pari-Mutuel Wagering**.

Some experts say the racinos were hampered by regulations that prohibited automated teller machines and check cashing at the facilities, restrictions that ended in July. Unlike Indian casinos, racetrack operators pay taxes on slots revenues.

Of the three racinos, Gulfstream has fared worst.

From its opening in November through February, South Florida's peak tourist season, Gulfstream generated an average of \$326 a day per machine. By June, after Gulfstream added 700 machines, the daily take had fallen to an average of \$70.

"They reconfigured the first-floor simulcast room and added 700 machines thinking, 'If you build it, they will come,'" said **David Roberts**, director of Florida Division of Pari-Mutuel Wagering. "All it did was draw people from the [second] floor to the first floor."

In contrast, Mardi Gras generated \$169 per machine a day on 1,156 machines in June. Each machine at Isle Casino took in \$179 a day during the same period with 1,500 machines.

Gulfstream's revenue has continued to slip compared with that of its competitors. In the three months that ended in September, it generated \$74 per machine a day, while Mardi Gras and Isle Casino took in \$167 and \$214 respectively

"The folks in Florida have decided what the better property is, and they're voting with their dollars," said **F. Douglas Reed**, director of the **University of Arizona's Race Track Industry Program**. "It's harder for Magna to win them back."

Joe Fath, who covers the gambling industry at T. Rowe Price, said Gulfstream's slots woes could be attributed to Magna's inexperience with casinos.

"The perspective of most people is you build these racinos and put slot machines and they'll just generate money," Fath said. "You have to have a product and good service."

Calabro said Gulfstream is solving its problems, including not having 1-cent and 2-cent slot machines or a variety of machines.

"We're going to make sure while it's smaller, it'll have the same selection and same feel as a Las Vegas or Atlantic City," Calabro said.

Gulfstream is reconfiguring the first-floor gambling space into a horse race and simulcast lounge, reducing the number of slot machines and adding video poker machines, Calabro said.

Gulfstream's declining slots business has taken a significant financial toll on Magna. The company is operating with continuing losses and has more than \$500 million in debt, raising doubts about its ability to stay in business, according to an audit by Ernst & Young.

Magna said yesterday that Gulfstream lost \$4.2 million in the third quarter because of higher marketing and operating costs for its slots operation.

Magna Chairman **Frank Stronach** said yesterday that the worries of some Maryland lawmakers are unfounded.

"I have absolutely no worries that MEC will be a great company, so we have no problem to handle things financially," Stronach said.

Source: The Baltimore Sun, Hanah Cho, Sun reporter, November 3, 2007. Sun reporter Bradley Olson contributed to this article.

Ban the Cup from schools: QUEENSLAND schools are being urged to ban their students from watching the Melbourne Cup in class - following an alarming rise in teenage gambling.

Gambling counsellors say horse racing is the most common form of gambling among adolescents, and intervention is the best solution.

But **Premier Anna Bligh** said there was nothing wrong with children watching the Melbourne Cup in class as long as they were also taught the perils of gambling.

Ms Bligh said the Cup had a special place in Australian life and children should be aware of this.

“As a parent I am concerned to make sure my children understand the importance of moderation, whether it is gambling or drinking or any other activity in life,” she said.

“I certainly sat in classroom listening to the Melbourne Cup a long time ago.

“It is a once a year event and like many other Australians I am a once a year punter on the second Tuesday in November.

“I don't think you can draw too much from the fact many schools will watch the Cup.”

The Queensland Teachers Union president Steve Ryan said the union supported schools whatever decision they made.

“You're damned if you do and damned if you don't,” he said.

“There will be people who will say you're creating a new generation of gamblers and those who believe it's part of the Australian way of life.

“It's a matter for the schools to decide in terms of what their commitments might be at the time.”

Should pupils be allowed to watch the Cup?...

New research from the Australian National University has revealed more than 10 per cent of students in Years 7 to 12 gamble regularly, and almost half of those are classed as "problem gamblers".

It comes as many of the state's religious schools reveal they have banned Cup celebrations, believing the race is not in keeping with their beliefs and interferes with lessons.

Gambling counsellor **Lisa Stanley**, who works for family support network Relationships Australia at Eight Mile Plains in Brisbane's south, said preventing children from watching the Melbourne Cup was a positive step.

"Early intervention can prevent problems from developing, so we would certainly support schools taking preventative measures on Melbourne Cup day," she said. "It's particularly important as teenage gambling is an increasing problem."

But the comments have outraged the racing industry.

Brisbane jockey and father-of-four **Jim Byrne**, who has raced in the Cup, said preventing children from watching the race was ridiculous.

"Schools putting a ban on celebrating the Melbourne Cup strikes me as stupid," he said.

"I don't think the racing industry is to blame for gambling."

Queensland Turf Club CEO **Stephen Ferguson** said it was "un-Australian" not to watch the Cup.

"The running of the Melbourne Cup is 145 years old and is part of the Australian culture," he said.

"People have to look at it as a terrific social and cultural occasion."

But at West Moreton Anglican College, in Karrabin, west of Brisbane, there will be no Melbourne Cup celebrations. **Principal Ross Switzer** would not discuss the issue when contacted by *The Sunday Mail*.

A spokeswoman for the Anglican Schools Commission said the school was one of a number which had chosen to ban Cup celebrations, instead giving lessons on the race during the year.

"Gambling is not encouraged," she said. "It is also felt that watching the Melbourne Cup takes students away from their studies at a fairly crucial time of year when a lot of them are in examinations."

At Brisbane Adventist College, Mansfield, in Brisbane's south, a spokeswoman said: "We will definitely not be letting students watch the race because we don't believe in gambling. It's the same for all Adventist schools."

A spokesman for the Catholic Education Commission would not reveal whether any schools had banned Cup celebrations.

"People all over the country stop to watch the race. We give our schools the option to participate by watching if they wish," he said.

Source: The Sunday Mail (AUS), Hannah Davies, Sophie Elsworth and Neil Hickey, November 04, 2007

NYRA warns race tracks could be closed in dispute

NYRA officials are warning that if a resolution to the dispute over thoroughbred horse racing in New York is not reached by Dec. 31, race tracks could go dark starting on New Year's Day.

While some critics dismiss the prediction as political posturing, New York Racing Association head **Charles Hayward** insisted it is a real possibility. And he says it grows more real as each day passes without a solution to who will run the state's three largest thoroughbred race tracks: Belmont, located in Elmont; Aqueduct in Jamaica, Queens; and Saratoga in upstate New York.

