



THE UNIVERSITY
OF ARIZONA.

Race Track Industry Program

TUESDAY, DECEMBER 6, 2005

POLITICS, SCIENCE, MONEY AND BREEDING

Sponsors:

Panel Session: Del Mar Thoroughbred Club

Refreshment Break: HorseRacing TV

Moderator:

Dennis Brida, Executive Director; New York Thoroughbred Horsemen's Association

Speakers:

Doug Burge, Executive Vice President and General Manager; California Thoroughbred Breeders Association

Dr. Betsy Greene, Associate Professor; University of Vermont

Mark McDermott, Executive Secretary; Pennsylvania Horse Breeders Association

Martin Kinsella, Executive Director; New York State Thoroughbred Breeding Fund

MS. WENDY DAVIS: All right. Welcome to the first afternoon session of the first day of the Symposium on Racing and Gaming. This is "Politics, Science, Money and Breeding." What a great panel this will be.

At this point I would like to turn the panel session over to Dennis Brida, and anyone who is going to come in, come on in, come up to the front, we're going to close the door because I understand there's going to be a test and you can't leave. There will be pieces of paper distributed and your answers are needed.

Thanks, Dennis.

MR. DENNIS BRIDA: Thank you, Wendy. David, I see you're here so we can start this. First of all, I would like to welcome everybody coming here to this, and certainly when I look at the topic politics, money, breeding, it seems to encompass a whole lot of things. Hopefully we can enlighten you at least to how some of the breeding programs work at various states that we have here, and I have an illustrious panel to do that.

I also have an academic on the panel who is going to talk to you about equine research that she's done over the past five years, and I think you'll find that very interesting as well.

But first of all, I think a couple things that we need to talk about initially, and when I think about science, breeding and money, we're going to conduct a little poll today that might be a little controversial but I think it's just a straw poll, we're doing it because we have a lot of people involved in breeding here and I think I would like to reveal the answers to that after the session, at the end of the session, anyway.

Two students, Dorothee and Jonathan, if you could stand up, please, they'll be passing out a piece of paper, Loews Ventana Canyon free paper. I would like to ask three questions of all of you, and you can answer that today.

When we're talking about science, money, breeding, these are three pressing questions that everybody who, when they heard the title of the panel, thought that we would be talking about. And since it's not on our agenda here at the top I think we put it on the whole agenda, and here are the three questions I want to ask you, and this is anonymous, you don't have to put your name on it, you don't even have to put on what state you come from. But these are the three questions I would like you to answer.

First off, number one, the number one question, you only have to answer three questions, the answers are yes, no or no comment, okay? Those are your three answers. Do you think the time has come to explore artificial insemination as far as thoroughbred breeding is concerned? Either yes, no or no comment.

Second question. Do you think the time has come to limit the size of stud books for breeding purposes? Okay. Everybody got those two answered? You can be very honest. We're not going to take any fingerprints or anything on these and report them to anybody. Just for our own poll today.

And the last one is another simple question, do you believe as part of the industry, you are all members of the industry, do you believe that AI is now going on illegally in the United States as far as thoroughbred racing is concerned, thoroughbred breeding is concerned?

Those are just three questions that I was asked to ask and I'm doing it, and as soon as you fill out the papers, we'll give you five or six minutes and then we'll have the students collect them, they'll shuffle them, we won't be able to identify anybody so you can be totally honest about those three questions, and did anybody not understand any of those questions? Did anybody want my to repeat them?

Okay. Now just to get back to our panel, I think that a lot of the different states in the United States have different breeding programs, and it certainly is evident from everybody I've spoken to. And there's a certain uniqueness about each state that kind of makes a difference and also makes programs work differently. I know. I

come from New York and I have Martin on our panel so he will be able to tell you a little bit about New York, but I mean just look at it, Kentucky has KEEP, Kentucky programs to educate, equine program, educate. If that was in New York we would have to call it NYEEP and if it was in Pennsylvania we would call it PEEP, but what I'm saying to you, states are so different and unique that you will find out today.

We have now not the two leading breeding states in the United States here Kentucky and Florida, we have as the two top breeding states in the United States, but we do have probably three, four, five here, if Texas is not in the room or Louisiana, we can get away with that but everybody seems to say if you're from New York or Maryland or Texas or California that we have the fourth leading breeding state in the United States because it's so close, but these programs are unique and they all work for each of our states and that's why these people are here today, and I think you will find that in Pennsylvania there are some new and exciting things happening.

The breeding industry basically, when it's presented to our state legislature, is the cornerstone of every argument for why the legislature should help fund racing. When the thoroughbred tracks go to the state legislature they always talk about the green space, they always talk about the breeding program, the jobs and the farms and how good it is for the state economy, and if the horsemen go, they talk about it, too.

But when it comes down to the actual doling out of money for programs, it's sometimes very difficult for the breeding funds to get their fair share of that money. Little tiny bits are always given to the breeding industry, and I always wondered why the entire industry wouldn't be behind giving the breeding industry more money because it is the farms and where the horses begin, the quality of your horses begin, the safety of your horses begins.

It also starts with the breeding program, and I think that the more and more emphasis that's placed on them, the better the whole industry will do. If you look at New York, we have taken over as the number one agricultural industry in the State of New York right now is thoroughbred horse breeding, more so than the dairy farms.

And when you go to the legislature to look for money and you're telling them you're the number one agricultural industry, you have a much better chance, A, to help racing, help racetracks, help percentages, but let's not pay lip service to the breeding program.

I think that people in this industry should really get behind the breeding programs in every state and push them because I think that's the answer to ultimate success of the entire industry. It starts from the foals and it goes right on through racing.

On my panel here I'm going to start first with Doug Burge. Doug Burge is from California. He has been one of the great innovators in our game, one of the rising

stars and as far as New York to California, we have heard nothing but great things about Doug. I'm going to ask him to talk about his program right now. Doug Burge.

MR. DOUG BURGE: Thanks, Dennis. I'm going to let the rest of my panelists here talk about science and politics and I'll focus on money, which is what we usually like to focus on in California, anyway.

In California we have one of the largest incentive and restricted racing programs in the country, and being somewhat of an island and very dependent on the horses we produce locally, as Cal-breds make up over 50 percent of the field sizes north and south, it's very important that we have such a strong program in the state.

Looking at the first slide here you can see that we've got \$35 million that's annually allocated in incentive awards, restricted purses. You've got 14 and a half million dollars in 2004 that were paid out in incentive awards. Over \$19 million in restricted purses for California-breds. That also includes the Sunshine Millions which is our series with Florida-breds.

There's another million dollars-plus that's actually allocated out of the purse account through your joint CTBA TLC 30 percent bonus program in open company.

The incentive award funding, we get a little over a half percent of total on-track, off-track. We also get a percentage of total handle deducted from purses, we get a percentage of the out of state handle, and what's not shown here is we also receive a percentage of the account wagering handle as well in California. The total as I said a little over 14 and a half million.

