



REVIEW AND ANALYSIS OF THOROUGHBRED RACING OPERATING MODELS

PRESENTED TO: MARYLAND THOROUGHBRED RACETRACK
OPERATING AUTHORITY

FINAL REPORT

JANUARY 2024



Report Letter

January 5, 2024

Mr. Greg Cross, Chairman
Maryland Thoroughbred Racetrack Operating Authority

Dear Mr. Cross:

Crossroads Consulting Services, LLC has completed its advisory services engagement related to reviewing and analyzing Thoroughbred racing industry operating models throughout the U.S. to serve as a basis for future recommended changes to the existing operating model in Maryland. This report summarizes our findings and principal conclusions from the research and analysis.

The findings contained in the report reflect analysis of information provided by secondary sources including, but not limited to, data obtained from the Maryland Thoroughbred Racetrack Operating Authority, Maryland Stadium Authority, Maryland Racing Commission, Maryland Thoroughbred Horsemen's Association, Maryland Horse Breeders Association, Maryland Jockey Club, The Jockey Club, Equibase Company along with racing and gaming organizations from other states.

We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. All information provided to us by others was not audited or verified and was assumed to be correct. We have no obligation, unless subsequently engaged, to update our report or revise the information contained therein to reflect events and transactions occurring after the date of this report.

In accordance with the terms of our engagement letter, the accompanying report is restricted to internal use by the Maryland Thoroughbred Racetrack Operating Authority and may not be relied upon by any other party for any purpose, including financing.

We have enjoyed serving you on this engagement and look forward to the opportunity to provide you with continued services in the future.

Sincerely,

Crossroads Consulting Services, LLC

Table of Contents

1.	INTRODUCTION AND KEY TAKEAWAYS	4
2.	OVERVIEW OF MARYLAND THOROUGHBRED RACING	9
3.	PEER RACING ANALYSIS	26
4.	SUMMARY OF CONCLUSIONS	43
5.	CASE STUDIES - THOROUGHBRED INDUSTRY OPERATING MODELS	51
6.	APPENDIX – GLOSSARY OF TERMS	136
7.	LIMITING TERMS AND CONDITIONS	139



Introduction and Key Takeaways



Introduction and Key Takeaways

Maryland has a significant history and presence in the horse racing industry. The two primary thoroughbred tracks in the State include Pimlico and Laurel Park. Pimlico is home of the Preakness Stakes, which is the second leg of the Triple Crown, and is one of the most highly anticipated annual sporting events nationally, drawing large crowds and widespread media attention for Baltimore and the State. The Preakness, along with other year-round racing, contributes significant benefits to the State's economy and cultural heritage.

In 2020, Legislation passed The Racing and Community Development Act of 2020 which authorized the Maryland Stadium Authority ("MSA") to issue up to \$375 million to fund improvements to both the Pimlico and Laurel Park Racing Facilities. At the time, it was anticipated that Laurel Park would serve as the primary home for year-round training and racing once the facility was redeveloped with a minimum investment of \$155 million. It was further envisioned that Pimlico Race Course would host a short race session around the Preakness Stakes but would no longer operate as a year-round training and racing facility. The primary focus of redevelopment efforts at Pimlico would be to utilize an overlay configuration that optimizes year-round use and development of surrounding parcel which would require a minimum investment of \$180 million.

In July 2020, MSA issued solicitation for A/E Services. In February 2021, Ayers Saint Gross ("ASG"), who was teamed with Populous, was awarded the contract. After significant programming workshops were conducted, a program was agreed to in late 2021. However, the substantial changes in the desired program resulted in significantly higher cost estimates which were above the available bonding capacity for the project.

In 2022, legislation was passed that directed MSA to issue additional reports that summarized efforts to reduce overall project costs as well as the cost and schedule for Laurel Park based on two scenarios: 1) programming desired by the current owner, The Stronach Group ("TSG"); and 2) implementation of recommendations from a horse industry led program.

MSA generated estimates for the various program concepts and the cost of the Maryland Thoroughbred Horsemen's Association's ("MTHA") desired program was more than that of the TSG desired model. Further programming alternatives, concept plans and cost estimates were developed for different scenarios involving both Laurel Park and Pimlico, but the costs associated with the options were still higher than the allocated project funding. The results of these efforts were summarized in a report issued by MSA on January 1, 2023.

Planning efforts among the various parties have been ongoing with the primary goal of finding a solution that meets programmatic needs within the desired project budget.

In 2023, the Maryland Thoroughbred Racetrack Operating Authority ("MTROA" or "Client") was formed to study and make recommendations in the best interests of thoroughbred racing in Maryland. MTROA's next major milestone is to report on the following:

1. The progress of the Pimlico and Laurel Park redevelopment plans;
2. The feasibility of establishing at least two alternative thoroughbred training facilities;
3. Best practices for thoroughbred industry operating models and recommendations for operating models in the State.

Introduction and Key Takeaways (cont'd)

Crossroads Consulting Services, LLC was retained by Populous on behalf of the MTROA to review and analyze other Thoroughbred racing industry operating models and provide recommendations for potential changes to Maryland's current model. This analysis is intended to serve as a tool for MTROA to utilize in the preparation of its report to the Senate Budget and Taxation Committee, the House Appropriations Committee and the House Ways and Means Committee as a condition of Senate Bill 720.

Our scope of services for this engagement consisted of the following:

- Meeting with Client representatives to develop an understanding of the key issues related to the project; confirm the study scope and objectives; understand the role and operating objectives of MTROA related to other entities involved in thoroughbred racing; and review existing documentation related to the project including the current live racing agreement that is in place, and any other relevant studies and analyses that have been collected by MTROA.
- Obtaining input from key stakeholders such as the Maryland Racing Commission, Maryland Thoroughbred Horsemen's Association, Maryland Horse Breeders Association, etc. to gain their perspective on potential operating models.
- Compiling information on different racing entities based on direct conversations with management and other available data from industry resources and other secondary sources which may include the following: legal structure, track oversight role, number of operating racetracks, race dates, attendance, purses, subsidized/gaming revenue streams, racing and breeding tax incentive structures, and approaches to horse health.

- Profiling a select number of operating models used in the thoroughbred industry in the U.S. in the form of case studies.
- Outlining lessons learned and/or best practices and commenting on how these may or may not be applicable to Thoroughbred racing in Maryland.
- Summarizing our research, analysis and observations in a written report.

Although this analysis includes observations and recommendations, all decisions relating to the implementation of such recommendations shall be the Client's responsibility.

It is important in reviewing the materials that follow, to note that in 2020 and to some extent in 2021, the COVID-19 pandemic significantly impacted the thoroughbred horse racing industry across the country due to track closures and other operating restrictions.

Introduction and Key Takeaways (cont'd)

This section summarizes key takeaways from the research and analysis conducted as part of this study effort. The information presented in this section is extracted from the full report. As such, it is important for the reader to review this report in its entirety to gain a better understanding of the research and methodology used.

Key Takeaways

Racing is an important industry to the State of Maryland and its economy. As a point of reference, a study conducted by the American Horse Council in 2023 estimates the Maryland racing sector of the horse industry generates an economic impact of \$466 million and supports 2,988 jobs. Further, the industry provides significant contributions to agricultural promotion and the preservation of green space. As such, and consistent with other racetracks, it is important that racetrack capital improvements are prioritized in Maryland to enhance and sustain the industry and related economic benefits.

Maryland, because of video lottery terminal (“VLT”) funding contributions, has done a good job relative to its peers of maintaining purses at reasonable levels and preserving race days, which directly support the perpetuation of strong racing and breeding industries in the State and their collateral benefits to the agriculture industry and preservation of green space.

Both Laurel Park and Pimlico require substantial improvements to appropriately service the industry, offer long-term sustainability, and in the case of Pimlico, showcase Baltimore and the State. In 2020, State Legislation authorized the MSA to issue up to \$375 million in bonds to fund track improvements.

The other Triple Crown tracks are in the process of making significant renovations and modernization efforts. Churchill Downs has been implementing multiple improvements since 2015 as part of its long-term master planning efforts. Examples include adding the Turf Club, Stakes Room, Directors Room and Homestretch Club; renovating the Starting Gate Suites; constructing the new \$90 million First Turn Experience; and a \$185 to \$200 million Paddock redevelopment project including new club areas, new premium seating, and other design enhancements, which is scheduled to be completed in 2024. Belmont Park is currently planning for a \$455 million redevelopment of its racing facilities including a new right-sized grandstand and clubhouse.

The operating model is a key component of enhancing the horse racing product in Maryland and helping to ensure the sustainability of the industry. Ideally, the track operator should be invested in day-to-day Maryland racing and be committed to making the investments needed to support the sustainability of Maryland horse racing for the foreseeable future. Recommendations related to future thoroughbred racing operations in Maryland should take into consideration the needs of the horsemen, breeders, and racetracks, which are interdependent and share common, yet unique, objectives.

The ownership and operating structures of the other profiled tracks in this report contain a mix of public, private, and not-for-profit entities. All the states profiled, excluding California, have other gaming operations at the tracks or in some cases other satellite gaming facilities. Private ownership of tracks appears most viable in cases where other owned gaming operations exist to support track needs and investments. Without gaming operations, the economics of racing typically require significant support from public funds.

Introduction and Key Takeaways (cont'd)

It is possible to have a financially viable operating model in Maryland without ancillary casino operations; however, thoughtful and strategic changes are needed. Consideration should be given to implementing a public ownership structure for the tracks which recognizes a substantial need for a public investment with the involvement of industry participants to leverage otherwise strong economic foundations. Further, it is recommended that consideration be given to leasing the tracks to a not-for-profit corporation similar to the New York Racing Association ("NYRA"). This approach would allow for 100% of State investment to go towards the interests of Maryland racing. Del Mar and Belmont are prominent racetracks without on-site gaming that offer an alternative operating model to Maryland. While Belmont doesn't have on-site gaming, they receive contributions from satellite gaming facilities.

Additionally, opportunities exist to improve the business operations of the track through strategies to further enhance and support the quality of the racing product, marketing and promotion, distribution models, and thoroughbred development.

- Steps should be taken to emulate the strategies for successful boutique meets at other tracks throughout the country (e.g., Saratoga, Del Mar, Keeneland, Kentucky Downs), maintain a minimum of 140 to 165 live race days, target a 35% increase in purses to bring the average purse per race to \$60,000 in line with Virginia and higher than other Mid-Atlantic states but still significantly lower than New York, and seek to increase the number of starts by about 15% to achieve an average field size of 8.5.
- Operating efficiencies can be achieved through consolidation of racing operations at Pimlico and improved operations of the Preakness present significant opportunities for increased profitability.
- Wagering distribution model and practices should be reviewed, along with more aggressive marketing and promotion, to further channelize distribution, expand audience, and reach new or emerging markets.
- Agreements with advance deposit wagering ("ADW") licensees should be evaluated for opportunities to increase fees. Additionally, enhance marketing/promotion efforts to raise profile with online betting platforms and seek opportunities for improved integration with traditional online sports betting platforms.
- A 15% to 20% increase in thoroughbred development funds should be targeted to maintain a strong breeding industry in Maryland and ensure future competitiveness with neighboring states. Additionally, the merits of offering out-of-state race awards should be evaluated.
- Future operating plans and projections should be based on both existing revenue sources and potential new gaming alternatives such as Historical Horse Racing ("HHR").

Overview of Existing Maryland Thoroughbred Racing



Overview of Existing Maryland Thoroughbred Racing

Horse racing has been an important part of Maryland's history and economy for years. A study conducted in 2023 by the American Horse Council estimates the Maryland racing sector of the horse industry generates an economic impact of \$466 million and supports 2,988 jobs. The State's horse industry is critical to maintaining green space. According to Maryland Horse Council, 705,000 acres of 25% of all land in preservation is in equine use and additional green space throughout parks and other properties in the State is being supported by the horse industry.

This section of the report focuses on providing an overview of key metrics related to Maryland thoroughbred racing including the following:

- Track overviews
- Trends in thoroughbred racing metrics such as races, purses, average purse per race, race days and average field size
- Trends in thoroughbred racing handle including sources of handle
- Takeout, fees and breakage
- Purse funds
- Trends in breeding metrics
- Thoroughbred development funds
- Breeding and racing Incentives
- Horseracing integrity and safety act ("HISA")
- Overview of the Maryland Racing Commission

This analysis will serve as the baseline to which key metrics of thoroughbred racing in other select states will be compared. This comparison will help guide the development of recommendations related to the future racing operations in Maryland.



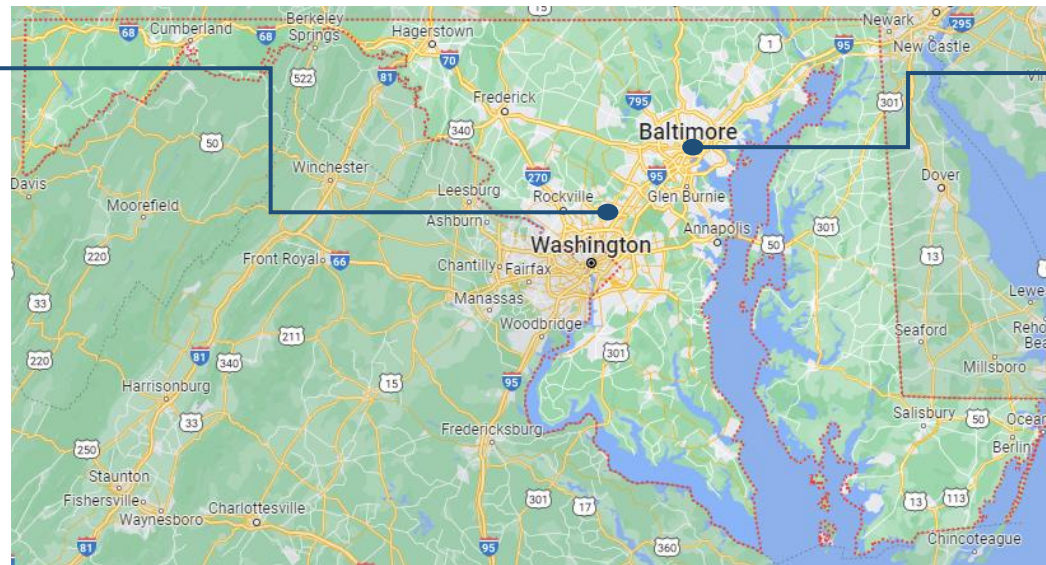
Maryland – Thoroughbred Racetracks

Laurel Park and Pimlico are the two primary thoroughbred racetracks operating in Maryland. Both these tracks are currently owned and operated by The Stronach Group. In addition to these tracks, Timonium hosts thoroughbred racing during the Maryland State Fair. The table below provides track attributes of Laurel Park and Pimlico and the map illustrates the location of the tracks.

Maryland Thoroughbred Racetracks								
Track	Year Opened	Owner	Operator	Seating Capacity		Track Length		Stabling (stalls)
				Grandstand	Clubhouse	Dirt (miles)	Turf (furlongs)	
Laurel Park	1911	The Stronach Group, Inc.	The Stronach Group, Inc.	2,964	1,216	1	7 1/2	1,058
Pimlico	1870	The Stronach Group, Inc.	The Stronach Group, Inc.	5,691	1,269	1	7 1/2	665

Source: Facility websites.

**Laurel Park
Laurel, MD**



**Pimlico Race Course
Baltimore, MD**



Sources: Google Maps, facility websites

Maryland – Thoroughbred Racetracks (cont'd)

Maryland racing facilities are in dire need of investment. Pimlico's clubhouse was constructed in 1960 and no significant renovations have been made to the structure since its original construction. The grandstand building was originally constructed in 1954 and enclosed in 1973. Nearly 6,700 grandstand seats were decommissioned in 2019 due to safety concerns. If not addressed, the overall conditions of Pimlico threaten its continued existence and success of the Preakness Stakes.

Laurel Park's clubhouse and grandstand date to 1951 and 1911, respectively, and are too large for current needs beyond their usable life. The grandstand is connected to the clubhouse, which are both enclosed in a glass curtain wall erected in 1966. Previous studies indicated that demolition or significant and costly renovations would be required for the customer facing structures. There are also major issues related to the roof, HVAC system, plumbing and electrical system. Backstretch stalls, barns and staff housing are also in generally poor condition, with significant code and life safety violations.

TSG has previously stated that it would not pay the entire bill for a renovation or rebuild and that such an undertaking would require substantial public investment.



Maryland – Live Race Days and Attendance

The total number of live race days in the State increased from 145 in 2013 to 164 in 2022, representing an increase of 13.1% over the 10-year period. In 2020 and to some extent in 2021, the COVID-19 pandemic significantly impacted the thoroughbred horse racing industry in Maryland, like other areas of the country due to track closures and other operating restrictions. Attendance at Maryland tracks, however, has shown signs of recovery. These trends are shown in the adjacent tables and chart.

It should be noted that in 2021, certain races were moved from Laurel Park to Pimlico due to an emergency closure at Laurel Park for track repairs. Also, the number of race days and attendance for Pimlico include the Preakness.

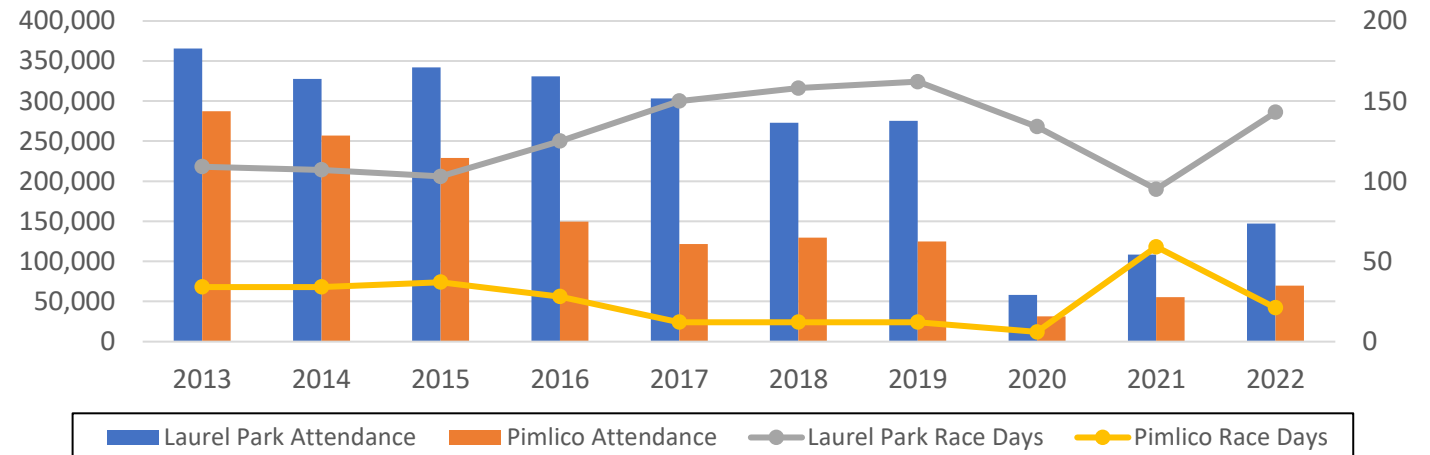
Annual Live Race Days Maryland Thoroughbred Racetracks			
Year	Laurel Park	Pimlico	Total
2013	109	36	145
2014	107	35	142
2015	103	37	140
2016	125	28	153
2017	150	12	162
2018	158	12	170
2019	162	12	174
2020	134	6	140
2021	95	59	154
2022	143	21	164
10-Year Change	31.2%	-41.7%	13.1%
CAGR 2013-2022	3.1%	-5.8%	1.4%
CAGR 2018-2022	-2.5%	15.0%	-0.9%

Note: Excludes State Fair racing at Timonium Race Track.
Source: Maryland Racing Commission annual reports.

Annual Attendance Maryland Thoroughbred Racetracks			
Year	Laurel	Pimlico	Total
2013	365,551	287,140	652,691
2014	327,690	256,725	584,415
2015	341,867	228,919	570,786
2016	330,817	149,544	480,361
2017	303,114	121,402	424,516
2018	272,926	129,474	402,400
2019	275,214	124,952	400,166
2020	58,138	31,272	89,410
2021	108,254	55,458	163,712
2022	147,106	69,862	216,968
10-Year Change	-59.8%	-75.7%	-66.8%
CAGR 2013-2022	-9.6%	-14.5%	-11.5%
CAGR 2018-2022	-14.3%	-14.3%	-14.3%

Note: Excludes State Fair racing at Timonium Race Track.
Source: Maryland Racing Commission annual reports.

Attendance & Live Race Days



Maryland – Thoroughbred Racing Metrics

Based on data compiled by The Jockey Club and Equibase Company LLC, the Maryland thoroughbred racing industry experienced a moderate increase of 7.2% in the number of races and a 9.4% increase in race days over the 10-year period from 2013 through 2022. It experienced a slight decrease (3.5%) in the average field size per race from 7.7 in 2013 to 7.4 in 2022. Total purses and the average purse per race have shown steady increases in recent years. These trends and other performance metrics are detailed in the table below.

Maryland Thoroughbred Racing Statistics							
Year	Races	Purses	Avg Purse per Race	Starters	Starts	Race Days	Avg Field Size
2013	1,465	\$45,859,950	\$31,304	3,969	11,255	160	7.7
2014	1,411	\$48,266,643	\$34,207	3,817	10,910	154	7.7
2015	1,380	\$48,245,039	\$34,960	3,792	11,718	152	8.5
2016	1,500	\$51,168,821	\$34,113	4,111	12,701	166	8.5
2017	1,649	\$56,343,187	\$34,168	4,029	12,932	174	7.8
2018	1,716	\$63,040,134	\$36,737	3,918	13,256	180	7.7
2019	1,691	\$63,094,149	\$37,312	3,883	12,949	187	7.7
2020	1,230	\$46,649,144	\$37,926	3,123	9,271	140	7.5
2021	1,442	\$57,610,158	\$39,952	3,308	10,865	165	7.5
2022	1,571	\$69,179,297	\$44,035	3,363	11,644	175	7.4
10-Year Change	7.2%	50.8%	40.7%	-15.3%	3.5%	9.4%	-3.5%
CAGR 2013-2022	0.8%	4.7%	3.9%	-1.8%	0.4%	1.0%	-0.4%
CAGR 2018-2022	-2.2%	2.4%	4.6%	-3.7%	-3.2%	-0.7%	-1.0%



Notes: Purses represent all available money, including monies not won and returned to state breeder or other funds.

Statistical data shown in the table above may differ from that presented earlier as it is provided by industry resources that allow for consistent comparisons across states in the peer analysis section of this report.

Source: The Jockey Club and Equibase Company LLC.

Notable races in Maryland include the Preakness Stakes and the Maryland Million Classic. The Preakness Stakes, a Grade I thoroughbred race for three-year-olds and the second leg of the Triple Crown, is held annually at Pimlico in May and carried a purse of \$1,500,000 in 2023. The Maryland Million Classic is part of the Maryland Million Day, an 11-race program held annually in October at Laurel with eligibility limited to horses sired by stallions who stand in Maryland. It was the first State-bred showcase event with its launch in 1986 and since that time, many other states have replicated the approach.

Maryland – Thoroughbred Racing Handle

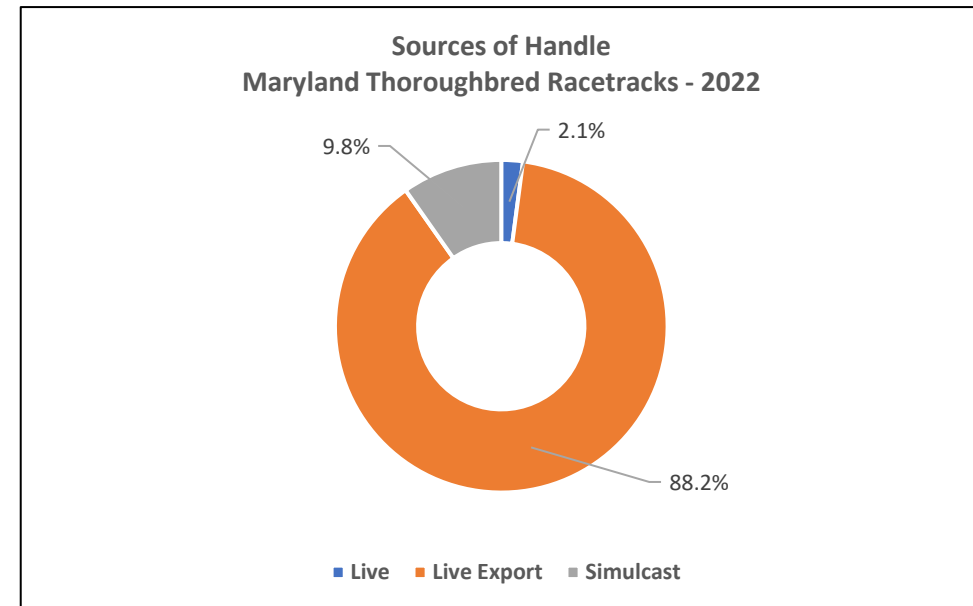
The annual total handle from all sources attributable to Maryland thoroughbred racetracks, excluding Timonium, was nearly \$541.9 million in 2022 compared to approximately \$444.7 million in 2013, which reflected an increase of 21.9% over that timeframe. Pimlico, however, saw a decrease (5.8%) in its annual total handle over that same period, while the 10-year change in the total handle at Laurel Park experienced an increase of 44.7%. It should be noted that in 2021, certain races were moved from Laurel Park to Pimlico due to an emergency closure at Laurel Park for track repairs. The handle associated with live export wagering, which is generated from the broadcasting of races at the Maryland tracks to other locations, accounted for 88.2% of the total handle in 2022, while live on-track wagering accounted for just 2.1%. Simulcast wagering accounted for 9.8% of total handle in 2022, which includes on-track wagering for races taking places at other tracks inside the state and out-of-state, as well as wagering at Maryland’s satellite betting facilities for races taking place at Laurel Park and Pimlico. These trends are illustrated in the table and chart below. Advanced Deposit Wagering (“ADW”), which is done through online platforms and mobile apps, is regulated by the MRC, but is not included in these figures as it is maintained separately from the reporting of handle associated with the individual tracks.

Annual Total Handle (All Sources) Maryland Thoroughbred Racetracks			
Year	Laurel Park	Pimlico	Total
2013	\$243,692,666	\$200,970,647	\$444,663,313
2014	\$218,068,994	\$199,770,127	\$417,839,121
2015	\$254,737,026	\$218,041,544	\$472,778,570
2016	\$334,964,268	\$193,084,639	\$528,048,907
2017	\$413,127,811	\$159,252,341	\$572,380,152
2018	\$427,235,441	\$151,535,702	\$578,771,143
2019	\$419,331,090	\$161,161,848	\$580,492,938
2020	\$321,279,599	\$75,071,207	\$396,350,806
2021	\$243,816,491	\$298,325,403	\$542,141,894
2022	\$352,529,886	\$189,349,826	\$541,879,712
10-Year Change	44.7%	-5.8%	21.9%
CAGR 2013-2022	4.2%	-0.7%	2.2%
CAGR 2018-2022	-4.7%	5.7%	-1.6%

Notes: Excludes State Fair racing at Timonium Race Track.

ADW is tracked separately and not included above.

Source: Maryland Racing Commission.



Note: Excludes State Fair racing at Timonium Park.

Source: Maryland Racing Commission.

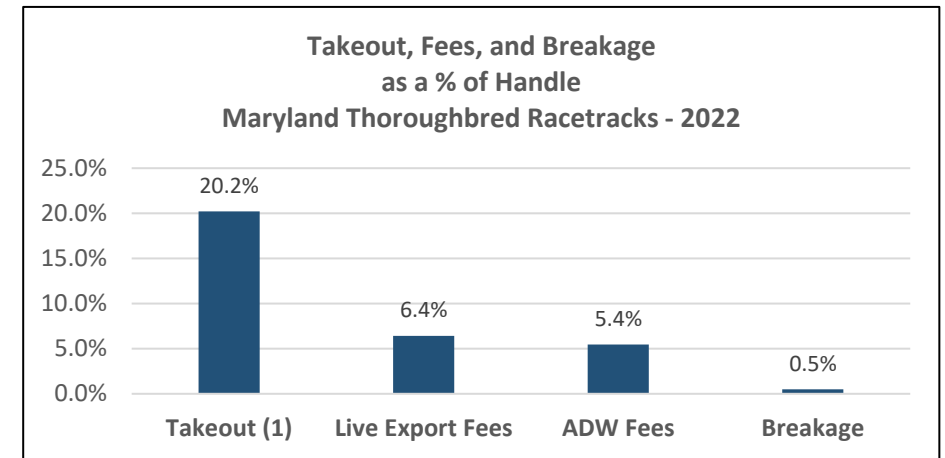
Maryland – Takeout, Fees and Breakage

The takeout is a commission that is retained from all wagers made at any given racetrack. The established takeout rates as a percentage of handle at Maryland tracks ranges from 18.0% on straight wagers to 25.75% on exotic wagers with 3 or more horses. In 2022, the total blended takeout rate on wagering at Maryland thoroughbred racetracks was 20.2%, which generated approximately \$12.9 million, after taxes and other expenses, as illustrated in the adjacent charts.

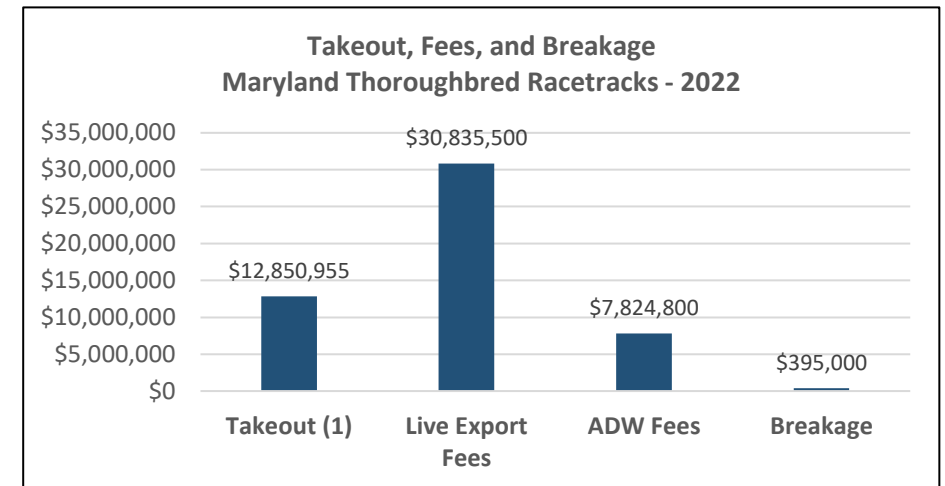
In addition to the takeout, revenues from wagering are generated through signal transmission and other fees associated with live export wagering, source market and other fees associated with ADW, and breakage. The fees charged in connection with live export wagering vary by track as they are dependent upon the specific agreements in place with those broadcasting and accepting wagers. In 2022, the total live export fees at Maryland thoroughbred racetracks was 6.4% of live export handle, which generated approximately \$30.8 million, as illustrated in the adjacent charts.

Source market and other fees paid by ADW licensees in Maryland were 5.4% of ADW wagering in 2022 which generated approximately \$7.8 million, as illustrated in the adjacent charts. These amounts are subject to negotiated agreements.

Breakage reflects amounts associated with the rounding down of payouts to the nearest 10 cents. In 2022, breakage at Maryland thoroughbred racetracks accounted for approximately \$395,000, as illustrated in the adjacent charts.



Sources: Maryland Racing Commission and secondary sources.



(1) - Reflects net commissions for on-track and off-track wagering after taxes and other expenses.

Sources: Maryland Racing Commission and secondary sources.

Maryland – Takeout Allocation

The allocation of the takeout to different uses in Maryland is relatively consistent for both on-track and off-track wagering. In 2022, the greatest share was allocated to track operators, while purse accounts garnered the second most, followed by contributions to thoroughbred development. These allocations are detailed in the adjacent tables. It is important to note that these amounts reflect net commissions after taxes, signal fees and other miscellaneous expenses.



Takeout Allocation Maryland Thoroughbred Racetracks - 2022			
Use	On-Track	Off-Track	Total
Track Operators	\$4,842,229	\$1,583,249	\$6,425,478
Purse	\$4,293,120	\$1,415,634	\$5,708,754
Thoroughbred Development	\$549,109	\$167,615	\$716,724
Total	\$9,684,458	\$3,166,497	\$12,850,955

Note: These amounts reflect net commissions after taxes and other expenses.