"The last thing we want to do is to have to have racing stop," Hayward said. But "it's certainly possible."

NYRA's franchise to run thoroughbred racing expires Dec. 31. Under state law, a state racing oversight board could temporarily take over running the tracks.

But Hayward said NYRA would fight any attempt to place another entity in charge of racing because it owns the land where the three tracks are located. Hayward said the land is worth at least \$1 billion.

He said NYRA would not voluntarily give up its claim to the land or let another entity take over racing on it without receiving compensation.

Some NYRA competitors for the franchise bid said Hayward is blowing smoke to pressure state officials to grant NYRA a new franchise for 30 years.

"That sword of Damocles -- it's a fictitious sword," said **Karl O'Farrell** of Capital Play, one of the entities vying to run racing in the state and operate video lottery terminals at some tracks, including Aqueduct and possibly Belmont.

"I think NYRA would destroy themselves forever" if they shut down the tracks, O'Farrell said. "It would be very upsetting for the industry. It's not the sort of thing to say lightly."

Racing has shut down before in the state -- including in 1911-12, when wagering was outlawed; during World War II, when travel restrictions closed Saratoga; and after the Sept. 11 attacks for a few days.

Bennett Liebman, an Albany Law School professor and racing expert, said technically NYRA might have the capability to assert its land claim and block the oversight board from taking over.

Still, he added, he doubts that politically a shutdown could happen. "Closing off racing could potentially be a very risky political strategy" because of the backlash, he said.

Gov. Eliot Spitzer's spokesman said the governor is committed to resolving the dispute and avoiding any shutdown. Spitzer "believes that it is in the interest of racing ... for there to be a seamless transition" from the current NYRA franchise to whoever gets the new one, spokesman **Paul Larrabee** said.

If no deal is reached by Dec. 31 and the oversight board moves to take over the tracks, the dispute over

what happens next likely will land in federal bankruptcy court, where a judge is overseeing NYRA's case. NYRA entered bankruptcy proceedings last November.

Critics contend NYRA's claim to the land is baseless, although Hayward said the association has held the deeds for more than 50 years and paid property taxes, though it failed to pay all taxes in Nassau County during the past few years.

Source: Newsday, Bart Jones, November 5, 2007

IRS: NYRA owes \$1.6B

SARATOGA SPRINGS - The Internal Revenue Service says New York Racing Association owes it \$1.6 billion in back taxes and penalties, court papers show.

But NYRA has filed a formal objection, saying it owes the government about 1 percent of that figure. Also, it says the IRS has never tried to collect the types of taxes it's now seeking.

The U.S. Bankruptcy Court for the Southern District of New York has scheduled a hearing for 10 a.m. Friday to establish procedures in the matter.

"It's entirely new," said **Brian Ross**, NYRA's attorney. "It looks as if the IRS is trying to change the way taxes are established, not just with respect to horse racing, but with respect to the entire gaming industry. We have never been assessed any of these taxes previously."

If the IRS prevails, racetracks throughout the country could suffer a major blow, because a great deal more of their income would be subject to taxation, making this a landmark case for the entire industry.

The IRS says it is owed more than \$886 million in unassessed taxes for the years 2000 through 2005, plus more than \$753 million in penalties and interest. This includes between \$118.6 million and \$129 million in corporate incomes taxes for each of the six years. The claims result from an IRS audit of NYRA.

Among other things, the IRS says NYRA should have reported gross handle (all money bet) rather than takeout (NYRA's portion of the handle) as income on its tax returns. This resulted in \$65.3 million worth of understated income, it says.

Regarding real estate, the IRS says NYRA should not have taken deductions for property tax payments because NYRA's ownership of the tracks was not established and because the state asserts that NYRA is an instrument of the state. The IRS says that deductions totaling \$88.9 million should be disallowed.

NYRA's land claim is a major stumbling block to getting the franchise issue resolved. There's a concern, among some racing leaders, that if NYRA wins its land claim in court that the IRS could view the racetracks as assets and try to sell them.

"NYRA believes that it's true liability to the IRS is less than one percent of the amount claimed," Ross wrote on NYRA's behalf. Ross is with the New York law firm **Weil, Gotshal & Manges LLP**.

NYRA, whose franchise expires on Dec. 31, filed for bankruptcy last Nov. 2. In order for its bankruptcy to be resolved, NYRA says the court should set a "reasonable" cap for settling its IRS claim, no more than \$5 million.

If the IRS persists, NYRA won't be able to pay off its creditors, NYRA says.

Gov. Eliot Spitzer has proposed keeping NYRA in place for 30 more years, while letting a separate casino firm run an Aqueduct racino. The state Senate, in contrast, has called for creation of a public authority to oversee racing.

If the governor, a Democrat, and Republican-controlled Senate can't reach an agreement, state law calls for a five-member Oversight Board to take over. But NYRA has said it won't allow the state to run the tracks it claims to own - Saratoga Race Course, Belmont Park and Aqueduct.

Source: The Saratogian, Paul Post, October 31, 2007

Pick a winner, horsemen urge state

Industry's future, upstate economy put in jeopardy by inaction, panelists say

SARATOGA SPRINGS -- Get it together, state leaders. The health of horse racing, the city and thousands of workers depend on it.

That was the message from horsemen meeting Thursday at the National Museum of Racing and Hall of Fame, where they led a panel discussion about the future of horse racing.

The situation comes down to this, they said: New York Racing Association's 55-year franchise over the state's three biggest thoroughbred tracks, including Saratoga Race Course, expires in less than two months, and the governor and the state Legislature still haven't agreed on who will run racing after Jan. 1.

The shrinking timeline and political uncertainty is causing anxiety for horsemen, who are afraid racing in the state could grind to a halt in 2008 if state leaders don't agree on a new track contract.

"We need our leaders to lead," **Rick Violette**, a trainer and president of the New York Thoroughbred Horseman's Association, told about 200 people in attendance. "If doors don't open, there will be thousands of horses without a place to train or race, and that is not acceptable."

Gov. Eliot Spitzer has recommended NYRA receive a 30-year franchise extension, but state lawmakers have not struck a deal.

The picture grew more complicated on Thursday, when the Internal Revenue Service filed a \$1.64 billion bankruptcy claim against NYRA for unassessed taxes and what the IRS said were inappropriate deductions made from 2000 to 2005.

In an interview before Thursday's forum, NYRA president and CEO **Charlie Hayward** called the IRS claim "ludicrous."

He said the \$1.6 billion figure exceeds NYRA's total revenues from the period, and faulted the IRS for seeking payments for NYRA's gross handle rather than net revenue. Hayward also disputed the IRS claim that purses paid are not a legitimate tax deduction.