Here's how the money basically is broken down, and this is by law, we get a five percent off the top, 10 percent of the amount remaining goes to our Cal-bred race fund which is a million, almost a million-four, which basically is used to supplement restricted stakes races. About half the money actually in that fund goes towards Cal Cup Day, for instance.

The owners' award, this is just the amount of money that we pay, it's 20 percent win only in open qualifying races. We don't pay any owners awards in restricted company. It's all in open company. This basically is paid, comes right off the top. It's advertised as part of the purse. It's made available and paid within 72 hours.

And then after those three deductions, you get the amount of money remaining, basically 75 percent of that goes to the breeder awards which is a little over \$8 million and 25 percent to stallion awards.

Okay. I'll try to explain this. As a breeder award recipient, basically the percentage dividend that you receive as a breeder or stallion owner, it's based on this formula and it's the amount of money that comes into the pool which is that \$8.1 million, and you divide into that the eligible qualifying purse winnings, which in the case of last year that was about \$53 million. You come up with a little over 15 percent as the breeder award percentage.

So as a breeder of a horse, I have basically a 15 percent investment in that horse the rest of it is racing life with no bills. Better than being a trainer.

The stallion award, very similar quotients there, percentage is 14 percent and the owners' award, as I said, I'm just talking right now about the amount of money that we pay in owners' awards, and that's roughly 1.7 million dollars.

Qualifying races, they vary with the breeder awards. Basically, if you breed a horse that hits the board, runs first, second or third in any race in California, you're going to get your breeder award.

Obviously the higher the purse, the better the race, the higher the award. We also pay breeders' awards out of state as well in graded stakes races.

One thing with both the breeder and stallion awards in-state and out of state when you talk about graded races, for example, there are maximum purses considered so that say when Tiznow, when he won the Breeders' Cup Classic, his breeder didn't get 15 percent of the amount of money that the horse earned, because there are maximum purse levels considered. And if it wasn't the case, then basically a horse like that could eat up the entire program.

Stallion awards. Stallion awards are win only and they are in allowance and certain claiming races. Basically most of those claiming races, they are all high-end claiming races, both north and south. We also pay a stallion award, second and third, in any stakes race in California and, again, first through third in any graded race within the state.

And actually with the stallion award it doesn't necessarily have to be a Cal-bred, you know, California-conceived horse, say it's a Kentucky-bred by In Excess wins a graded stake or wins a qualifying race, the stallion will receive the award.

And then the owners' awards, this is the joint program I was talking about, it's a 30 percent bonus paid only in races in California finishing first through fifth, and these are open allowance or overnight stakes races.

So when you beat that half a million dollar Kentucky-bred not only are you going to get the purse that's available but you're going to get 30 percent on top of that. The program that we administer, the 20 percent part, also comes into play in certain claiming races where it's win only and it's 20 percent. Once again, owners' awards are paid strictly on races in California.

So you can see this graph here shows sort of the trend the last five to six years of total amount of incentive award monies has been pretty stagnant, right around 14 and a half million dollars but it is a significant increase from where we were 10 years ago.

Now we'll get into the restricted racing opportunities that are available. As I said earlier, there's about \$19.3 million that's paid out annually in races restricted to Cal-breds. As you can see, the focus here is quality. The bulk of the money, 46 percent of the money that's allocated, is paid in stakes races. Also, the maidens or the maiden allowance and the allowance races.

And to compare that to where we were 10 years ago, maybe difficult to see this, but on the top left-hand side here this is where we were in '95, \$15 million available as compared to over \$19 million today, and not only are we paying more money in restricted races but also you can see the shift from 39 percent of the money was paid in claiming races 10 years ago, now it's down to 14 percent with more focus on stakes caliber horses and more money paid in maiden allowance races.

Other racing benefits. I talked about the 30 percent bonus in open company which is very important. One of the things that's really popular that provides a tremendous incentive to have a Cal-bred, especially a good one, is the second here where you get the first condition allowance twice, after you win your, break your maiden, you go through your first condition restricted, you're still eligible for the non-winners other than open, and when you win that open allowance race, you're also going to get 30 percent on top of that.

So to put that in perspective, say it's at Del Mar, for instance, with a Cal-bred, you go through your first condition, it's about 60,000 more than it is to the non-Cal-breds. Very significant.

Also, the late Senator Maddy, seven, eight years ago put this bill through for us that for the racetracks have to allocate at least 10 percent of their total stakes dollars to Cal-bred stakes. That's one of the reasons why we have been able to get the stakes money up to where it is today, and it's in the law that the tracks have to write at least one Cal-bred race per day. In Southern California we're actually averaging about two races a day.

If you look at the purpose of the incentive program in California, and it's by law, it's to encourage agriculture and the breeding of better horses. So when you review a program like this you're looking to see if it's, obviously, if it's serving its purpose and if it's doing its job.

We're looking at both quantity, encourage agriculture and quantity of breeding better horses. From the quantity side of the equation you can see the mares-bred numbers. Significant increase since the late nineties. Actually if you go back into '94, '95 it was a lot less than what we're showing here in '98.

The one thing that is discouraging, I don't have the 2005 numbers up yet but what I've seen so far I think we're probably down actually about seven or eight percent.

And then the foal crop, a similar trend, you can see that it's climbed. We're putting over 4,000 foals on the ground, you know, the third highest state behind Kentucky

and Florida. Here you can see that with the national foal crop, California is representing over 11 percent of the national foal crop.

Earlier I mentioned that Cal-breds make up over 50 percent of the field sizes north and south, so you can see here you have basically 11 percent of the foal crop making up over 50 percent of our field. On one hand that obviously shows the importance of California-breds but at the same time it's not necessarily healthy that 11 percent of the foal crop is making up over 50 percent of our field. Obviously it's one of the reasons why you continue to see some of the short fields that we continue to see in California.

From a quality standpoint, you look at our stallion population, it's probably one of the best in the history of the state. That's in part with the stallion awards. I can't tell. Typically 10 years ago stallions were to become popular in California you couldn't justify keeping him in the state and he was gone immediately and that was the end of him. We haven't had a hot stallion leave the state in a number of years now and a lot of that is due to the overall program and the stallion awards as well.

As I said, being an island and being very dependent on the horses that we produce locally, it's important for us to have such a strong stallion pool.

Also, from a racing standpoint we continue to win numerous races across the state. We're putting a better product out there. We have had more Grade One winners this year than we had in the last couple of years. Only downside is we can't seem to beat the Florida-breds in our Sunshine Million Series, but we're working on that one.

Here's our trend in our yearling prices, our commercial market for Cal-breds over the last 10 years. You can see that basically the average has more than tripled since '95. The reasons why obviously is what I went through earlier with all the opportunities that are available plus the fact that we are putting up from a quality standpoint more desirable horses around.