Sources: Maryland Racing Commission and secondary sources.

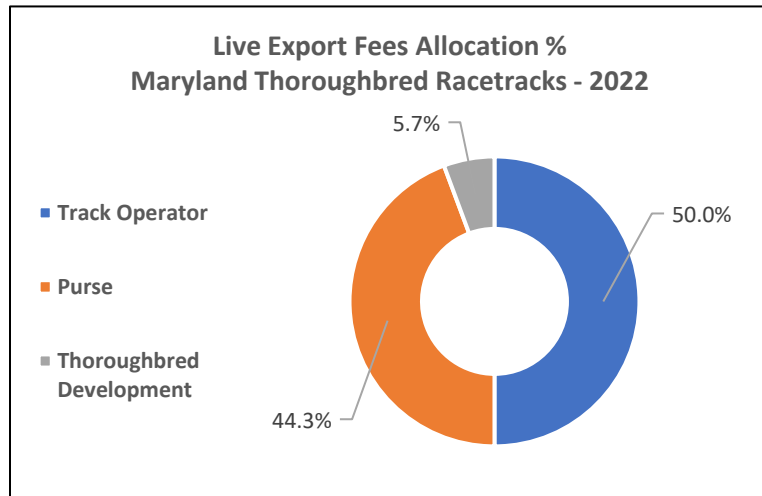
Takeout Allocation % Maryland Thoroughbred Racetracks - 2022			
Use	On-Track	Off-Track	Total
Track Operators	50.0%	50.0%	50.0%
Purse	44.3%	44.7%	44.4%
Thoroughbred Development	5.7%	5.3%	5.6%
Total	100.0%	100.0%	100.0%

Note: These amounts reflect net commissions after taxes and other expenses.

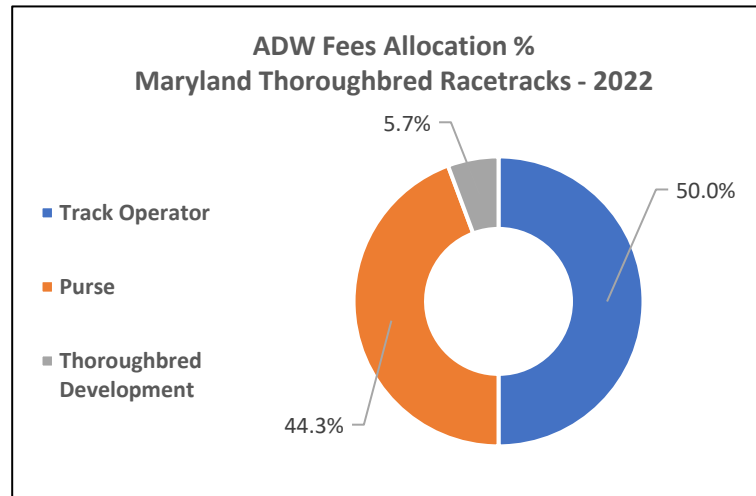
Sources: Maryland Racing Commission and secondary sources.

Maryland – Other Fees and Breakage Allocation

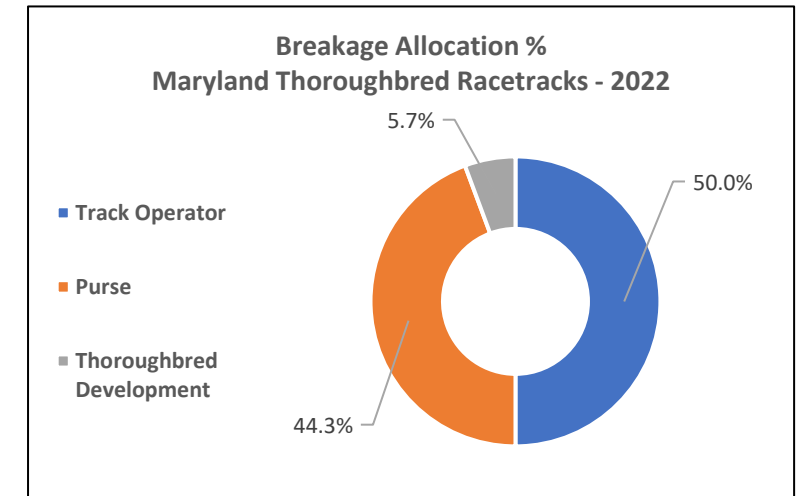
The allocation of live export fees received by the Maryland racetracks, ADW fees, and breakage are dedicated primarily to track operator and purse accounts, with lesser amounts going to the MBF for thoroughbred development. In all cases, track operator and purse payments represent 50.0% and 44.3%, respectively. The specific allocation amounts for these funding sources are detailed in the charts and tables below.



Sources: Maryland Racing Commission and secondary sources.



Sources: Maryland Racing Commission and secondary sources.



Sources: Maryland Racing Commission and secondary sources.

Live Export Fees Allocation Maryland Thoroughbred Racetracks - 2022	
Use	Total
Track Operator	\$15,417,700
Purse	\$13,669,400
Thoroughbred Development	\$1,748,400
Total	\$30,835,500

Sources: Maryland Racing Commission and secondary sources.

ADW Fees Allocation Maryland Thoroughbred Racetracks - 2022	
Use	Total
Track Operator	\$3,912,400
Purse	\$3,468,700
Thoroughbred Development	\$443,700
Total	\$7,824,800

Sources: Maryland Racing Commission and secondary sources.

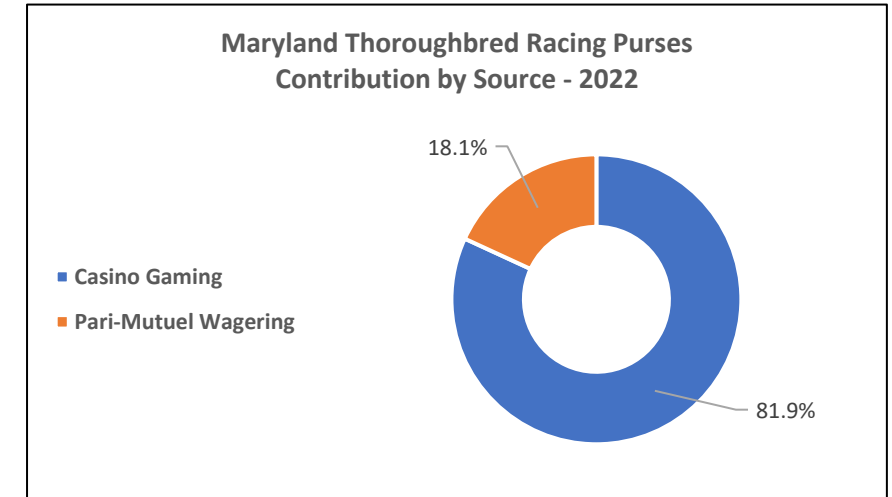
Breakage Allocation Maryland Thoroughbred Racetracks - 2022	
Use	Total
Track Operator	\$197,500
Purse	\$175,102
Thoroughbred Development	\$22,398
Total	\$395,000

Sources: Maryland Racing Commission and secondary sources.

Maryland – Purse Funds

As previously detailed, the purses for Maryland thoroughbred racing receive funding contributions from pari-mutuel wagering. Additionally, Maryland purses benefit via funding contributions from casino gaming operations in the State. In 2022, casino gaming contributed approximately \$55.4 million, or 81.9% to the total purses, as illustrated and detailed in the adjacent chart and table.

In 2008, the Maryland General Assembly passed a bill that was later endorsed by the public in the general election setting the stage for the operation of video lottery terminals (“VLTs”), which are effectively slot machines, under the authority of the Maryland Lottery and Gaming Control Agency (“MLGCA”). Legislation originally provided for 7% of gross terminal revenue from VLTs to be allocated to a Purse Dedication Account (“PDA”), under the authority of the MRC, with 80% of the PDA funds going to the thoroughbred industry and 20% to the standardbred industry. Of those amounts, original legislation stipulated that 85% go directly to purses and 15% to Maryland-bred funds. These amounts were later revised to the allocations in place today, which are for 6% of gross terminal revenue from VLTs to be allocated to the PDA, the same split between the thoroughbred and standardbred industries, with 89% of those funds going directly to purses and 11% to Maryland-bred funds.



Note: Includes Timonium as MLGCA PDA data is consolidated.
Source: Maryland Racing Commission and Maryland Lottery and Gaming Control Agency.

Maryland Thoroughbred Racing Purses Sources and Funding Amounts - 2022	
Source	Amount
Casino Gaming	\$55,350,359
Pari-Mutuel Wagering	\$12,255,990
Total	\$67,606,349

Note: Includes Timonium as MLGCA PDA data is consolidated.
Sources: Maryland Racing Commission, and Maryland Lottery and Gaming Control Agency.

Maryland – Breeding Metrics

During 2022, Maryland's 26 reported stallions covered 744 mares, or 2.6% of all the mares reported bred in North America. The number of mares bred to Maryland stallions increased by 14.6% from 2013 through 2022. The average book size (number of mares bred per stallion) in Maryland increased from 20.3 in 2013 to 28.6 in 2022. By comparison, the average North America book size increased from 15.5 to 23.2 during that same timeframe.

Maryland-bred thoroughbred earnings by racing area show that in 2022, approximately 63% of earnings were garnered in-state, down slightly from approximately 66% in 2018. These and other breeding metrics are detailed in the adjacent tables.



Annual Thoroughbred Mares Bred to Maryland Stallions						
Year	Mares Bred	% of North America	Stallions	% of North America	Average Book Size	Average North America Book Size
2013	649	1.7%	32	1.3%	20.3	15.5
2014	778	2.1%	39	1.7%	19.9	16.5
2015	801	2.1%	41	2.0%	19.5	18.1
2016	930	2.6%	37	1.9%	25.1	18.4
2017	784	2.3%	33	1.7%	23.8	18.2
2018	888	2.7%	33	1.9%	26.9	18.7
2019	804	2.5%	33	2.0%	24.4	18.9
2020	842	2.8%	34	2.2%	24.8	19.3
2021	780	2.7%	26	1.9%	30.0	21.2
2022	744	2.6%	26	2.1%	28.6	23.2
10-Year Change	14.6%	52.9%	-18.8%	61.5%	41.1%	49.7%
CAGR 2013-2022	1.5%	4.8%	-2.3%	5.5%	3.9%	4.6%
CAGR 2018-2022	-4.3%	-0.9%	-5.8%	2.5%	1.5%	5.5%

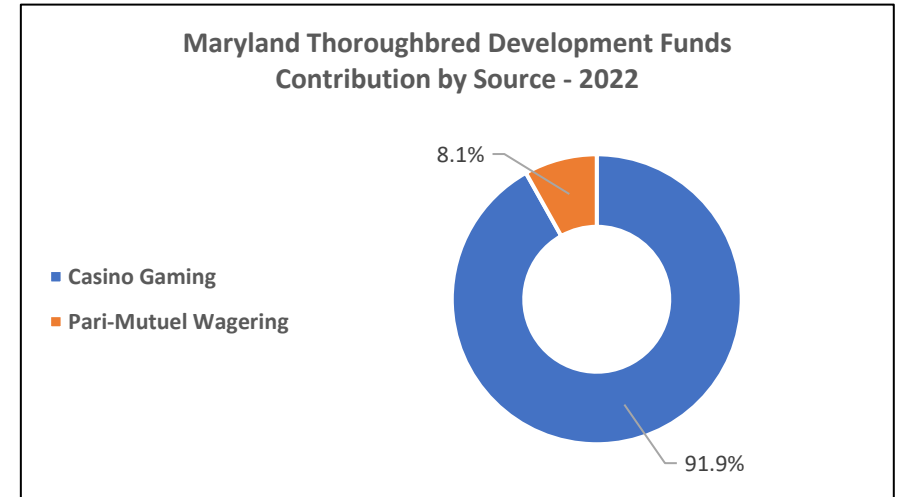
Source: The Jockey Club.

Percentage of Maryland-Bred Thoroughbred Earnings by Racing Area						
Racing Area	2018	2019	2020	2021	2022	2018 to 2022 Change
Maryland	66.4%	65.1%	61.3%	51.7%	63.1%	-5.1%
Delaware	5.6%	5.2%	8.5%	6.1%	7.8%	40.7%
Pennsylvania	6.8%	7.6%	6.1%	5.1%	6.4%	-5.2%
West Virginia	4.5%	5.2%	5.1%	5.1%	6.0%	32.4%
Other	16.8%	17.1%	19.0%	32.0%	16.8%	-0.1%

Source: The Jockey Club and Equibase Company.

Maryland – Thoroughbred Development Funds

The MRC is responsible for administering the Maryland-Bred Fund (“MBF”) with assistance and advice from the Maryland-Bred Race Fund Advisory Committee. The purpose of the fund is to award the State’s accredited breeders, racehorse owners and sire owners to promote breeding and racing in the State. The MBF receives funding contributions from pari-mutuel wagering, which totaled approximately \$724,000 in 2022. Additionally, the MBF benefits from significant funding contributions by VLT operations in the State. In 2022, casino gaming contributed approximately \$8.2 million, or 91.9% of the total MBF funding, as illustrated in the adjacent chart and table. The total actual distributions out of the MBF in 2022 were approximately \$8.7 million, which was lower than the total funding received due to eligible deductions in the administration of the fund.



Note: Includes Timonium as MLGCA PDA data is consolidated.
Source: Maryland Racing Commission and Maryland Lottery and Gaming Control Agency.

Maryland Thoroughbred Development Funds Sources and Funding Amounts - 2022	
Source	Amount
Casino Gaming	\$8,176,000
Pari-Mutuel Wagering	\$724,000
Total	\$8,900,000

Note: Includes Timonium as MLGCA PDA data is consolidated.
Sources: Maryland Racing Commission, and Maryland Lottery and Gaming Control Agency.

Maryland – Breeding and Racing Incentives

Trainer Magazine focuses on the training and development of the thoroughbred racehorse in both Europe and North America. The magazine covers profiles on leading racehorse trainers and subjects such as welfare, training, nutrition and the racing business.

Based on data from Trainer Magazine, the following outlines breeding and racing incentives in Maryland in 2023.

- Breeders Awards: 22.5% top 3 in all races; additional 7.5% if MD-bred and MD-sired winner of a Maiden Race.
- Owners Awards: 15% top 3 in overnight races.
- Stallion Owner Awards: 7.5% top in all races if the horse is by Maryland stallion.
- Restricted Races for 2023: Yes
- What you need to know: Maryland Million program for eligible Maryland-sired horses.

Sources: [TrainerMagazine.com](https://www.TrainerMagazine.com); [MarylandThoroughbred.com](https://www.MarylandThoroughbred.com)

There are additional incentives beyond these that are funded through Maryland-bred race funds and purse accounts. For instance, there is a 15% Developer bonus funded by the Maryland Thoroughbred Purse Account and administered by the MTHA on share of purse for overnight races for registered Maryland-bred horses finishing in the top 3. Developer is the owner of the horse in its first career start. Bonuses will continue to be paid to the Developer throughout the horse's racing career, regardless of how many times ownership changes, unless the horse changed hands prior to the start of the program on January 22, 2021. Because Developer bonuses are not paid as part of the purse, they are not reflected in horse's Equibase earnings.

Maryland – HISA Funding and Assessment

The total HISA assessment for Maryland Thoroughbred tracks in 2023 was approximately \$3.6 million, as shown in the table below.

The assessment formula for any given State is based on its prior year starts with adjustments for the ratios of the State’s purses and starts to the U.S. total for each, excluding Breeder’s Cup World Championship races. Specifically, HISA assigns a start fee for projected starts and that amount is the same for each state, which was \$142.64 per start for the 2023 assessment. HISA then adds an additional start fee for each State that is based on the ratio of a State’s share of total U.S. purses divided by a state’s share of total U.S. starts and then multiplied by the \$142.64 start fee. The two amounts are additive to arrive at a total start fee, which is then multiplied by the projected starts, which is based upon prior year data. Additionally, any given state assessment cannot exceed 10% of the total purses paid within that state, with all amounts in excess of that 10% cap being allocated proportionately to the other states that do not exceed the maximum.

Further, HISA provides credits to the annual assessment amounts dependent upon the level to which any given state’s regulatory commission or racetracks may provide the personnel, investigative services and testing, and/or other compliance related activities to administer and conform to HISA program rules.

For 2023, the credit provided to Maryland was approximately \$860,000, lowering the actual amount owed by Maryland to approximately \$2.7 million. Maryland’s HISA assessment is being paid via an allocation of 50.0% paid by the respective track, 44.3% paid through a redirection of purse account funds, and 5.7% paid by the MBF.

Maryland HISA Assessment - 2023												
State	Purses Paid (1)	Starts (1)	Purses per Start	% of Starts	% of Purses	% Purses/ % Starts	Start Fee for Projected Starts	Start Fee for Projected Purse Starts	Total Start Fee	Initial State Total	10% Cap Adjustment	Revised State Total
Maryland	\$67,214,562	11,475	\$5,857	4.9%	5.7%	1.16	\$142.64	\$166.07	\$308.71	\$3,542,464	\$ 11,225	\$ 3,553,689
U.S. Total	\$1,172,603,109	233,067	\$5,031	100.0%	100.0%	1.00	\$142.64	\$142.64	\$285.28	\$66,490,436	\$0	\$66,490,436

(1) - The Purses Paid and Starts data is for the period Oct. 1, 2021 thru Sep. 30, 2022. This excludes Breeder's Cup World Championship races.

Source: Horse Racing Integrity and Safety Authority.

Maryland – Racing Commission

Established under Maryland Code §11-101, the Maryland Racing Commission (“MRC”) is a public corporation. The MRC consists of nine commissioners appointed by the Governor with Senate advice and consent. No more than six members may belong to the same political party. At least three members must be knowledgeable in some aspect of thoroughbred racing, and at least three in some aspect of harness racing. The Governor designates the Chairperson, and the Secretary of Labor appoints the Executive Director.

The MRC is tasked with overseeing and regulating both the harness and thoroughbred horse racing industry in Maryland, which also includes Maryland’s seven off-track betting sites.

Key activities of the MRC include:

- Make all regulations governing the races and through its stewards and judges, officiates the conduct of racing.
- Regulate size of purses, price of admissions, or charges made for any article or service sold at the meets.
- Conduct hearings on appeals, collect taxes and fees, distribute the taxes and fees collected to various subdivisions and other entities.
- Collect and test specimens at its equine laboratory of horses participating in the races and oversee the administration of the breeding enhancement programs.



Source: Maryland Racing Commission.

Maryland Racing – Key Takeaways

The following summarizes key takeaways from our analysis of Maryland racing:

- The facilities that host racing in the State are in dire need of repairs, but the current operating model provides insufficient return in investment (“ROI”) for the track operators to make these investments.
- The State maintained competitive purses over the 10-year period from 2013 to 2022.
- Maryland racing continued with a solid number of race days in recent years.
- As a percentage of total handle (all-sources), live on-track handle represents a very small amount of wagering, which is not surprising given attendance and broader industry trends.
- Live Export Wagering and ADW are increasingly important sources of pari-mutuel wagering for funding track operators, purses, and thoroughbred development initiatives.
- The State’s market share of the thoroughbred breeding industry has remained relatively flat in recent years.
- The funding of Maryland thoroughbred racing is highly reliant on VLT revenues generated at casino operations throughout the State, which provide significant funding for purses and thoroughbred development funds.



Peer Racing Analysis



Peer Racing Analysis

This section summarizes our observations on key metrics related to thoroughbred racing in other states including California, Delaware, Florida, Kentucky, New York, Virginia and West Virginia. These profiled states were identified by the MTROA due to their geographic location, market similarities and/or racetrack operating strategies. The racetracks within these states have various operating models which provides perspective on different operating scenarios. The key observations outlined in this section include:

- Owner/operator
- Comparison of Triple Crown tracks
- Trends in thoroughbred racing metrics such as total race days, total handle, purses, average purse per race, average field size
- Trends in breeding metrics
- Takeout allocation for on-track wagering and off-track betting (“OTB”) facilities
- Live export fees and advanced deposit wagering (“ADW”) fees allocation
- Purse and thoroughbred development funds
- Horseracing and integrity and safety act (“HISA”) assessments

The data presented reflects available information gathered from various sources including, but not limited to, MTROA, Maryland Racing Commission, Maryland Thoroughbred Horsemen’s Association, Maryland Horse Breeders Association, Maryland Jockey Club, The Jockey Club, Equibase Company and racing organizations in the aforementioned states. Certain data was not available as the metrics reported vary by state and there is no single entity that reports all the profiled metrics for each state. The Jockey Club and Equibase Company LLC compile and maintain breeding and racing statistics on the thoroughbred industry.

A challenge is ensuring accurate comparisons given the differences in reporting for each state. Further, in some instances the data related to a metric within the same state may differ from one source to the next. The sources used in this analysis are deemed to be reliable but we cannot guarantee their accuracy. The information obtained was not audited or verified and was assumed to be correct. For comparative purposes, we have utilized sources that allow for accurate and consistent comparisons across each state. In addition, in some instances, the reported data was adjusted to allow for direct comparisons.

The section that follows provides supporting case studies which serve as a guide in identifying industry best practices and our recommendations to MTROA. In 2020 and to some extent in 2021, the COVID-19 pandemic significantly impacted the thoroughbred horse racing industry across the country due to track closures and other operating restrictions.

Observations – Owner / Operator

The table below summarizes owner/operator and gaming operations at each of the tracks. Several of the profiled tracks are operated by private entities like the Stronach Group. The Stronach Group owns and operates Pimlico, Laurel Park, Santa Anita, Calder Race Course and Golden Gate Fields. Calder Race Course closed in 2021 and Golden Gate Fields is expected to close in 2024. Del Mar, which is owned by the State of California, is operated by a non-profit. The State of New York owns three tracks, which are operated by NYRA, a not-for-profit corporation that operates as a business. Churchill Downs, Inc., whose successful operations have been fueled by a growing gaming portfolio, is a public company that owns and operates Churchill Downs, Ellis Park, Turfway Park and Colonial Downs Racetrack. Both Charles Town Races and Mountaineer Racetrack are owned by a Real Estate Investment Trust and operated by a public gaming/ entertainment company. Among the other states profiled and excluding California, all have other gaming operations at the tracks, and/or in some cases other satellite gaming facilities.

Peer Analysis - Track Owner / Operator						
Thoroughbred Track	State	Owner		Operator		Other Gaming Operations at Track
Del Mar	California	State of California	Public	Del Mar Thoroughbred Club	Non-Profit	No
Golden Gate Fields	California	The Stronach Group, Inc.	Private	The Stronach Group, Inc.	Private	No
Los Alamitos	California	Dr. Edward C. Allred	Private	Los Alamitos Racing Association	Private	No
Santa Anita	California	The Stronach Group, Inc.	Private	The Stronach Group, Inc.	Private	No
Delaware Park	Delaware	Clairvest Group Inc.	Private	Rubico Acquisition Corporation	Private	Yes
Calder Race Course	Florida	The Stronach Group, Inc.	Private	The Stronach Group, Inc.	Private	Yes
Gulfstream Park	Florida	The Stronach Group, Inc.	Private	The Stronach Group, Inc.	Private	Yes
Tampa Bay Downs	Florida	Stella F. Thayer & Howell Ferguson	Private	Tampa Bay Downs, Inc.	Private	Yes
Churchill Downs	Kentucky	Churchill Downs Inc.	Public Company	Churchill Downs Inc.	Public Company	Yes
Ellis Park	Kentucky	Churchill Downs Inc.	Public Company	Churchill Downs Inc.	Public Company	Yes
Keeneland	Kentucky	Keeneland Association Inc.	For profit company	Keeneland Association Inc.	For profit company	No ¹
Kentucky Downs	Kentucky	Kentucky Downs, LLC	Private	Kentucky Downs, LLC	Private	Yes
Turfway Park	Kentucky	Churchill Downs Inc.	Public Company	Churchill Downs Inc.	Public Company	Yes
Laurel Park	Maryland	The Stronach Group, Inc.	Private	The Stronach Group, Inc.	Private	No
Pimlico	Maryland	The Stronach Group, Inc.	Private	The Stronach Group, Inc.	Private	No
Aqueduct Race Track	New York	State of New York	Public	New York Racing Association, Inc.	Not-for-Profit Corporation	Yes
Belmont Park	New York	State of New York	Public	New York Racing Association, Inc.	Not-for-Profit Corporation	No ¹
Finger Lakes Gaming and Racetrack	New York	Delaware North Companies, Inc.	Private	Delaware North Companies, Inc.	Private	Yes
Saratoga Race Course	New York	State of New York	Public	New York Racing Association, Inc.	Not-for-Profit Corporation	No ¹
Colonial Downs Racetrack	Virginia	Churchill Downs Inc.	Public Company	Churchill Downs Inc.	Public Company	Yes
Charles Town Races	West Virginia	Gaming and Leisure Properties, Inc.	Real Estate Investment Trust	Penn Entertainment, Inc.	Public Company	Yes
Mountaineer Racetrack	West Virginia	VICI Properties	Real Estate Investment Trust	Century Casinos, Inc.	Public Company	Yes

Note: ¹ Satellite facilities with other gaming operated in partnership with tracks.

Observations – Triple Crown Tracks

Pimlico has not undergone any major renovations to its structure in recent years and requires substantial improvements to its grandstand, amenities, and other areas throughout the facility to appropriately service the industry and offer long-term sustainability. The other Triple Crown racetracks (i.e., Churchill Downs and Belmont Park) have placed significant emphasis on modernization and renovation efforts to secure and enhance the future of thoroughbred racing. Both Churchill Downs and Belmont Park benefit from significant contributions resulting from other gaming operations beyond traditional pari-mutuel wagering.

Churchill Downs, which opened in 1875 and currently offers grandstand seating for approximately 20,100 and clubhouse seating for 32,100, underwent a \$121 million renovation in 2004. In 2021, it announced three major multi-year capital investments, totaling over \$300 million. Details of the recently completed and ongoing investments are as follows:

- \$45 million renovation and modernization of the grandstand area, which was completed in 2022.
- \$90 million investment for the conversion of temporary seating to permanent stadium seating, a new climate-controlled hospitality venue, new concourses, and other amenities, which was completed in 2023.
- \$185 to \$200 million Paddock redevelopment project including new club areas, new premium seating, and other design enhancements, which is scheduled to be completed in 2024.

In addition to these recently completed/planned enhancements, Churchill Downs has completed other major enhancements in recent years including a \$10 million investment for the installation of a new turf course in 2022 and a \$32 million project to improve parking and transportation infrastructure in 2018, among others.

Belmont Park, which opened in 1905 and currently offers grandstand seating for approximately 90,000 and clubhouse seating for 30,000, is operated by a not-for-profit. It recently received approval to utilize a \$455 million loan, granted by the State, for the redevelopment of its racing facilities. Current plans for Belmont Park include:

- Right-sizing the grandstand and clubhouse, replacing the existing 1.25 million square-foot structure with a new 275,000 square-foot facility.
- New food and beverage options and other modern amenities.
- A new synthetic track.
- Modernization of backstretch housing and stabling facilities.
- Significant increases to the amount of parkland onsite.

Consistent with trends in attendance, many tracks use overlay (temporary facilities and infrastructure) to support the permanent venue and event spaces and allow for right-sizing of both seating and hospitality. Overlay is an operating cost, not a one-time capital cost. In general, newer clubhouses are being significantly reduced in size to better accommodate year-round racing needs/crowds, not premium races and specialty events. This is a similar approach to what is done for large-scale events like Super Bowls, Olympics and World Cups.

Observations – Total Race Days

The number of race days in Maryland has held steady over the past several years, as has been the case in Kentucky, Delaware and Virginia, while other states have experienced reductions. Maintaining a solid number of racing days creates opportunities and is critical to supporting a strong breeding industry.

In terms of attendance, data is not reported for many of the racetracks that were profiled. However, for those tracks in which attendance data is available, most have rebounded significantly since the Covid-19 pandemic. Tracks offering boutique meets such as Saratoga and Kentucky Downs have fared better than others.

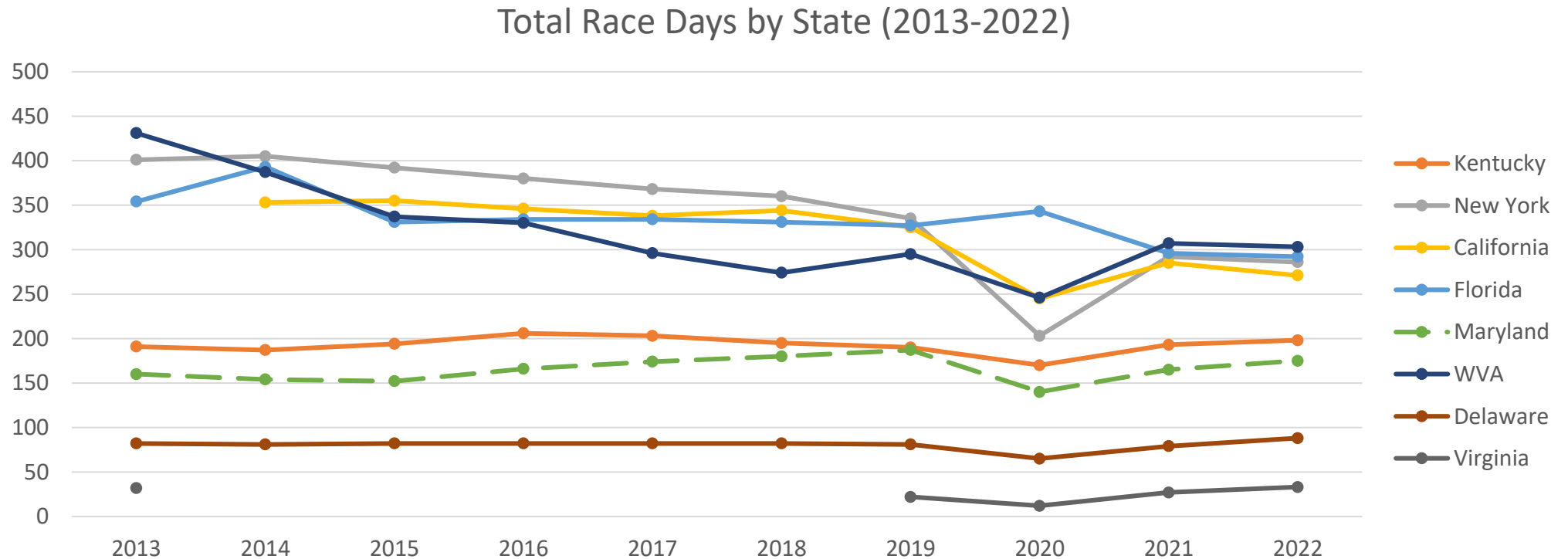
Several factors have contributed challenges that tracks across the country face in drawing attendance, including:

- Expanded access to online wagering
- Industry perception
- Shifting demographics
- Proliferation of alternate forms of gambling



Observations – Total Race Days by State

The graph below illustrates total races days by state. As shown, total race days in Maryland ranged from 140 to 187 during the profiled period, which ranked 6th of the eight profiled states. Total races days in Maryland are most similar to Kentucky, which has more tracks than Maryland. Multiple variables can impact total race days including weather.