"At the end of the day, we expect it to be one percent of that: \$15-\$16 million in liability," Hayward said.

Thursday's forum did not allow for discussion about the franchise or its four bidders. But the inability of state leaders to reach a decision is scaring horse owners, who could decide to move their operations out of state if a deal isn't made soon, trainer **H. James Bond** said.

That would cause a ripple effect upstate, where the equine industry generates a lot of business, said Larry Benton, who coordinated a 2005 study of the economic analysis of Saratoga Race Course.

Source: Times Union, Dennis Yusko, November 2, 2007

State ADW set to open up

The **California Horse Racing Board** announced on Monday an eight-month experiment that will allow all Advance Deposit Wagering companies to take bets on all races in the state.

CHRB chairman **Richard Shapiro** brokered the deal which begins Wednesday with the opening of Hollywood Park's Fall meet and the Golden Gate Fields meet in Albany.

In the past, California bettors had to have separate accounts to bet at Hollywood Park, Santa Anita and Del Mar. Now, betting companies TVG, XpressBet, YouBet and TwinSpire will be able to accept wagers on any track running at the time.

The experiment is slated to go through July 13, 2008, and doesn't include Del Mar, which has an exclusive contract with TVG.

"The new model provides for a larger revenue stream to tracks and horsemen," said **Jack Liebau**, president of Hollywood Park and Bay Meadows.

The new betting set-up will have no effect on exclusive television contracts. Hollywood Park will continue to be on TVG while Santa Anita's winter meet will be on HRTV.

Source: Jeff Nahill, North County Times, November 6, 2007

[Breeders' Cup] Phone, Web wagers overwhelmed system

New Jersey's horse racing industry missed out on substantial revenue from the Breeders' Cup when the state-run Internet and telephone betting system ground to a halt while the races were being held at Monmouth Park Saturday. A "choke" took hold of the system at various times when high numbers of customers tried to place bets, officials said.

The glitches came at a time when the racing industry is strapped for cash.

Installing video lottery terminals, which are like slot machines, at Monmouth Park, Freehold Raceway and the Meadowlands Racetrack could provide more than double what the racing industry currently receives in purse subsidies from the Atlantic City casinos, according to a new state report on gaming. But they would weaken betting figures at the casinos and hurt New Jersey Lottery sales, the report says, and **Gov. Corzine** has said he does not favor adding the VLTs.

The Internet and telephone betting system is being run by a vendor that is being replaced, but a goal to make the change prior to the Breeders' Cup was not met, officials said.

"Their site was down during the Breeders' Cup, costing the state an amount of revenue which we could most assuredly use," Manalapan resident **Mike Rath** said. "I tried the system early in the day and just gave up on it. A customer service representative told me they were having big problems."

About 20 cents of every dollar bet on horse racing is divided between horse owners, the state treasury and track operators.

New Jersey Account Wagering — of which the New Jersey Sports and Exposition Authority is a 70 percent owner and holds operations responsibility — has 7,000 account holders and is likely to handle \$75 million in bets on horse races around the country by the end of the year, said **Carol Ciarco**, the department's director.

The system handled \$643,800 in bets Saturday — far below projections — as those trying to place bets met with long outages.

The amount wagered through the system was down 11 percent from the day of the 2006 Breeders' Cup, but system users also complained about outages occurring during the 2006 Cup races.

"It's hard to tell how much, but we lost business on Saturday," Ciarco said.

Dennis Dowd, a vice president for the sports authority, which also operates Monmouth Park, said a new vendor, Scientific Games Corp., will take over the system in the coming weeks. The current vendor is InfoText Ltd.

"The problems we had Saturday were from high traffic volume, and the data choked the system," Ciarco said. "We doubled phone capacity to prepare, but without the new system in place the system choked."

The Internet betting system was launched in October 2004 and telephone betting was added in May 2005.

Pennwood Racing Inc., the parent company of Freehold Raceway, owns the remaining 30 percent of New Jersey Account Wagering.

The sports authority recently opened its first off-track wagering facility. On Saturday, the Woodbridge site handled \$537,000 in betting, compared to \$308,000 the previous Saturday during the first weekend of operation.

Source: Asbury Park Press, Bob Jordan, November 1, 2007

Michigan Racing Commissioner Issues 2008 Harness Horse Racing Schedule

LANSING, MI - Racing Commissioner **Christine C. White** today signed orders authorizing the 2008 live and simulcast horse racing calendar for Michigan's four pari-mutuel harness race tracks.

The 2008 live schedule calls for a total of 286 days of standardbred horse racing at the four locations and involves five corporations.

Northville Downs – Total of 53 days from January 4 to April 5

Sports Creek Raceway (Swartz Creek) – Total of 69 days from January 4 to May 4 and November 28 to December 31

Hazel Park Raceway – Total of 92 days from April 18 to September 27

Jackson Harness Raceway – Total of 31 days from May 9 to July 19

Northville Racing Corporation – Total of 41 days from October 3 to December 13

In addition to the standardbred race dates, Commissioner White also signed orders for the mixed breed meet at Mount Pleasant Meadows and a contingent order for a new thoroughbred meet in Wayne County.

Along with live racing, Michigan's pari-mutuel racetracks will be open for full-card simulcast wagering throughout the year giving patrons the opportunity to wager on broadcast races from tracks across North America and other continents. For additional information on Michigan's 2008 horse racing schedule and the State's horse racing industry, visit the Office of Racing Commissioner's website at www.michigan.gov/horseracing.

Source: Source: Michigan Office of Racing Commissioner, October 31, 2007

Thoroughbred Horseracing Meet in Wayne County Approved

LANSING, MI - Racing Commissioner **Christine C. White** today announced that she has approved the 2008 race date application submitted by Post It Stables, Inc. for thoroughbred racing in Wayne County. The order is signed with a contingency clause that the track application progresses through due process and is approved.

Commissioner White said, "I am very excited to give an opportunity to bring thoroughbreds back to Detroit. **Mr. Campbell** has been an asset to Michigan's thoroughbred industry for years and today is no different."

Although the track application has not yet been approved, the Office of Racing Commissioner will work expeditiously with Mr. Campbell and the necessary agencies to proceed with the application process. Live racing has been approved for a total of 63 days with the first race to be held on Friday, July 18. The live season will run until Thursdays, Fridays, Saturdays and Sundays until November 2.

The sole race date application for Great Lakes Downs in Muskegon was withdrawn during the process due to business complications. After 10 years as a thoroughbred track, Great Lakes Downs will hold its last live race on November 6.