Finally, I just wanted to fill through some stats here that illustrate the importance of California-bred races on the wagering handle. As you can see here, this is from last year, these are CHRIMS numbers. I didn't make these up. You have Cal-bred races on the right-hand side, all races on the left-hand side. Average runner per race, 8.2 versus seven and a half.

And as a result, the handle is significantly stronger in the restricted races. I think that sometimes you hear people say that restricted racing is not as popular from a betting or handle standpoint. You look at this and look at what I kind of like here, you look at the out-of-state handle and you see these people went to New York and elsewhere betting these Cal-breds, and it's because you put full fields, competitive fields out there and people are going to bet on them.

So, in conclusion, I think it's obvious that the Cal-bred programs are a vital part of racing in California. With that said, there could be significant — or not significant —

but there could be some modifications or tweaking to the program. We're always open for suggestions. We get together frequently with the racing secretaries and track managers and go through this exercise and see what changes need to be made.

But the bottom line is if you think we have short fields now, without this program we would be in serious trouble. Thanks.

(Applause)

MR. BRIDA: Thank you, Doug. Sure appreciate it. Anybody have any questions for Doug? Anybody have any questions?

Our next panelist, Martin Kinsella, is the executive director of the New York Thoroughbred Breeding and Development Fund. It's a public benefit corporation made by the state. Martin has been there for six years and he's been the overseer of the program during its most growth. The most amount of New York-bred races. I think when Martin started we had just under 400 races, New York-bred restricted races per year, and now this year it looks like it's going to top 750; just a constant uphill climb.

Martin.

MR. MARTIN KINSELLA: Thank you. Thank you very much. I'm going to be probably more brief than Doug. I don't have a presentation. I can tell you, though, that the New York program by and large is — I didn't know that as much until I just listened to Doug — is very, very similar to the California program in terms of the percentages that the New York Breeding Fund pays out and, coincidentally, most of the dollar amounts are very similar, so I learned that the New York program and California program are pretty similar in size.

I will tell you that some things that are different that we do in New York are and, Doug, maybe I missed this on part of yours, we don't pay out owners' awards in restricted races and we also pay out a lower stallion award than in California. We pay out six periods a year.

The New York Breeding Fund was formed approximately 30 years ago to combat rapidly reducing number of acreages in New York associated with dairy farming.

Dairy farming in New York used to be the number one agricultural business, and about 30 years ago dairy farms started drying up and the state created the breeding program as a green space or a working landscape to build green space and it's been tremendously successful. New York has well over 40,000 acres, and it's growing every year, affiliated with thoroughbred breeding.

New York has approximately 45,000 employees in the New York breeding and racing program which doesn't have as much impact as we sometimes would like, and we like to tell our legislators in Albany that if the breeding program was one

company or one industry, we would probably be the largest, or among the largest, employers in the state.

Because we're spread through probably 40 of the 60 counties in New York sometimes our impact is a little bit lost and we find ourselves going to Albany, Dennis and I and others, to educate and reeducate people on the importance of the breeding program and why it's crucial to the agricultural heritage that New York has.

We were created as a public benefit corporation which is sort of a murky kind of organization in statute. We're not really a state agency and we receive no state tax money and we receive no state appropriation from the legislature. All of our revenues are derived by handle, more so if you make your bet at the racetrack. A little bit less, though, if you make your bet at any of the OTBs. And that revenue equals approximately \$16 million a year currently. Been approximately 14 to 16 for the last number of years.

As many of you have probably read, we have been successful in New York legislatively and despite some legal challenges, with the VLT program that's in, I think, three of the six harness tracks right now and only in one of the thoroughbred tracks out at Finger Lakes in western New York, and we anxiously await the VLT revenue that we expect to gain from the 4,500 machines down at Aqueduct.

The delay behind that is lengthy and I'm not going to go through it here, but it's legal and political and otherwise having to do with some legal problems at NYRA, having some racing problems. But the breeding fund, and Dennis and I were involved in this for a number of years and it was probably our largest priority, is slated to receive probably in the neighborhood based on gaming analysts' estimates on what the population density in around Aqueduct Racetrack can produce, probably \$7 to \$9 million annually to the breeding fund.

Overnight, and probably not in 2006, I think that's too optimistic to think that, Aqueduct will have VLTs running, up and running, even though they haven't started construction. But probably in 2007 going forward we have an agreement that was recently completed with the horse association and with NYRA that would take the breeding fund from approximately \$15 million to \$23 to \$25 million really overnight, and with that extra money will come a whole host of issues and challenges and opportunities.

And one opportunity we have that differs from the Cal-bred program is right now in New York the New York Fund is prohibited from paying any award money to any New York-bred who competes outside the borders of New York State. All of our money is restricted to those four thoroughbred tracks in New York, three NYRA tracks and Finger Lakes, and there are people in New York who have been calling for expansion of the program and an opportunity to award some money to out-of-state success.

Another differing component from Cal-bred program is we are also charged with the advertising and promotion of New York as a place to breed thoroughbreds so we do have a small percentage of our annual revenue that's allocated to promotional efforts. Approximately \$700,000 a year, so other than the administration of the fund, we are charged with that. And also by statute we have a mandatory two percent of all of our revenue goes back into the industry in the form of equine research, which is done excellently down at the equine center at Cornell University in the southwest near Syracuse.

It's a great school and a great equine school, and they are doing some phenomenal things with some equine research money that we get. They attract really the best world's molecular scientists and stuff who are dealing with the equine medical breakthroughs.

Another thing that is different, I think, not that this is necessarily a comparative thing, but I was struck with how similar our programs work, was we have a much larger restricted race opportunity. We in New York wish that we had in statute the fact that the four tracks must write a minimum number of New York races. We don't have that. California has a mandate of one per day. Ironically enough, in New York it's one per year. Which was in typical New York racing politics, had to be something that was inserted in the middle of the night and really nobody caught it.

So that all being said, we have probably never — not probably — we never have had this many restricted race opportunities in the history of the breeding program. Actually, Dennis was a little modest. We may reach 800 restricted races in 2005 and we're seeing a lot more fuller fields.

NYRA is writing three or four restricted races every day, so New York-breds have more opportunities than ever in New York to run, and it was not long ago that New York-breds really were used as the backbone for the NYRA franchise but only really during the Aqueduct winter meet; and as the weather improved, both in the spring and in the fall in Belmont, New York-breds are not relied on as much, and certainly in the six weeks in Saratoga, we really were passed over. And so the point of consternation.

And even this past year in Saratoga New York-breds had plenty of opportunity to run and NYRA wrote a lot of restricted races. And I think — I know this program is about politics and breeding and science. I know nothing about science, so I'm not going to touch on that. But I think the politics in New York are complicated right now. It is unclear who is going to be running the NYRA franchise, if it's going to be NYRA itself or a reconstituted operation or a conglomerate of outside interest or whatever, but that all being said, the climate for cooperation for the most part is probably as good or better than it's ever been on a personality level.