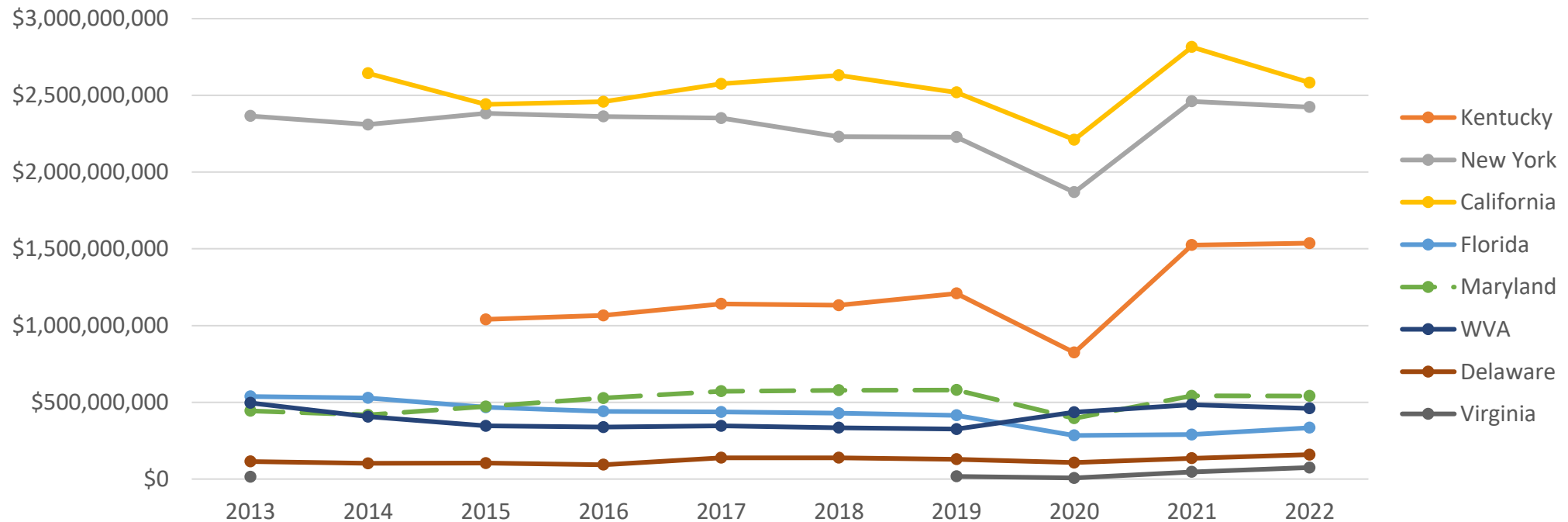
Notes: To provide a more meaningful comparison, race days in 2013 are not shown for California as Hollywood Racetrack closed at the end of 2013. Race days from 2014 to 2018 are not shown for Virginia as Colonial Downs ceased operations during that time.

Sources: State gaming and racing commissions/boards and other secondary research.

Observations – Total Handle by State

The annual total handle in 2022 from all sources for Maryland thoroughbred racing, excluding Timonium, ranked 4th amongst the states profiled and higher than other bordering states, but significantly lower than California, New York, and Kentucky. Over the past 10 years, many of the states profiled have experienced only limited growth in total handle with some experiencing a decrease. Maryland, however, saw its total handle increase by nearly 22% during this timeframe, which was only behind Delaware and Kentucky.

Total Handle by State (2013-2022)

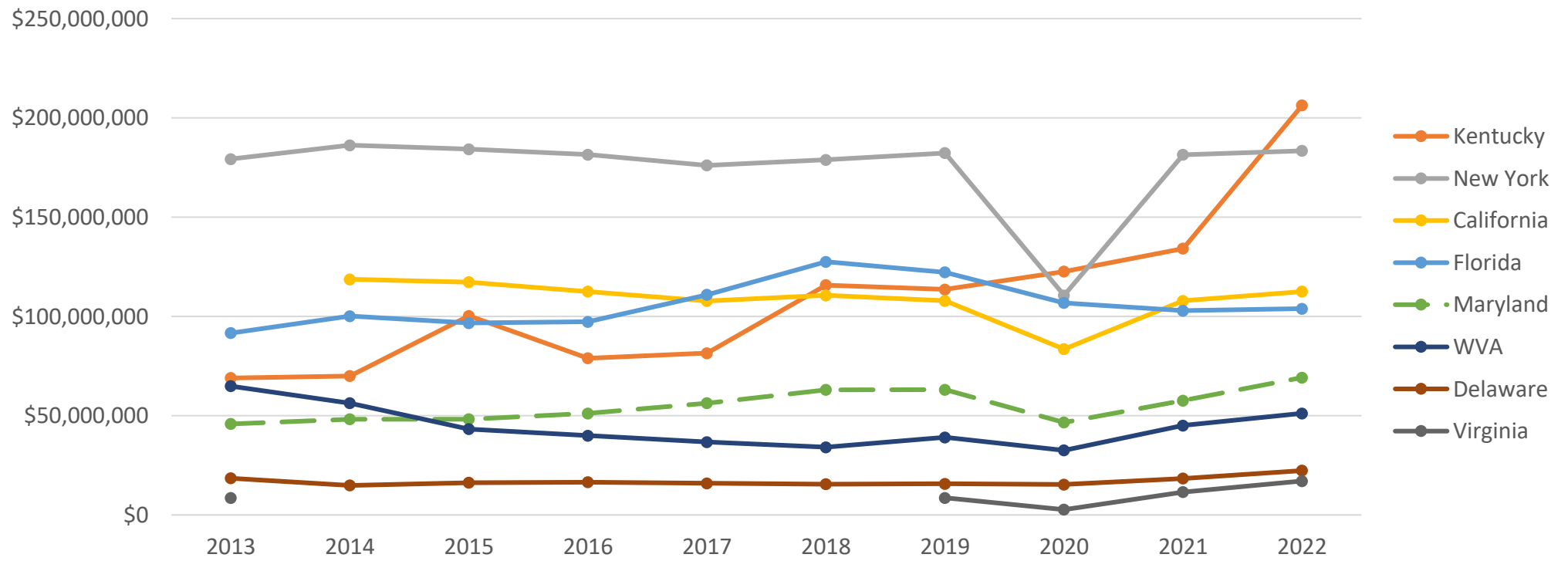


Notes: 2013 data is excluded for California due to the closure of Hollywood Park Racetrack at the end of that year.
 Data prior to 2015 was unavailable online for Kentucky.
 Colonial Downs in Virginia ceased operations in 2014 and reopened in 2019.
 Sources: State gaming and racing commissions/boards and other secondary research.

Observations – Total Purses by State

The annual total purses in 2022 for Maryland thoroughbred racing ranked 5th amongst the states profiled. Excluding Virginia, for which its lone track was closed from 2014 through 2018, the growth rate of total purses in Maryland was higher over the past 10 years for all states profiled other than Kentucky. Purses are the lifeblood of the industry, as both a revenue source to owners and breeders and a contributor to the quality of racing and thus wagering activity. The impact of higher purses can lead to both the ability to retain state-bred horses for in-state races, and also attracting out-of-state thoroughbreds.

Purses by State (2013-2022)



Notes: 2013 data is excluded for California due to the closure of Hollywood Park Racetrack at the end of that year.

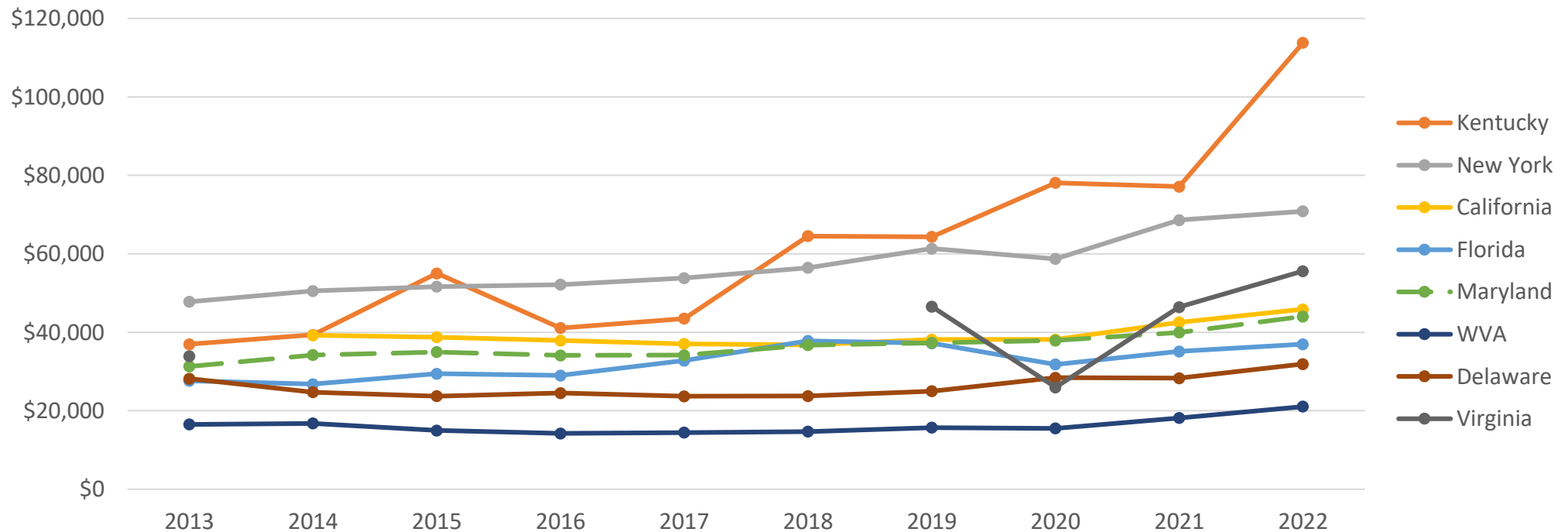
Colonial Downs in Virginia ceased operations in 2014 and reopened in 2019.

Sources: The Jockey Club and Equibase Company.

Observations – Average Purse Per Race by State

The average total purse per race in 2022 for Maryland thoroughbred racing ranked 5th amongst the states profiled. While Maryland purse levels in 2022 were comparable to many bordering states as well as California, they were significantly lower than Kentucky and New York which have experienced the most significant growth amongst the profiled states over the past 10 years. The growth rates in those two states along with Virginia have been largely attributable to increasing revenues and contributions from other gaming operations beyond thoroughbred horse racing.

Average Purse Per Race by State (2013-2022)



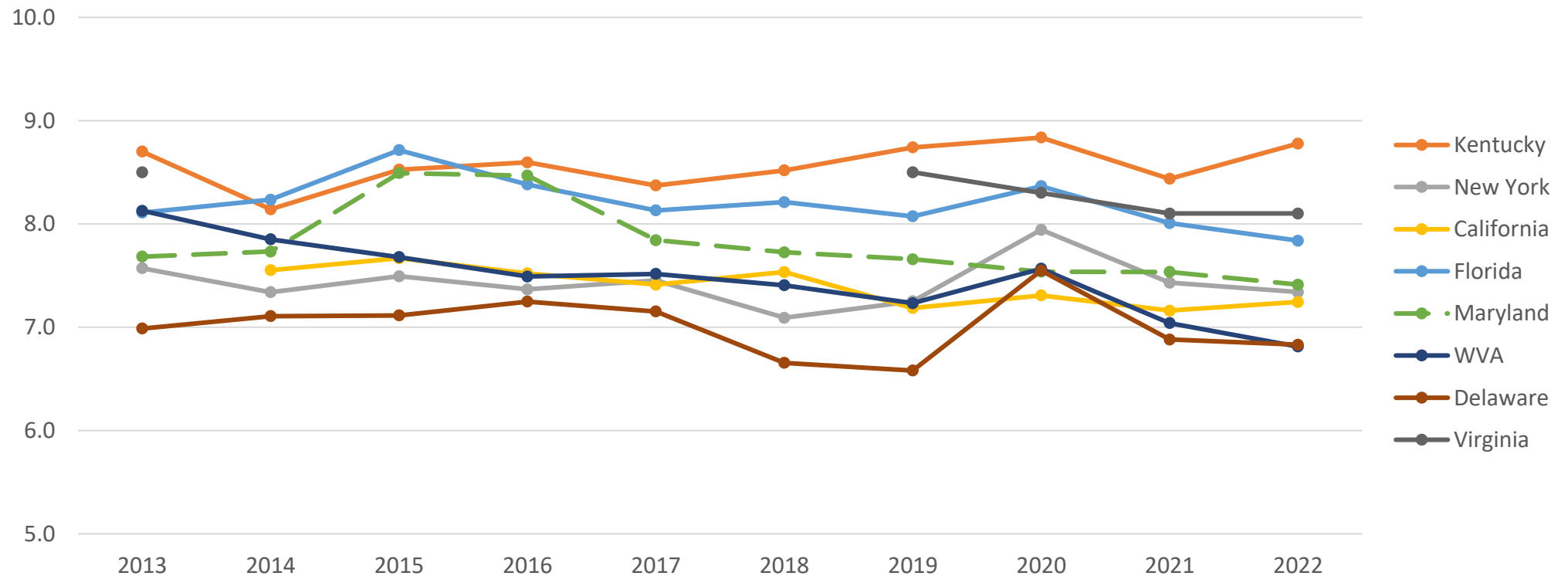
Notes: 2013 data is excluded for California due to the closure of Hollywood Park Racetrack at the end of that year.
Colonial Downs in Virginia ceased operations in 2014 and reopened in 2019.

Sources: The Jockey Club and Equibase Company.

Observations – Average Field Size by State

The average field size per race in 2022 for Maryland thoroughbred racing ranked 4th amongst the states profiled. Over the past 10 years, all of the states profiled, with the exception to Kentucky, had lower field sizes in 2022 compared to 2013. Several variables have contributed to this, however many in the industry have often argued that higher field size has a positive correlation to the quality of racing and level of wagering.

Average Field Size by State (2013-2022)



Notes: 2013 data is excluded for California due to the closure of Hollywood Park Racetrack at the end of that year.

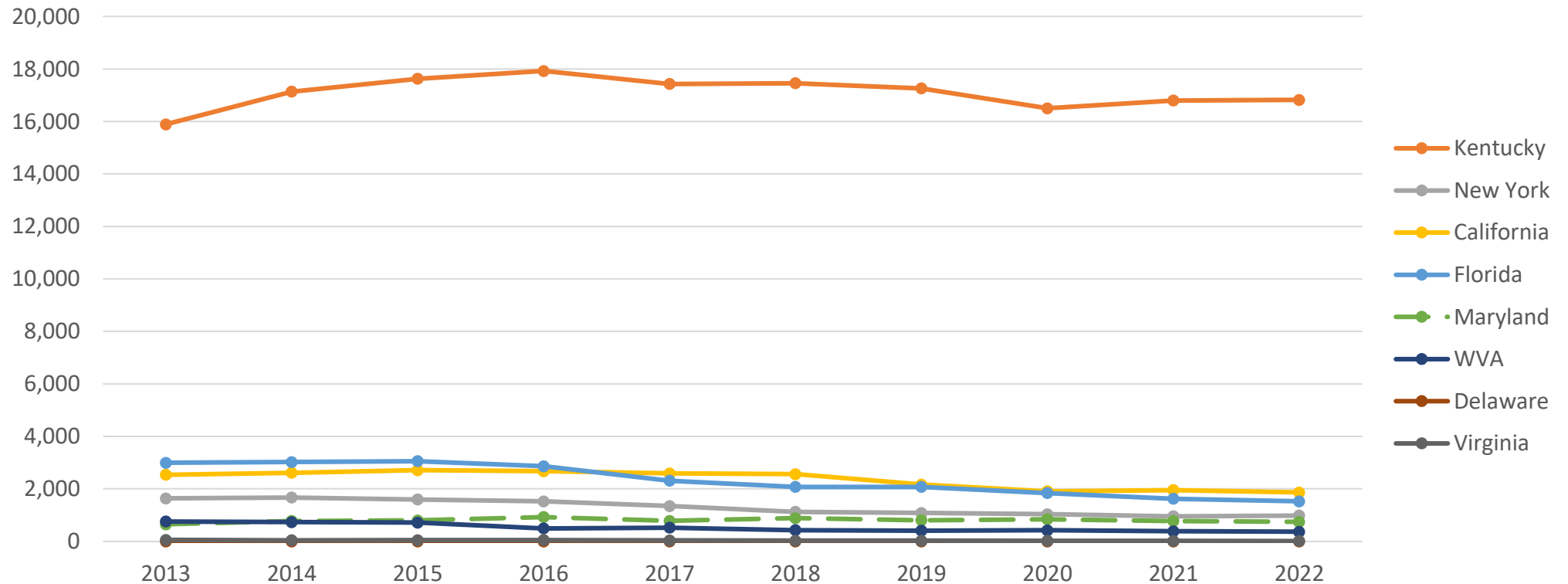
Colonial Downs in Virginia ceased operations in 2014 and reopened in 2019.

Sources: The Jockey Club and Equibase Company.

Observations – Mares Bred by State

The number of mares bred to Maryland stallions in 2022 ranked 5th amongst the profiled states and represented 2.6% of the total North America market. The breeding industry for all states is significantly lower than Kentucky, in which the mares bred comprised nearly 60% of the total market in North America in 2022. Over the past 10 years, Maryland and Kentucky were the only states that had increases in the number of mares bred. The health of the breeding industry is critical to support racing demand and quality.

Mares Bred by State (2013-2022)



Note: Figures reflect mares bred to stallions in that specific state.
Source: The Jockey Club.

Observations – Takeout Allocation for On-Track Wagering

The takeout is a commission that is retained from all wagers made at any given racetrack for both live and simulcast racing. The takeout rates vary by state and in some cases, further differences exist by track. The takeout is also dependent upon the type of wager being made. The blended takeout rates observed for the states profiled were relatively consistent in 2022, ranging from approximately 19% to 21% of live and simulcast handle. However, the manner in which these funds are allocated and the associated uses do differ amongst the states profiled.

In Maryland, California, Virginia, and West Virginia, the takeout is directly allocated between the track operators, purses, thoroughbred development funds, and other uses (e.g., state and local taxes, regulatory fees, horse health and safety, and simulcast fees). In those states, the track operators receive anywhere from approximately 27% to 54% of the takeout associated with on-track wagering while purses and thoroughbred development receive approximately 27% to 44% and 3% to 6%, respectively. In three (3) other states however, most of the available funds (approximately 90% to 92%) are retained by the track operators as a commission and the respective track operators may then enter into agreements with the horsemen regarding purse and other allocations. The following table illustrates the on-track wagering takeout allocation for the profiled states.

On-Track Wagering Takeout Allocation Profiled States				
State	Track Operators	Purse	Thoroughbred Development	Other
California (1)	35.8%	39.8%	3.1%	21.3%
Florida (2)	91.9%	0.0%	0.0%	8.1%
Kentucky (3)	89.7%	0.0%	3.8%	6.5%
New York (1)	89.8%	0.0%	2.8%	7.4%
Maryland (1)(4)	50.0%	44.3%	5.7%	0.0%
Virginia (1)	53.6%	29.7%	4.7%	11.9%
West Virginia (1)	26.7%	26.7%	4.3%	42.2%

(1) - Based on calendar year 2022 reporting.

(2) - Based on fiscal year ending June 2022 reporting.

(3) - Estimated based on the State's new excise tax structure and historical wagering.

(4) - Reflects net commissions after taxes and other expenses.

Sources: State racing and gaming commissions/boards and other secondary research.



Observations – Takeout Allocation for OTBs

Outside of Maryland, satellite wagering facilities or Off-Track Betting (OTB) facilities, which are state-sanctioned facilities (other than those offering live racing) that accept wagers for both in-state and out-of-state races are prevalent in three (3) of the states profiled (California, New York, and Virginia). In California, the OTBs are jointly controlled by the State’s racing industry, consisting of the track operators, racing fairs, and the horsemen. Similar but slightly different, satellite wagering facilities in Virginia are owned and operated by Virginia’s lone thoroughbred racetrack, Colonial Downs. In New York, the structure is significantly different with ownership consisting of a mix of private entities and public benefit corporations.

Similar to on-track wagering, the takeout associated with OTB wagering typically ranges from 19% to 21% of handle. As to be expected and especially given the different ownership structures of the OTBs for the profiled states, the distribution of these funds vary from state to state, as detailed in the table below. The allocations to thoroughbred development funds are relatively consistent, but significant differences exist for other distributions. In New York for example, the allocation to “other” is considerably higher, largely reflecting the net commissions retained by the OTB operators.

OTB Takeout Allocation Profiled States				
State	Track Operators	Purse	Thoroughbred Development	Other
California (1)	23.7%	32.6%	3.0%	40.7%
New York (1)	21.6%	0.0%	2.2%	76.2%
Maryland (1) (2)	50.0%	44.7%	5.3%	0.0%
Virginia (1)	59.8%	23.2%	4.6%	12.4%

(1) - Based on calendar year 2022 reporting.

(2) - Reflects net commissions after taxes and other expenses.

Sources: State racing and gaming commissions/boards.



Observations – Live Export Fees Allocation

The handle associated with live export wagering, which is generated from the broadcasting of races at any given track to out-of-state locations, is a significant source of revenue for most racetracks. In connection with this type of wagering, revenues are generated through signal transmission and other host fees. These fees vary by state and further by track, dependent upon the agreements any given track has with out-of-state wagering providers for the export of its signal. Furthermore, how these fees are divided can vary significantly. In some cases, these allocations are based on statutory requirements, but in others it is left to negotiation between the racetrack and horsemen.

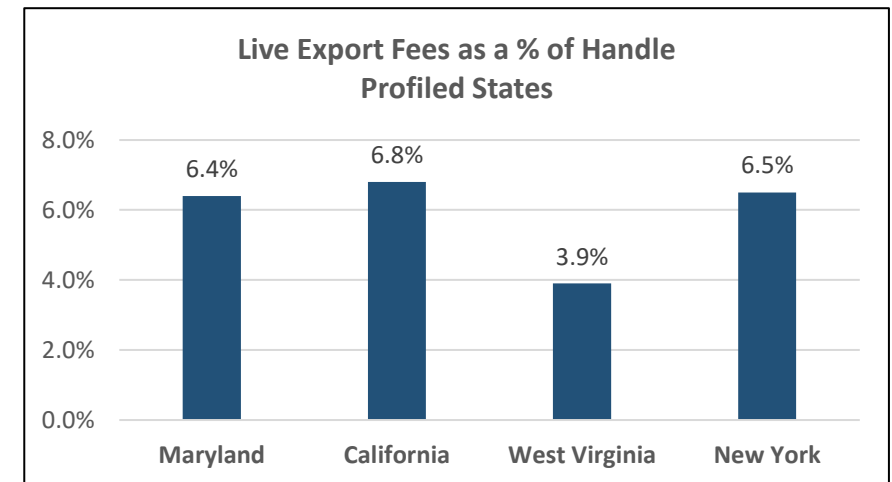
The live export fees generated and associated distribution in the profiled states are not reported by many racing and gaming commissions/boards or other secondary sources. The fees as a percentage of associated handle in Maryland for 2022 was 6.4%, while the fees in the other states ranged from 3.9% to 6.8%. In these states, the fees received are dedicated primarily to purses and track operator payments, with lesser amounts helping to fund thoroughbred development and other uses. In New York, while the fees as a percentage of live export handle are not reported, New York statutes provide that any such fees collected are shared equally between the track operator and purse contributions. These fees and allocations are detailed in the table and chart below.

Live Export Fees Allocation Profiled States				
State	Track Operators	Purse	Thoroughbred Development	Other
Maryland (1)	50.0%	44.3%	5.7%	0.0%
California (1)	38.9%	49.7%	2.3%	9.1%
New York (2)	50.0%	50.0%	0.0%	0.0%
West Virginia (1)	45.0%	45.0%	5.6%	4.4%

(1) - Based on calendar year 2022 reporting.

(2) - Based on New York statutes.

Sources: State racing and gaming commissions/boards and other secondary sources.

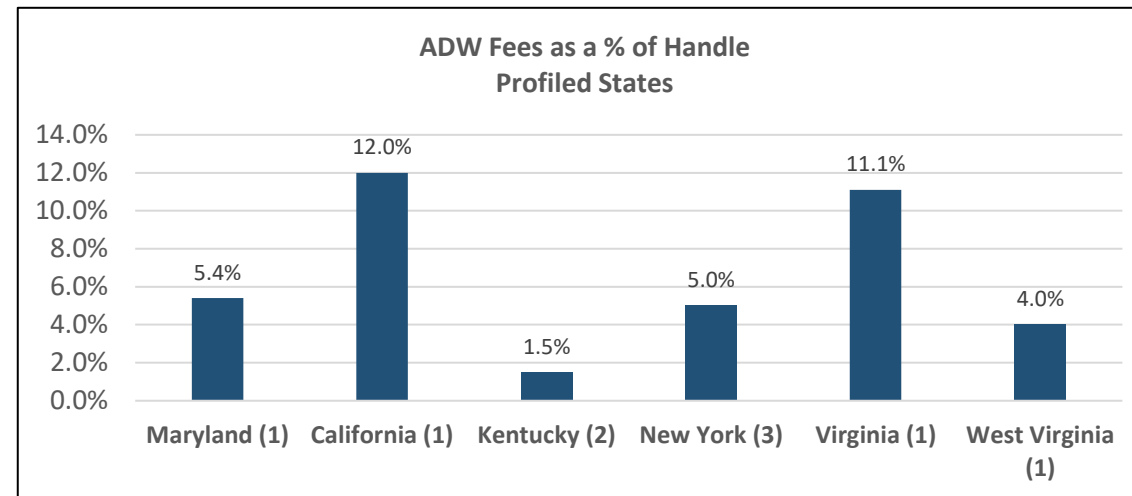


Observations – ADW Fees Allocation

Advanced Deposit Wagering ("ADW"), which is done through online platforms and mobile apps, is a growing source of revenue for the thoroughbred racing industry across the United States. In connection with this type of wagering, source market and other fees are often paid by ADW licensees. How these revenues are allocated perhaps varies the most among different states due to the evolution of ADW in recent years and the steps taken by some states, but not others, to regulate this type of wagering.

In Maryland, source market and other fees collected from ADW licensees totaled 5.4% of associated ADW wagering in 2022. In California, these fees totaled 12.0% of associated ADW wagering in 2022. The fees in California are negotiated by the racetracks, but subject to caps set forth by California statutes. In New York and West Virginia, the fees are statutory and are 5.0% and 4.0%, respectively while fees in Virginia were 11.1% in 2022, as detailed in the adjacent chart. In Kentucky, an excise tax of 1.5% is collected for distribution from ADW, but additional source market and other fees may be collected by the track operator based on agreements with the ADW licensees, the details of which are unknown.

The allocation of ADW fees collected vary by state, but in most cases, these fees are dedicated largely to purse and track operator payments, with lesser amounts helping to fund thoroughbred development and other uses, as detailed in the adjacent table. It is worth noting that in Virginia, rather than payments to the track operator, various other horsemen associations receive funding from ADW.



State	Track Operators	Purse	Thoroughbred Development	Other
Maryland (1)	50.0%	44.3%	5.7%	0.0%
California (1)	25.1%	30.0%	3.2%	41.7%
Kentucky (2)	42.5%	42.5%	0.0%	15.0%
New York (1)	36.0%	36.0%	18.0%	10.0%
Virginia (1)	0.0%	43.5%	8.7%	47.8%
West Virginia (1)	45.0%	45.0%	10.0%	0.0%

(1) - Based on calendar year 2022 reporting.

(2) - Based on fiscal year ending June 2022 reporting. Solely reflects allocation of excise tax, and associations may generate additional source market and other fees.

Sources: State racing and gaming commissions/boards, regulations, and other secondary research.

Observations – Purse and Thoroughbred Development Funds

The purses and thoroughbred development funds for racing in all of the states profiled receive funding contributions from pari-mutuel wagering, as detailed in previous slides. Nearly all the states also fund purses and thoroughbred development funds through significant contributions from other gaming operations, including VLTs and Historical Horse Racing (“HHR”) located at racinos and other casino gaming operations. The exception to this is California, which is funded exclusively through pari-mutuel wagering. The contributions from other gaming operations vary significantly by state, as shown in the adjacent tables.

In 2022, contributions to Maryland thoroughbred racing purses from VLT operations located at casinos throughout the State represented nearly 82% of the total funding for purses, second only to West Virginia. Similarly, Maryland thoroughbred development funds received nearly 92% of funding from the State’s VLT operations, second only to Kentucky. It should be noted that Kentucky is not included in the purse funding comparisons and Florida is not included in either of these comparisons, due to data limitations.



Thoroughbred Racing Purses - Contribution by Source in 2022 Profiled States			
State	Pari-Mutuel Wagering	Other Gaming	Total
Maryland	18.1%	81.9%	100.0%
California	100.0%	0.0%	100.0%
Delaware	52.6%	47.4%	100.0%
New York	62.7%	37.3%	100.0%
Virginia	41.2%	58.8%	100.0%
West Virginia	17.4%	82.6%	100.0%

Sources: State racing and gaming commissions/boards, regulations, The Jockey Club, Equibase, and other secondary research.

Thoroughbred Development Funds - Contribution by Source in 2022 Profiled States			
State	Pari-Mutuel Wagering	Other Gaming	Total
Maryland	8.1%	91.9%	100.0%
California	100.0%	0.0%	100.0%
Delaware	22.0%	78.0%	100.0%
Kentucky	5.0%	95.0%	100.0%
New York	27.0%	73.0%	100.0%
Virginia	59.4%	40.6%	100.0%
West Virginia	23.4%	76.6%	100.0%

Sources: State racing and gaming commissions/boards, regulations, The Jockey Club, Equibase, and other secondary research.

Observations – HISA Assessments

In 2020, Congress passed a bill authorizing the Horseracing Integrity and Safety Authority ("HISA") as a private self-regulatory organization, with implementation of HISA rules and regulations having begun in July 2022. HISA was created to establish and implement a national, uniform set of integrity and safety rules that are applied consistently to every thoroughbred racetrack and participants across the country. HISA is funded through assessments to each state and its tracks. The assessment formula is described in the Overview of Maryland Thoroughbred Racing section of this report.

The following table summarizes the 2023 assessments for each state profiled, along with strategies being employed to fund these assessments.

HISA Assessments and Funding Strategies Profiled States		
State	2023 Assessment (1)	Funding Approach
Maryland	\$3,553,689	Maryland's HISA assessment is being paid via an allocation of 50% paid by the respective track, 44.3% paid through a redirection of purse account funds, and 5.7% paid by the MBF.
California	\$6,729,297	The California Horse Racing Board approved a stakeholder proposal to fund the 2023 HISA assessment through a reallocation of a portion of ADW fees..
Delaware	\$1,194,832	In 2022, the Delaware Thoroughbred Racing Commission chose not to remit and collect HISA fees. At that time, the Delaware Department of Agriculture was considering options in pursuing a State grant to cover the State's HISA assessment. However, it is unclear if any such grant was obtained.
Florida	\$5,905,640	In May 2023, the Florida Legislature passed a tax bill including pari-mutuel tax credits to the Thoroughbred racetracks to cover costs of HISA assessments.
Kentucky	\$6,821,847	The Kentucky Horse Racing Commission has placed the burden on the State's tracks. Kentucky Downs, increased its takeout rate by 1.0% to help offset the fees. It is unknown if any measures are being taken by any of the other tracks in the State with respect to the HISA fees.
New York	\$7,935,427	HISA approved a structure that will equally split the payments for New York's assessment between NYRA and the New York Thoroughbred Horsemen's Association (NYTHA) with NYRA paying half out of its operating budget and NYTHA charging a per-start fee at each NYRA track for the remainder.
Virginia	\$708,276	N/A
West Virginia	\$3,814,169	Not being funded at this time, pending litigation.

(1) - Not adjusted for any credits that may have been issued.

Source: Horseracing Integrity and Safety Authority, state racing and gaming commissions/boards, and other secondary research.

Summary of Conclusions



Summary of Conclusions

This section presents a summary of conclusions based on the research and analysis conducted as part of this study effort as well as our extensive industry experience.

GENERAL OBSERVATIONS

- Racing is an important industry to the State of Maryland and its economy, particularly given that it hosts the Preakness Stakes, one of the three races that comprise the Triple Crown. As a point of reference, a study conducted by the American Horse Council in 2023 estimates the Maryland racing sector of the horse industry generates an economic impact of \$466 million and supports 2,988 jobs annual. As such, and consistent with other racetracks, it is important that racetrack capital improvements are prioritized in Maryland to enhance and sustain the industry and related economic benefits.
- Maintaining or enhancing the breeding industry in the State helps to preserve green space and promote agriculture. In a scenario where the industry is not maintained or enhanced, the sustainability of the agriculture industry in the State could be compromised.
- Both tracks in Maryland require substantial improvements to appropriately service the industry and offer long-term sustainability. In 2020, State Legislation authorized the MSA to issue up to \$375 million in bonds to fund track improvements. Collateral economic and fiscal benefits to the State are disproportionate to the returns of a for-profit operator.