In addition to the thoroughbred meet, Commissioner White also signed orders detailing the live race dates for the four standardbred harness race tracks (Hazel Park, Jackson, Northville Downs and Corporation and Sports Creek) as well as the mixed breed track (Mount Pleasant).

Track and race meet licenses are authorized and detailed under the Horse Racing Law of 1995, Act 279, 1995.

The Office of Racing Commissioner is the official state agency charged with regulating, promoting and serving the horse racing industry in Michigan. For additional information on Michigan's 2008 horse racing schedule and the State's horse racing industry, visit the Office of Racing Commissioner's website at www.michigan.gov/horseracing.

Source: Michigan Office of Racing Commissioner, October 31, 2007

Michigan Racing Commissioner Issues 2008 Mixed Breed Horse Racing Schedule

LANSING, MI - Racing Commissioner **Christine C. White** today signed the order authorizing the 2008 live and simulcast horse racing calendar for Mount Pleasant Meadows, Michigan's mixed breed track.

The 2008 live schedule calls 57 days of mixed breed racing that includes Quarter Horse, Thoroughbred, Arabian, Appaloosa and American Paint Horse. The races will begin on May 3 and run on Fridays, Saturdays and Sundays until September 28.

Commissioner White granted a full 57 days as a means to increase overall race dates in Michigan. In addition to the mixed breed race dates, Commissioner White also signed orders for the four standardbred harness race tracks as well as a contingent order for a new thoroughbred meet in Romulus. Mount Pleasant Meadows will remain a sole mixed breed track.

Along with live racing, Michigan's pari-mutuel racetracks will be open for full-card simulcast wagering throughout the year giving patrons the opportunity to wager on broadcast races from tracks across North America and other continents. For additional information on Michigan's 2008 horse racing schedule and the State's horse racing industry, visit the Office of Racing Commissioner's website at www.michigan.gov/horseracing.

Source: Michigan Office of Racing Commissioner, October 31, 2007

Snake venom loophole closed in Kentucky

Columbus, OH --- The **Kentucky Horse Racing Authority** approved on Monday (October 29) an amendment to its Standardbred racing regulation aimed at closing a loophole that could have allowed cobra venom to be administered to horses.

According to a story in the Louisville *Courier-Journal*, cobra venom was banned under the new medication rule that took effect this summer but a previously-adopted rule said it could be administered.

Authority executive director Lisa Underwood told the *Courier-Journal* that she didn't know why the language in the other regulation wasn't caught at the time the new medication rule was approved.

Cobra venom has been used to deaden a horse's nerves and cannot be detected in drug testing.

Source: USTA Internet News Editor, Paul Ramlow,, October 30, 2007

Gural officially cancels Vernon cards

In a letter sent out this afternoon, **Jeff Gural**, Chairman of American Racing and Entertainment, the parent company of Vernon Downs, officially announced that the last two weekends of live racing at Vernon has had to be cancelled.

In his letter, Gural covers many aspects of the financial hardships that Vernon has had to endure in 2007. Gural's letter appears below in its entirety.

"All of us at American Racing and Entertainment regret the circumstances that have forced us to cancel the last two weekends of live harness racing at Vernon Downs.

I anticipated the passage of the pending legislation in the state assembly and, therefore, intentionally scheduled meetings all day Saturday, November 10th with our architect and engineers to go over the final plans for the capital improvements contemplated for Vernon Downs utilizing the capital improvement fund set forth in the proposed legislation.

In addition, I was looking forward to being on hand for the last night of racing on November 10, and watching the fireworks that would follow.

The reason I am forced to cancel the final four nights of racing is simple, we currently have a \$300,000 shortfall in the purse account despite the fact that three weeks ago, I personally loaned the purse account \$400,000 to allow us to continue racing.

I was prepared to loan the additional \$200,000 needed to finish out the season, but now I have to redirect those funds toward continuing to subsidize the daily costs of operating the facility.

I recognize this is an inconvenience to our horsemen, but we have lost \$7,000,000 at Vernon since the beginning of the year so we are all suffering.

The good news is that there will be an additional \$200,000 in the purse account when we reopen next spring, so in reality, the horsemen will still be able to race for this money.

Between Vernon and Tioga, we currently pay approximately \$100,000 per day to the State for education, of which \$70,000 comes from the VLT revenue and \$30,000 comes from our pockets.

This simply makes no sense which is why we asked for legislative relief to allow us to survive. We believe that with the additional money for marketing and capital improvement, as set forth in the legislation, we will ultimately be able to continue to pay \$100,000 per day without having to reach into our pockets.

The failure of the Assembly to act based on the complaints from the horsemen in the State was a major setback.

Considering that statewide the horsemen receive a \$60,000,000 subsidy, and here at Vernon our purses have almost tripled since the last full season of racing. One would think they would be happy.

Unfortunately, they wanted more, but, we can't pay more.

I've now been told through a third party that the horsemen would be willing to settle for 8 1/2 percent of the VLT revenue which I offered to them on five separate occasions over the last six months.

If that is true than I am hopeful that language including the horsemen and breeders can be added to the bill assuming all of the other tracks go along. It should be noted that under the letter of intent with NYRA their horsemen will receive only 6.5 percent.

Mr. Faraldo, attorney for the Vernon Horsemen, was quoted several months ago in a NY Times article as saying it was a bad business decision to reopen Vernon with a 70 percent tax and hope to compete with an Indian Casino that pays no taxes.

I totally agree, but I love harness racing and I consider Vernon with its 7/8 mile track the best place by far to race in New York and only wish that the horsemen appreciated what we have tried to do.

I recognise that the closing is a hardship to our horsemen and I wish we were racing, but it is more important to have the funds necessary to stay open while we wait for the legislature to act. I believe the future for Vernon is indeed bright and this is just a bump in the road."

Source: Harnesslink.com, Jeff Gural, Chairman of American Racing and Entertainment, October 31, 2007

Track must defend canceled races

Vernon Downs faces fines or suspension of its license at a hearing set for Dec. 12.

The state has ordered Vernon Downs owners to appear at a hearing in December to explain why the track canceled its last four race nights.

The track faces fines or suspension of its license because those races were a condition of the license granted this spring by the state **Racing and Wagering Board**, said **Dan Toomey**, speaking for the board. The hearing is Dec. 12.

The racing board had denied the track's request to cancel the last four nights of races, but track owner **Jeff Gural** said last week he was going to cancel them anyway to save money. He said the track loses money every time it races, and the account for prizes to winners was empty.