There was a time not too long ago that factions within the thoroughbred industry in New York really were at tremendous odds with each other and had poor relationships, and I know the last couple years that's changed and I think that some of NYRA's legal problems in the last couple years may have come too little too

late and are probably irreversible, and there may or may not be a different operator, but I know from a cooperative point of view that the breeding program and the breeding fund and Dennis' breeders association and the thoroughbred owners in New York have a very cooperative relationship.

We speak typically with one voice in Albany, which if any of you know anything about politics, it's very difficult. I know that each time we go to Albany for a small measure or a large measure there's always the question that we get is is the industry unified, and typically we haven't been.

I was mentioning earlier in the breeders' workshop some fellow from Arizona was talking about some breeder and owners' associations don't rely on lobbyists and PR people that much and really should as a way to let legislators know and policymakers know the industry is vibrant and important and could be lucrative; that they should use lobbyists a little bit more.

I was laughing about that because I was quick to point out that New York must be the anomaly because there's not one thoroughbred, one horse association or thoroughbred or harness, every OTB, we have six regional corporations, every racetrack, every other constituency has a battery of lobbyists who all trip over each other and fight with each other.

That has led to New York's racing laws being the most dysfunctional and most difficult to understand, even among the people who wrote them for a number of years.

So the politics of breeding and the politics of racing more so in New York are — we're at a crossroads, it's complicated right now. There are a lot of people who are unsure which direction New York racing will be going, but I know that 2006 is going to be a difficult year financially for some components in the industry; but no matter what happens with the racing in New York with respect to NYRA franchise, the VLTs are going to be up and running in 2007. We don't know who is going to be running them.

There's going to be 4,500 machines. The purse structure is going to go up at the three NYRA tracks by approximately \$45 to \$50 million which will bring purses at the three NYRA tracks to about \$175 million and the breeders' award, the breeding programs just in terms of the awards and purse enrichment, as I said earlier, will be \$25 million, and that doesn't count all the restricted race opportunities that we're going to have.

2007, everybody knows, will be a very good year. Just might take a little while to get there.

That's the status of where we are in a macro sense in New York without going into all the details of how we award the money and all that. I would be happy to answer questions when we're done.

MR. BRIDA: Thank you, Martin.

Anyone have any questions for Martin?

Yes.

A VOICE: I would like to know what percentage breeder incentive program is receiving from the new law agreement on the total money available?

MR. KINSELLA: Without getting into too much of the specifics because the way it was done in New York was that the respective breeding funds, the thoroughbred and the harness fund, entered into a three-way agreement with their respective racetrack operators, so fortunately on the thoroughbred side the breeding fund and the New York Horseman's Association have one arrangement that was recently concluded with NYRA and we have another one that's pending with Finger Lakes.

On the harness race, that harness fund has presumably five or six different contracts all with differing percentages with their six different harness tracks. Our percentage with NYRA is exactly what it was supposed to be in the legislation that was passed in 2001 and then declared unconstitutional and up on appeal, declared constitutional, and we received approximately in years one through five, 1.25 percent of the gross.

And the way that's filtered down in New York is because this money is going through a central service, central server through the New York Lottery System, the lottery system collects 61 cents of every dollar for education and 10 percent admin fee and then the remaining 29 percent is whacked up between the racetrack and the breeding fund and the horsemen's association.

The breeding program, in order to keep pace with the increasing purse structure at NYRA, it was imperative that the breeding program got in the neighborhood of 15 percent of whatever the horsemen were able to get. So that's really the numbers we based it on was about 15 percent of the horse, the purse structure.

MR. BRIDA: Any other questions?

Okay. Several years ago I was invited to address the Pennsylvania Breeders' Association. Mark McDermott set it up for me. Him being a betting man, he wanted to make a side wager on whether Friend's Lake or Smarty Jones would win the Derby that year. Me being from New York and being of interest, I took that wager and Mark and his whole group of Pennsylvania breeders were sitting in a box at the Travers on Travers Day the next year because I lost that bet.

But, anyway, at that time Mark didn't have VLTs, the Pennsylvania breeding program was not what it's going to be and I guess the questions we have for Mark right now is what's the deal now with Pennsylvania now that you have got the VLTs, what's the status of it, how did you do it and how much of a role did Smarty Jones have to play in all of that?

Mark, you're up.

MR. MARK McDERMOTT: Thank you, Dennis.

My answers were A, or yes — yes and no and no comment. And because I answered yes and no, my ballot has been voided so that takes care of that.

Many, many years ago when I was doing an internship with the Daily Racing Form I had the privilege of being a go-for for one of their esteemed columnists by the name of Teddy Cox, and as a result, Teddy used to come into work at three o'clock in the afternoon and leave about 3:10 after he checked my story and made sure it was all right and then put his name on it.

Then one day he was pretty busy with the pencil editing things out, putting in quotes that I had no idea where they came from and, "Excuse me, sir, but he didn't really say that." And Teddy, if any of you remember, was kind of a W.C. Fields character, out of the corner of his mouth he said, "Listen kid, you know, if you ever want to be a writer in this business, you never let the facts interfere with a good story."

And most of my presentation today was made up on that premise, but I see a lot of people from Pennsylvania here so I'm going to have to try to stick to the facts.

Pennsylvania enjoys a long and storied history with breeding and the racing of thoroughbreds that began back in the 19th century in the Derby at Epsom Downs with the winner of a horse by the name of Iroquois, foaled right outside of Philadelphia, and down through the years there have been several more right up to last year's entertaining run at Triple Crown by Smarty Jones.

The Pennsylvania Horse Breeders Association was incorporated in 1948, over 20 years prior to the legalization of pari-mutuel racing in the state. The breeders association also enjoys that long and storied history. We've had steeplechase racing, point-to-point, fox hunting and just the general breeding of thoroughbreds without being sustained by an active racing program, so once racing was legalized, it was just a matter of time before the establishment of the Pennsylvania breeding fund program.

This occurred in the early 1970s when racing on the eastern seaboard was very, very frequent and very competitive amongst tracks from New England down through Maryland, Pennsylvania being the new kid on the block had three thoroughbred meetings going simultaneously and none of them were doing very well.

Our horses were being hustled trying to get them into Pennsylvania and it wasn't very long before the powers that be recognized that there needed to be a source of product to support racing in the state, and therefore the Pennsylvania Breeding Fund Program was established.

After surviving a legal challenge as to the propriety of whether or not a private association could administer a state program, we were successful in defending that. The program got under way and shortly thereafter breeding and stallion awards were being paid.

By in mid-summer of '75 this was all occurring, and shortly thereafter I was hired as the executive secretary of the association, and I have been there since.

All of racing in Pennsylvania is strictly governed by statute and/or state regulation. The state government through the legislature and its various commissions is viewed as the racing and breeding industry's board of directors. And the policies of these bodies, the allowances and prohibitions, all directly impact the operational business plans of each of the industry's participating entities.