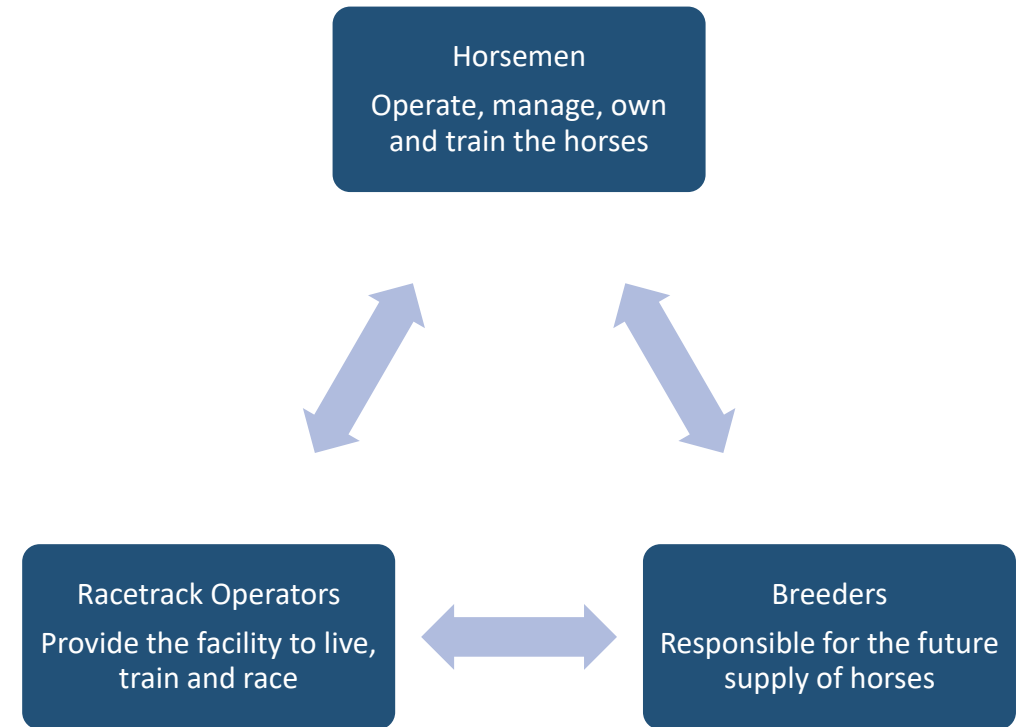
- The other Triple Crown tracks are in the process of making significant renovations and modernization efforts with Churchill Downs investing more than \$300 million and Belmont Park planning for a \$455 million redevelopment. The for-profit track operating model in Maryland does not currently provide sufficient ROI for the track operators to make necessary investments.
- The Maryland racing industry is under competitive pressures.
- It is important to understand and be proactive about what is going on in surrounding states such as Delaware, New York, West Virginia and Virginia as trainers and breeders can start to migrate operations to these states if they are more financially viable which would lead to a decline in Maryland.
- Churchill Downs Inc. has been increasing its portfolio of racetracks which now includes Colonial Downs in Virginia. By contrast, TSG has been closing/consolidating tracks including Calder Race Course and Golden Gate Fields.

The pages that follow provide observations and recommendations for consideration related to the topics of operating models, live on-track wagering/racing product, advance deposit wagering (“ADW”), thoroughbred development, and funding.

Summary of Conclusions (cont'd)

OPERATING MODEL

- A key component of enhancing the horse racing product in Maryland and helping to ensure the sustainability of the industry is the operating model.
- It is critical that the track operator have strong business acumen and be well-funded to appropriately support ongoing racing expenses and capital improvements, while maintaining safety and quality racetracks.
- The ownership and operating structures of the profiled tracks contain a mix of public, private, and not-for-profit entities.
- All the states profiled, excluding California, have other gaming operations at the tracks or in some cases other satellite gaming facilities.
- Private ownership of tracks is most viable in cases where other owned gaming operations exist to support track needs and investments. In the absence of gaming operations, the economics of racing typically require significant support from public funds.
- Maryland, because of video lottery terminal (“VLT”) funding contributions, has done a good job relative to its peers of maintaining purses at reasonable levels and preserving race days, which directly support strong racing and breeding industries that contribute to significant economic impacts and the preservation of green space.
- Recommendations related to future thoroughbred racing operations in Maryland should take into consideration the needs of the horsemen, breeders, and racetracks, which are interdependent and share common, yet unique objectives.



Summary of Conclusions (cont'd)

OPERATING MODEL (cont'd)

- It is possible to have a financially viable operating model in Maryland, but thoughtful and strategic changes are needed.
- Revenues from all-sources wagering may not be adequate to enable a for-profit operator to run a sufficient number of race days and also make the necessary capital improvements.
- Both tracks in Maryland require substantial improvements to appropriately service the industry, offer long-term sustainability, and in the case of Pimlico, showcase Baltimore and the State.
- Implementing a not-for-profit operating model would allow for 100% of State investment to go towards the interests of Maryland racing.
- Del Mar and Belmont are similar prominent racetracks without on-site gaming operations that offer an alternative operating model to Maryland.
 - Del Mar is owned by the State of California and operated by a non-profit consisting of the horsemen and does not have on-site gaming.
 - Belmont is owned by the State of New York and operated by the New York Racing Association, Inc. ("NYRA"), a non-profit that operates as a business. While Belmont doesn't have on-site gaming, they receive contributions from satellite gaming facilities.

Recommendation for Consideration: Implementing a public ownership structure for the tracks which recognizes a substantial need for a public investment with the involvement of industry participants to leverage otherwise strong economic foundations is recommended for consideration. Further, it is recommended that consideration be given to leasing the tracks to a not-for-profit corporation similar to NYRA.



Summary of Conclusions (cont'd)

BUSINESS OPERATIONS

Live On-Track Wagering/Racing Product

- Live on-track wagering and attendance at Maryland thoroughbred tracks have faced challenges, like many other states throughout the country, However, horse racing is still popular and maximizing live on-track wagering is beneficial, given the higher margins associated with it compared to other sources of wagering.
- On a per race day basis, the handle associated with this type of wagering in Maryland compares favorably to neighboring states, but significantly lower than what is generated in various other states throughout the country.
- Notably, those states enjoying greater turnouts and higher levels of live on-track wagering offer higher purses and generally larger field sizes, both of which contribute to the quality and attractiveness of the racing product. Many tracks in these states have also had success in offering boutique meets and an emphasis on other special events, while also maintaining a relatively consistent number of annual live race days.

Recommendation for Consideration: While the levels of live on-track wagering are unlikely to ever return to historical levels due to general trends in the horse racing industry and the proliferation of other forms of gambling, the success demonstrated in other states indicate the potential to develop strategies to reverse the trend of declining attendance and live on-track wagering at Maryland thoroughbred tracks. Steps should be taken to emulate the strategies for successful boutique meets at other tracks throughout the country (e.g., Saratoga, Del Mar, Keeneland, Kentucky Downs), maintain a minimum of 140 to 165 live race days, target a 35% increase in purses to bring the average purse per race to \$60,000 in line with Virginia and higher than other Mid-Atlantic states but still significantly lower than New York, and seek to increase the number of starts by about 15% achieving an average field size of 8.5. Additionally, evaluate opportunities to create a racing circuit(s) with other neighboring states to further improve the racing product and attract new or increased wagering interest.

Summary of Conclusions (cont'd)

BUSINESS OPERATIONS (cont'd)

Live Export Wagering

- Live export wagering, which is generated from the broadcasting of races at the Maryland tracks to other locations represents the most significant source of handle for Maryland racing.
- The signal transmission and other negotiated fees in place for this type of wagering in Maryland are in line with other states.
- On a per race day basis, the handle associated with this type of wagering in Maryland compares favorably to neighboring states, but significantly lower than what is generated in other states throughout the country.

Recommendation for Consideration: Review wagering distribution model and practices, along with more aggressive marketing and promotion, to further channelize distribution, expand audience, and reach new or emerging markets. While existing fee arrangements are in line with industry standards, enhancements to the racing product through previous recommendations would also command higher fees and better terms with existing receiving sites.

Advance Deposit Wagering ("ADW")

- Advancements in technology and other trends in consumer behavior have fueled significant shifts in wagering from traditional brick-and-mortar betting locations to online platforms (i.e., ADW). This was further accelerated during the pandemic with stay-at-home orders and other restrictions in place.
- While ADW provides a significant source of revenue to the horse racing industry and an opportunity to introduce and expand its customer base, the margins for this type of wagering available to the tracks, horsemen, and breeders is significantly lower than on-track wagering.
- The source market and other fees collected by Maryland as a percentage of ADW handle are comparable to some states, yet significantly lower than what has been negotiated in others.

Recommendation for Consideration: Agreements with ADW licensees should be evaluated for opportunities to increase fees. Additionally, enhance marketing/promotion efforts to raise profile with online betting platforms and seek opportunities for improved integration with traditional online sports betting platforms. Churchill Downs Inc., for example, recently reached agreements to bring its racing content to two different major online/mobile sports betting platforms (FanDuel and Draft Kings). Others have also recognized this opportunity, including NYRA Bets, the official ADW platform of NYRA, which in 2021 became the first horse racing partner providing integrated content with BetMGM, a leading online bookmaker focused traditionally on sports wagering.

Summary of Conclusions (cont'd)

FUNDING CONSIDERATIONS

- It is possible to have a financially viable racing operation in Maryland under the current economics, but a sufficient ROI may not exist for a for-profit to operate in a manner that is consistent with the State's objectives.
- Efficiencies can be achieved through consolidation of racing operations at Pimlico. Further, improved operations of the Preakness present significant opportunities for improved profitability. The need to maintain an operational track at all times requires a detailed transition plan.
- Beyond pari-mutuel wagering, the other primary source of funding for profiled states, with the exception of California, is other gaming operations (e.g., VLTs, table games, sports wagering, and HHRs). Maryland purses and thoroughbred development funds do benefit from other gaming operations, which in its specific case is from the VLTs at casinos located throughout the State.
- Unlike Maryland, many of these other gaming operations are located at the tracks and in some cases other satellite locations, which are owned and operated by the same parties as the tracks themselves. Thus, beyond the statutory or otherwise agreed distributions of revenues to racing industry stakeholders, additional substantial profits may be available for operating expenses, reinvestment, or other uses that benefit thoroughbred racing.
- The introduction of HHR facilities at Kentucky and Virginia tracks and other satellite gaming facilities in those states has had significant positive impacts to their horse racing industries, fueling growth in purses, thoroughbred development funds, and supporting track operations and investments.
- The manner in which revenues from pari-mutuel wagering are distributed and the associated allocations to the tracks, horsemen, and breeders in Maryland are relatively comparable to that of other states. Similarly, while the mechanics differ among the states profiled, HISA assessments are typically shared amongst track operators, horsemen, and breeders.

Recommendation for Consideration: If a not-for-profit operating structure is pursued, the newly formed entity should develop operating plans and projections based on both existing revenue sources and potential new gaming alternatives as highlighted above.

Summary of Conclusions (cont'd)

THOROUGHBRED DEVELOPMENT FUNDING

- Maryland has maintained a level of thoroughbred development funding to offer breeder, owner, and stallion awards that are competitive with neighboring states. However, higher revenues to support thoroughbred development from other gaming operations in these states could pose future risks to Maryland's breeding industry.
- Reductions in thoroughbred breeding for most states has been a contributing factor to declining field sizes at many tracks.
- While up over 2013, the level of breeding in Maryland has declined moderately in recent years, as has its average field size. At the same time and based on various breeding metrics, Maryland has maintained relatively steady market share of the overall breeding industry.
- In some states, such as Virginia and Kentucky, breeding incentive awards are available for racing performances in other Mid-Atlantic states.

Recommendation for Consideration: Previous recommendations to the racing product place further importance on maintaining a strong breeding industry in Maryland. To achieve these objectives and ensure future competitiveness with neighboring states, a 15% to 20% increase in thoroughbred development funds should be targeted. Additionally, the merits of offering out-of-state race awards should be evaluated.



Case Studies - Thoroughbred Industry Operating Models



Case Studies - Select Thoroughbred Industry Operating Models

This section provides detailed case studies of racetrack operating models in California, Delaware, Florida, Kentucky, New York, Virginia, and West Virginia.

Metrics profiled include:

- Track overviews
- Trends in thoroughbred racing metrics such as races, purses, average purse per race, race days and average field size
- Trends in thoroughbred racing handle including sources of handle
- Takeout, fees and breakage
- Purse funds
- Trends in breeding metrics
- Thoroughbred development funds
- Breeding and Racing Incentives
- Horseracing and integrity and safety act ("HISA")
- General overview of racing commission / oversight entity

As previously mentioned, the data presented reflects available information gathered from various sources including, but not limited to, MTROA, Maryland Racing Commission, Maryland Thoroughbred Horsemen's Association, Maryland Horse Breeders Association, Maryland Jockey Club, The Jockey Club, Equibase Company, and racing organizations in the aforementioned states. Certain data was not available as the metrics reported vary by state and there is no single entity that reports all the profiled metrics for each state.

A challenge is ensuring accurate comparisons given the differences in reporting for each state. Further, in some instances the data related to a metric within the same state may differ from one source to the next. For comparative purposes, we have utilized sources that allow for accurate and consistent comparisons across each state. In addition, in some instances, the reported data was adjusted to allow for direct comparisons.

The case studies within this section provide significant data that is meant to serve as a guide in identifying industry best practices and our recommendations to MTROA.

California – Thoroughbred Racetracks

There are four thoroughbred racetracks in California. The Stronach Group owns and operates two tracks including Golden Gate Fields and Santa Anita. Golden Gate Fields is planned to close in 2024. Del Mar and Los Alamitos are privately owned and operated. The following table provides track particulars, and the map that follows show location details.

California Thoroughbred Racetracks								
Track	Year Opened	Owner	Operator	Seating Capacity		Track Length		Stabling (stalls)
				Grandstand	Clubhouse	Dirt (miles)	Turf (furlongs)	
Del Mar	1937	State of California	Del Mar Thoroughbred Club	7,350	2,183	1	7	2,000
Golden Gate Fields	1941	The Stronach Group, Inc.	The Stronach Group, Inc.	9,000	4,500	1	7	1,420
Los Alamitos	1947	Dr. Edward C. Allred	Los Alamitos Racing Association	12,000	5,500	1	N/A	1,500
Santa Anita	1934	The Stronach Group, Inc.	The Stronach Group, Inc.	26,000	4,500	1	6.5	2,000

Sources: Facility website, Twinspires, Advantage Wagering, CasinoCity, and horsereading-tracks.

Santa Anita Park
Arcadia, CA



Del Mar Racing
Del Mar, CA



Source: Google Maps, facility websites

Golden Gate Fields
Berkeley, CA



Los Alamitos Race Course
Cypress, CA



California – Live Race Days and Attendance

The number of live race days at all of the California thoroughbred racetracks experienced measurable decreases for the 9-year period from 2014 through 2022, the most significant of which was at Santa Anita with live race days decreasing (28.8%) from 132 in 2014 to 94 in 2022. Annual attendance experienced an even greater decrease at all of the California thoroughbred racetracks over that same timeframe, with attendance down in excess of 40% at every track in 2022 compared to 2014. These trends are detailed in the tables below. It should be noted that Hollywood Park Racetrack closed at the end of 2013, as such and to provide a more meaningful comparison, we excluded 2013 data from this analysis.

Annual Live Race Days California Thoroughbred Racetracks					
Year	Del Mar	Golden Gate Fields	Los Alamitos	Santa Anita	Total
2014	51	152	18	132	353
2015	60	149	20	126	355
2016	54	148	20	126	348
2017	52	147	19	122	340
2018	52	149	20	123	344
2019	49	158	16	104	327
2020	42	120	7	76	245
2021	46	133	14	94	287
2022	44	120	13	94	271
9-Year Change	-13.7%	-21.1%	-27.8%	-28.8%	-23.2%
CAGR 2014-2022	-1.8%	-2.9%	-4.0%	-4.2%	-3.3%
CAGR 2018-2022	-4.1%	-5.3%	-10.2%	-6.5%	-5.8%



Annual Attendance California Thoroughbred Racetracks					
Year	Del Mar	Golden Gate Fields	Los Alamitos	Santa Anita	Total
2014	731,078	314,423	52,864	956,884	2,055,249
2015	702,378	303,160	41,747	901,140	1,948,425
2016	611,823	262,837	37,784	1,038,546	1,950,990
2017	623,816	267,825	30,692	968,000	1,890,333
2018	544,443	261,169	29,272	959,354	1,794,238
2019	465,650	228,827	26,174	831,953	1,552,604
2020	4,611	44,422	0	234,630	283,663
2021	318,854	35,725	18,423	227,472	600,474
2022	326,235	72,014	14,679	572,627	985,555
9-Year Change	-55.4%	-77.1%	-72.2%	-40.2%	-52.0%
CAGR 2014-2022	-9.6%	-16.8%	-14.8%	-6.2%	-8.8%
CAGR 2018-2022	-12.0%	-27.5%	-15.8%	-12.1%	-13.9%

Notes: Excludes races at fairs and fair meets at Los Alamitos. Additionally and to provide a more meaningful comparison, 2013 data was not included as Hollywood Park Racetrack closed at the end of 2013.

██████████ indicates Breeders Cup was hosted in that year.

Source: California Horse Racing Board.

Notes: Excludes races at fairs and fair meets at Los Alamitos. Additionally and to provide a more meaningful comparison, 2013 data was not included as Hollywood Park Racetrack closed at the end of 2013.

Source: California Horse Racing Board.

California – Thoroughbred Racing Metrics

The California thoroughbred racing industry experienced a measurable decrease in the number of races (18.9%) and race days (23.2%) over the 9-year period from 2014 through 2022. It also saw a decrease (4.1%) in the average field size per race from 7.6 in 2014 to 7.2 in 2022. Despite these trends and while total purses were moderately lower in 2022 compared to 2014, the total purses have increased in recent years. Additionally, the average purse per race increased from approximately \$39,200 in 2014 to \$45,900 in 2022, representing an increase of 17.0%. These trends and other performance metrics are detailed in the table below.

California Thoroughbred Racing Statistics							
Year	Races	Purses	Avg Purse per Race	Starters	Starts	Race Days	Avg Field Size
2014	3,026	\$118,689,600	\$39,223	4,920	22,849	353	7.6
2015	3,026	\$117,296,400	\$38,763	4,739	23,202	355	7.7
2016	2,968	\$112,528,800	\$37,914	4,584	22,322	346	7.5
2017	2,910	\$107,837,945	\$37,058	4,575	21,569	338	7.4
2018	3,006	\$110,622,800	\$36,801	4,567	22,644	344	7.5
2019	2,828	\$107,890,600	\$38,151	4,405	20,321	325	7.2
2020	2,189	\$83,550,900	\$38,169	3,788	15,995	245	7.3
2021	2,537	\$107,922,012	\$42,539	4,082	18,165	285	7.2
2022	2,454	\$112,579,660	\$45,876	3,954	17,776	271	7.2
9-Year Change	-18.9%	-5.1%	17.0%	-19.6%	-22.2%	-23.2%	-4.1%
CAGR 2014-2022	-2.6%	-0.7%	2.0%	-2.7%	-3.1%	-3.3%	-0.5%
CAGR 2018-2022	-4.9%	0.4%	5.7%	-3.5%	-5.9%	-5.8%	-1.0%

Notes: Excludes races at fairs and fair meets at Los Alamitos. Additionally and to provide a more meaningful comparison, 2013 data was not included as Hollywood Park Racetrack closed at the end of 2013.

Source: California Horse Racing Board.



Notable races in California include the Pacific Classic Stakes, the Santa Anita Handicap, and the Santa Anita Derby. The Pacific Classic Stakes, a Grade I thoroughbred race for three-year-olds and older, is held annually at Del Mar in August and carried a purse of \$1,000,000 in 2023. The Santa Anita Handicap, a Grade I thoroughbred race and one of the country's most important races for four-year-olds and older, is held annually in March and carried a purse of \$500,000 in 2023. The Santa Anita Derby, also a Grade I thoroughbred race and one of the final prep races for the Kentucky Derby, is held annually in April and carried a purse of \$750,000 in 2023. Additionally, both Santa Anita and Del Mar have hosted the Breeders Cup World Championships multiple times over the years.

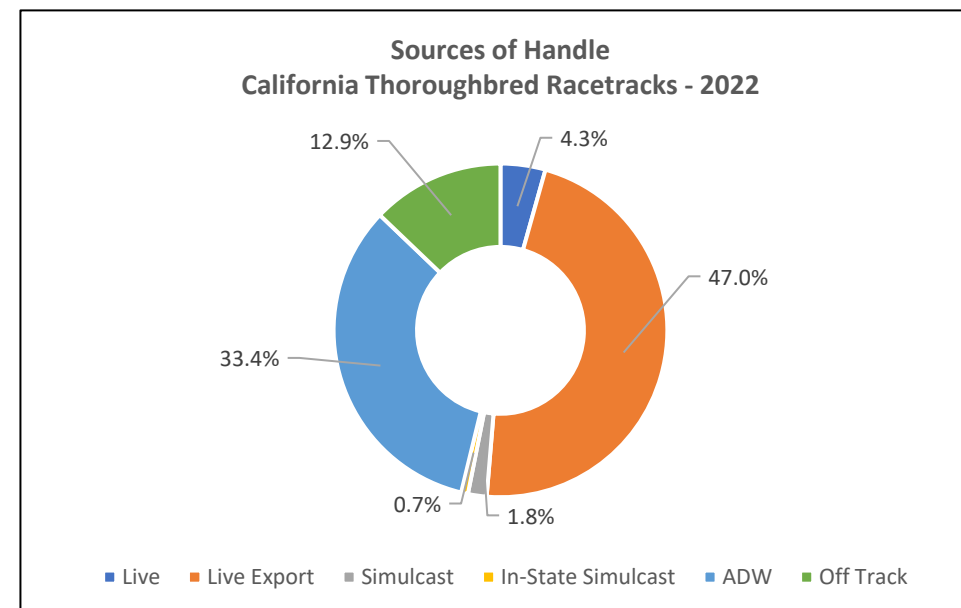
California – Thoroughbred Racing Handle

The annual total handle from all sources attributable to California thoroughbred racetracks was approximately \$2.58 billion in 2022 compared to \$2.64 billion in 2014, which reflected a slight decrease of 2.3% over that timeframe. Del Mar, however, saw an increase in its annual total handle of 26.4% over that same period. The handle associated with live export wagering, which is generated from the broadcasting of races at the California tracks to other locations, accounted for 47.0% of the total handle in 2022, while live on-track wagering accounted for just 4.3%. Simulcast wagering at California thoroughbred tracks for races taking place outside the state accounted for 1.8% of the total handle in 2022 and in-state accounted for 0.7%. The wagering generated from the many off-track betting facilities located in the State accounted for 12.9% of the total handle in 2022. Advanced Deposit Wagering ("ADW"), which is done through online platforms and mobile apps, accounted for 33.4% of the total handle in 2022 and has been a major driver of growth in the State's handle. These trends are illustrated in the table and chart below.

Annual Total Handle (All Sources) California Thoroughbred Racetracks					
Year	Del Mar	Golden Gate Fields	Los Alamitos	Santa Anita	Total
2014	\$569,369,495	\$464,622,598	\$115,098,448	\$1,494,088,242	\$2,643,178,783
2015	\$549,397,624	\$456,842,086	\$122,750,393	\$1,312,511,421	\$2,441,501,524
2016	\$461,585,071	\$454,690,772	\$130,667,086	\$1,411,403,025	\$2,458,345,954
2017	\$749,838,089	\$434,168,483	\$114,921,696	\$1,275,695,700	\$2,574,623,968
2018	\$625,614,989	\$507,163,750	\$117,453,487	\$1,379,849,702	\$2,630,081,928
2019	\$559,363,769	\$540,382,052	\$107,882,147	\$1,311,432,389	\$2,519,060,357
2020	\$642,324,911	\$533,619,648	\$56,361,304	\$978,393,406	\$2,210,699,269
2021	\$913,691,403	\$530,946,320	\$101,647,015	\$1,268,462,011	\$2,814,746,749
2022	\$719,750,449	\$524,162,413	\$81,568,125	\$1,257,474,917	\$2,582,955,904
9-Year Change	26.4%	12.8%	-29.1%	-15.8%	-2.3%
CAGR 2014-2022	3.0%	1.5%	-4.2%	-2.1%	-0.3%
CAGR 2018-2022	3.6%	0.8%	-8.7%	-2.3%	-0.5%

Notes: Excludes races at fairs and fair meets at Los Alamitos. Additionally and to provide a more meaningful comparison, 2013 data was not included as Hollywood Park Racetrack closed at the end of 2013.

Source: California Horse Racing Board.



Source: California Horse Racing Board.

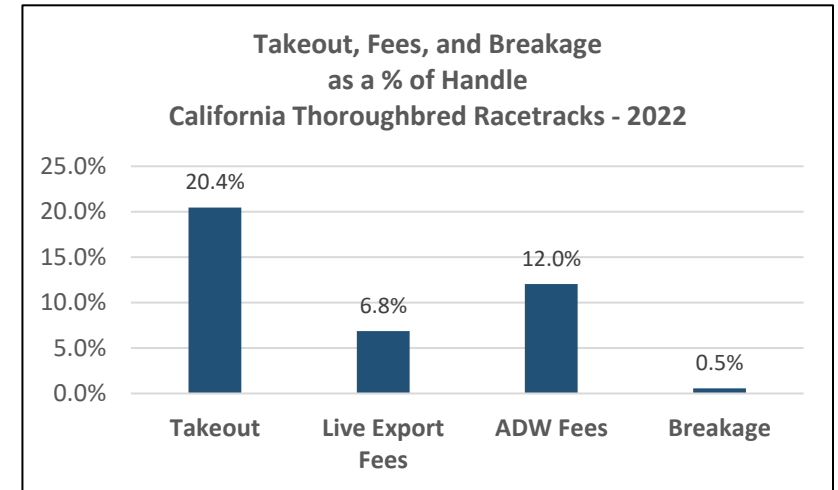
California – Takeout, Fees and Breakage

The takeout rates at California racetracks are applicable to live on-track betting as well as simulcast wagering (both for in-state and out-of-state tracks) and off-track betting establishments. The established takeout rates as a percentage of handle at California tracks ranges from 15.43% on straight wagers to 23.68.% on exotic wagers with 3 or more horses. In 2022, the total blended takeout rate on wagering at California thoroughbred racetracks was 20.4% of live on-track, simulcast, and off-track handle, which generated approximately \$103.9 million, as illustrated in the adjacent charts.

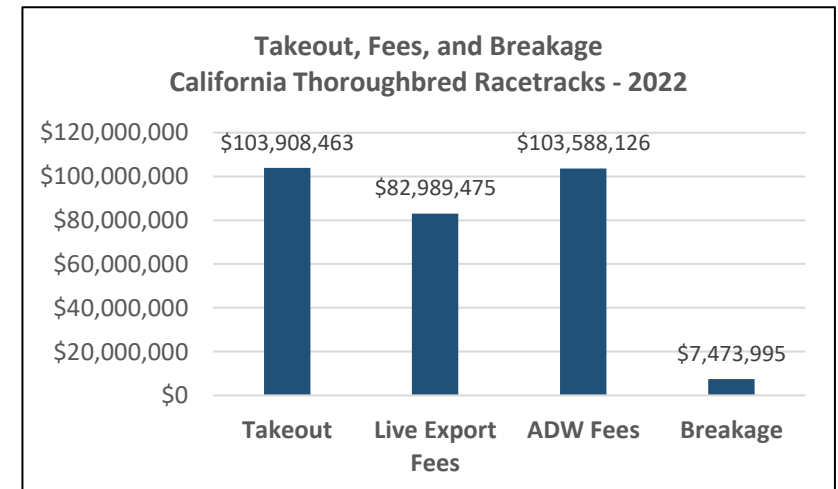
In 2022, the total live export fees at California thoroughbred racetracks was 6.8% of live export handle, which generated nearly \$83.0 million, as illustrated in the adjacent charts.

Source market and other fees paid by ADW licensees in California were 12.0% of ADW wagering in 2022 which generated approximately \$103.6 million, as illustrated in the adjacent charts. These amounts are subject to negotiated agreements and California law that caps an ADW's provider hub fee and host fees paid to tracks at which the wagering is taking place.

In 2022, breakage at California thoroughbred racetracks accounted for approximately \$7.5 million, as illustrated in the adjacent charts.



Source: California Horse Racing Board.



Source: California Horse Racing Board.

California – Takeout Allocation

The allocation of the takeout to different uses in California varies dependent upon the type of wagering taking place. In 2022 and in aggregate, the greatest share (35.1%) was allocated to purses, while track operators garnered the second most (27.9%). The aggregate takeout allocated to funding CHRB operations was 5.0% in 2022 and 3.1% was allocated to the California Thoroughbred Breeders Association (“CTBA”) for thoroughbred development/breeder incentive awards and programs. For simulcast wagering at California racetracks and off-track betting facilities, and dependent upon the agreements in place for each, transmission and host track payments are made (i.e., payments to the track for which the wager is being accepted), which in 2022 accounted for 10.5% of the total takeout. Other allocations accounted for 18.5% in 2022 and include backstretch retirement and welfare funds, equine health and safety programs, local taxes, stabling funds, and various other uses. These allocations, details by type of wager, and the actual amounts allocated are detailed in the adjacent tables.



Takeout Allocation % California Thoroughbred Racetracks - 2022					
Use	Live	Simulcast	In-State Simulcast	Off Track	Total
Track Operator	41.0%	24.9%	31.2%	23.7%	27.9%
Purse	47.1%	23.2%	37.0%	32.6%	35.1%
Racing Board	4.7%	4.1%	3.6%	5.4%	5.0%
Host Track/Transmission	0.0%	30.3%	13.5%	11.1%	10.5%
Thoroughbred Development	3.1%	3.0%	3.0%	3.0%	3.1%
Other	4.0%	14.5%	11.7%	24.3%	18.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Excludes races at fairs and fair meets at Los Alamitos.

Source: California Horse Racing Board.

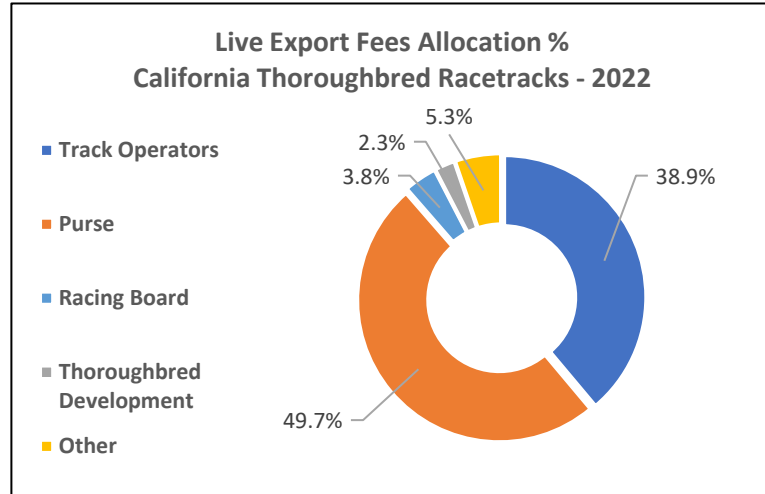
Takeout Allocation California Thoroughbred Racetracks - 2022					
Use	Live	Simulcast	In-State Simulcast	Off Track	Total
Track Operator	\$9,417,358	\$2,382,312	\$1,084,633	\$16,075,958	\$28,960,260
Purse	\$10,824,812	\$2,221,918	\$1,288,640	\$22,133,090	\$36,468,460
Racing Board	\$1,087,058	\$391,548	\$124,104	\$3,634,280	\$5,236,990
Host Track/Transmission	\$0	\$2,891,796	\$469,214	\$7,530,489	\$10,891,500
Thoroughbred Development	\$720,891	\$283,047	\$105,403	\$2,062,699	\$3,172,041
Other	\$915,418	\$1,386,930	\$408,013	\$16,468,853	\$19,179,213
Total	\$22,965,537	\$9,557,551	\$3,480,007	\$67,905,369	\$103,908,463

Note: Excludes races at fairs and fair meets at Los Alamitos.

Source: California Horse Racing Board.

California – Other Fees and Breakage Allocation

The allocation of live export fees received by California racetracks are dedicated primarily to purses and track operator payments, with lesser amounts helping to fund thoroughbred development and other uses. The allocation of ADW fees is similar, but a larger proportion go to other uses, and breakage is split equally between track operators and purses. The specific allocation amounts for these funding sources are detailed in the charts and tables below.