"I'm not overly concerned because when I think they analyze the situation they will come to the same conclusion we did, that it was the prudent thing to do to cancel racing for the last two weekends because we didn't have any money in the purse account," Gural said.

In addition, Gural said, the casino at Vernon Downs gives half its revenues, which are about \$700,000 a week, to the state Lottery. That money is funneled to schools.

"We give \$50,000 a day to the state for education, so I don't think it's too likely they're going to close us down," he said.

The track was scheduled to race through Saturday. Races were canceled last weekend, which prompted the board's hearing order late Tuesday. Gural said he doesn't plan to race this weekend, either.

He made the decision to close last month after the state Legislature delayed action on a bill that would have given racetracks a bigger chunk of their casino revenues. The bill would give Vernon Downs up to \$5 million more per year.

In June, Gural said he had reached a handshake deal on the legislation with the Assembly's racing committee chairman. On Oct. 23, however, the Assembly decided to postpone the bill and wrap several racing-related bills into one.

Source: The Post-Standard, Glenn Coin, November 08, 2007

Valenzuela gets N.M. license

Jockey **Patrick Valenzuela**, who is seeking a return to riding after an 11-month absence caused by injury, was licensed as a jockey at Zia Park in Hobbs, N.M., over the weekend and began exercise horses at that track, he said.

But Valenzuela said over the weekend that he plans to return to California this week in an effort to gain a jockey's license there and resume riding.

Valenzuela, 45, met with Santa Anita stewards last week, but was not granted a license. **California Horse Racing Board** officials said last week that Valenzuela will be required to sign an agreement for a conditional license as he has done in recent years, and prove that he weights 125 pounds or less before being granted a license.

One provision of the conditional license is for random drug testing. Valenzuela, who won the 1989 Kentucky Derby and has won seven Breeders' Cup races, has a history of substance abuse problems that have interrupted his career.

Richard Lidberg, a steward at Zia Park, said Valenzuela was licensed in New Mexico because he had no rulings against him.

Valenzuela's agent, **Tom Knust**, said Valenzuela is targeting the opening of the Hollywood Park fall meet on Nov. 7 as a comeback date.

Valenzuela said Sunday that he exercised three horses on Saturday and six on Sunday at Zia Park. He has not ridden since November 2006 because of a rib injury and subsequent knee surgery.

Source: DRF, Steve Andersen.

Trainer John Smerdon outed for five months

[AUS]--DRYSDALE trainer **John Smerdon** was yesterday disqualified for five months by the Racing Appeals and Disciplinary Board for giving false evidence in the long-running Incinerator inquiry.

Smerdon, who pleaded guilty, faced five charges of giving false or misleading evidence in an inquiry into the late scratching of Incinerator from a Winter Championship heat at Sandown last June. He will not appeal.

Fellow trainer **Kelvin Bourke** was cleared on three charges of giving false evidence.

Float driver **Len Moore** was fined \$1000 for making false and misleading statements while part-owner Christine Davis will face an adjourned inquiry into failing to comply with a direction from stewards and refusing to attend an inquiry.

Stewards scratched Incinerator from a Winter Championship heat because they believed the horse had received raceday treatment, which is illegal.

RVL investigator **Jim Monaghan** and a surveillance team were both involved in the stewards investigation.

Six blood tests taken during the day from 1.30pm to 8pm revealed no abnormal TCO 2 readings.

Four days later Incinerator won at Ballarat and returned an elevated bicarbonate or TCO 2 reading of 36.1 millimoles per litre, 0.1 over the legal limit. That inquiry is still continuing.

COLAC trainer **Brent Hollinshead** faces a stewards inquiry into an elevated bicarbonate or TCO 2 reading from his horse Black Forest at Warrnambool on October 16.

Source: [Australia] Herald Sun, Tim Habel, November 1, 2007

[New Zealand] : Commercial aspects of racing discussed



Photo: www.harnesslink.com
Delegates to the 19th WTC -
Will conclude their five day
conclave on Friday (11/9/07)

The commercial aspects of harness racing, including competing betting systems, betting exchanges, and online gaming were the topics addressed today by the delegates to the World Trotting Conference.

Alan Jackson, senior partner and managing director of the Boston Consulting Group told the delegates how New Zealand had restructured racing's tax rates, which brought more money into the industry and permitted it to compete with other forms of wagering on a more even competitive footing.

"Racing, all forms, comprise New Zealand's fourth largest industry," Jackson said. "It has 9,000 fulltime equivalent jobs and is responsible for NZ\$130 million in horse exports."

Jackson said the research was key to explaining why lawmakers were convinced to change the existing tax regulations. They were responsive and more than NZ\$25 million more is streaming into the industry as a result.

Another topic brought much discussion: BetFair, the United Kingdom's betting exchange, which has been a hot topic in much of the world. The Internet service "makes a market" between persons who want to "lay" and "take" bets, on races and other sporting events.

Its critics, of which there were several among the delegates from Australia, Britain and France, claimed that the exchange's feature, which permits bettors to bet on a horse, individual, or team to lose, opens too great a possibility of fraud.

Paul Bittar, CEO of New Zealand Thoroughbred Racing, although not actually representing BetFair, spoke on its behalf. He said its product was unique, and could statistically be shown not to have cannibalized other forms of legal wagering, and was able, because of its extensive records on who placed or laid what wagers, to answer the integrity concerns.

Graeme Hansen, CEO of the New Zealand Racing Board and **Bill Colgan**, general manager of wagering for the Board, spoke about online gaming, the global customer, and betting systems of the future.

They pointed out a very sobering fact: Internet wagering has become global, with one online site in competition with every other online site -- and every track and betting parlor -- and that sports betting, mostly in Europe at this time, has caused a great decline in the percentage of the total wagering dollar being bet on horses. They also could not foresee a change in that shift in the immediate future.

The delegates, upon the conclusion of the day's business, were feted by the Norwegian delegation, which will host the 20th World Trotting Conference in Oslo, in May 2009. Following that reception, a gala banquet celebrated tomorrow's impending conclusion of the Christchurch Conclave, after which the delegates will adjourn to Addington Raceway to witness the finale of the 2007 World Driving Championship.



*Source: John Pawlak, the U.S. Trotting Association
Courtesy of The US Trotting Association Web Newsroom,
November 8, 2007*

Trainer McPeek sues fen-phen lawyers over Curlin

Legal woes continue to mount for the two jailed lawyers who own a part of Curlin, the winner of the \$5 million Breeder's Cup Classic.