So by necessity all of the entities have all developed relationships and strategies to insure fair and favorable treatment within the official arena.

Pennsylvania Horse Breeders Association singularly are in concert with the thoroughbred and standardbred communities in the state, has had a direct hand in successfully affecting the passage of legislation regarding several aspects of the state pari-mutuel industry.

And among them we have been able to increase breeding fund and purse money. We were instrumental in legislation which placed the Pennsylvania State Horse Racing Commission into the Pennsylvania Department of Agriculture. When racing was legalized in 1969, our governing commission was an independent commission something like what they have in New York, one of these public benefit corporations that really has no boss or guidance and is basically adrift in the legislative sea.

So that was a very important thing that we were able to do and allowed us to identify with the agricultural community. Other legislation has increased breeding fund incentive award percentages. We have legislation which provides for PA-bred restricted races, overnight and stakes. Legislation to establish telephone account wagering was passed back in the late 1980s and amended in the early 1990s, and Pennsylvania was a pioneer in this field.

Other legislation authorized intra-and interstate simulcasting. Very importantly, we were able to get behind a bill to be enacted that eliminated state sales tax liability on all purchases related to the breeding, raising, training and racing of thoroughbreds and standardbreds.

We were also part of an effort to successfully override a sitting governor's veto of legislation which allowed for off-track betting parlors throughout the state.

And then finally last summer legislation was enacted to allow slot machines at licensed tracks with a significant share of the tax revenues to be directed to the Pennsylvania Breeding Fund Program and purses. The results speak for themselves.

And I would just like to share a few observations of why I think Pennsylvania's breeders and horsemen have been so successful in dealing with both industry segments and our legislators. First is how many votes legislatively the association through its membership can take credit for. That's very important.

If you can come to the table saying I've got six votes, I've got 12 votes, or whatever, then you get a seat. Now, the membership rolls of a breeder association are mostly represented in rural areas which have little or no connection to racetracks and the horsemen that are participating there.

So the agricultural aspect of our enterprise, breeding, enables us to gain the attention and support of legislators who would normally not be involved nor would they be interested in racing-related action. All of these get us a good seat at the industry's table. On the other hand, you have to be very vigilant and very realistic so as not to overestimate who was on your side and how solidly they are behind you.

Know the legislative process. And the political process. And how they both work. And who are the key people that make them work. Know that the process, when it involves politically sensitive issues such as gambling, has not always followed the legislative pathways that we all learned about in basic civics and government classes. Instead, the loopholes of parliamentary procedure are utilized to keep most of the particulars from too much public discussion and to streamline or fast-track such sensitive bills.

The political needs of an association are several. One is we think that we need an operative on the inside who can provide us with information; that person being either a lobbyist and/or a public affairs consultant or a public relations spokesperson. Very, very definite. That was pointed out this morning about the lack of an identification with the industry at the legislative level and people, if they don't have a direct line to this industry, they know nothing about it and they care even less.

A political action committee is not a bad thing to have either. You find out that you certainly can't compete with the big boys. Our organization is made up of several individual backyard breeders, some commercial breeders and whatever, but it's an organization of many individual members.

The big players can write the big checks. But the point is if your association is vigilant enough to establish a political action committee and use that money to the wisest that you can as far as showing your presence at the various fundraiser's, my own experience is that at some of these, the more powerful politicians are more inclined to talk with someone like me because they know not only am I not going to hold them up, I can't hold them up so they can make the small talk with me but yet it gets me time with that individual just to talk about small things. I'm not asking for his right arm, his left leg or anything like that. Just remember us when the thing

is coming around and when I see you the next time please remember this conversation.

Another absolute necessity is to have a well-versed, respected legislator or legislators who are willing to champion your cause in public and privately within the caucuses. There is so many idiosyncrasies to this business and so little understanding of it at the higher legislative levels that, again, it's an absolute necessity to have someone who can speak knowledgeably about what it is that's going on, what issue you're trying to address and how the action that you are proposing would effectively address it.

To be able to identify all of the direct and indirect benefits which would accrue as a result of any legislation that you might be able to get passed is very important. This is how you get people to vote.

People who — we have I think 201 members in the Pennsylvania House of Representatives, of which probably five to 10 would have a working knowledge of our industry. Our industry is pretty serious in the state. So it behooves us to be able to identify whatever benefits that we're looking for and to show how any proposed legislation would affect that.

And also be aware that much of the language of the horse industry is foreign to public officials. Make sure that they understand what handle is. Betting. They have no idea how bets work, how they are taxed, where purses come from, what people do with purses. All they know is that with all due respect who do you like in the fifth.

You know, to be able to even translate that to whatever it is that they are trying to associate it to is very difficult for them. So be aware the jargon of the industry is not understood by many outside of people like in this room.

The strategic needs of successfully enacting legislation would be first and foremost identify the real players legislatively and within the industry itself. Once that's done, create trustful and lasting alliances with other segments of the industry that will not come undone from either internal or external pressures.

It's very important that when an agreement is reached that's with the breeders and the horsemen or the breeders and the racetrack, that is good and it stays that way, it won't change.

We found that it was a very easy way out to be okay, let's try to hitch our wagon to the racetrack owners. Because they are the powers, they are the people that can write the big checks, they are the guys that have the legislators that are all on very friendly first-name basis with them, but we found that's not the strength of the Breeders Association.

Breeders are in fact horsemen. Many horsemen are in fact breeders, and that's where the strength of our alliance was. Very early on we make our agreements with

them and we go as one and neither segment will be trying to undercut the other when the final buzzer sounds.

Also, assuming that any legislative initiative is going to come from the industry, and Martin referred to it, the first question from the legislature, is the industry united? We don't want to be negotiators here, we don't want to be peacemakers, you come to us united and that's it. Get the industry together, sit down, hash the whole thing out, what are you trying to accomplish, how are you going to try to accomplish it and how is the pie going to get cut up, and when all the dust settles and all the arguments are heard and agreed are made put in a written memorandum of understanding and have all the parties sign off to it so that is the industry okay with this, here's the industry's agreement of understanding right here.

It's a very effective tool and it doesn't allow one group to go in and try to subvert others, try to get a little bit better deal for themselves. It's all out there. The industry acts as one. That's the effective way to do it.

As part of that memorandum of understanding, designate a single spokesperson to represent all the parties whenever you're dealing with the media regarding the industry's position, and even so with legislators, so as not to send any mixed signals to anyone who might be listening.

Meet, befriend and familiarize key staffers of the legislative movers and shakers of what's happening. The staffers are the people who have the inside track with their bosses. The staffers are who the legislators look to for what they would trust as an unbiased opinion of what it is that's going on here.

Cannot stress that one enough. Meet the insiders and meet their staff people, develop a trusting relationship with them so that when there are problems, they have no qualms about calling directly, okay, this is what so-and-so is telling me, can you explain to me what's going on. You explain it to them. They already have a familiarity with it, thank you very much, and off they go.