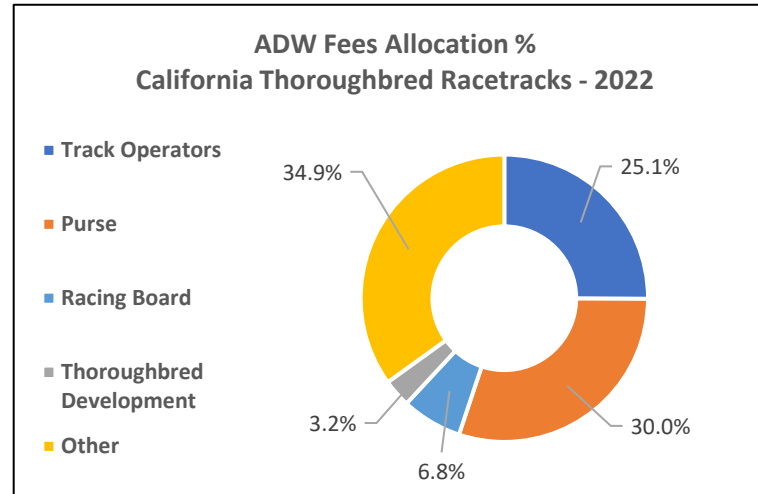


Source: California Horse Racing Board.

Live Export Fees Allocation California Thoroughbred Racetracks - 2022	
Use	Total
Track Operators	\$32,273,685
Purse	\$41,252,078
Racing Board	\$3,154,571
Thoroughbred Development	\$1,941,274
Other	\$4,367,867
Total	\$82,989,475

Note: Excludes races at fairs and fair meets at Los Alamitos.

Source: California Horse Racing Board.

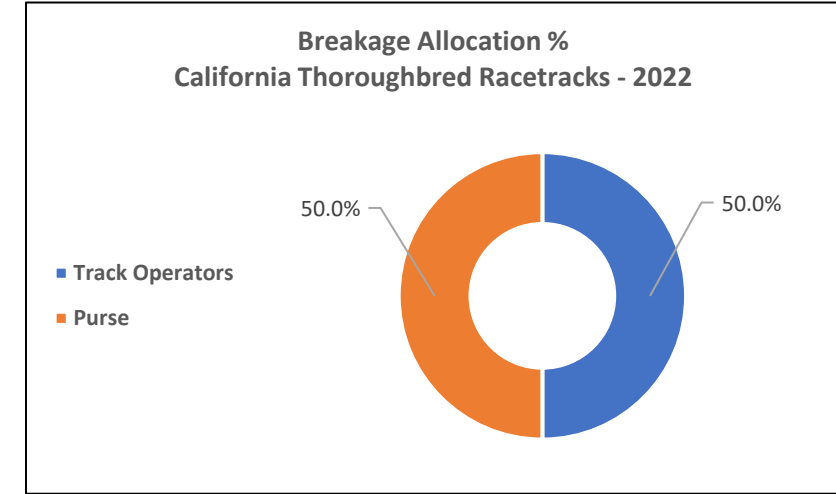


Source: California Horse Racing Board.

ADW Fees Allocation California Thoroughbred Racetracks - 2022	
Use	Total
Track Operators	\$25,967,231
Purse	\$31,122,125
Racing Board	\$7,047,354
Thoroughbred Development	\$3,269,107
Other	\$36,182,309
Total	\$103,588,126

Note: Excludes races at fairs and fair meets at Los Alamitos.

Source: California Horse Racing Board.



Source: California Horse Racing Board.

Breakage Allocation California Thoroughbred Racetracks - 2022	
Use	Total
Track Operators	\$3,736,997
Purse	\$3,736,997
Total	\$7,473,995

Note: Excludes races at fairs and fair meets at Los Alamitos.

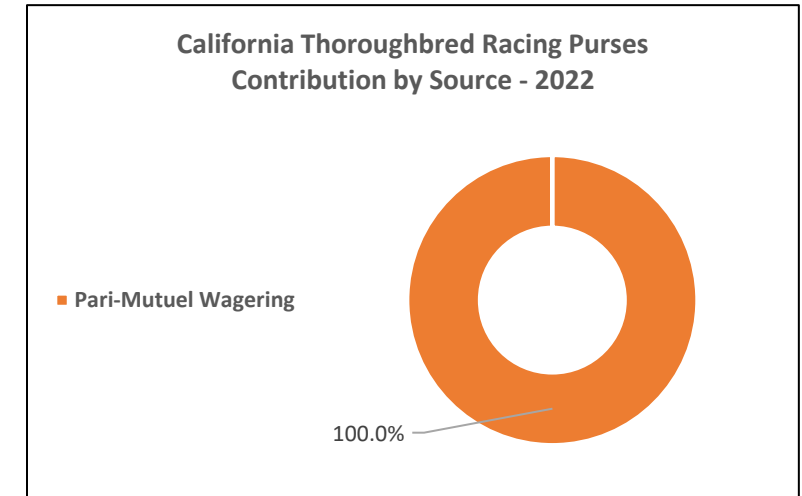
Source: California Horse Racing Board.

California – Purse Funds

As previously detailed, the purses for California thoroughbred racing receive funding contributions from pari-mutuel wagering, which totaled approximately \$112.6 million in 2022. Unlike many other states, purses in California are funded exclusively through pari-mutuel wagering at this time, as illustrated and detailed in the adjacent chart and table.

In the State's November 2022 general election, California Proposition 26, which would have legalized sports wagering at California's horse racetracks was voted down. While not detailed in California Proposition 26, it was anticipated subsequent agreements would be enacted to allocate a portion of the revenues generated via sports wagering at the racetracks to purses and other thoroughbred racing uses.

California horse racing stakeholders are however considering the pursuit of other supplemental funding sources. Scott Chaney, the Executive Director of the CHRB, has recently noted that he does not believe the current model for California racing is sustainable and that additional funding sources are needed to maintain the desired quality level for racing in the State, competitiveness of purses, and field sizes. He further indicated that exploring Historical Horse Racing ("HHR") as a possibility. HHR machines are very similar to slot machines in terms of play and other visual aspects, but unlike traditional slot machines, they use the outcomes of previously run races to determine payouts of any given wager instead of a random number generator. This method of determining payouts has allowed these games to be considered pari-mutuel wagering and offered in certain states where other casino gaming may have otherwise been illegal.



Note: Excludes races at fairs and fair meets at Los Alamitos.
Source: California Horse Racing Board.

California Thoroughbred Racing Purses Sources and Funding Amounts - 2022	
Source	Amount
Pari-Mutuel Wagering	\$112,579,660
Total	\$112,579,660

Note: Excludes races at fairs and fair meets at Los Alamitos.
Source: California Horse Racing Board.

California – Breeding Metrics

During 2022, California's 112 reported stallions covered 1,866 mares, or 6.6% of all the mares reported bred in North America. The number of mares bred to California stallions decreased by 26.5% from 2013 through 2022. The average book size (number of mares bred per stallion) in California increased moderately from 13.7 in 2013 to 16.7 in 2022. By comparison, the average North America book size increased from 15.5 to 23.2 during that same timeframe.

California-bred thoroughbred earnings by racing area show that in 2022, 78.3% of earnings were garnered in-state, down slightly from 79.6% in 2018. These and other breeding metrics are detailed in the adjacent tables.



Annual Thoroughbred Mares Bred to California Stallions						
Year	Mares Bred	% of North America	Stallions	% of North America	Average Book Size	Average North America Book Size
2013	2,540	6.8%	186	7.7%	13.7	15.5
2014	2,612	6.9%	171	7.5%	15.3	16.5
2015	2,713	7.2%	176	8.5%	15.4	18.1
2016	2,675	7.3%	182	9.2%	14.7	18.4
2017	2,591	7.5%	172	9.0%	15.1	18.2
2018	2,563	7.8%	160	9.1%	16.0	18.7
2019	2,165	6.9%	157	9.4%	13.8	18.9
2020	1,906	6.3%	130	8.4%	14.7	19.3
2021	1,954	6.7%	131	9.5%	14.9	21.2
2022	1,866	6.6%	112	9.1%	16.7	23.2
10-Year Change	-26.5%	-2.9%	-39.8%	18.2%	22.0%	49.7%
CAGR 2013-2022	-3.4%	-0.3%	-5.5%	1.9%	2.2%	4.6%
CAGR 2018-2022	-7.6%	-4.1%	-8.5%	0.0%	1.0%	5.5%

Source: The Jockey Club.

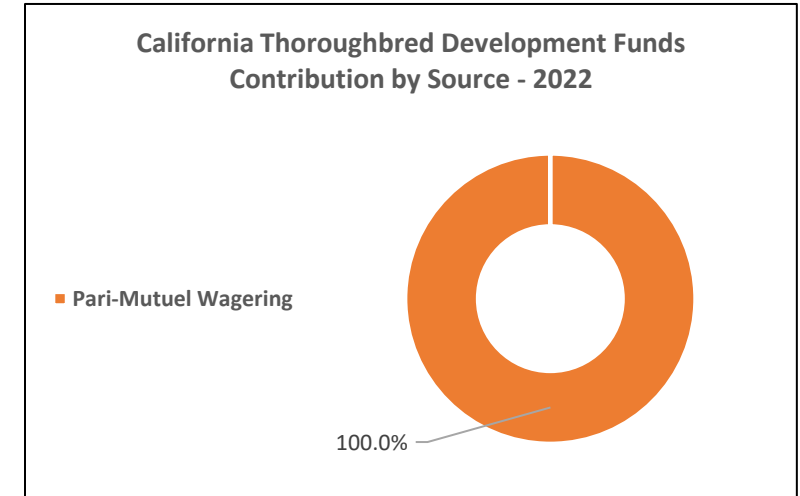
Percentage of California-Bred Thoroughbred Earnings by Racing Area						
Racing Area	2018	2019	2020	2021	2022	2018 to 2022 Change
California	79.6%	79.3%	83.0%	80.7%	78.3%	-1.7%
Arizona	4.3%	4.9%	2.1%	5.8%	7.2%	66.6%
New Mexico	2.6%	2.1%	1.5%	1.2%	2.3%	-9.8%
Washington	1.8%	1.8%	1.6%	1.6%	2.2%	24.7%
Other	11.7%	11.9%	11.9%	10.8%	10.0%	-14.5%

Source: The Jockey Club and Equibase Company.

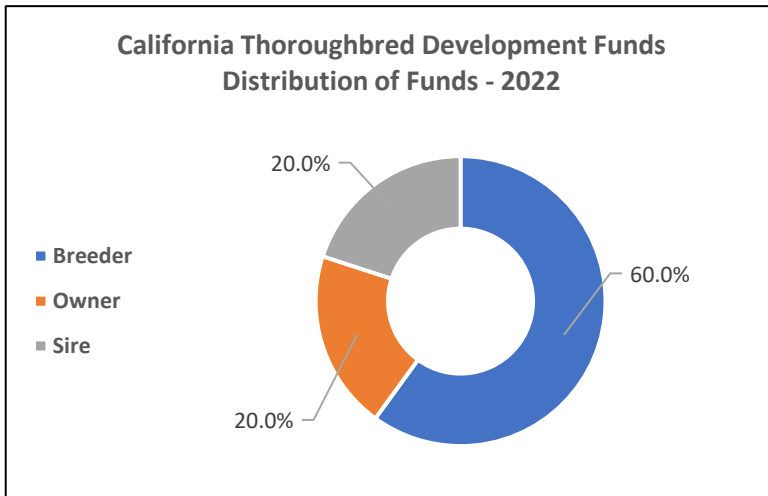
California – Thoroughbred Development Funds

The California Thoroughbred Breeders Association (“CTBA”), a 501(c)(3) not-for-profit organization, is responsible for administering thoroughbred development funds for California-bred awards. The purpose of the funds is to award accredited breeders, thoroughbred racehorse owners and sire owners of California-bred and/or sired horses to promote breeding and racing. Unlike some other states however that only provide awards involving in-state races, awards are available to breeders of California-bred horses in a graded stakes race outside of the State.

As previously detailed the CTBA receives funding contributions from pari-mutuel wagering, which totaled approximately \$8.4 million in 2022. Similar to the funding of purses in the State, funding is exclusively through pari-mutuel wagering, as illustrated and detailed in the adjacent chart and table. State legislation dictates the manner in which the awards are distributed and in 2022, California-bred awards were allocated as follows: 60% breeder, 20% owner, and 20% sire.



Source: California Horse Racing Board.



California Thoroughbred Development Funds Sources and Funding Amounts - 2022	
Source	Amount
Pari-Mutuel Wagering	\$8,382,422
Total	\$8,382,422

Note: Excludes races at fairs and fair meets at Los Alamitos.

Source: California Horse Racing Board.

California – Breeding and Racing Incentives

Based on data from Trainer Magazine, the following outlines breeding and racing incentives in California in 2023.

- Breeding Awards: Monetary award that is paid to the breeder of a registered California-bred Thoroughbred finishing first, second, or third in any race run in California and any graded Stakes Races conducted within the US. Breeders will receive 75% of the remainder of the total incentive award monies after Owner Awards are paid, with an individual breeder receiving a prorated share of this Breeders Fund. The maximum purse considered earned in any qualifying race within the state shall be \$300,000 for a win, \$120,000 for a second, and \$90,000 for a third-place finish. Breeder Awards are always paid exclusive of nomination, entry, and starting fees.
- Owners Awards: A monetary award that is paid to the owner of a registered California-bred Thoroughbred horse that runs in qualifying races in California. Owners can receive at least a 20% bonus for finishing first in an open starter allowance above \$15,000 and open non-maiden Claiming Races with a claiming price of \$40,000 or greater in Southern California and \$20,000 or greater in Northern California. These levels are purposely set high to encourage the ownership of high-quality runners and to restrict the number of qualifiers so that the awards will function as a major incentive. Owner Awards always are paid exclusive of nomination, entry, and starting fees. They are listed in the racing program and will be distributed at the same time as the purse by the paymaster.
- Stallion Owner Awards: To stimulate the acquisition in California of nationally prominent stallions, and retain high caliber California stallions monetary awards are paid annually to the owners of registered California stallions whose California-conceived or California-bred get have won a qualifying race or finished first, second, or third in a Stakes Race in the state or any graded Stakes Race within the US during the year. Qualifying races are any non-claiming races, including maiden allowance and starter Allowance Races, with a purse of at least \$15,000, and open non-maiden Claiming Races with a claiming prize of \$40,000 or greater in Southern California and \$20,000 or greater in Northern California also qualify. Stallion Awards are exclusive of nomination, entry, and starting fees. Stallions must be registered by Feb. 15 each year to be eligible for Stallion Awards. Stallion owners will receive 25% of the remainder of the total incentive award monies after Owner Awards are paid, with an individual owner of a registered California Stallion (as of Dec. 31st) receiving a prorated share of the stallion fund based on the total qualifying earnings of the get during the year. The maximum purse considered earned in any qualifying race within this state shall be \$330,000 for a win, \$120,000 for a second, and \$90,000 for a third-place finish. The stallion must be continuously present in California from Feb. 1st to July 15th, inclusive, of the year or any subsequent calendar year which he stood at stud and fathered the participant in the race. If a sire dies in this state in the year or any subsequent year and stood his last season as a stud in this state, or was standing at stud in this state on the date of his death or any subsequent year, he shall thereafter continue to be considered an eligible Thoroughbred Stallion regarding a race participant fathered by him in that season. The California Thoroughbred Breeders Association ("CTBA") will help compile all data, but is the ultimate responsibility of the stallion owner to advise that official registering agency, on or before Feb. 15th of any year, of any and all purses earned during the preceding year that shall be considered in determining the amount of the Stallion Award to which the owner is entitled.

Source: TrainerMagazine.com; California Thoroughbred Breeders Association (ctba.com)

California – HISA Funding and Assessment

In April 2022, California became the first state to opt into the Horseracing and Integrity and Safety Authority ("HISA") enforcement structure. The total HISA assessment for California thoroughbred tracks, including racing fairs, in 2023 was approximately \$6.7 million, as detailed in the table below.

As mentioned previously, HISA provides credits to the annual assessment amounts dependent upon the level to which any given state's regulatory commission or racetracks may provide the personnel, investigative services and testing, and/or other compliance related activities to administer and conform to HISA program rules. For 2023, the credit provided to California was approximately \$5.3 million, lowering the actual amount owed by California to \$1.45 million. The CHRB approved a stakeholder proposal to fund the 2023 HISA assessment through a reallocation of a portion of ADW fees collected in the State.

California HISA Assessment - 2023												
State	Purses Paid (1)	Starts (1)	Purses per Start	% of Starts	% of Purses	% Purses/ % Starts	Start Fee for Projected Starts	Start Fee for Projected Purse Starts	Total Start Fee	Initial State Total	10% Cap Adjustment	Revised State Total
California	\$131,726,512	20,845	\$6,319	8.9%	11.2%	1.26	\$142.64	\$179.16	\$321.80	\$6,708,041	\$ 21,256	\$ 6,729,297
U.S. Total	\$1,172,603,109	233,067	\$5,031	100.0%	100.0%	1.00	\$142.64	\$142.64	\$285.28	\$66,490,436	\$0	\$66,490,436

(1) - The Purses Paid and Starts data is for the period Oct. 1, 2021 thru Sep. 30, 2022. This excludes Breeder's Cup World Championship races. Additionally, the data for California includes fairs and fair meets held at Los Alamitos, which differs from other California data presented in our analysis.

Source: HISA.

California – Horse Racing Board

Established under California Code §19613.2, the California Horse Racing Board (“CHRB”) is a public corporation. The CHRB consists of seven commissioners appointed by the Governor with a term of four years and may serve any number of successive terms.

The CHRB is tasked with ensuring the integrity, viability, and safety of the California horse racing industry by regulating pari-mutuel wagering for the protection of the public, promoting horse racing, breeding, and wagering opportunities, and fostering safe racing through the development and enforcement of track safety standards and regulations for the health and welfare of all participants.

Key activities of the CHRB include:

- Adopting rules and regulations to protect the public and ensure the safety of human and equine participants.
- Licensing racing associations and racing-industry participants and officials.
- Allocating racing days and charity days conducted by racing associations and fairs.
- Encouraging innovative expansion of wagering opportunities, such as mini-satellites.
- Monitoring and auditing pari-mutuel handle and takeout, and the appropriate use of takeout distributions.
- Assessing racing surfaces to determine safety standards for the benefit of the participants.
- Enforcing laws, rules, and regulations pertaining to horse racing meets.
- Collecting the state’s lawful share of revenue derived from horse racing meets.
- Enforcing regulations and policies required by the Horseracing Integrity and Safety Authority/Agency (“HISA”).



Source: California Horse Racing Board

Delaware – Thoroughbred Racetracks

There is currently one privately owned and operated thoroughbred racetrack operating in Delaware, which is Delaware Park. The following table provides track particulars, and the map that follows show location details.

Delaware Thoroughbred Racetracks								
Track	Year Opened	Owner	Operator	Seating Capacity		Track Length		Stabling (stalls)
				Grandstand	Clubhouse	Dirt (miles)	Turf (furlongs)	
Delaware Park	1937	Clairvest Group Inc.	Rubico Acquisition Corporation	7,500	N/A	1	7	1,226

Sources: CasinoCity and horseracing-tracks.



Source: Google Maps, facility website

Delaware – Thoroughbred Racing Metrics

The Delaware thoroughbred racing industry, which consists solely of operations at Delaware Park, experienced moderate increases of 6.8% in the number of races and 7.3% in race days over the 10-year period from 2013 through 2022. It saw a slight decrease (2.2%) in the average field size per race from 7.0 in 2013 to 6.8 in 2022. Total purses were 21.0% higher in 2022 compared to 2013 and have shown strong growth in recent years. Additionally, the average purse per race increased from approximately \$28,200 in 2013 to nearly \$31,900 in 2022, representing an increase of 13.2%. These trends and other performance metrics are detailed in the table below.

Delaware Thoroughbred Racing Statistics							
Year	Races	Purses	Avg Purse per Race	Starters	Starts	Race Days	Avg Field Size
2013	657	\$18,506,789	\$28,169	2,080	4,590	82	7.0
2014	602	\$14,883,680	\$24,724	1,876	4,278	81	7.1
2015	686	\$16,288,227	\$23,744	2,060	4,880	82	7.1
2016	674	\$16,515,413	\$24,504	2,060	4,885	82	7.2
2017	674	\$15,970,096	\$23,695	2,150	4,820	82	7.2
2018	653	\$15,508,575	\$23,750	1,967	4,345	82	6.7
2019	628	\$15,698,684	\$24,998	1,782	4,132	81	6.6
2020	539	\$15,330,803	\$28,443	1,893	4,068	65	7.5
2021	649	\$18,382,293	\$28,324	1,964	4,465	79	6.9
2022	702	\$22,392,920	\$31,899	2,089	4,795	88	6.8
10-Year Change	6.8%	21.0%	13.2%	0.4%	4.5%	7.3%	-2.2%
CAGR 2013-2022	0.7%	2.1%	1.4%	0.0%	0.5%	0.8%	-0.3%
CAGR 2018-2022	1.8%	9.6%	7.7%	1.5%	2.5%	1.8%	0.7%

Note: Purses represent all available money, including monies not won and returned to state breeder or other funds.

Source: The Jockey Club and Equibase Company.



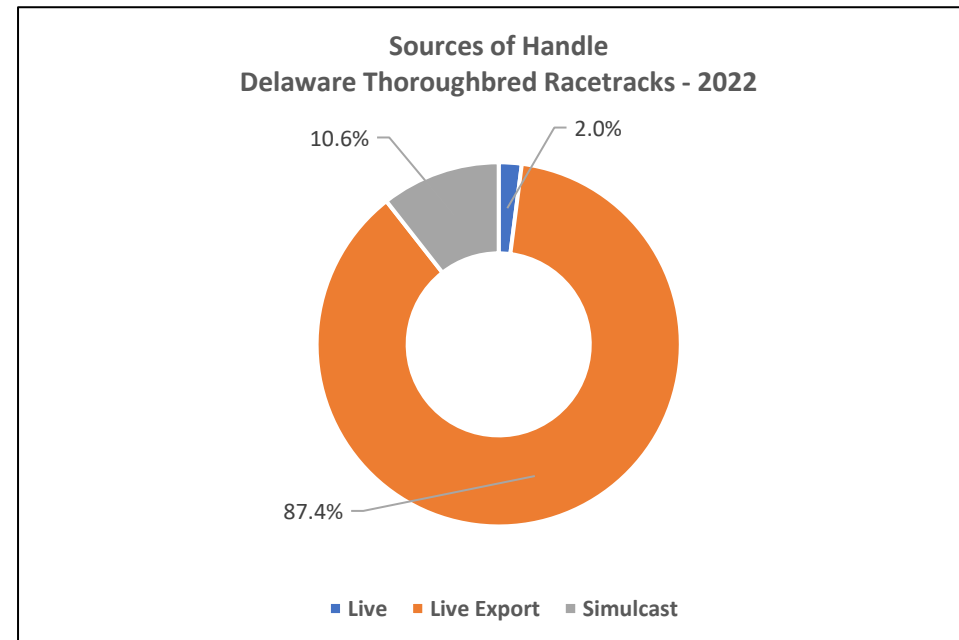
Notable races in Delaware include the Delaware Handicap and the Delaware Oaks. The Delaware Handicap, a Grade II thoroughbred race for fillies and mares aged three years old and up, is held annually in July and carried a purse of \$500,000 in 2023. The Delaware Oaks, a Grade III thoroughbred race for three-year-old fillies, is held annually in July and carried a purse of \$300,000 in 2023.

Delaware – Thoroughbred Racing Handle

The annual total handle from all sources attributable to the lone Delaware thoroughbred racetrack was approximately \$159.2 million in 2022 compared to \$115.2 million in 2013, which reflected a significant increase of 38.2% over that timeframe. The handle associated with live export wagering, which is generated from the broadcasting of races at Delaware Park to other locations, accounted for just over 87% of the total handle in 2022, while live on-track wagering accounted for only 2%. Simulcast wagering at Delaware Park accounted for nearly 11% of the total handle in 2022. These trends are illustrated in the table and chart below.

Annual Total Handle (All Sources) Delaware Thoroughbred Racetracks		
Year	Delaware Park	Total
2013	\$115,151,678	\$115,151,678
2014	\$102,834,201	\$102,834,201
2015	\$104,789,404	\$104,789,404
2016	\$93,952,394	\$93,952,394
2017	\$139,560,720	\$139,560,720
2018	\$139,560,720	\$139,560,720
2019	\$129,480,393	\$129,480,393
2020	\$107,919,676	\$107,919,676
2021	\$136,187,390	\$136,187,390
2022	\$159,172,113	\$159,172,113
10-Year Change	38.2%	38.2%
CAGR 2013-2022	3.7%	3.7%
CAGR 2018-2022	3.3%	3.3%

Source: Paulick Report and Delaware Thoroughbred Racing Commission.



Source: Delaware Thoroughbred Racing Commission.

It should be noted that while many Advance Deposit Wagering ("ADW") sites offer betting for races at Delaware Park and accept Delaware customers, the State has not formally legalized ADW, nor has it established regulatory oversight of ADW. Therefore, handle associated with ADW is not reported for Delaware and fees are not collected. In 2017, Delaware House Bill 251 was introduced to provide for the licensing and regulatory oversight of ADW and the associated allocation of ADW source market fees to be collected, but the proposed legislation never advanced beyond the chamber.

Delaware – Takeout, Fees and Breakage

The takeout rates at Delaware's lone thoroughbred racetrack is applicable to live on-track betting as well as simulcast wagering. The established takeout rates as a percentage of handle at Delaware Park ranges from 17.0% on straight wagers to 25.0% on exotic wagers with 3 or more horses.

Additional data related to takeout amounts, live export fees, etc. was not made available and therefore is not included.

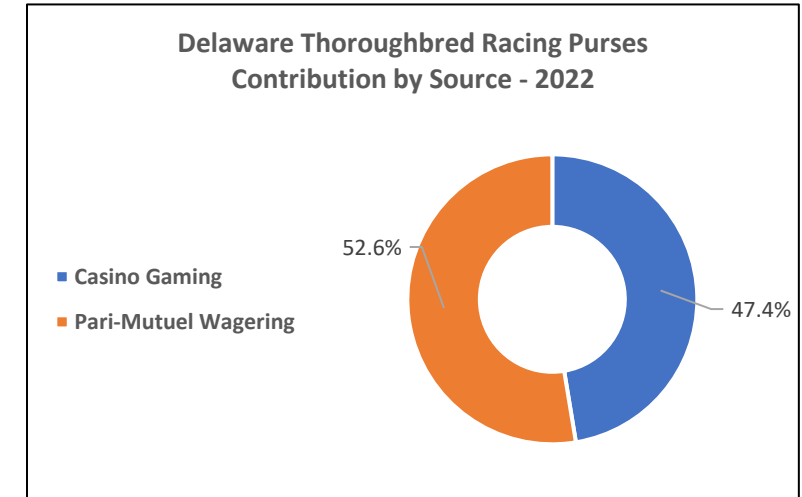


Delaware – Purse Funds

The purses for Delaware’s lone thoroughbred racetrack receives funding contributions from pari-mutuel wagering, which totaled an estimated \$11.8 million in 2022. Additionally, Delaware Park purses benefit via significant funding contributions from racetrack casino gaming operations. In 2022, casino gaming at Delaware Park contributed approximately \$10.6 million, or 47.4% to the total purses, as illustrated and detailed in the adjacent chart and table.

In 1995, the Delaware General Assembly passed the Horse Racing Redevelopment Act (“HRRRA”), which authorized racetracks (both thoroughbred and harness) to operate VLTs, which are effectively slot machines, under the authority of the Delaware Lottery. In 2010, the legislation was expanded to allow for the racetracks to also offer table games. In 2012, Delaware became one of the earliest states in the country to legalize iGaming (online gambling) which are also operated by the racetracks, and in 2018 sportsbooks were legalized at the racetracks.

Under the original provisions of the HRRRA, 10% of gross VLT revenues at Delaware Park was allocated to track purses, and while the allocation was revised slightly over the years, it is currently set at 9.6%. With respect to table games, 4.5% of gross revenues is currently allocated to track purses at Delaware Park. The aforementioned rates are applicable to both traditional casino gaming operations at the track as well as its iGaming operations. The allocation of gross revenues from the sportsbook at Delaware Park to purses is 9.6%, the same as for VLTs. The allocation rates at the State’s harness tracks differ slightly from those at Delaware Park.



Source: Delaware Lottery and Equibase Company..

Delaware Thoroughbred Racing Purses Sources and Funding Amounts - 2022	
Source	Amount
Casino Gaming	\$10,613,959
Pari-Mutuel Wagering	\$11,778,961
Total	\$22,392,920

Source: Delaware Lottery and Equibase Company.

Delaware – Breeding Metrics

As shown in the adjacent tables, Delaware’s thoroughbred breeding industry is essentially non-existent.



Annual Thoroughbred Mares Bred to Delaware Stallions						
Year	Mares Bred	% of North America	Stallions	% of North America	Average Book Size	Average North America Book Size
2013	0	0.0%	0	0.0%	0.0	15.5
2014	1	0.0%	1	0.0%	1.0	16.5
2015	0	0.0%	0	0.0%	0.0	18.1
2016	1	0.0%	1	0.1%	1.0	18.4
2017	0	0.0%	0	0.0%	0.0	18.2
2018	0	0.0%	0	0.0%	0.0	18.7
2019	0	0.0%	0	0.0%	0.0	18.9
2020	0	0.0%	0	0.0%	0.0	19.3
2021	0	0.0%	0	0.0%	0.0	21.2
2022	0	0.0%	0	0.0%	0.0	23.2
10-Year Change	0.0%	0.0%	0.0%	0.0%	0.0%	49.7%
CAGR 2013-2022	0.0%	0.0%	0.0%	0.0%	0.0%	4.6%
CAGR 2018-2022	0.0%	0.0%	0.0%	0.0%	0.0%	5.5%

Source: The Jockey Club.

Percentage of Delaware-Bred Thoroughbred Earnings by Racing Area						
Racing Area	2018	2019	2020	2021	2022	2018 to 2022 Change
Delaware	N/A	N/A	N/A	N/A	N/A	N/A
Other	N/A	N/A	N/A	N/A	N/A	N/A

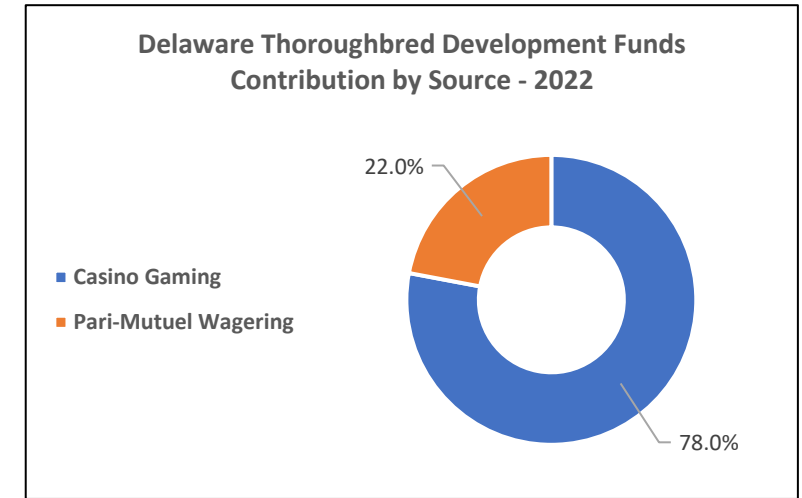
Source: The Jockey Club and Equibase Company.

Delaware – Thoroughbred Development Funds

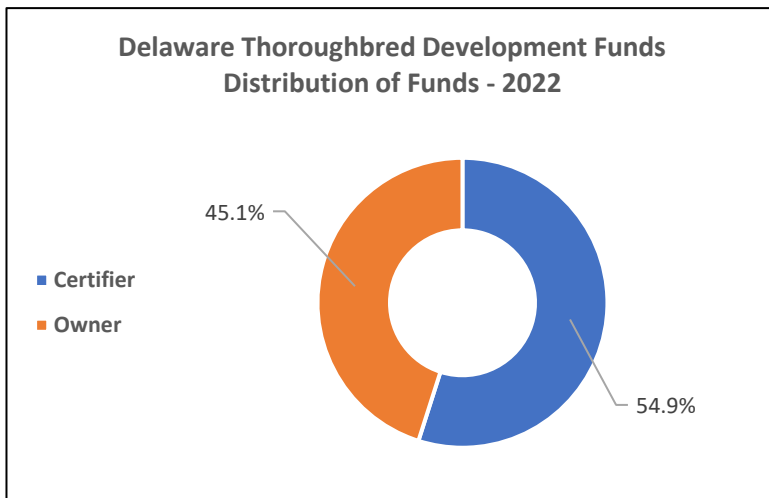
Although thoroughbred breeding is non-existent in the State, the Delaware Certified Thoroughbred Program (“DCTP”) was established to compete with surrounding area breeding programs, encourage preservation of the State’s farmland, and promote thoroughbred racing in the State by rewarding horsemen who board weanlings or yearlings at certified Delaware farms or training facilities.