Trainer **Kenny McPeek** has sued **William Gallion** and **Shirley Cunningham's** Midnight Cry Stable, alleging it reneged on a deal to pay McPeek finder's fees and breeding rights on Curlin and other horses he identified as

Photo: Jockey **Robbie Albarado**, left, celebrates after riding Curlin to victory in the Breeders Cup Classic horse race at Monmouth Park race track on Saturday, Oct. 27, 2007 in Oceanport, N.J. (AP Photo/Mel Evans) (AP)

potential money-makers.

McPeek filed the suit on Friday in Jefferson Circuit Court alleging that the stable breached a contract calling for him to get a 5 percent commission on the purchase and selling price of Curlin and other racehorses.

McPeek also contends the stable reneged on another part of the deal calling for him to get two lifetime breeding rights on each horse retired to stud.

Gallion, Cunningham and another suspended lawyer, **Melbourne Mills Jr.**, are in Boone County Jail awaiting trial Jan. 7 on a charge of conspiracy to commit wire fraud, for allegedly bilking former clients out of \$46 million in Kentucky's \$200 million fen-phen settlement.

A senior judge ruled last month that ex-clients suing the three suspended lawyers are entitled to Gallion and Cunningham's 20 percent stake in Curlin.

But McPeek's lawyer, **Don Cox**, said that **Judge William Wehr's** order gives McPeek and other creditors first crack at the proceeds.

The suit says McPeek is "a well-known expert in the thoroughbred industry for identifying top racehorses" and signed a deal in 2002 to serve as Midnight Cry's consultant and purchasing agent.

Cox said it was McPeek who identified Curlin as a potential winner when Gallion and Cunningham bought the yearling for \$57,000 in 2005. They later sold 80 percent of the horse for a reported \$3.5 million after it won a 12¾-length victory in his maiden race.

Curlin's value now has been estimated at \$60 million to \$70 million.

Midnight Cry's lawyer, **Whitney Wallingford**, did not immediately return a phone message. Claims made in filing a suit only represent one side of the case.

Cox said McPeek's demands for payment under his contract have been ignored.

Source: The Courier-Journal, Andrew Wolfson, November 12, 2007

State is investigating Gulfstream Park

A Florida Department of Law Enforcement investigation at Gulfstream Park may revolve around promotional credits.

The Florida Department of Law Enforcement is investigating Gulfstream Park Racing & Casino.

FDLE spokeswoman **Paige Patterson-Hughes** would not specify the type of investigation at the "racino," though she did confirm the probe.

Gulfstream spokesman **Mike Mullaney** did not return calls Friday. **Bill Ford**, senior legal counsel for Magna Entertainment, the Canadian company that owns Gulfstream, said company policy is not to comment: "I don't think we're going to be prepared to discuss any investigation."

Las Vegas-style slots are spinning at three Broward County tracks: Gulfstream, Mardi Gras Race Track and Gaming Center, both in Hallandale Beach, and the Isle Casino at Pompano Park Harness Track in Pompano Beach.

Gulfstream has struggled for months in third place for revenues among the Broward casinos. State Sen. **Steve Geller**, a Hallandale Beach Democrat and an expert on gaming law, said he had heard about the investigation, though he didn't think it had affected the casino's thin bottom line.

"I believe that their financial picture hasn't looked so good because it hasn't been the best-run facility in the state," he said. "I don't even bother to learn the name of their manager because they have a new one every three or four months."

The investigation was first reported in a column by **Bob Norman** in The Miami New Times.

Records from the state Department of Business and Professional Regulation, which oversees the parimutuels, show Gulfstream with the lowest revenues of the three Broward casinos. At the same time, the track has the highest -- by far -- amount of promotional credits, which usually are free spins on slot machines designed to increase traffic at a casino.

A change in state law went into effect July 1, allowing casinos to deduct the promotional credits from their total revenues that are used to calculate the taxes they pay to the state, a DBPR spokesman said.

Before that, promotional credits were included in taxable revenue, he said.

In July and August combined, Gulfstream listed more than \$1.05 million worth of promotional credits while it generated only \$5.4 million in revenues. By comparison, Mardi Gras listed about \$108,000 in promotional credits while generating almost \$11.8 million in revenues for the same time period. And The Isle -- which only started listing promotional credits in August -- showed \$1,221 worth while generating about \$19.5 million in revenue.

In September, Gulfstream's promotional credits fell to \$295,000 from about \$609,000 in August. During that time the credits rose for the other two casinos, though neither approached the level of Gulfstream: Mardi Gras listed about \$119,000 and the Isle Casino listed about \$25,000 in September.

Both the state's business regulation agency and the FDLE have offices at each Broward casino, overseeing the financial and regulated aspects of the business and running criminal background checks on all employees

Source: Miami Herald, Amy Driscoll, November 10, 2007

Gilchrist Cited in CHRB Complaint

Trainer **Greg Gilchrist** faces a **California Horse Racing Board** complaint after a horse in his care, Yodelay You're Who, exceeded the allowable threshold for procaine in a post-race sample taken at Bay Meadows.

The Ken Maddy Laboratory at University of California-Davis made the determination, which is a Class 3 violation. Industrial Laboratories confirmed the finding of procaine in the duplicate sample above the authorized level. Procaine is a local anesthetic but is also found in penicillin G antibiotic preparations.

Yodelay You're Who finished first in the second race at Bay Meadows on Sept. 26, 2007. A hearing is scheduled Dec. 14.

Source: *Source: Blood-Horse, November 10, 2007*

Maryland Senate OKs Slots Vote

A November 2008 referendum on allowing slot machines in the state was approved by the Maryland Senate the evening of Nov. 8.

The vote was 31-15, according to the *Baltimore Sun*. The House speaker supports the measure, which requires a three-fifths majority vote, but there is opposition in that chamber, the newspaper reported.

As **Gov. Martin O'Malley** said earlier, the proposal calls for a total of 15,000 slot machines at five locations, two of them racetracks—Laurel Park between Baltimore and Washington, D.C., and Ocean Downs on the Eastern Shore.

The *Sun* reported that a bid by Senate Republicans to remove Ocean Downs from the proposal and replace it with Rosecroft Raceway, a Washington, D.C.-area harness track, failed. Rosecroft is located just minutes from well-populated Northern Virginia.

Rosecroft recently was purchased by Penn National Gaming Inc., which owns Charles Town Races & Slots, a West Virginia racino that lures Maryland gamblers. Ocean Downs is owned by William Rickman Jr., whose Delaware Park racino also attracts Maryland residents.