And, finally, stay on top of the process. Martin, again, referred to a last-minute insertion about one race per year. Somebody probably thought, well, I'm doing somebody a favor here and I can hang my hat on this later on down in the district and whatever I put into that restricted race and whatever; no, you don't want any of that. Just stay on top of the process so that things like that don't happen.

Now, along the way, very, very important, patience is the most necessary virtue of them all. Because you have to accept that the speed of working government is a fraction of that what it is in the real world. Thoroughly check, recheck and recheck the legislative language of any and all versions of the bill in any proposed amendments. Surprises show up when you least expect them and people, well-meaning, are trying to get something in there that they think is going to help everybody even though they are not totally familiar with it but that's kind of their signature on the bill, I did this for you and it may be counterproductive, so you keep checking and rechecking what's going on.

Back to lobbyists. Beware. Beware of any lobbyist who is representing more than one interest in the whole process. During our most recent foray with the legislature there were lobbyists that had three, four, five clients in on the deal, each one with their own specific interest.

Try to imagine you're at, you're a defendant at a trial and your lawyer is also representing two or three others who have interests that are totally different than your own. Are you going to get a fair shake from that? I don't think so. So beware of lobbyists who represent more than one client, and whenever you are forced to deal with them, make them identify right now which client are you speaking for. Get them on record so that you don't get any surprises later on.

The legislative session in Pennsylvania goes almost year round. It's a full-time job for the senators and the representatives and therefore they make sure they have plenty of work because there's always several very important and key issues that are before them.

So there's going to be many distractions down the road in pursuit of your own issue and you just have to be able to sit back and let things happen. Patience again is a necessary virtue.

And then finally they quoted Yogi Berra somewhere in one of these this morning, "It ain't over till it's over." You would be surprised how many times during the course of the journey it's done, we lost, it's done, they're done with it, they want to move on to something else, this, this, this, this, this.

It ain't over until it's over, and as long as you have those champions out there, as long as your cause is of benefit, it ain't over till it's over.

And then, finally, the enactment of any special interest legislation requires a huge amount of concerted effort and a good dose of luck to get it done. When it's over, when you win, the feeling generated can run the gamut from ecstatic satisfaction to just anticlimactic empty relief, it's just done. I've had all of those feelings. In many of the successful initiatives we were able to accomplish and you just go with them. That's all you can do. When it does sink in, you always get back to what a great job we did to get this done.

The other side of the coin is defeat. And defeat will certainly test your mettle; but if you think it's worth it, swallow hard, suck it up and start fresh. I can't think of any one cause that the Pennsylvania industry has taken to the legislature that in the end we lost. We had defeats along the way but each time there was a defeat, learn from it and use that to make the next trip successful. Slots legislation took eight years to pass in Pennsylvania.

(Applause)

MR. BRIDA: Thank you, Mark. Anybody have any questions for Mark McDermott from Pennsylvania?

I have one, Mark. How much, what are the percentages that are going to the horsemen and the breeders from the legislation in Pennsylvania? As a neighbor you can tell me this.

MR. McDERMOTT: For the racetracks themselves it's 12 percent of the gross tax revenue. For the non-racetracks, it's also 12 percent of the total tax revenue. So when we started out, there were no stand-alone casinos and the percentage was 18 percent, and based on a study conducted by Innovations, which has quite a presence here, there were going to be X amount of dollars that would have generated for the horse industry.

Some of these very clever legislators took that number and instead of dividing it up amongst the active tracks, they added in all the rest of the facilities that would be gaming and came to an aggregate of 12 percent to each.

Of that 12 percent, the purses get 80 — or the horsemen get 80 percent and the breeders get 16 percent, and there's a health and medical part in there, but the Breeders Fund gets 16 percent of the purse money that's available. So — total horsemen's share, I'm sorry — so aggregate it comes to about 2.8 percent of the horsemen's, considered the horsemen's share.

MR. BRIDA: Any predictions on what it will do to purses and what it will do to the breeding awards?

MR. McDERMOTT: Again, based on the projections from Innovation's study we can expect purses daily at Philadelphia Park to be in the vicinity of \$325,000, and that's over 220 days a year. Penn National should go to about \$145,000 based on 220 days a year and then what's — a new track that's supposedly coming to Erie we're not sure about because we don't know how many days that they are going to be racing.

The Breeding Fund Program will go from about 8 and a quarter million this year, we would expect that to approach \$23, \$24, \$25 million a year. This for a current foal crop of a thousand foal.

MR. BRIDA: Thank you. Any questions?

Our next speaker, Dr. Betsy Greene, told me she might be the only academic coming to this conference. I don't think that's entirely true but we're certainly glad to have her. She's from the University of Vermont, and equine research is so important to our industry. We don't do enough of it. She has a survey of equine research to tell you about.

Dr. Betsy Greene.

(Applause)

DR. BETSY GREENE: Hello. Great comments from both Mark and Martin. I did have to chuckle a little on the getting the industry to be unified because we work on that quite a bit. Even some of my work as extension specialist includes promoting Morgans out in Germany and Sweden and England and other such neat places that I get to see, and with only 600 Morgans in England, full-bred registered, there are two Morgan industry groups.

In Germany there are about 200 Morgans registered and there are two, the International and the Deutsche Morgan Horse Associations. So easier said than done to get unified groups with those horse folks.

Okay. So as you see, the survey of equine research, and those little Russells are doing their own survey of vermin out in the Arizona desert.

Okay. A little bit of background. I'm going to give you my background, some topics of interest to this group and list by location the country and titles and then list by topics and then finally some politics, and will not put you to sleep, I promise.

So my background, I did my Master's in Arizona and did muscle biology research and effect of growth factors on satellite cells. I took that to horses and Kansas State for my Ph.D. I'm now equine extension specialist. I was in Washington State and then Vermont for the last five years, and my research now is more so things such as taking data that has been gathered from 1965 to the present to tell you that Morgans actually grow slower than thoroughbreds and that they don't need as much to eat as thoroughbreds.

And then also working with Dr. Judy Willard and several others to do some work on the effect of age of dam on birth on a particular thoroughbred farm that had some grand old dams and see if they are smaller, the foals are smaller at birth from the older mares, if they grow slower, faster and then also the effect of nurse mares which actually was a management protocol for those older mares to try and keep them in good shape.

And in that population they, the older mares did actually produce smaller foals, most of them were put on nurse mares. They actually grew. The nurse mares helped them catch up to their peers.

So that's my background.

Now, as far as some of the studies in the U.S., we have such things such as RER, and is it perishable, and according to these folks they suggest, yes, and if you see the 2005, the title of the article and the journal that the article is in, so "Journal of Association of Veterinary Medical" — try again, JAVMA.

Okay. And so it's the year, the titles and then the articles where they were published. So other things. EIPH, of course that's of interest to you folks, and is

there an association between that and performance suggested yes, and as far as looking at the assessment of that problem, can you actually have consistent evaluations and gradings by different people in different places, and according to the authors, yes, if they are experienced vets.