The DCTP fund is administered by the Delaware Thoroughbred Horsemen’s Association (“DTHA”), a non-profit organization representing the State’s thoroughbred owners and trainers. The DCTP receives funding contributions from pari-mutuel wagering, which totaled an estimated \$424,000 in 2022. Additionally, the DCPT benefits from significant funding contributions by Delaware Park casino gaming operations in the State. In 2022, casino gaming contributed \$1.5 million, or 78.0% of the total WVTDF funding, as illustrated in the adjacent chart and table.

In 2022, DTCP awards were allocated as follows: 54.9% certifier and 45.1% horse owner, as illustrated in the chart below. The “certifier” represents the owner of the stable at which the horse resides.



Source: Delaware Thoroughbred Racing Commission and Delaware Lottery.



Source: Delaware Thoroughbred Horsemen’s Association.

Source	Amount
Casino Gaming	\$1,500,000
Pari-Mutuel Wagering	\$423,988
Total	\$1,923,988

Source: Delaware Thoroughbred Racing Commission and Delaware Lottery.

Delaware – Breeding and Racing Incentives

Based on data from Trainer Magazine, the following outlines breeding and racing incentives in Delaware in 2023.

- Breeders Awards: 25% Bonus- Certifier Award.
- Owners Awards: 25% Bonus- Owner Award.
- Restricted Races: 10 Restricted Stake Races.

Source: TrainerMagazine.com; DTHA.com - Vincent Moscarelli.

Delaware – HISA Funding and Assessment

In 2022, the DTRC chose not to remit and collect Horseracing and Integrity Safety Authority ("HISA") fees. At that time, the Delaware Department of Agriculture was considering options in pursuing a State grant to cover the State's HISA assessment. However, it is unclear if any such grant was obtained. Delaware Park has publicly stated that it is a participant in the HISA program and all associated regulations, but no additional information has been obtained as to the mechanism for funding.

The total HISA assessment for the lone Delaware thoroughbred racetrack in 2023 was approximately \$1.2 million, as detailed in the table below.

The amount, if any, to which the Delaware HISA assessment was credited for 2023 is unknown at the time of this study.

Delaware HISA Assessment - 2023												
State	Purses Paid (1)	Starts (1)	Purses per Start	% of Starts	% of Purses	% Purses/ % Starts	Start Fee for Projected Starts	Start Fee for Projected Purse Starts	Total Start Fee	Initial State Total	10% Cap Adjustment	Revised State Total
Delaware	\$19,797,533	4,415	\$4,484	1.9%	1.7%	0.89	\$142.64	\$127.13	\$269.77	\$1,191,058	\$ 3,774	\$ 1,194,832
U.S. Total	\$1,172,603,109	233,067	\$5,031	100.0%	100.0%	1.00	\$142.64	\$142.64	\$285.28	\$66,490,436	\$0	\$66,490,436

(1) - The Purses Paid and Starts data is for the period Oct. 1, 2021 thru Sep. 30, 2022. This excludes Breeder's Cup World Championship races.

Source: HISA.

Delaware – Thoroughbred Racing Commission

Established under Delaware Code §10101, the Delaware Thoroughbred Racing Commission (“DTRC”) is a public corporation. The DTRC consists of five commissioners appointed by the Governor. Not more than 3 commissioners shall be of the same political party. One commissioner shall be appointed from each county of the State and shall be a bona fide resident of the county for which appointed. Each commissioner should also be a qualified voter of this state, shall not be less than 30 years of age and shall have been a resident of this State for a period of at least 2 years prior to his or her appointment.

The DTRC is tasked with regulating and overseeing the sport of Thoroughbred and Arabian racing in the state.

Key activities of the DTRC include:

- Eliminating fraudulent activity that would undermine the public trust, bringing violators of commission rules, regulations, and Delaware law to justice.
- To protect, preserve and promote agriculture and horse racing by preventing and eliminating corrupt practices.
- Ensure fairness in licensing and patron decisions.
- Ensure that the state and betting public receive fair percentages of the wagering dollar by overseeing audits.



Source: Delaware Thoroughbred Racing Commission

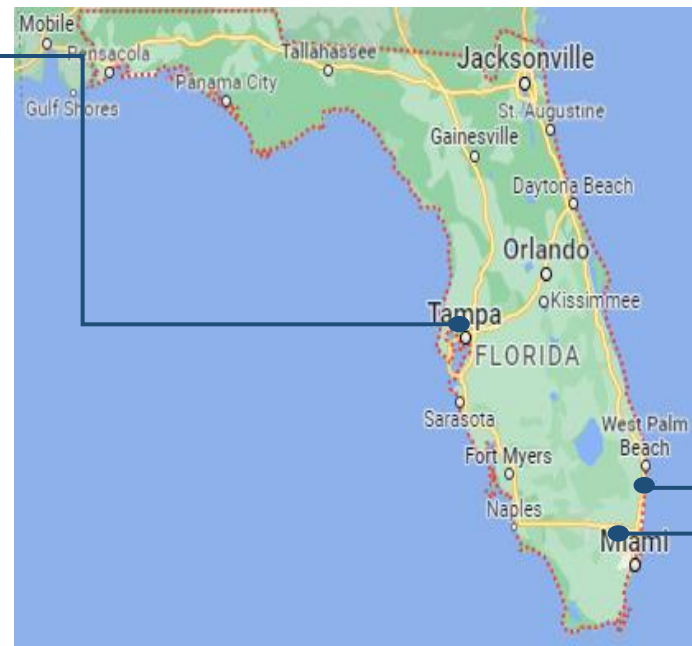
Florida – Thoroughbred Racetracks

Prior to 2021 there were three thoroughbred racetracks operating in Florida. The Stronach Group currently owns and operates Gulfstream Park. The Stronach Group also owned and operated Calder Race Course before it closed in 2021. Tampa Bay Downs is also privately owned and operated. The following table provides track particulars, and the map that follows show location details.

Florida Thoroughbred Racetracks								
Track	Year Opened	Owner	Operator	Seating Capacity		Track Length		Stabling (stalls)
				Grandstand	Clubhouse	Dirt (miles)	Turf (furlongs)	
Gulfstream Park	1939, reopened 1944	The Stronach Group, Inc.	The Stronach Group, Inc.	240	N/A	1	7	1,026
Tampa Bay Downs	1926	Stella F. Thayer & Howell Ferguson	Tampa Bay Downs, Inc.	4,300	1,700	1	7	1,460
Calder Race Course	1971	The Stronach Group, Inc.	The Stronach Group, Inc.	N/A	N/A	1	7	1,800

Sources: America's Best Racing, Advantage Wagering, and facility website.

**Tampa Bay Downs
Tampa, FL**



Source: Google Maps, BloodHorse

**Gulfstream Park Racing
Hallandale Beach, FL**



**Calder Race Course
Miami Gardens, FL**



Florida – Live Race Days and Attendance

The number of live race days at Gulfstream Park increased significantly from 91 in FY 2013 to 205 in FY 2022, representing an increase of 125.3% over this 10-year period. To the contrary the number of live race days at Calder Race Course decreased throughout this same timeframe before closing after its 2021 season, while the number of live race days at Tampa Bay Downs remained relatively flat over this period. It should be noted that the annual Tropical Park Meet was held at Calder Race Course in FY 2013 and FY 2014, before moving to Gulfstream Park in FY 2015, which impacted the number of live race days at both of these tracks. Attendance data for Florida thoroughbred racetracks is limited as it only reflects paid attendance. Tampa Bay Downs experienced a decrease (45.5%) in paid attendance from approximately 100,900 in FY 2013 to 55,000 in FY 2022. These trends are detailed in the tables below.

Annual Live Race Days Florida Thoroughbred Racetracks				
Year (1)	Gulfstream Park	Tampa Bay Downs	Calder Race Course (2)	Total
FY 2013	91	92	149	332
FY 2014	168	91	158	417
FY 2015	200	91	44	335
FY 2016	200	91	40	331
FY 2017	203	91	37	331
FY 2018	194	91	40	325
FY 2019	199	90	40	329
FY 2020	194	110	40	344
FY 2021	187	89	39	315
FY 2022	205	91	0	296
10-Year Change	125.3%	-1.1%	-100.0%	-10.8%
CAGR 2013-2022	9.4%	-0.1%	-100.0%	-1.3%
CAGR 2018-2022	1.4%	0.0%	-100.0%	-2.3%



Annual Attendance (2) Florida Thoroughbred Racetracks				
Year (1)	Gulfstream Park	Tampa Bay Downs	Calder Race Course (3)	Total
FY 2013	0	100,925	0	100,925
FY 2014	0	94,103	0	94,103
FY 2015	0	101,165	0	101,165
FY 2016	0	93,242	0	93,242
FY 2017	2,211	92,537	0	94,748
FY 2018	2,053	78,941	0	80,994
FY 2019	1,738	75,078	0	76,816
FY 2020	1,609	38,148	0	39,757
FY 2021	0	35,861	0	35,861
FY 2022	2,953	55,035	0	57,988
10-Year Change	N/A	-45.5%	N/A	-42.5%
CAGR 2013-2022	N/A	-6.5%	N/A	-6.0%
CAGR 2018-2022	9.5%	-8.6%	N/A	-8.0%

(1) - Fiscal year ending June 30.

(2) - Reporting only reflects paid attendance and not complimentary admission.

(3) - Calder Race Course ceased operations in November 2020.

Source: Florida Gaming Control Commission.

(1) - Fiscal year ending June 30.

(2) - Calder Race Course ceased operations in November 2020.

Source: Florida Gaming Control Commission.

Florida – Thoroughbred Racing Metrics

The Florida thoroughbred racing industry experienced a measurable decrease in the number of races (15.1%) and race days (17.5%) over the 10-year period from 2013 through 2022. It also saw a slight decrease (3.3%) in the average field size per race from 8.1 in 2013 to 7.8 in 2022. Total purses were higher in 2022 compared to 2013 but have generally been declining since 2018. The average purse per race increased from approximately \$27,700 in 2013 to \$37,000 in 2022, representing an increase of 33.6%. These trends and other performance metrics are detailed in the table below.

Florida Thoroughbred Racing Statistics							
Year	Races	Purses	Avg Purse per Race	Starters	Starts	Race Days	Avg Field Size
2013	3,314	\$91,643,658	\$27,653	7,081	26,872	354	8.1
2014	3,738	\$100,208,070	\$26,808	7,510	30,781	393	8.2
2015	3,285	\$96,726,850	\$29,445	7,650	28,625	331	8.7
2016	3,356	\$97,328,100	\$29,001	7,543	28,130	334	8.4
2017	3,384	\$110,964,600	\$32,791	7,272	27,514	334	8.1
2018	3,374	\$127,574,693	\$37,811	7,173	27,701	331	8.2
2019	3,286	\$122,273,822	\$37,211	7,206	26,529	327	8.1
2020	3,356	\$106,819,140	\$31,829	7,560	28,071	343	8.4
2021	2,930	\$102,936,300	\$35,132	6,704	23,462	296	8.0
2022	2,812	\$103,907,050	\$36,951	6,320	22,040	292	7.8
10-Year Change	-15.1%	13.4%	33.6%	-10.7%	-18.0%	-17.5%	-3.3%
CAGR 2013-2022	-1.8%	1.4%	3.3%	-1.3%	-2.2%	-2.1%	-0.4%
CAGR 2018-2022	-4.5%	-5.0%	-0.6%	-3.1%	-5.6%	-3.1%	-1.2%

Note: Purses represent all available money, including monies not won and returned to state breeder or other funds.

Source: The Jockey Club and Equibase Company.



Notable races in Florida include the Florida Derby, Pegasus World Cup and the Tampa Bay Derby. The Florida Derby, a Grade I thoroughbred race for three-year-olds and an important prep race for the Kentucky Derby, is held annually at Gulfstream Park in late March or early April and carried a purse of \$1 million in 2023. The Tampa Bay Derby, a Grade III thoroughbred race for three-year-olds, is held annually at Tampa Bay Downs in March and carried a purse of \$400,000 in 2023.

Florida – Thoroughbred Racing Handle

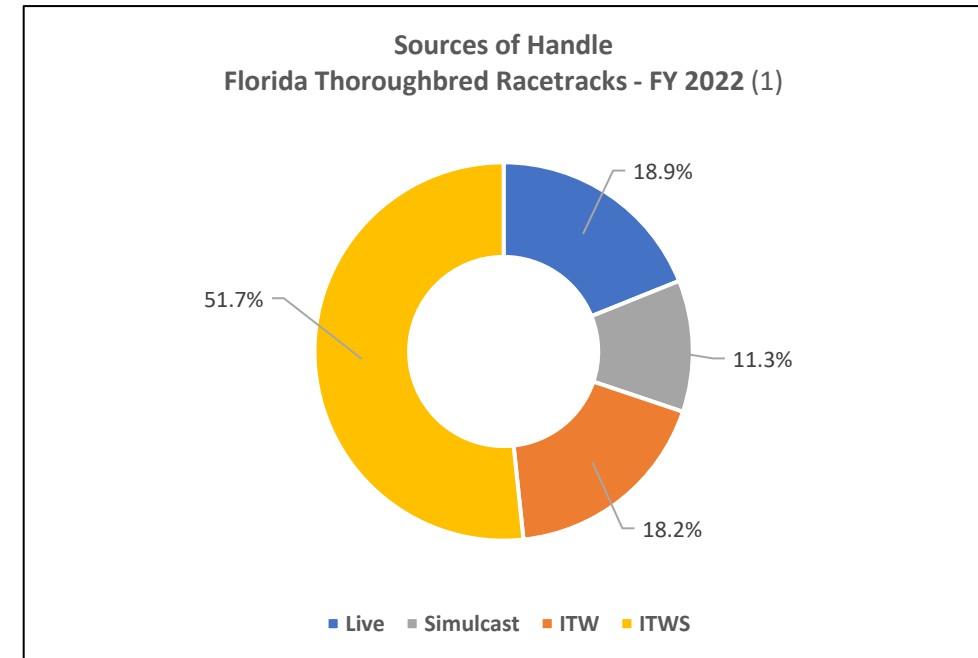
The annual total handle from all sources attributable to Florida thoroughbred racetracks was approximately \$335.0 million in FY 2022 compared to \$538.7 million in FY 2013, which reflected a significant decrease of 37.8% over that timeframe. It should be noted that the Tropical Park Meet was held at Calder Race Course in FY 2013 and FY 2014 before moving to Gulfstream Park in FY 2015 which contributed to significant fluctuations in annual handle for those tracks. The FGCC only reports four types of wagering handle which are live on-track, simulcast from races originating out-of-state and broadcast to a Florida track, intertrack ("ITW") from where a Florida track broadcast live races to another Florida track, and intertrack simulcast ("ITWS") from rebroadcasting simulcast signals received by a Florida track to another Florida track. Florida has no regulatory oversight over Advance Deposit Wagering ("ADW"), therefore handle associated with ADW is not reported and ADW fees are not collected, nor does the FGCC regulate live export wagering from Florida tracks to out-of-state operations. In FY 2022, live on-track wagering accounted for 18.9% of the State's total thoroughbred racing handle and ITWS accounted for the largest share with 51.7%. These trends are illustrated in the table and chart below.

Annual Total Handle (All Sources) Florida Thoroughbred Race Tracks				
Year (1)	Gulfstream Park	Tampa Bay Downs	Calder Race Course (2)	Total
FY 2013	\$194,473,634	\$96,403,307	\$247,782,937	\$538,659,878
FY 2014	\$279,723,102	\$119,855,506	\$128,858,508	\$528,437,116
FY 2015	\$349,354,123	\$98,075,808	\$20,681,861	\$468,111,792
FY 2016	\$334,797,498	\$84,371,779	\$22,145,376	\$441,314,653
FY 2017	\$335,181,784	\$82,208,208	\$20,250,047	\$437,640,039
FY 2018	\$327,032,768	\$81,539,601	\$20,614,063	\$429,186,432
FY 2019	\$316,279,171	\$78,272,774	\$20,923,563	\$415,475,508
FY 2020	\$219,100,004	\$46,365,708	\$19,230,166	\$284,695,878
FY 2021	\$226,768,181	\$49,369,801	\$14,580,781	\$290,718,763
FY 2022	\$266,446,276	\$68,571,567	\$0	\$335,017,843
10-Year Change	37.0%	-28.9%	N/A	-37.8%
CAGR 2013-2022	3.6%	-3.7%	N/A	-5.1%
CAGR 2018-2022	-5.0%	-4.2%	-100.0%	-6.0%

(1) - Fiscal year ending June 30.

(2) - Calder Race Course ceased operations in November 2020.

Source: Florida Gaming Control Commission.



(1) - Fiscal year ending June 30.

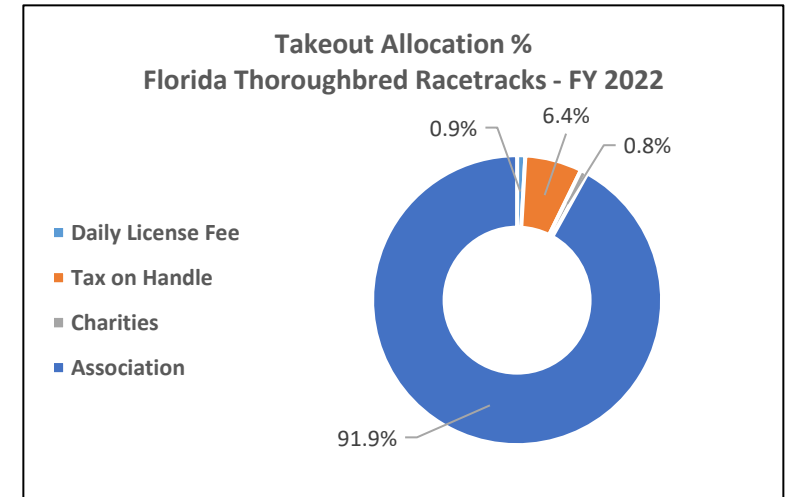
Source: Florida Gaming Control Commission.

Florida – Takeout and Distribution of Handle

The established takeout rates as a percentage of handle at Florida tracks ranges from 17.0% on straight wagers to 26.0% on exotic wagers with 3 or more horses. In 2022, the total blended takeout rate on wagering at Florida thoroughbred racetracks was 20.5% of total handle which generated approximately \$68.8 million.

The manner in which the takeout is distributed in Florida as well as the associated reporting from the FGCC differs from many other states. The FGCC collects various statutory payments which include daily license fees for live on-track racing (\$100 per race), daily license fees on broadcasted simulcast racing (\$100 per race, not to exceed \$500 per day), admission taxes (15% of admission charge or 10 cents, whichever is greater, but no tax on complimentary admissions), a 0.5% tax for live on-track handle, and other taxes on simulcast, ITW, and ITWS ranging from 0.5% to 2.4% of handle depending on the type of wager and other conditions being satisfied, and charitable contributions. The balance of the takeout is retained by the track operators, which amounted to approximately \$63.3 million, or 91.9% of the total takeout allocation in FY 2022, as illustrated in the adjacent table and chart.

Presumably, a portion of the revenues retained by the track operators in Florida benefit the horsemen through contributions to purses and other programs, but the agreements and details in place for the allocation of these funds is not reported by FGCC or any other secondary sources that could be identified.



(1) - Fiscal year ending June 30.

Source: Florida Gaming Control Commission.

Takeout Allocation Florida Thoroughbred Racetracks - FY 2022 (1)	
Use	Total
Daily License Fee	\$627,800
Tax on Handle	\$4,373,926
Charities	\$544,842
Track Operators	\$63,266,372
Total	\$68,812,940

(1) - Fiscal year ending June 30.

Source: Florida Gaming Control Commission.

Florida – Other Funding Sources

The Florida Legislature passed a tax bill in May 2023 that provided significant subsidies to the State's horse racing industry, which included:

- \$5 million to the Florida Thoroughbred Breeders' and Owners' Association for awards and incentives
- \$20 million, in aggregate, to Gulfstream Park and Tampa Bay Downs for purses and facility improvements
- \$2.5 million for Florida-bred stakes and purse bonuses in Florida races

Additionally, slot machines and electronic table games are offered at Gulfstream Park and Calder Race Course, which ceased racing operations in November 2020. Tampa Bay Downs is only authorized to operate a poker room. Florida legislation provides that the licensees of these other gaming operations must maintain binding agreements with the Florida Horsemen's Benevolent and Protective Association and the Florida Thoroughbred Breeders' and Owners' Association ("FTBOA") governing the payment of purses and thoroughbred development incentives on live thoroughbred races conducted at the licensee's racetrack. These agreements may direct the payment of such purses and awards from revenues generated by these other casino gaming operations. However, data related to, and details of such arrangements were not made available at the time of this study.



Florida – Breeding Metrics

During 2022, Florida's 77 reported stallions covered 1,528 mares, or 5.4% of all the mares reported bred in North America. The number of mares bred to Florida stallions decreased by 49.0% from 2013 through 2022. The average book size (number of mares bred per stallion) in Florida increased slightly from 18.8 in 2013 to 19.8 in 2022. By comparison, the average North America book size increased from 15.5 to 23.2 during that same timeframe.

Florida-bred thoroughbred earnings by racing area show that in 2022, only 41.4% of earnings were garnered in-state, down slightly from 42.2% in 2018. These and other breeding metrics are detailed in the adjacent tables.



Annual Thoroughbred Mares Bred to Florida Stallions						
Year	Mares Bred	% of North America	Stallions	% of North America	Average Book Size	Average North America Book Size
2013	2,994	8.1%	159	6.6%	18.8	15.5
2014	3,024	8.0%	158	6.9%	19.1	16.5
2015	3,057	8.2%	145	7.0%	21.1	18.1
2016	2,865	7.9%	134	6.8%	21.4	18.4
2017	2,311	6.7%	125	6.6%	18.5	18.2
2018	2,078	6.3%	117	6.7%	17.8	18.7
2019	2,078	6.6%	121	7.2%	17.2	18.9
2020	1,841	6.1%	104	6.7%	17.7	19.3
2021	1,625	5.5%	83	6.0%	19.6	21.2
2022	1,528	5.4%	77	6.3%	19.8	23.2
10-Year Change	-49.0%	-33.3%	-51.6%	-4.5%	5.4%	49.7%
CAGR 2013-2022	-7.2%	-4.4%	-7.7%	-0.5%	0.6%	4.6%
CAGR 2018-2022	-7.4%	-3.8%	-9.9%	-1.5%	2.8%	5.5%

Source: The Jockey Club.

Percentage of Florida-Bred Thoroughbred Earnings by Racing Area						
Racing Area	2018	2019	2020	2021	2022	2018 to 2022 Change
Florida	42.2%	44.0%	48.5%	42.0%	41.4%	-1.8%
Pennsylvania	10.7%	10.7%	7.2%	8.0%	9.2%	-14.2%
New York	9.2%	6.8%	5.1%	5.9%	6.7%	-27.8%
Kentucky	2.8%	3.3%	5.7%	4.3%	4.2%	49.3%
Other	35.1%	35.3%	33.5%	39.9%	38.6%	9.8%

Source: The Jockey Club and Equibase Company.

Florida – Thoroughbred Development / Breeding and Racing Incentives

The FTBOA, a 501(c)(3) not-for-profit organization, is responsible for administering thoroughbred development funds for breeders' awards and the Florida-bred Stakes Program. The purpose of these funds is to promote ownership and breeding of thoroughbred racehorses in the State. In FY 2022 and based on data from the Florida Gaming Control Commission, the FTBOA paid out approximately \$5.1 million in breeders' awards and \$1.8 million through the Florida-bred Stakes program. A portion of these funds are generated through pari-mutuel handle and likely other sources, but as previously noted, the specific details of these arrangements were unavailable at the time of this study.

Based on data from Trainer Magazine, the following outlines breeding and racing incentives in Florida in 2023.

- Breeders Awards: 15% of the announced gross purse for FTBOA-registered Florida breds. Winners 10% (\$10,500 limit), second 3% (\$3,000 limit) and third 2% (\$1,500 limit)
- Owners Awards: FTBOA purse supplements include: Gulfstream Park: up to twenty \$5,000 bonuses to eligible Florida-sired winners in Open Maiden Races plus up to \$250,000 total Florida-bred Incentive Fund (FBIF) supplements in selected overnights. \$100,000 bonus to eligible Florida-sired winner of Florida Derby, \$25,000 in Gulfstream Oaks. Tampa Bay Downs: \$25,000 and \$50,000 win bonuses or purse supplements (up to \$660,000 total) for eligible Florida-breds or Florida-sired in several Stakes Races. FTHA FOA ("Florida Owners' Awards") to the owner of a FTBOA-registered Florida Bred winner of certain races.
- Stallion Owners Awards: 15% of purse (up to maximum \$15,000/award) paid to the owners of Thoroughbred Stallions registered with the FTBOA and siring FTBOA-registered Florida-breds that finish first in a listed black-type Stakes Race at a Florida Thoroughbred track.
- Restricted Races: The Florida Sire Stakes 2yo series at Gulfstream Park offers total purses of \$1.4 million and a pathway to the Breeders' Cup. Plus, selected Florida-bred stakes and Florida-sired purse supplements. The Tampa Bay Downs Florida Cup Day offers six \$100,000 Florida bred-stakes in March. Plus, two \$100,000 FTBOA Florida-Sired 3 yo-and-up races in December.

Source: TrainerMagazine.com; Ftboa.com – Tammy A. Gantt.

Florida – HISA Funding and Assessment

In May 2023, the Florida Legislature passed a tax bill including pari-mutuel tax credits to the Thoroughbred racetracks to cover costs of Horseracing Integrity and Safety Act ("HISA") assessments, which are recurring in nature.

As shown in the table below, the total HISA assessment for Florida thoroughbred racetracks in 2023 was approximately \$5.9 million.

Florida HISA Assessment - 2023												
State	Purses Paid (1)	Starts (1)	Purses per Start	% of Starts	% of Purses	% Purses/ % Starts	Start Fee for Projected Starts	Start Fee for Projected Purse Starts	Total Start Fee	Initial State Total	10% Cap Adjustment	Revised State Total
Florida	\$96,412,404	22,108	\$4,361	9.5%	8.2%	0.87	\$142.64	\$123.64	\$266.28	\$5,886,986	\$ 18,654	\$ 5,905,640
U.S. Total	\$1,172,603,109	233,067	\$5,031	100.0%	100.0%	1.00	\$142.64	\$142.64	\$285.28	\$66,490,436	\$0	\$66,490,436

(1) - The Purses Paid and Starts data is for the period Oct. 1, 2021 thru Sep. 30, 2022. This excludes Breeder's Cup World Championship races.

Source: HISA.

Florida – Gaming Control Commission

Established under Florida Code §16.712, the Florida Gaming Control Commission (“FGCC”) is a public corporation. The FGCC is a five-member regulatory body appointed by the Governor and subject to confirmation by the Senate, for terms of four years. The Governor shall consider appointees who reflect Florida’s racial, ethnic, and gender diversity. Of the initial five members appointed by the Governor, and immediately upon appointment, the Governor shall appoint one of the members as the initial chair and one of the members as the initial vice chair. At the end of the initial chair’s and vice chair’s terms pursuant to subparagraph 1., the commission shall elect one of the members of the commission as chair and one of the members of the commission as vice chair.

The FGCC is tasked with the responsibility for exercising all regulatory and executive powers of the state with respect to gambling, including pari-mutuel wagering, cardrooms, slot machine facilities, oversight of gaming compacts, and other forms of gambling authorized by the State Constitution or law, excluding the state lottery.

Key activities of the FGCC include:

- Provide efficient regulation of licensed activity.
- Investigate, support, and provide information to oppose criminal gambling elements in the state of Florida.
- Protect the health and safety of Floridians.
- Secure state revenues.



Source: Florida Gaming Control Commission

Kentucky – Thoroughbred Racetracks

There are currently five thoroughbred racetracks operating in Kentucky. Three of the tracks are owned and operated by Churchill Downs Inc. Kentucky Downs is privately owned and operated and Keeneland is owned and operated by a for profit company. The following table provides track attributes and the map shows the track locations.

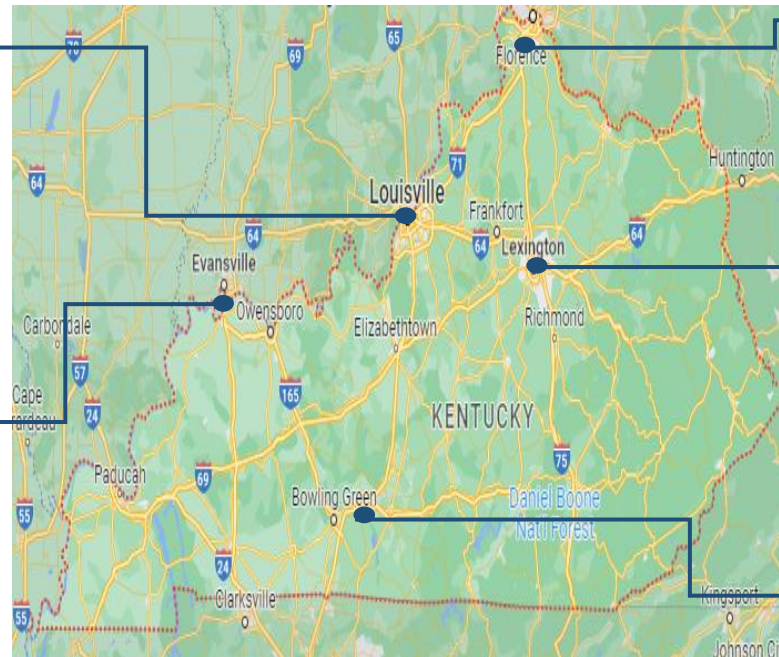
Kentucky Thoroughbred Racetracks								
Track	Year Opened	Owner	Operator	Seating Capacity		Track Length		Stabling (stalls)
				Grandstand	Clubhouse	Dirt (miles)	Turf (furlongs)	
Churchill Downs	1875	Churchill Downs Inc.	Churchill Downs Inc.	20,104	32,084	1	7	1,400
Ellis Park	1922	Churchill Downs Inc.	Churchill Downs Inc.	6,000	430	1	7	N/A
Keeneland	1936	Keeneland Association Inc.	Keeneland Association Inc.	3,313	N/A	1	7 1/2	1,900
Kentucky Downs	1990	Kentucky Downs, LLC	Kentucky Downs, LLC	N/A	N/A	1	3/8	N/A
Turfway Park	1959	Churchill Downs Inc.	Churchill Downs Inc.	2,500	N/A	1	6	1,000

Sources: Horseracing-tracks, CasinoCity, Churchill Downs Incorporated, Evansville Living, Horse Racing Nation, and Thoroughbred Daily.

**Churchill Downs
Louisville, KY**



**Ellis Park
Henderson, KY**



Source: Google Maps, Thoroughbred Daily News, facility website

**Turfway Park
Florence, KY**



**Keeneland Race Course
Lexington, KY**



**Kentucky Downs
Franklin, KY**



Kentucky – Live Race Days

The number of live race days at all of the Kentucky thoroughbred racetracks remained relatively stable from FY 2015 through FY 2022, as detailed in the table below. Churchill Downs held 71 live race days in FY 2022, which was the most in the State, followed by Turfway Park with 55. The Kentucky Horse Racing Commission has not reported attendance data for several years, nor do any of the tracks on a regular basis.

Annual Live Race Days Kentucky Thoroughbred Racetracks						
Year (1)	Churchill Downs	Ellis Park	Keeneland	Kentucky Downs	Turfway Park	Total
FY 2015	74	28	33	5	53	193
FY 2016	68	31	33	5	62	199
FY 2017	72	30	32	5	66	205
FY 2018	70	31	33	5	54	193
FY 2019	68	30	33	5	56	192
FY 2020	63	26	17	5	53	164
FY 2021	76	26	37	6	51	196
FY 2022	71	29	32	6	55	193
8-Year Change	-4.1%	3.6%	-3.0%	20.0%	3.8%	0.0%
CAGR 2015-2022	-0.6%	0.5%	-0.4%	2.6%	0.5%	0.0%
CAGR 2018-2022	0.4%	-1.7%	-0.8%	4.7%	0.5%	0.0%

(1) - Fiscal year ending June 30. Data for FY 2013 and FY 2014 was unavailable online.

Source: Kentucky Horse Racing Commission.