It remains to be seen how revenue from slots would be divvied up. Though Pimlico Race Course, home of the Preakness Stakes (gr. I), isn't included, it's owned by Magna Entertainment Corp., which also owns Laurel. Officials have said it's unclear whether slots revenue would be available to all racetracks in the state under a formula.

Source: *The Blood-Horse, November 9, 2007*

Calder: Purse Cuts Are Necessary

In response to statements made by the **Florida Horsemen's Benevolent and Protective Association** in regard to purse cuts, Calder Race Course president **Ken Dunn** responded Nov. 11 by saying the decision was based on simple economics and was absolutely necessary based on decreased business during the month of October.



Calder Race Course
Photo: Leslie Martin

"We never like to (reduce purses)," Dunn said. "It's unfortunate. But there is nothing in the statute that says you must negotiate or overpay purses. We closed our book for the month of October and saw that we couldn't afford to keep purses at their current level. Our goal is to come out even, but that doesn't always happen."

"We look at the numbers on a weekly basis and adjust depending on business. It's a terrible thing to have to announce purse cuts. Nobody likes it, but we had to make a business decision. We are a publicly traded company."

On Nov. 10, Calder, which is owned by Churchill Downs Inc., announced it would cut purses by about \$10,000 per day, or 7%, beginning Nov. 15. Citing a decrease in attendance and handle, the South Florida racetrack also canceled a pair of \$100,000 stakes. The Tropical at Calder meet runs through Jan. 2, 2008.

That announcement upset members of the Florida HBPA, including president **Samuel Gordon**, who called the decision "rash." Gordon also said Calder "had no regard for the horsemen. They didn't talk or negotiate. They just dictated terms. It has caused a big uproar on the backside. There is going to be hell to pay."

Dunn said Calder overpaid purses for the 2006 Tropical meet. He said horsemen receive 57% of every dollar bet at the racetrack.

Dunn cited a number of reasons for decreased business during the Tropical meet, which opened Oct. 15. "I think economic condition, weather, and added competition are the biggest reasons," he said. "There has been an inordinate amount of rain at bad times that has caused some of our big races to be taken off the turf. There are also three racinos in the area that were not here during the meet last year."

Gulfstream Park, Mardi Gras (Hollywood) Greyhound track, and Isle of Capri Casino at Pompano Park now have slot machines.

Dunn also said the decrease in purse levels equates to less than \$1,000 per race, and that the reduction was weighted so bottom -level races are affected less (3% or 4%) than upper-end stakes.

"You can only pay what is there," Dunn said. "The only way purses go up is if business goes up. We have a great relationship with the horsemen and we will continue to work together. The meet is short enough that we can evaluate this on a weekly basis."

Calder is preparing for a Miami-Dade County vote early next year on slots at pari-mutuel facilities.

Source: The Blood-Horse, by Jason Shandler, November 11, 2007

Philly Park Casino Plan Presented

After a delay of several months, Greenwood Gaming & Entertainment presented plans for a stand-alone casino on the Philadelphia Park Casino & Racetrack property to the Pennsylvania Gaming Control Board Nov. 8.

The gaming control board will now study the proposal and vote whether to approve Greenwood's application for a permanent license to operate slot machines. Its temporary license expires Dec. 18.

Greenwood's stand-alone casino would be about 260,000 square feet and be built about 700 feet from the racetrack grandstand. About 120,000 square feet would be dedicated for gambling, while a food court, upscale restaurant, entertainment area, and immense bar would occupy the rest of the space. No separate parking garage will be built.

A unique feature would be a 10-story-tall video screen, surrounded by two video screens ranging from five to seven stories tall, at the casino's main entrance facing Street Road in Bensalem Township.

"Think of it as our own Times Square," said **Dave Jonas**, Philadelphia Park Casino president and chief operating officer.

Jonas estimated construction on the casino would begin in early 2008, with a grand opening planned for December 2009.

Greenwood intends to restore much of the grandstand for horseplayers once the stand-alone casino is complete. The first floor, which currently has a small area for pari-mutuel wagering, would be opened up for live racing and simulcasts. But Jonas said it's likely some slot machines would remain on the third floor.

Sal DeBunda, vice president of the **Pennsylvania Thoroughbred Horsemen's Association**, told gaming control board racing fans have been inconvenienced "and, in fact, discouraged" from watching live racing and betting due to the current configuration of the grandstand. He urged the board to ensure Greenwood follows through on its new plans.

"Greenwood Gaming has failed to develop a facility which promotes both live racing and slots," DeBunda said, citing a total handle decrease of 13% for the year. "If anything, they have clearly promoted slots at the expense of racing."

The new casino plan is far different from the one Greenwood submitted to the board in March 2006 when it applied for its temporary slots license. Those plans called for a 300,000- square-foot, two-story casino with an adjoining parking garage for 2,000 vehicles, a 15,000-square-foot buffet, and room for 5,000 slot machines.

But Greenwood scrapped those plans in April, when it petitioned the gaming control board to change the status of its grandstand from a "temporary" to a "permanent" slots facility, claiming it had heavily invested in renovations. After a huge outcry from politicians, horsemen, and the public, Greenwood withdrew that petition.

Source: The Blood-Horse, Linda Dougherty, November 10, 2007

Have dollars, will travel (from home)

Regulators in California have opened the account wagering process to the masses, banging out an agreement among the interested parties to lift exclusivity provisions, thus letting the market dictate how the betting dollars will flow from home. The eight-month experiment began this week with opening day at both Hollywood Park and Golden Gate Fields.

For the first time, advance deposit wagering (ADW) customers who play the races from home can bet on any California thoroughbred race from any number of in-home wagering providers. In the past, exclusivity contracts between the ADW providers and the racetracks kept some tracks with some companies and some with others. It was a mix-and-match shopping experience for frustrated horseplayers who needed multiple accounts to place all their wagers, and more importantly, had no feasible ability to play their winnings from one account into another with any sort of acceptable ease.

The news release from the **California Horse Racing Board** struck a major victory for horse racing's fan base, its bettors. Dogged efforts by Internet message board readers and bloggers to have their voices heard struck a chord in this debate, and it will be interesting to see the financial impact of the decision.

Will more ease in the in-home wagering market mean more pari-mutuel handle for California's racetracks? Common sense says that's so. The caveat will be its impact on on-track handle, which long has been the cautionary crisis point for racetrack managers who dine on a much bigger slice of the betting pie when your \$2 is placed on-track vs. somewhere else.