Some other things when we look at hooves and the effect of injuries. The relationships between hoof acceleration patterns of galloping horses and dynamic properties on the track, "America Journal of Vet Research." The evaluation of horseshoe characteristics and high-speed exercise history as possible risk factors for catastrophic musculoskeletal injury in thoroughbred racehorses.

Aren't you glad you had your test beforehand instead of after?

And also somebody trying to design a different method to actually get the measuring ground reaction loads of these horses during that racing conditions in the "Journal of Biomechanics."

Other things, bone issues and can you see a regulation of site-specific remodeling without accumulation of micro-cracking and loss of osteocytes. That sounds like some pretty interesting reading, but the answers that we get can be very important. And also ossification of articular cartilage and functional adaptation of subchondral plates and development of fatigue micro-cracking of joints. Those are published in "Bone."

In New Zealand folks were looking at risk factors for musculoskeletal injuries in the lower limbs in thoroughbred racehorses. Also looking at the body weight and growth rates of spring- and autumn-born thoroughbred horses raised in the pasture, and in that case the autumn-born foals were smaller than the spring-born foals, and that was important as far as their marketing.

They are also looking at the conditions interfering with racing and training in the New Zealand thoroughbred racing industry.

And osteochondrosis and copper. That was another recently published article in the "Vet Journal."

Looked at Australia. Femoral asymmetry in the thoroughbred racehorse. Well, it does happen that when they measured necropsy, of course, that the left hind limb was larger in that femoral aspect and they put that to the turns and the corners for the racing on that side.

And they also did comparisons of girth material, girth tensions and their effects on performance horses, on performance and racehorses, and what they found was that there was actually a different, an effect with a different types of girth that they used, but more importantly tightness or over-tightness mattered more, and if you, you know, it's one of those things I remember with the rodeos that the old veterans would always say when you have to try and take the saddle off those saddle broncs, the old veterans would have it just tight enough but the young ones would

have it so tight it just about cut the horse in half. And so if you're doing that with racehorses as well that can make a difference negatively.

In Australia they're also looking at the airways and abnormalities, and also at gastric ulcers. So some of these things that come up in all different aspects of racing, whether it's on the track or how they'll do in performance.

In Japan, looking at the effects of orientation, intermittent rest and vehicle cleaning during transport on development of transport-related respiratory disease, and their answer was that it's better to do, to give the horses more rest and to clean out the trailers when you're transporting these horses.

Some of these are common sense things but now they are proven. Fractures sustained by racehorses in Japan during flat racing with special reference to track condition and racing time. Certainly this would be important in looking at injuries that maybe perhaps we can look at footing and other things that affect that.

Japan is also looking at tying up syndrome in the thoroughbred racehorse.

We look at the United Kingdom. They have been very busy. Looking at physical impediments to racing, whether that's RER or the heart size and, of course, they did say that size matters, the larger heart does have better performance, and in that second one, risk factors, they found sex, the length and type of races all were risk factors that did have an effect on the occurrence of exertional rhabdomyolysis. They've also been doing some biochemical markers of metabolism, and so looking at bone injuries, fatal lateral condylar fractures of the third metacarpus and tarsus and also training-related factors with dorsometacarpal disease in young thoroughbred racehorses.

Certainly limb injuries, big problem. Also looking at as well trauma from EIPH in the United Kingdom. So they have been pretty busy publishing in 2005.

Another interesting one from 2004 is testing for drug use or misuse, and they did find that with further study there will actually be, this might be a useful tool, so maybe it's a hair sample collected down the road.

In the Netherlands.

So all this stuff is going on everywhere. Study of cartilage and bone layers of the bearing surface of the equine metacarpal phalangeal joint relative to different time scales of maturation. So joints, joint studies in the Netherlands.

Brazil. They are looking for speed genes, genetic and environmental parameters for racing times at different distances in the Brazilian thoroughbreds. "Journal of Animal Breeding and Genetics."

Turkey. Also looking at racing Arabians and the phenotypic and genetic parameter estimates for the horses.

Even in South Africa, and this is 2004, but they are looking at bleeding and inheritance of liability, and they did feel there was a strong genetic basis for bleeders.

And then in Canada, injuries as well as this interesting one that I don't know if this applies to any of your situations, but the maintenance of body weight during a multiple day chuck-wagon race meet. And the results they found that in fact those horses did just fine and they must be managed well, so that was a good thing, so the chuck wagoners are doing great.

So if you look at those things that I just covered, by topic, airway issues, or EIPH, there are six papers published, and this is not a complete survey, but these are the ones that came up with specifics. Six of them on airway in the EIPH. Six of them related to bone issues. Five of them related to musculoskeletal or limb issues. Three of them to RER, or tying up. Three somewhat related genetics. Three addressing shoe or hoof issues.

Other things that they covered included ulcers, girth, hair and drugs, interesting combination, racing industry, the growth of animals, body weight, heart size and transport.

So as far as politics and research, of course, for the people that are doing that research it's more a matter of finding funding and finding the priorities of the funding agencies that they are seeking that money from and for.

Also their history. Oftentimes it's hard to — you have to — in any business you have to have money to make money. Well, the same type of thing can happen, you have to have a history of research and granting and publication to get funding, but sometimes that's hard to get if you don't have it.

But the other things that come up are the, both the review boards and the boards of directors. You're talking about government funding agencies. They are usually made up of review boards of your percent and politics can certainly come into play there from personal interest or bias of those numbers, and boards of directors for the private organizations that fund equine research.

So there are politics all the way around, but there are a ton of different research topics that are being of interest to this industry that are being looked at in many, many countries.

So I just, you know, covered that so that you could see the broad aspect of research that's going on that will potentially help your industry, and certainly there's a ton of research on breeding and other breeding-related issues as well.

So, thank you.

(Applause)

MR. BRIDA: Thank you, Betsy. Anybody have any questions for Betsy? That's part of the science part of our talk.

I want to thank everybody from the panel for being here, and I would also like to give you the results of our little straw poll. We have about 15 minutes if anybody wants to have a discussion about artificial insemination, the limit of books of stallions or whether or not anybody is cheating in this industry.

I find it very interesting and very curious that it's cocktail talk everywhere you go but nobody wants to be on record with this one particular thing, and I don't understand why.

The racing industry in this country has always been something of a dinosaur. We allowed, because our computer systems were so antiquated, some guys from Drexel University to capture our wagering system. We allowed for OTBs in New York when racetracks thought that there wouldn't be something that people would go and bet.

We allowed the Internet wagering to go on out of the country before we allowed it in the country. Traditionally, this industry has never been forward thinking in terms of science or research or money, and now I don't know if we have a problem with breeding or anything, but let me give you the results of our poll.