Kentucky – Thoroughbred Racing Metrics

The Kentucky thoroughbred racing industry experienced a slight decrease in the number of races (2.0%) over the 10-year period from 2013 through 2022. The average field size per race remained relatively unchanged during this time period, increasing slightly from 8.7 in 2013 to 8.8 in 2022. Total purses were significantly higher in 2022 compared to 2013, increasing by nearly 200% over the past 10 years. Additionally, the average purse per race increased from approximately \$37,000 in 2013 to over \$113,800 in 2022, representing an increase of 207.8%. These trends and other performance metrics are detailed in the table below.

Kentucky Thoroughbred Racing Statistics							
Year	Races	Purses	Avg Purse per Race	Starters	Starts	Race Days	Avg Field Size
2013	1,867	\$69,034,068	\$36,976	6,204	16,242	191	8.7
2014	1,779	\$70,015,009	\$39,356	5,779	14,482	187	8.1
2015	1,823	\$100,325,081	\$55,033	6,111	15,542	194	8.5
2016	1,922	\$78,976,485	\$41,091	6,215	16,520	206	8.6
2017	1,874	\$81,505,742	\$43,493	5,990	15,688	203	8.4
2018	1,794	\$115,778,248	\$64,536	5,992	15,282	195	8.5
2019	1,766	\$113,642,903	\$64,350	6,112	15,435	190	8.7
2020	1,570	\$122,655,688	\$78,125	5,885	13,872	170	8.8
2021	1,740	\$134,198,984	\$77,126	6,061	14,680	193	8.4
2022	1,813	\$206,330,131	\$113,806	6,456	15,913	198	8.8
10-Year Change	-2.9%	198.9%	207.8%	4.1%	-2.0%	3.7%	0.9%
CAGR 2013-2022	-0.3%	12.9%	13.3%	0.4%	-0.2%	0.4%	0.1%
CAGR 2018-2022	0.3%	15.5%	15.2%	1.9%	1.0%	0.4%	0.8%



Note: Purses represent all available money, including monies not won and returned to state breeder or other funds.

Source: The Jockey Club and Equibase Company.

Notable races in Kentucky include the Kentucky Derby, the Kentucky Oaks, and the Blue Grass Stakes, among others. The Kentucky Derby, a Grade I thoroughbred race for three-year-olds and the first leg of the Triple Crown, is held annually at Churchill Downs in May and carried a purse of \$3 million in 2023. The Kentucky Oaks, a Grade I thoroughbred race for three-year-old fillies, is held annually at Churchill Downs on the Friday before the Kentucky Derby and carried a purse of \$1.25 million in 2023. The Blue Grass Stakes, a Grade I thoroughbred race for three-year-olds is held annually at Keeneland and carried a purse of \$1.0 million in 2023.

Kentucky – Thoroughbred Racing Handle

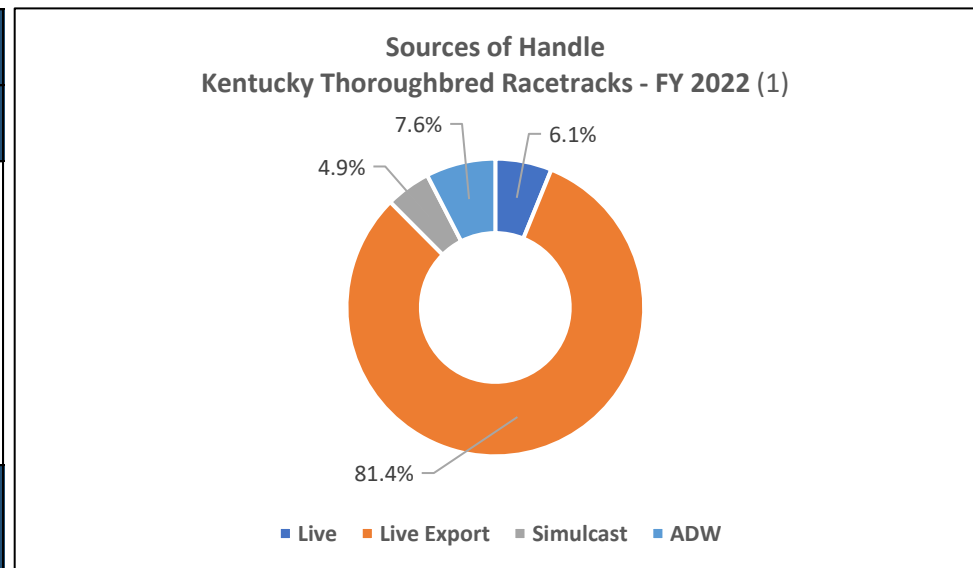
The annual total handle from all sources attributable to Kentucky thoroughbred racetracks was approximately \$1.54 billion in FY 2022 compared to \$1.04 billion in FY 2015, which reflected a significant increase of 47.7% over that timeframe. All tracks saw measurable increases over this period, excluding Turfway Park. The handle associated with live export wagering, which is generated from the broadcasting of races at the Kentucky tracks to other locations, accounted for 81.4% of the total handle in FY 2022, while live on-track wagering accounted for 6.1%. Simulcast wagering at Kentucky thoroughbred tracks for both in and out-of-state races accounted for 4.9% of the total handle in FY 2022. It should be noted that while the KHRC reports simulcast wagering for each track, it does not include that data in its total handle from all sources figure, but it has been included in this analysis to facilitate more meaningful comparisons with other states. Advanced Deposit Wagering ("ADW"), which is done through online platforms and mobile apps, accounted for 6.1% of the total handle in FY 2022. These trends are illustrated in the table and chart below.

Annual Total Handle (All Sources) Kentucky Thoroughbred Racetracks						
Year (1)	Churchill Downs	Ellis Park	Keeneland	Kentucky Downs	Turfway Park	Total
FY 2015	\$553,322,687	\$51,479,429	\$286,597,802	\$28,881,736	\$120,275,133	\$1,040,556,787
FY 2016	\$559,026,809	\$51,077,764	\$306,853,170	\$29,144,897	\$120,275,133	\$1,066,377,773
FY 2017	\$608,583,632	\$52,636,731	\$318,931,841	\$34,536,963	\$126,823,198	\$1,141,512,365
FY 2018	\$616,995,181	\$57,090,284	\$317,991,395	\$42,753,032	\$97,452,091	\$1,132,281,983
FY 2019	\$676,816,388	\$56,158,156	\$336,518,169	\$46,924,060	\$93,047,003	\$1,209,463,776
FY 2020	\$437,955,373	\$56,502,960	\$185,792,566	\$49,875,920	\$94,441,414	\$824,568,233
FY 2021	\$865,818,728	\$61,057,951	\$407,962,396	\$70,329,778	\$119,093,474	\$1,524,262,327
FY 2022	\$870,150,388	\$61,526,689	\$423,487,136	\$72,491,032	\$109,024,387	\$1,536,679,633
8-Year Change	57.3%	19.5%	47.8%	151.0%	-9.4%	47.7%
CAGR 2015-2022	6.7%	2.6%	5.7%	14.0%	-1.4%	5.7%
CAGR 2018-2022	9.0%	1.9%	7.4%	14.1%	2.8%	7.9%

(1) - Fiscal year ending June 30. Data for FY 2013 and FY 2014 was unavailable online.

Source: Kentucky Horse Racing Commission.

Indicates Breeders Cup was hosted in that year.



(1) - Fiscal year ending June 30.

Source: Kentucky Horse Racing Commission.

Kentucky – Takeout and Excise Taxes

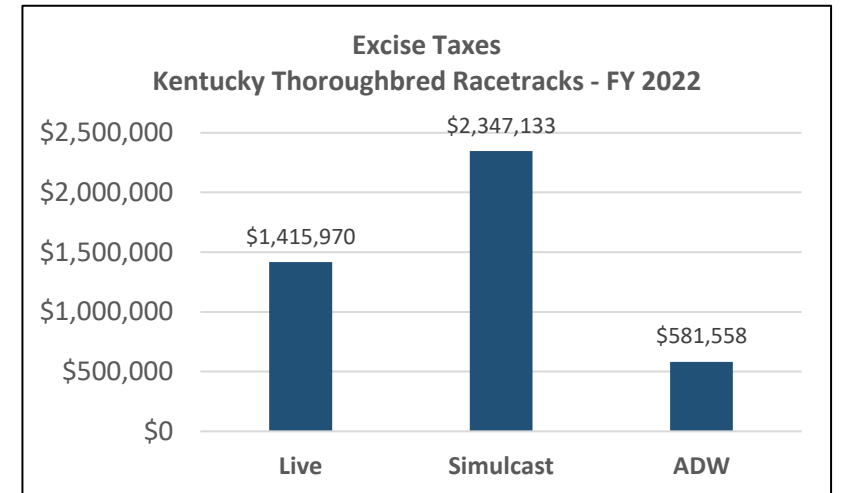
The established takeout rates as a percentage of handle in Kentucky vary slightly by track and range from 16.0% on straight wagers to 22.0% on exotic wagers with 3 or more horses. In 2022, the total blended takeout rate on wagering at Kentucky thoroughbred racetracks was 19.8%.

The manner in which the thoroughbred racing handle is distributed in Kentucky as well as the associated reporting from the KHRC differs from many other states. The Kentucky Department of Revenue administers excise taxes imposed on all thoroughbred tracks under the jurisdiction of the KHRC. Effective August 1, 2022, the excise taxes imposed at Kentucky thoroughbred tracks were revised. Previously, the excise taxes ranged from 0.5% to 3.0% of wagering handle, dependent upon the type of wagering, but is now 1.5% for all taxable sources, as detailed in the adjacent table. It should be noted that there are no excise taxes imposed upon live export wagering.

In FY 2022, which was prior to the revised rates, the total excise taxes collected on live wagering handle at Kentucky thoroughbred tracks was approximately \$1.4 million, \$2.3 million for simulcast wagering, and \$0.6 million for ADW, as illustrated in the adjacent chart.

Excise Taxes (% of Handle) Kentucky Thoroughbred Racetracks		
Type of Wager	Effective August 1, 2022	Prior to August 1, 2022
Live	1.5%	1.5%
Simulcast	1.5%	3.0%
ADW	1.5%	0.5%

Source: Kentucky Department of Revenue.



Source: Kentucky Horse Racing Commission.

Kentucky – Excise Taxes Allocation

The allocation of the excise taxes to different uses in Kentucky varies dependent upon the type of wagering taking place. In aggregate, the Kentucky Thoroughbred Development Fund (“KTDF”) receives the greatest share of the excise taxes with 51.9%, followed by 23.4% being dedicated to the State’s General Fund.

It is important to understand that a significant amount of revenue is generated from pari-mutuel wagering beyond the excise taxes. Similar to other states, revenues include commissions from live racing, signal transmission and other fees associated with live export wagering, and source market fees associated with ADW. A portion of these revenues in Kentucky undoubtedly benefit the horsemen through contributions to purses and other programs, but the agreements and details in place for the allocation of these funds is not reported by KHRC or any other secondary sources that could be identified.



Excise Tax Allocation % Kentucky Thoroughbred Racetracks - FY 2022				
Use	Live	Simulcast	ADW	Total
Thoroughbred Development	50.0%	65.9%	0.0%	51.9%
Kentucky General Fund	23.3%	25.6%	15.0%	23.4%
Equine Industry Program	13.3%	1.7%	0.0%	5.3%
Equine Drug Program	6.7%	3.4%	0.0%	4.0%
Higher Education Program	6.7%	3.4%	0.0%	4.0%
Host Track	0.0%	0.0%	42.5%	5.7%
Purse	0.0%	0.0%	42.5%	5.7%
Total	100.0%	100.0%	100.0%	100.0%

Source: Kentucky Horse Racing Commission.

Excise Tax Allocation Kentucky Thoroughbred Racetracks - FY 2022				
Use	Live	Simulcast	ADW	Total
Thoroughbred Development	\$707,985	\$1,546,761	\$0	\$2,254,746
Kentucky General Fund	\$329,921	\$600,866	\$87,234	\$1,018,021
Equine Industry Program	\$188,324	\$39,901	\$0	\$228,225
Equine Drug Program	\$94,870	\$79,803	\$0	\$174,673
Higher Education Program	\$94,870	\$79,803	\$0	\$174,673
Host Track	\$0	\$0	\$247,162	\$247,162
Purse	\$0	\$0	\$247,162	\$247,162
Total	\$1,415,970	\$2,347,133	\$581,558	\$4,344,661

Source: Kentucky Horse Racing Commission.

Kentucky – Historical Horse Racing

As previously detailed, the purses for Kentucky thoroughbred racing receive a small amount of funding through the allocation of excise taxes collected in connection with ADW, and the KTDF receives allocations of excise taxes from live and simulcast wagering. Additionally, a portion of revenues generated through other pari-mutuel wagering activities are undoubtedly utilized to fund purses and thoroughbred development programs, however the details of which are unknown. Additionally, Kentucky tracks and horsemen benefit via significant funding contributions from Historical Horse Racing ("HHR") operations in the State.

HHR machines are very similar to slot machines in terms of play and other visual aspects, but unlike traditional slot machines, they use the outcomes of previously run races to determine payouts of any given wager instead of a random number generator. This method of determining payouts has allowed these games to be considered pari-mutuel wagering and offered in certain states where other casino gaming may have otherwise been illegal. HHR was originally introduced in Kentucky in 2010. The State's HHR industry has seen significant growth since that time both in terms of revenues generated as well as the number and size of locations offering HHR. In 2020, the State's Supreme Court issued a ruling that deemed certain types of HHR machines in the State were illegal as they did not constitute pari-mutuel wagering. In February 2021, Senate Bill 120 was signed into law, which updated the State's definition of pari-mutuel wagering to specifically include HHR.

The State's HHR operations, like the other more traditional types of pari-mutuel wagering activities in the State, are subject to an excise tax of 1.5% on total handle, of which 50% is allocated to the KTDF. In FY 2022, this amounted to approximately \$43.0 million. Additionally, Kentucky law requires the track operators to enter into contractual arrangements with the horsemen to allocate a portion of HHR revenues to purses. In many states, this is a statutory payment rather than a negotiated contract. While the agreements between the track operators and the horsemen are not publicly available, an analysis of HHR tax rates prepared by Churchill Downs for the Kentucky State Legislature indicated that contractual purses paid to Kentucky horsemen are 15% of HHR net revenue (total handle less payouts and deductions for free play). Based on this assumption, an estimated \$73.5 million was contributed to Kentucky purses from HHR operations in FY 2022.



Estimated HHR Horsemen Distributions Kentucky Thoroughbred Racetracks - 2022	
Use	Total
Thoroughbred Development	\$43,045,006
Purse	\$73,470,425
Total	\$116,515,431

Source: Kentucky Horse Racing Commission and Churchill Downs.

Kentucky – Breeding Metrics

During 2022, Kentucky's 207 reported stallions covered 16,823 mares, or 59.1% of all the mares reported bred in North America. The number of mares bred to Kentucky stallions increased by 5.9% from 2013 through 2022. The average book size (number of mares bred per stallion) in Kentucky increased significantly from 59.5 in 2013 to 81.3 in 2022. By comparison, the average North America book size increased from 15.5 to 23.2 during that same timeframe.

Kentucky-bred thoroughbred earnings by racing area show that in 2022, only 26.4% of earnings were garnered in-state, but that was up from 18.0% in 2018. These and other breeding metrics are detailed in the adjacent tables.



Annual Thoroughbred Mares Bred to Kentucky Stallions						
Year	Mares Bred	% of North America	Stallions	% of North America	Average Book Size	Average North America Book Size
2013	15,888	42.7%	267	11.1%	59.5	15.5
2014	17,134	45.4%	267	11.7%	64.2	16.5
2015	17,626	47.1%	227	11.0%	77.6	18.1
2016	17,922	49.2%	249	12.6%	72.0	18.4
2017	17,426	50.3%	242	12.7%	72.0	18.2
2018	17,458	53.1%	248	14.1%	70.4	18.7
2019	17,260	54.6%	234	14.0%	73.8	18.9
2020	16,499	55.0%	218	14.0%	75.7	19.3
2021	16,797	57.3%	208	15.1%	80.8	21.2
2022	16,823	59.1%	207	16.9%	81.3	23.2
10-Year Change	5.9%	38.4%	-22.5%	52.3%	36.6%	49.7%
CAGR 2013-2022	0.6%	3.7%	-2.8%	4.8%	3.5%	4.6%
CAGR 2018-2022	-0.9%	2.7%	-4.4%	4.6%	3.7%	5.5%

Source: The Jockey Club.

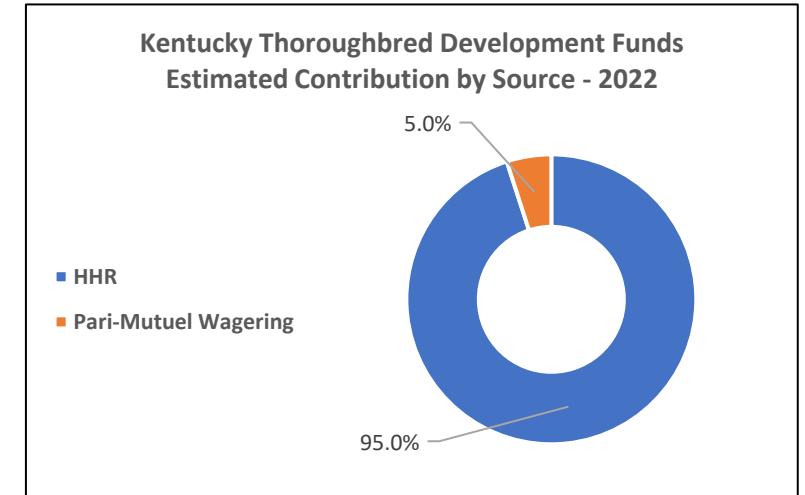
Percentage of Kentucky-Bred Thoroughbred Earnings by Racing Area						
Racing Area	2018	2019	2020	2021	2022	2018 to 2022 Change
Kentucky	18.0%	17.7%	23.1%	20.5%	26.4%	46.6%
New York	16.2%	16.0%	12.4%	15.0%	13.3%	-17.9%
California	12.0%	13.8%	10.6%	11.7%	9.0%	-25.2%
Florida	12.2%	10.1%	12.1%	8.4%	7.7%	-37.1%
Other	41.6%	42.5%	41.9%	44.4%	43.7%	4.9%

Source: The Jockey Club and Equibase Company.

Kentucky – Thoroughbred Development Funds

The KHRC is responsible for administering the Kentucky Thoroughbred Development Fund (“KTDF”) with assistance from an advisory committee that is appointed each year to help guide decisions on the uses of such funds. It is an incentive program to encourage owners to buy from Kentucky markets, to board and breed mares on Kentucky farms, to mate them with Kentucky stallions, and to race them in Kentucky. The KTDF receives funding through contributions from excise taxes on traditional pari-mutuel wagering, which totaled approximately \$2.3 million in FY 2022. Additionally, the KTDF benefits from significant funding contributions by HHR operations in the State. In 2022, HHR operations contributed approximately \$43.0 million, or 95.0% of the total KTDF funding, as illustrated in the adjacent chart and table.

In addition to the KTDF, the KHRC also administers the Kentucky Thoroughbred Breeders Incentive Fund (“KBIF”). The KBIF was established specifically for the promotion of breeding within the State. The KBIF is funded through an allocation of 80% of all receipts collected from the sales and use tax on fees paid for breeding a mare to a stallion in the State and money received from other funding sources, the details of which are unknown. In 2022, the KBIF paid out approximately \$14.5 million in incentive awards.



Source: Kentucky Horse Racing Commission and other secondary research.

Kentucky Thoroughbred Development Funds Sources and Estimated Funding Amounts - FY 2022	
Source	Amount
HHR	\$43,045,006
Pari-Mutuel Wagering	\$2,254,746
Total	\$45,299,752

Source: Kentucky Horse Racing Commission and other secondary research.

Kentucky – Breeding and Racing Incentives

Based on data from Trainer Magazine, the following outlines breeding and racing incentives in Kentucky in 2023.

- Breeders Awards: \$17,400,000
- Owners Awards: \$4,200,000
- Restricted Races for 2023: No
- Out of State Race Awards: \$13.8 million (included in \$17.4 million above)

Source: TrainerMagazine.com; Kentuckybred.org – Drew Conners

Kentucky – HISA Funding and Assessment

In March 2023, the KHRC opted into a voluntary agreement with the Horseracing and Integrity Safety Authority ("HISA") but chose not to collect and remit fees, evidently placing the burden on the State's tracks. Kentucky Downs, announced in the summer of 2023 that it was increasing its takeout rate by 1.0% to help offset the fees. It is unknown if any measures are being taken by any of the other tracks in the State with respect to the HISA fees.

The total HISA assessment for Kentucky thoroughbred racetracks in 2023 was approximately \$6.8 million.

Kentucky HISA Assessment - 2023												
State	Purses Paid (1)	Starts (1)	Purses per Start	% of Starts	% of Purses	% Purses/ % Starts	Start Fee for Projected Starts	Start Fee for Projected Purse Starts	Total Start Fee	Initial State Total	10% Cap Adjustment	Revised State Total
Kentucky	\$162,108,703	15,453	\$10,490	6.6%	13.8%	2.09	\$142.64	\$297.42	\$440.06	\$6,800,299	\$ 21,548	\$ 6,821,847
U.S. Total	\$1,172,603,109	233,067	\$5,031	100.0%	100.0%	1.00	\$142.64	\$142.64	\$285.28	\$66,490,436	\$0	\$66,490,436

(1) - The Purses Paid and Starts data is for the period Oct. 1, 2021 thru Sep. 30, 2022. This excludes Breeder's Cup World Championship races.

Source: HISA.

Kentucky – Horse Racing Commission

Established under Kentucky Code §230.215, the Kentucky Horse Racing Commission (“KHRC”) is a public corporation. The KHRC consists of fifteen members appointed by the Governor, with three ex-officio nonvoting members. The ex-officio members are the Secretaries of the Public Protection Cabinet, Economic Development Cabinet, and Tourism, Arts and Heritage. Of the fifteen appointed members, two must have no financial interest in the business or industry regulated. The members of KHRC are appointed to serve for a term of four years, with initial terms being staggered.

The KHRC is tasked with regulating the conduct of horse racing and pari-mutuel wagering on horse racing and related activities within the Commonwealth of Kentucky.

Key activities of the KHRC include:

- Developing and implementing programs designed to ensure the safety and well-being of horses, jockeys, and drivers.
- Developing programs and procedures that will aggressively fulfill its oversight and regulatory role on such matters as medical practices and integrity issues.
- Recommending tax incentives and implementing incentive programs to ensure the strength and growth of the equine industry.
- Designing and implementing programs that strengthen the ties between Kentucky’s horse industry and the state’s universities, with the goal of significantly increasing the economic impact of the horse industry on Kentucky’s economy, improving research for the purpose of promoting the enhanced health and welfare of the horse, and other industry related issues.
- Developing and supporting programs which ensure that Kentucky remains in the forefront of equine research.
- Developing monitoring programs which ensure the highest integrity of sporting events and sports wagering.
- Developing a program to share wagering information with sports governing bodies upon which sports wagering may be conducted.



Source: Kentucky Horse Racing Commission


New York – Thoroughbred Racetracks

There are four thoroughbred racetracks in New York. The State of New York owns three of the tracks, all of which are operated by the New York Racing Association, Inc. (“NYRA”) Finger Lakes Gaming and Racetrack is owned and operated by Delaware North Companies, Inc. The following table provides track particulars, and the map that follows show location details.


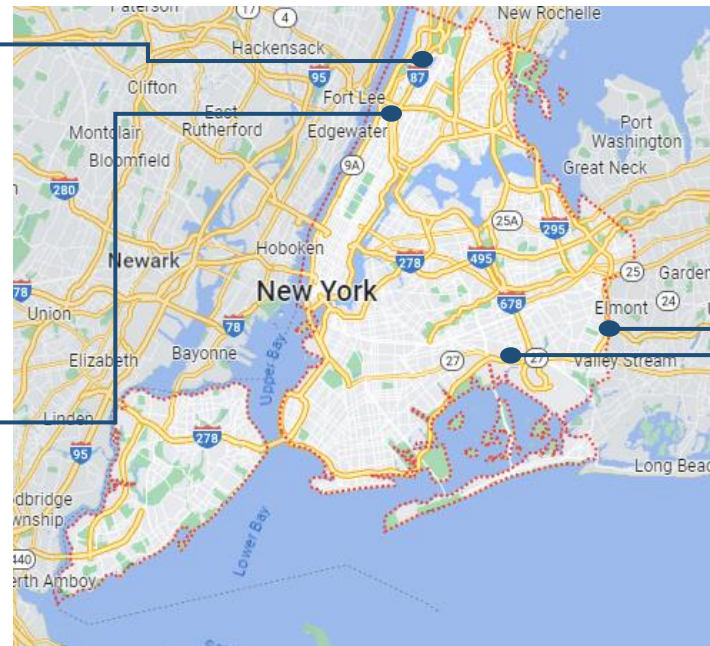
New York Thoroughbred Racetracks								
Track	Year Opened	Owner	Operator	Seating Capacity		Track Length		Stabling (stalls)
				Grandstand	Clubhouse	Dirt (miles)	Turf (furlongs)	
Aqueduct Racetrack	1894	State of New York	New York Racing Association, Inc.	20,000	10,000	1	7	547
Belmont Park	1905	State of New York	New York Racing Association, Inc.	90,000	30,000	1 1/2	9	1,830
Saratoga Race Course	1864	State of New York	New York Racing Association, Inc.	1,830	2,306	1	9	1,830
Finger Lakes Gaming and Racetrack	1962	Delaware North Companies, Inc.	Delaware North Companies, Inc.	4,000	2,000	1 1/4	6	1,214

Sources: Horseracing-tracks, New York Racing Association, and facility websites.

**Finger Lakes Gaming and Racetrack
Farmington, NY**




**Saratoga Race Course
Saratoga Springs, NY**





Source: Google Maps, New York Times

**Belmont Park
Elmont, NY**



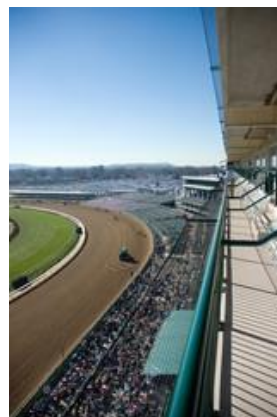
**Aqueduct Racetrack
Queens, NY**



New York – Live Race Days and Attendance

The number of live race days at Aqueduct, Belmont, and Finger Lakes experienced measurable decreases for the 9-year period from 2013 through 2021, the most significant of which was at Finger Lakes with live race days decreasing (44.1%) from 161 in 2013 to 89 in 2022, while the number of live race days at Saratoga was relatively flat during this timeframe. Annual attendance also experienced significant decreases, with the exception of Saratoga which actually saw its annual attendance increase by 20.7% from 2013 to 2021. These trends are detailed in the tables below. It should be noted that while included in the tables below, 2022 data was not included in the growth rate analysis as it was skewed due to the 28-day Belmont fall meet being held at Aqueduct, due to a capital improvement project.

Annual Live Race Days New York Thoroughbred Racetracks					
Year	Aqueduct	Belmont	Saratoga	Finger Lakes	Total
2013	106	93	40	161	400
2014	113	92	40	158	403
2015	100	97	40	153	390
2016	97	92	40	150	379
2017	96	89	40	142	367
2018	91	88	40	140	359
2019	93	85	39	117	334
2020	65	52	39	46	202
2021	82	79	40	90	291
2022 (1)	112	44	40	89	285
9-Year Change (2)	-22.6%	-15.1%	0.0%	-44.1%	-27.3%
CAGR 2013-2021 (2)	-3.2%	-2.0%	0.0%	-7.0%	-3.9%
CAGR 2017-2021 (2)	-3.9%	-2.9%	0.0%	-10.8%	-5.6%



Annual Attendance New York Thoroughbred Racetracks					
Year	Aqueduct	Belmont	Saratoga	Total NYRA	Finger Lakes (1)
2013	446,372	419,800	867,182	1,733,354	148,779
2014	525,978	651,655	1,086,822	2,264,455	136,484
2015	427,280	632,448	1,180,076	2,239,804	104,292
2016	255,905	381,604	1,123,647	1,761,156	124,540
2017	231,710	391,555	1,117,838	1,741,103	113,837
2018	190,950	400,670	1,124,149	1,715,769	111,318
2019	184,181	339,677	1,056,053	1,579,911	N/A
2020	71,072	0	1,056,053	1,127,125	N/A
2021	55,349	143,835	1,046,478	1,245,662	N/A
2022 (2)	277,533	183,222	1,075,586	1,536,341	N/A
9-Year Change (3)	-87.6%	-65.7%	20.7%	-28.1%	N/A
CAGR 2013-2021 (3)	-23.0%	-12.5%	2.4%	-4.0%	N/A
CAGR 2017-2021 (3)	-30.1%	-22.1%	-1.6%	-8.0%	N/A

(1) - In 2022, the 28-day Belmont fall meet was held at Aqueduct, due to capital improvement projects at Belmont.

(2) - The 2022 data was excluded from the growth rates to provide a more meaningful comparison given the change in location of the 2022 Belmont fall meet.

Source: New York State Gaming Commission.

(1) - Beginning in 2019, attendance data was no longer required or reported for Finger Lakes.

(2) - In 2022, the 28-day Belmont fall meet was held at Aqueduct, due to capital improvement projects at Belmont.

(3) - The 2022 data was excluded from the growth rates to provide a more meaningful comparison given the change in location of the 2022 Belmont fall meet.

Source: New York State Gaming Commission.

New York – Thoroughbred Racing Metrics

The New York thoroughbred racing industry experienced a significant decrease in the number of races (31.0%) and race days (28.7%) over the 10-year period from 2013 through 2022. It also saw a slight decrease (3.1%) in the average field size per race from 7.6 in 2013 to 7.3 in 2022. Despite these trends and while total purses were only moderately higher in 2022 compared to 2013, the average purse per race increased from approximately \$47,800 in 2013 to \$70,900 in 2022, representing an increase of 48.3%. These trends and other performance metrics are detailed in the table below.

New York Thoroughbred Racing Statistics							
Year	Races	Purses	Avg Purse per Race	Starters	Starts	Race Days	Avg Field Size
2013	3,752	\$179,309,957	\$47,791	5,931	28,405	401	7.6
2014	3,686	\$186,288,266	\$50,539	5,899	27,050	405	7.3
2015	3,568	\$184,265,863	\$51,644	6,124	26,736	392	7.5
2016	3,481	\$181,518,088	\$52,145	6,015	25,640	380	7.4
2017	3,272	\$176,121,338	\$53,827	5,899	24,388	368	7.5
2018	3,170	\$178,936,281	\$56,447	5,545	22,479	360	7.1
2019	2,972	\$182,360,497	\$61,360	5,535	21,547	335	7.3
2020	1,884	\$110,650,829	\$58,732	4,705	14,963	203	7.9
2021	2,645	\$181,455,727	\$68,603	5,322	19,654	292	7.4
2022	2,589	\$183,468,778	\$70,865	5,093	19,002	286	7.3
10-Year Change	-31.0%	2.3%	48.3%	-14.1%	-33.1%	-28.7%	-3.1%
CAGR 2013-2022	-4.0%	0.3%	4.5%	-1.7%	-4.4%	-3.7%	-0.3%
CAGR 2018-2022	-4.9%	0.6%	5.9%	-2.1%	-4.1%	-5.6%	0.9%



Note: Purses represent all available money, including monies not won and returned to state breeder or other funds.

Source: The Jockey Club and Equibase Company.