While in-home wagering has made it much easier to place a bet, no doubt, the ADWs' internal squabbles and exclusivity battles have at least been a convenience hurdle that some horseplayers have opted not to leap and therefore remained loyal, on-track players. With convenience even more simplified, what percentage of on-track players now will find that betting from the Lazy-Boy beats standing in line behind a guy cashing a \$3.20 show ticket at post time?

At the end of the day, that's the only contentious point in the entire in-home wagering debate when it comes to the relationship between the racetracks and their fan bases. But it's worth noting that for every local, on-track fan you lose, there's an entire nation of horseplayers out there who can step up and replace

them if your product is good enough to dictate it. The tracks should be able to win the numbers game -- if they have something worth offering.

The second important financial impact to follow will be the competitive ADW marketplace. Will providers that have the best technical platforms, customer service and rewards programs win the wagering war now that the basic betting menu will be a drive-through variety for everyone? In the past, you were a Company A account holder because you liked to bet Churchill Downs or Del Mar or the Ellis Park 4-percent pick fours. Which tracks were available at which ADW providers determined your allegiance.

The coming eight months will be extremely interesting to watch the marketplace explode in terms of promotion, enticements and downright gimmicks. Every in-home wagering dollar interested in California racing (which is the most sought-after betting demographic in the industry) now is essentially up for grabs, including yours and mine.

How creative will the ADW providers be in luring horseplayers to their product? I can think of no better time for increased efficiency, customer care and innovation.

Sage advice for Breeders' Cup and beyond

Thanks to everyone who E-mailed me around Breeders' Cup time, some to ask for advice, some to deride my picks, some to say thanks after the event for a nice score based on a bit of information provided here or there. One E-mailer told me I was flushing my money down the toilet, and, in hindsight, I have to admit that I could use the number of a good plumber right about now.

In the interest of fairness, I have to say I had a lousy wagering experience at the Breeders' Cup this year after a blockbuster 2006. It's become my experience that you're either honed in or zoned out when it comes to racing's championship day.

Over the past 24 Breeders' Cup renewals, and I've bet them all, my wagering log has an "all or nothing" look to it. Part of the reason is "feel." When you have a good "feel" or "handle" on particular circuits, it makes handicapping the Breeders' Cup a more decipherable combination. When your "feel" is right, you can break down the regional and international races with similar success throughout the eight (now 11) divisions. When your "feel" is wrong, my experience is that it trickles down incorrectly through the divisions. No doubt, my "feel" for the prep season was off kilter, and, hey, it happens.

When two horses I took major stands against, Indian Blessing and War Pass, whistled past the Juvenile Fillies and Juvenile fields to open the program, I knew I was taking up residence on Done Street for the day. In fact, the best bet I made all weekend came after those races; I peeled back my confidence level and passed several upcoming races altogether and made smallish bets on some of the others. When you're wrong, you can't be bullish and force winners.

As a beloved, late friend and southwestern handicapping icon Dale "The Ole Radio Man" Wood used to tell me over and over, "Son, the less you bet, the more you win when you lose."

(Jeremy Plonk is the editor of The HorsePlayer Magazine and its Web site, HorsePlayerdaily.com. You can E-mail Jeremy about this topic or any other racing-related topic at plonk@horseplayerdaily.com.)

Source: sports.ESPN.go.com, Jeremy Plonk, November 8, 2007

It's official: Guidry training to be one

Mark Guidry is trading boots for books.

The jockey, whose 5,042 victories rank 21st all time, today begins the eight-day Racing Officials Accreditation Program conducted by the University of Louisville. Guidry will ride only one more day: Saturday, when he'll be aboard Bel Air Beauty in Churchill Downs' Grade II Mrs. Revere Stakes.

The accreditation program is a required step toward the 48-year-old Guidry's goal of becoming a steward. He intimated he would quit riding after his 5,000th victory -- on Kentucky Oaks Day -- but eventually pushed his retirement to when the stewards' program began.

"I think it's just time, that's all. Time for another chapter in life," Guidry said yesterday at Churchill Downs, where he rode three races.

"I think I have a lot to offer. I've been through it all on the racetrack."

When it was suggested that he'd take a sizable pay cut from jockey to steward, Guidry said, "It's not salary. ... I had a great career. I'll still be able to be a big part of the game and give something back to the younger riders. ... I'm sure it would make a bigger impact on a rider saying, 'Sorry, I've got to give you these three days (suspension), but I want to show you why.'"

Jockey **Robby Albarado** said Guidry will be a "great" steward because of his extensive background.

"He can speak to anyone from the groom with one horse to President Bush," Albarado said. "I think he'll be respected more than a lot of stewards. They get respect, don't get me wrong. But there's nothing we can try to get over on Mark. He's seen it; he's been there. He knows."

Guidry, whose mounts have earned more than \$100 million, rode most of his career primarily in his native Louisiana and in Illinois, where he dominated Chicago racing in the 1990s before adding Keeneland and Churchill to his circuit in 2000. He tied **Rafael Bejarano** for the 2005 Churchill fall title.

His highlights include being voted the George Woolf Award winner by his fellow jockeys in 2006 and winning the 2005 Santa Anita Derby on long-shot Buzzards Bay and the 2006 Kentucky Oaks on 47-1 Lemons Forever. One lowlight was a 1989 drug binge that, in his words, had him "low as an earthworm."

While not proud of everything, he said he believes that range of experiences will help him as a steward. "My past hasn't been a colorful one the whole 32 years of my career," he said. "But I have lived, and I have learned. Maybe I can bring that into the stewards' stand."

- Mike McCarty's Storm Treasure, the 11th-place finisher in the 2006 Kentucky Derby, rallied from off the pace to win the \$52,040 feature race by 11/4 lengths over Malameeze.

Source: The Courier-Journal, Jennie Rees

Industry Meetings and Events Calendar

2007

December

3-6 Arizona Symposium – Westin La Paloma – Tucson, AZ
Contact info: 520-621-5660

5 RCI Board of Directors Meeting – Tucson, AZ

2008

February

17-20 HTA / TRA Joint Annual Meeting, Renaissance Vinoy in St. Petersburg, Florida

2/29- 3/3 American Quarter Horse Association Conference

March

24-28 RCI Annual Meeting and Conference on Racing Integrity - Driskill Hotel , Austin, Texas.
Additional details with be forthcoming.

If you have events you would like to add to our *RCI Bulletin* calendar, please email mliles@arci.com

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From: Peter Burnett, RCI Chairman; Ed Martin, RCI President/CEO.

Variety of Speakers

Panel Discussions

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Details on registration and special room rates & hotel reservations will be posted on ARCI.COM when available.

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