Of the question, I find this very interesting, should we just explore the possibility, not to do it, just explore the possibility of artificial insemination for thoroughbreds, the answers of 70 people, 30 said yes we should, 34 said no, six percent had no comment. So 43 percent of the people said yes. Forty-eight percent said absolutely not, I don't want to go there, and nine percent didn't even want to say anything about it.

But you can look at it several different ways, and basically the industry is probably pretty traditional when it comes to artificial insemination.

Now, of the second question of whether or not we should limit the stallion books. This is a little bit different answer. Thirty-two percent said yes — no, 32 people said yes, 28 said no, 10 had no comment. 46 percent, or the plurality, said to limit the stallion books. I think that's probably good. This year's stallion books are getting upwards to 200 mares per certain stallions, and I think that's incredible and maybe there's some science involved there, but nobody wants to ever go there, so I won't either. I think that's one of the questions.

And then the last question which I think is the most revealing to all of us in the industry, and we really ought to think about it, and The Jockey Club should certainly think about this, 43 people said that yes, they thought there was cheating, 15 percent said no, 12 didn't want to comment, but that's an overwhelming majority, 61 percent, or actually if you take the 21, 79 percent didn't think that

nobody was cheating so we kind of all agree that there could be cheating going on as far as AI goes in the breeding world, but we don't want to do anything about.

That's the summation I can make here. Does anybody want to make any comments? Does anybody want to defend artificial insemination or be against it? Yes, sir.

A VOICE: I find it interesting that the panelists all said we have to present a united front. The harness racing industry for 35 or 40 years has had artificial insemination, yet you keep saying the industry, the industry, the industry. You're only speaking for part —

MR. BRIDA: Only talking about the thoroughbred industry, correct. As a matter of fact, as long as — you're from the harness industry, I assume?

A VOICE: Harness industry.

MR. BRIDA: Let me ask you a question as a thoroughbred person then. What effect has artificial insemination had on the harness industry in terms of breeding? Has it been a negative? Has it been a positive?

A VOICE: Depends who you ask. From a competitive standpoint it may have gone down, gotten a lot more natural. Used to be 50 years ago you had to race with all kinds of horse with toe weights and everything. What we're worried about now is that we're tending to breed a little bit into a corner. People are using the favored bloodlines but bloodlines also carry some negatives so we have seen that while the record mile has stood for a long, long, long time in thoroughbreds it went down 14 seconds in harness racing in the same time period, so our breed has gotten better, if you will, but what we're facing now is not — we're not looking for out-crosses.

MR. BRIDA: How much of that increase in time was the result of better equipment?

A VOICE: Some of it.

MR. BRIDA: Anybody else have any comments? Nobody from the thoroughbred industry wants to comment on this?

A VOICE: What happens when you buy a colt? What's the chance of a colt becoming a stallion when one stallion is maybe breeding 200 or 300 or 400? Isn't quite that bad. We tried to limit stallion books and we were taken to court in harness racing. We don't have books of 40. If you have a book of over 200, it's a lot in harness racing and there's — there's not as many stallions as there are in thoroughbred racing, but we still have old guys breeding the mare down the street in the back fence there.

We still have some of that, but we have more of a structure with some of the smaller racetrack. Your champion horses still come off the racetrack too early from

a public standpoint in those horses. You can still have a good horse who can be a stud.

MR. BRIDA: Yes, sir.

A VOICE: We very successfully had the action of slot legislation from Pennsylvania now it's been proposed that had we have perhaps sports gaming, sports wagering and you can wager on that and that would somehow support racing, and my question is given another 3-year-old leaving the track to go to the stallion barn, what are the breeder associations doing to sustain the breed and a worthwhile breed, because at the end of the day racing is going to have to take care of it.

Now, I look at the racing associations and perhaps I'm wrong as the advocate for the breed, so my question is what is being done?

MR. BRIDA: Somebody want to take that?

MR. McDERMOTT: Let's keep this all Pennsylvania.

I think if the economics of the whole thing, the driver, if a horse like, take our own friend Smarty Jones, forget about the extent of his injuries, whether they were real or not real, whatever, but assuming that they, let's say that they were not real, that if they had a total knockout year as a 4-year-old, it was going to cost the Chapmans money, whereas if they just say, okay, we've done what we've done because the long-term on this particular enterprise was get this horse off to stud because we can make millions more than we can if it's racing, thank you very much for racing, for allowing us to do that but we're going to go individually on our own.

I think that's the thing that you have to deal with. Is an individual going to put their own financial well-being behind in order to move the sport in general, maybe move it forward?

So as far as the Breeders Association, I don't think that really that there's any involvement there. There is involvement of individual breeders but, again, it's the economics of the thing. All right. If I can breed to a horse that was fantastic as a 3-year-old, we don't know what would have happened to him as a 4-year-old, maybe he would have lost some of his luster, then I'll take a shot with him as a fantastic 3-year-old, and that's where it ended.

MR. BRIDA: Doug, you want to respond to that?

MR. BURGE: I agree with Mark, it's strictly the economics of the situation. Although I can tell you, though, in California, maybe it's because they are not bred as well in some cases, maybe it's because they are gelded, I don't know, but we actually seem to see more millionaires, Cal-bred horses that have earned a million dollars, close to it, they keep coming back every year, running until they are six, seven, eight, nine year olds.

So from a regional standpoint, and maybe it's one of the successes of our state-bred days is because you see the same faces that you've seen every year. We don't see it as much as you do in other places in other states.

A VOICE: I read it was suggested somewhere along the line in order to help the industry and take away the incentive for some people that own these horses that are racing and are successful at two and three, they want to ship them up, The Jockey Club could somehow institute a rule in thoroughbred breeding a do know horses after 5-year-old season.

MR. BRIDA: You're not allowed to do what, breed?

A VOICE: Yeah, when the horse turns six that's when you ask start, or five.

MR. BRIDA: You want to go on record saying that here today?

A VOICE: That's an option. That guarantees those horses will race a little longer.

MR. BRIDA: You probably want to have a breeding right to Funny Cide, don't you?

A VOICE: Have the public follow them through their careers and maybe they are. Probably a pretty good market idea but I don't think that that's enforceable.

MR. BRIDA: I think that's a great idea but I don't think anybody that's in this situation could turn down the money too easily.

A VOICE: I'm saying if there was some kind of Jockey Club just decided not to recognize any, any foals from those studs. I read it as a suggestion somewhere so I thought I would throw it out as a —

MR. BRIDA: Make the Kentucky Derby for 4-year-olds.

Anybody else have any comments, questions as we finish up?

DR. GREENE: I guess on the bigger picture if you can't control, and I certainly don't see what you're saying coming to pass, but bigger picture is that you do need to do as the Vermont farmers are finding is somewhat parallel that you have to diversify and you try to improve what your main goal, i.e., the racing is bringing in the quality and everything else; but you still have to have eggs in other baskets these days.

MR. BRIDA: Any other questions? Comments? I want to thank you all for coming and thank the panel very much for being here.