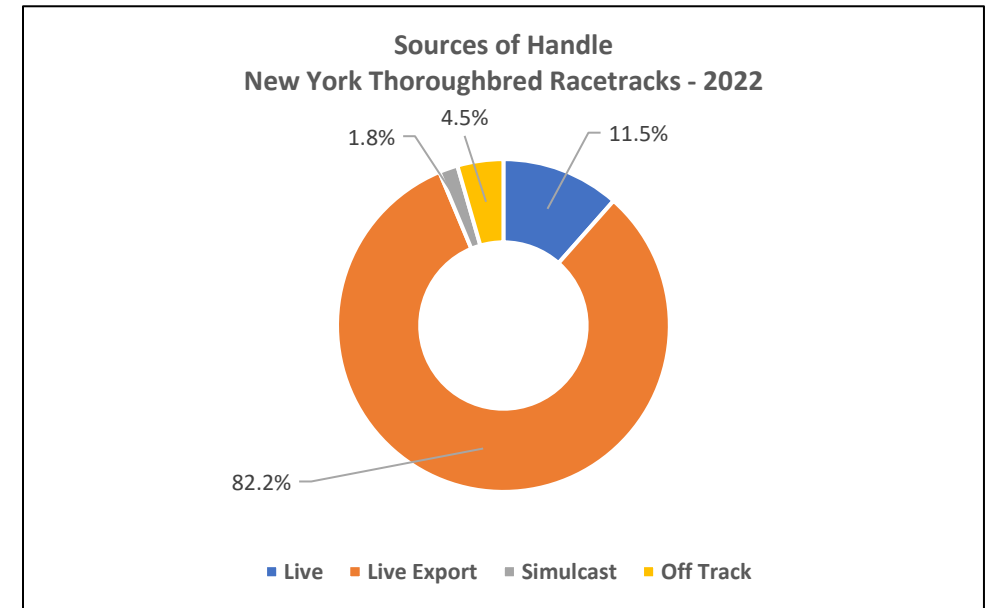
Notable races in New York include the Belmont Stakes, the Jockey Club Gold Cup, Travers Stakes, and the Wood Memorial Stakes, among others. The Belmont Stakes, a Grade I thoroughbred race for three-year-olds and the final leg of the Triple Crown, is held annually at Belmont Stakes in June and carried a purse of \$1.5 million in 2023. The Jockey Club Gold Cup, a Grade I thoroughbred race for horses of either gender aged three years old and up, is held annually at Belmont Park in the fall and carried a purse of \$1.25 million in 2023. The Wood Memorial Stakes, a Grade II thoroughbred race for three-year-olds and a major prep race for the Kentucky Derby, is held annually at Aqueduct Racetrack in April and carried a purse of \$750,000 in 2023.

New York – Thoroughbred Racing Handle

The annual total handle from all sources attributable to New York thoroughbred racetracks was approximately \$2.42 billion in 2022 compared to \$2.37 billion in 2013, which reflected a slight increase of 2.4% over that timeframe. Saratoga, however, was the only track that experienced growth over this period with total handle increasing by nearly 49%. The handle associated with live export wagering, which is generated from the broadcasting of races at the New York tracks to other locations, accounted for 82.2% of the total handle in 2022, while live on-track wagering accounted for 11.5%. Simulcast and off-track wagering accounted for 1.8% and 4.5%, respectively, of total handle in 2022. These trends are illustrated in the table and chart below. Advanced Deposit Wagering ("ADW"), which is done through online platforms and mobile apps, is regulated by the NYSGC, but is not included in these figures as it is maintained separately from the reporting of handle associated with the individual tracks.

Annual Total Handle (All Sources) New York Thoroughbred Racetracks					
Year	Aqueduct	Belmont	Saratoga	Finger Lakes	Total
2013	\$702,517,382	\$905,649,680	\$590,226,347	\$167,145,648	\$2,365,539,057
2014	\$704,265,907	\$898,640,975	\$575,072,191	\$131,409,480	\$2,309,388,553
2015	\$618,127,039	\$968,790,673	\$656,121,664	\$139,219,799	\$2,382,259,175
2016	\$652,605,659	\$919,221,728	\$654,499,446	\$135,938,749	\$2,362,265,582
2017	\$638,854,114	\$899,856,174	\$682,120,869	\$130,252,085	\$2,351,083,242
2018	\$551,046,022	\$903,279,013	\$659,083,459	\$116,937,497	\$2,230,345,991
2019	\$603,801,378	\$798,981,042	\$705,343,949	\$119,888,220	\$2,228,014,589
2020	\$456,801,703	\$654,597,916	\$702,535,472	\$55,194,372	\$1,869,129,463
2021	\$605,309,853	\$952,955,000	\$815,508,063	\$87,100,707	\$2,460,873,623
2022	\$613,959,314	\$829,692,551	\$878,211,963	\$101,480,407	\$2,423,344,235
10-Year Change	-12.6%	-8.4%	48.8%	-39.3%	2.4%
CAGR 2013-2022	-1.5%	-1.0%	4.5%	-5.4%	0.3%
CAGR 2018-2022	2.7%	-2.1%	7.4%	-3.5%	2.1%

Source: NYRA and New York State Gaming Commission.



Source: New York State Gaming Commission.

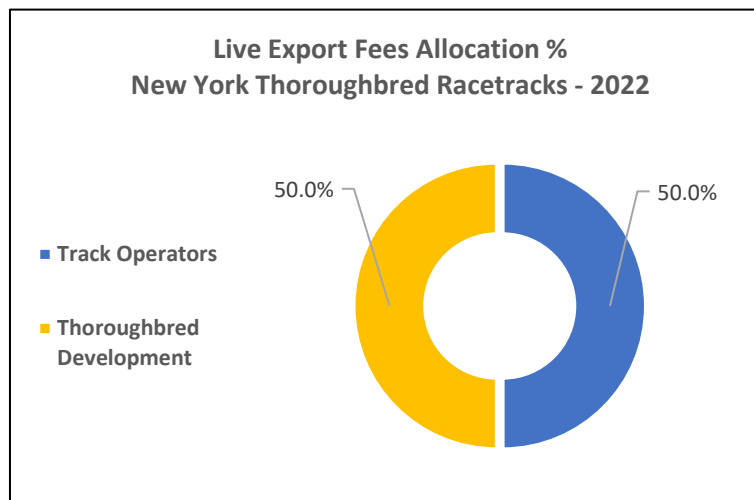
New York – Takeout and Other Fees Allocation

The takeout rates at New York racetracks are applicable to on-track wagering (both live races and simulcast) as well as wagering at off-track betting establishments. The established takeout rates as a percentage of handle in New York ranges from 16% on straight wagers to 24% on exotic wagers with 3 or more horses. In 2022, the total blended takeout rate for on-track and off-track wagering was 19.4%. The allocation of the takeout to different uses in New York varies dependent upon the type of wagering. In aggregate, the track operators receive the greatest share with 63.6%. A portion of these revenues are dedicated to purses and other payments, but the agreements and details in place for the allocation of these funds is not reported by the NYSGC or any other secondary sources that could be identified. Contributions to thoroughbred development funds represent 2.6% of the aggregated takeout and the remainder is allocated to other uses including taxes, regulatory fees, host track payments and OTB commissions. These takeout allocations are detailed in the adjacent table.

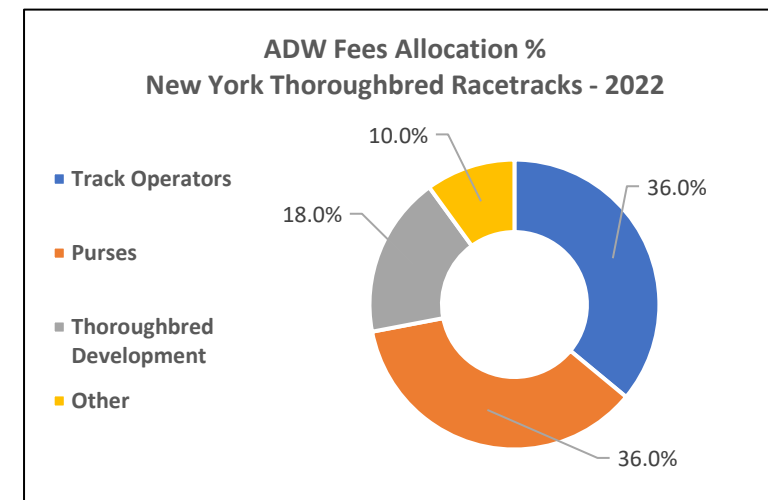
Like other states, New York thoroughbred tracks generate signal transmission and other fees associated with live export wagering along with ADW source market fees. Live export fees for New York thoroughbred tracks were approximately 6.5% of associated handle in 2022 and pursuant to New York statutes are shared equally between track operators and thoroughbred development. A portion of those funds may be dedicated to purses and other uses; however the details of these arrangements are unknown at this time. ADW fees in NY are statutory and represent 5.0% of associated wagering, which are then allocated primarily to the track operators, purses, and thoroughbred development.

Takeout Allocation % New York Thoroughbred Racetracks - 2022			
Use	On-Track	Off-Track	Total
Track Operators	89.8%	21.6%	63.6%
Thoroughbred Development	2.8%	2.2%	2.6%
Other	7.4%	76.2%	33.9%
Total	100.0%	100.0%	100.0%

Source: New York State Gaming Commission.



Source: New York statutes.

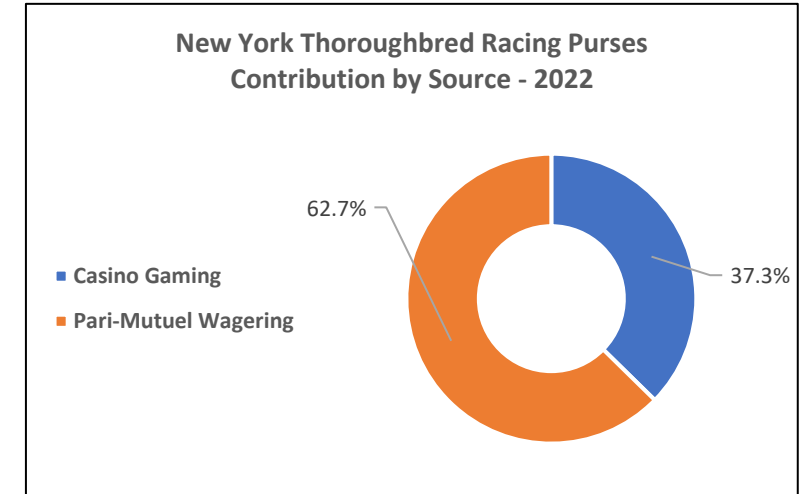


Source: New York State Gaming Commission.

New York – Purse Funds

The purses for New York thoroughbred racing receive funding contributions from pari-mutuel wagering, which totaled approximately \$115.0 million in 2022. Additionally, New York purses benefit via significant funding contributions from casino gaming operations in the State. In 2022, casino gaming contributed approximately \$68.5 million, or 37.3% to the total purses, as illustrated and detailed in the adjacent chart and table.

In 2001, the New York Legislature authorized the operation of video lottery terminals (“VLTs”), which are effectively slot machines, at New York racetracks under the authority of the NYSGC. In the years that followed, additional legislation provided for VLT operations at certain OTBs. Legislation dictating the allocation of VLT net terminal income to thoroughbred purses was modified over the years, but currently ranges from 2.3% to 8.8%, dependent upon the facility and subject to further agreements that may be entered into with the horsemen to either increase or decrease those allocations.



Source: NY State Gaming Commission and Equibase Company.

New York Thoroughbred Racing Purses Sources and Funding Amounts - 2022	
Source	Amount
Casino Gaming	\$68,498,427
Pari-Mutuel Wagering	\$114,970,351
Total	\$183,468,778

Source: NY State Gaming Commission and Equibase Company.

New York – Breeding Metrics

During 2022, New York's 43 reported stallions covered 984 mares, or 3.5% of all the mares reported bred in North America. The number of mares bred to New York stallions decreased by 40% from 2013 through 2022. The average book size (number of mares bred per stallion) in New York increased moderately from 21.6 in 2013 to 22.9 in 2022. By comparison, the average North America book size increased from 15.5 to 23.2 during that same timeframe.

New York-bred thoroughbred earnings by racing area show that in 2022, approximately 75% of earnings were garnered in-state, slightly down from 77% in 2018. These and other breeding metrics are detailed in the adjacent tables.



Annual Thoroughbred Mares Bred to New York Stallions						
Year	Mares Bred	% of North America	Stallions	% of North America	Average Book Size	Average North America Book Size
2013	1,639	4.4%	76	3.2%	21.6	15.5
2014	1,674	4.4%	70	3.1%	23.9	16.5
2015	1,596	4.3%	66	3.2%	24.2	18.1
2016	1,528	4.2%	60	3.0%	25.5	18.4
2017	1,349	3.9%	67	3.5%	20.1	18.2
2018	1,126	3.4%	53	3.0%	21.2	18.7
2019	1,082	3.4%	51	3.1%	21.2	18.9
2020	1,036	3.5%	46	3.0%	22.5	19.3
2021	955	3.3%	39	2.8%	24.5	21.2
2022	984	3.5%	43	3.5%	22.9	23.2
10-Year Change	-40.0%	-20.5%	-43.4%	9.4%	6.1%	49.7%
CAGR 2013-2022	-5.5%	-2.5%	-6.1%	1.0%	0.7%	4.6%
CAGR 2018-2022	-3.3%	0.7%	-5.1%	3.9%	1.9%	5.5%

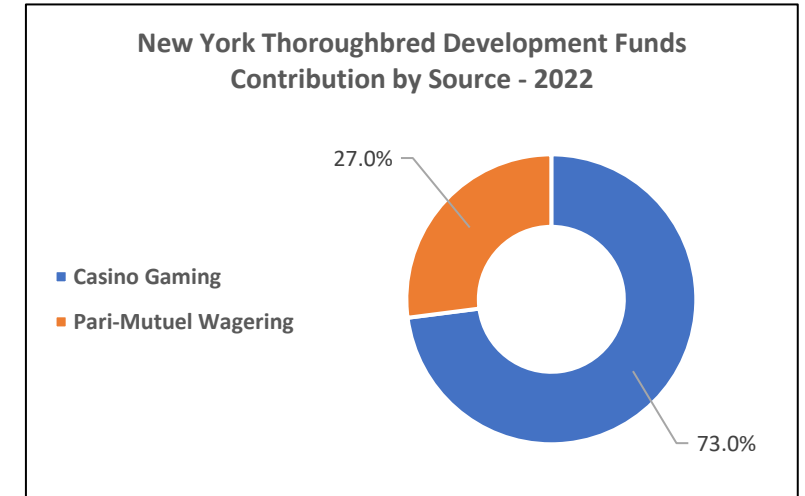
Source: The Jockey Club.

Percentage of New York-Bred Thoroughbred Earnings by Racing Area						
Racing Area	2018	2019	2020	2021	2022	2018 to 2022 Change
New York	76.6%	77.4%	71.9%	75.4%	74.6%	-2.6%
Pennsylvania	5.9%	5.6%	6.0%	6.1%	6.3%	6.3%
Florida	4.7%	3.4%	5.0%	2.7%	2.7%	-42.6%
Maryland	2.9%	2.5%	1.9%	2.6%	2.2%	-22.3%
Other	10.0%	11.1%	15.2%	13.2%	14.2%	42.2%

Source: The Jockey Club and Equibase Company.

New York – Thoroughbred Development Funds

The New York State Thoroughbred Breeding & Development Fund Corporation is responsible for administering the New York State Thoroughbred Breeding & Development Fund (“NYTBDF”). The purpose of the fund is to award the State’s breeders, racehorse owners and sire owners to promote breeding and racing in the State. The NYTBDF receives funding contributions from pari-mutuel wagering, which totaled approximately \$5.0 million in 2022. Additionally, the NYTBDF benefits from significant funding contributions by VLT operations in the State. Current legislation provides that 0.5% to 1.5% of net terminal income from VLTs at certain facilities in the State are allocated to thoroughbred development funds. In 2022, this source of casino gaming contributed approximately \$13.5 million, or 73.0% of the total NYTBDF funding, as illustrated in the adjacent chart and table.



Source: New York State Gaming Commission and New York State Thoroughbred Breeding & Development Fund Corporation.

New York Thoroughbred Development Funds Sources and Funding Amounts - 2022	
Source	Amount
Casino Gaming	\$13,469,211
Pari-Mutuel Wagering	\$4,990,232
Total	\$18,459,443

Source: New York State Gaming Commission and New York State Thoroughbred Breeding & Development Fund Corporation.

New York – Supplemental NYRA Funds

In addition to the previously detailed contributions to New York racing purses and thoroughbred development funds from VLTs, NYRA also receives significant track-level support for operating expenses and capital expenditures. Current legislation provides that 0.8% to 3.0% of net terminal income from VLTs at certain facilities in the State (the allocation amounts vary by facility) is allocated to NYRA operating expenses, which in 2022 accounted for approximately \$23.6 million. Additionally, a further 1.3% to 4.0% of net terminal is allocated to capital improvements, which in 2022 accounted for approximately \$31.9 million, as detailed in the adjacent table.

NYRA Track-Level Support from VLTs - 2022	
Use	Total
Operating Expenses	\$23,555,147
Capital Improvements	\$31,919,861
Total	\$55,475,008

Source: New York State Gaming Commission.



New York – Breeding and Racing Incentives

Based on data from Trainer Magazine, the following outlines breeding and racing incentives in New York in 2023.

- Breeders Awards: New York-Sired* Award (percent of purse money earned). First place: 30%, Second place: 15%, Third Place: 15%. Cap per award: \$40,000. Non-New York-Sired* Award (percent of purse money earned): First place: 15%, Second place: 7.5%, Third place: 7.5%. Cap per award: \$20,000
- Owners Awards: For all open-company races in New York State with a minimum claiming prize of \$30,000, there are 2 tier of Owner Awards: New York Sired Award (percent of purse money earned): 1st to 3rd place: 20% cap per award: \$20,000. Non-New York-Sired Award (percent of purse money earned): 1st to 3rd place: 10% cap per award: \$20,000
- Stallion Owner Awards: These awards are paid to owners of registered New York based (at the time of conception) covering stallions. Please note that only New York-bred progeny of New York-based stallions are eligible to earn Stallion Owner Awards. Stallion Owner Awards have been increased to 10% of purses earned from finishes in first through third place. All Stallion Owner Awards are capped at \$10,000 per horse, per race.
- # registered foals in 2022: 1,500
- What you need to know: *A New York-sired New York-bred is sired by a registered New York stallion. A non-New York-sired New York-bred is sired by an out-of-state stallion or an unregistered New York stallion.

Source: TrainerMagazine.com; NYBreds.com – Tracy Egan

New York – HISA Funding and Assessment

In July 2022, the Horseracing Integrity and Safety Authority ("HISA") approved a structure that will equally split the payments for New York's assessment between NYRA and the New York Thoroughbred Horsemen's Association ("NYTHA") with NYRA paying half of the assessment out of its operating budget and NYTHA charging a per-start fee at each NYRA track to cover the other half of the assessment. It should be noted that the per-start fee varies by track, and NYTHA also reimburses the fee for all horses finishing fourth place or lower. The following shows the HISA assessment which provides context to the funding approach.

New York HISA Assessment - 2023												
State	Purses Paid (1)	Starts (1)	Purses per Start	% of Starts	% of Purses	% Purses/ % Starts	Start Fee for Projected Starts	Start Fee for Projected Purse Starts	Total Start Fee	Initial State Total	10% Cap Adjustment	Revised State Total
New York	\$181,741,126	19,333	\$9,401	8.3%	15.5%	1.87	\$142.64	\$266.52	\$409.16	\$7,910,362	\$ 25,065	\$ 7,935,427
U.S. Total	\$1,172,603,109	233,067	\$5,031	100.0%	100.0%	1.00	\$142.64	\$142.64	\$285.28	\$66,490,436	\$0	\$66,490,436

(1) - The Purses Paid and Starts data is for the period October 1, 2021 thru September 30, 2022. This excludes Breeder's Cup World Championship races.

Source: HISA.

New York – Gaming Commission

Established under New York Code §4000.1, the New York State Gaming Commission (“NYSGC”) is a public corporation. The NYSGC consists of five commissioners who are appointed by the Governor to serve a five-year unpaid term. One member is recommended for appointment by the Speaker of the Assembly and one member is recommended for appointment by the Temporary President of the Senate.

The NYSGC is tasked with regulating all aspects of gaming activity in the State, including horse racing and pari-mutuel wagering, Class III Indian Gaming, the state lottery (including VLTs), commercial gaming, sports wagering, interactive fantasy sports, and charitable gaming.

Key activities of the NYSGC include:

- Ensuring that all stakeholders in the gaming and horse racing industries, including the consumers who wager on activities regulated or operated by the Commission, are treated in an equitable and responsible manner and to promote the health and safety of horses and all participants in racing.
- Seeks to ensure fair and strict regulation of all gaming activity while reducing costs and regulatory burdens to the gaming industry.
- Aspiring to provide the regulatory structure necessary for New York gaming activity to operate effectively in a global, evolving and increasingly competitive marketplace to generate revenue for aid to education and for the support of government, and to contribute to overall economic development and job creation in New York.



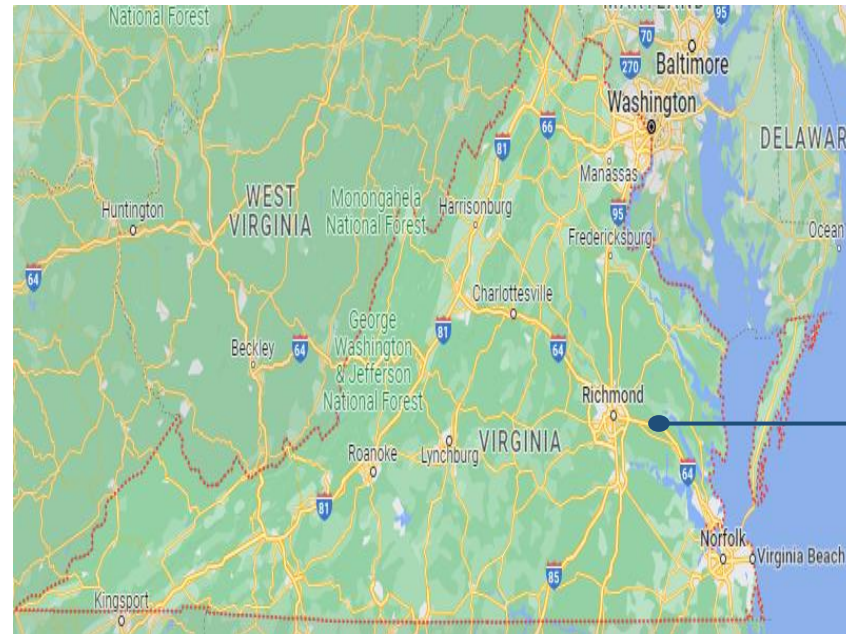
Source: New York State Gaming Commission

Virginia – Thoroughbred Racetracks

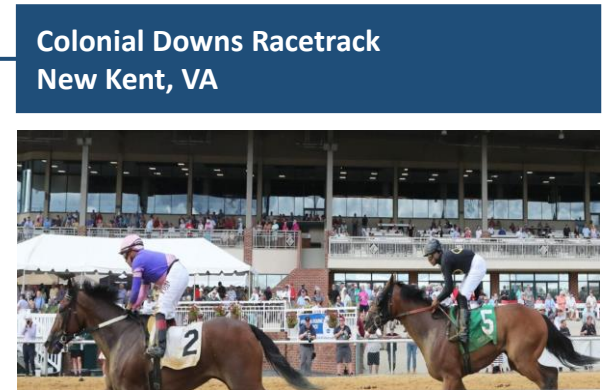
There is one thoroughbred racetrack in Virginia, which is owned and operated by Churchill Downs, Inc. The following table provides track particulars, and the map that follows show location details.

Virginia Thoroughbred Racetracks								
Track	Year Opened	Owner	Operator	Seating Capacity		Track Length		Stabling (stalls)
				Grandstand	Clubhouse	Dirt (miles)	Turf (furlongs)	
Colonial Downs Racetrack	1997	Churchill Downs Inc.	Churchill Downs Inc.	6,000	500	1 1/4	7 1/2	1,050

Sources: Horseracing-tracks and Churchill Downs Incorporated.



Source: Google Maps, facility website



Virginia – Live Race Days and Attendance

The number of live race days at Colonial Downs increased slightly from 24 in 2013 to 26 in 2022, while annual attendance decreased from approximately 46,600 to 39,800 over this same timeframe, as detailed in the tables below.

Annual Live Race Days Virginia Thoroughbred Racetracks	
Year	Colonial Downs
2013	24
2014	closed
2015	closed
2016	closed
2017	closed
2018	closed
2019	15
2020	7
2021	21
2022	26
10-Year Change	8.3%
CAGR 2019-2022	20.1%

Note: Colonial Downs ceased operations in 2014 and reopened in 2019.

Source: Virginia Racing Commission.



Annual Attendance Virginia Thoroughbred Racetracks	
Year	Colonial Downs
2013	46,608
2014	closed
2015	closed
2016	closed
2017	closed
2018	closed
2019	38,820
2020	1,806
2021	27,909
2022	39,754
10-Year Change	-14.7%
CAGR 2019-2022	0.8%

Note: Colonial Downs ceased operations in 2014 and reopened in 2019.

Source: Virginia Racing Commission.

Virginia – Thoroughbred Racing Metrics

The Virginia thoroughbred racing industry, which consists solely of operations at Colonial Downs, experienced a significant increase of 21.3% in the number of races in 2022 compared to 2013 while race days remained relatively flat. It experienced a decrease (4.7%) in the average field size per race from 8.5 in 2013 to 8.1 in 2022. The total purses have increased in recent years. Additionally, the average purse per race increased from approximately \$33,900 in 2013 to \$55,600 in 2022, representing an increase of 64.0%. It should be noted that Colonial Downs ceased operations in 2014 and reopened in 2019. These trends and other performance metrics are detailed in the table below.

Virginia Thoroughbred Racing Metrics							
Year	Races	Purses	Avg Purse per Race	Starters	Starts	Race Days	Avg Field Size
2013	253	\$8,577,056	\$33,901	1,219	2,148	32	8.5
2014	closed	closed	closed	closed	closed	closed	closed
2015	closed	closed	closed	closed	closed	closed	closed
2016	closed	closed	closed	closed	closed	closed	closed
2017	closed	closed	closed	closed	closed	closed	closed
2018	closed	closed	closed	closed	closed	closed	closed
2019	185	\$8,614,800	\$46,566	1,066	1,577	22	8.5
2020	104	\$2,700,300	\$25,964	655	864	12	8.3
2021	248	\$11,517,500	\$46,442	1,202	2,004	27	8.1
2022	307	\$17,064,713	\$55,585	1,490	2,501	33	8.1
10-Year Change	21.3%	99.0%	64.0%	22.2%	16.4%	3.1%	-4.7%
CAGR 2019-2022	18.4%	25.6%	6.1%	11.8%	16.6%	14.5%	-1.6%



Notes: Colonial Downs ceased operations in 2014 and reopened in 2019. Purses represent all available money, including monies not won and returned to state breeder or other funds.

Sources: Virginia Racing Commission, The Jockey Club, and Equibase Company.

Notable races in Virginia include the Virginia Derby, and in 2023, several other high-profile races were held at the Churchill-owned Colonial Downs that had previously taken place at the now closed Arlington Park. The Virginia Derby, a Grade III thoroughbred race for three-year-olds, is held annually in September at Colonial Downs and carried a purse of \$300,000 in 2023. It was held at Laurel Park during years in which Colonial Downs was closed.

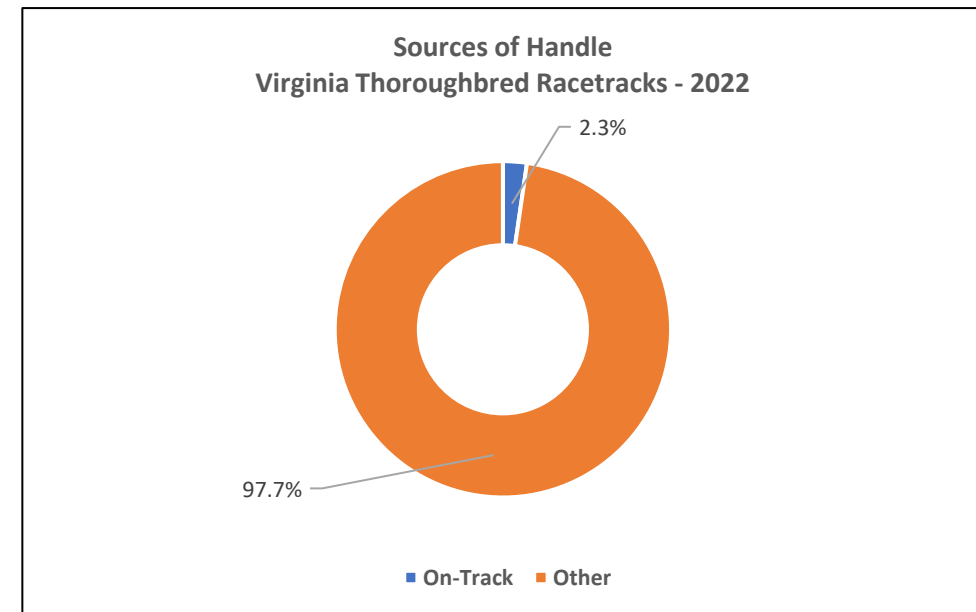
Virginia – Thoroughbred Racing Handle

The annual total handle from all sources attributable to the lone Virginia thoroughbred racetrack was approximately \$75.2 million in 2022 compared to \$14.3 million in 2013, which reflected a significant increase of 424.0% over that timeframe. The VRC only reports handle for on-track and other wagering, with no further breakdown on the composition of this wagering for Colonial Downs. On-track wagering at Colonial Downs accounted for 2.3% of the total handle in 2022, while other sources comprised the balance of 97.7%. These trends are illustrated in the table and chart below.

Annual Total Handle (All Sources) Virginia Thoroughbred Racetracks	
Year	Colonial Downs
2013	\$14,343,174
2014	closed
2015	closed
2016	closed
2017	closed
2018	closed
2019	\$18,101,453
2020	\$7,774,939
2021	\$47,087,640
2022	\$75,157,080
CAGR 2019-2022	60.7%

Note: Colonial Downs ceased operations in 2014 and reopened in 2019.

Source: Virginia Racing Commission.

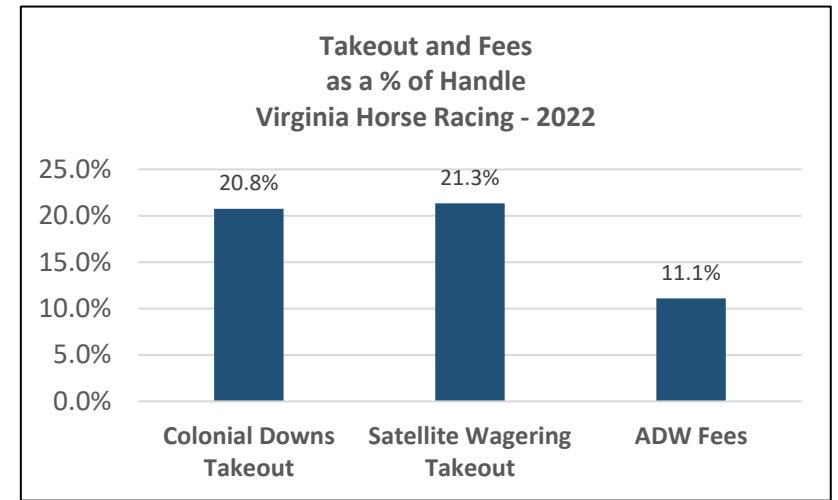


Source: Virginia Racing Commission.

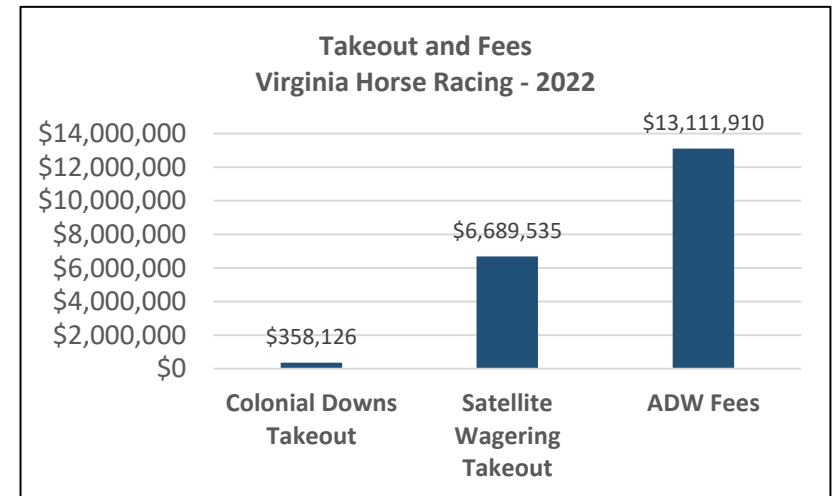
Virginia – Takeout and ADW Fees

The established takeout rates as a percentage of handle at Virginia's lone thoroughbred racetrack, Colonial Downs, range from 18.0% on straight wagers to 22.0% on exotic wagers with 3 or more horses, which are applicable to all on-track wagering. In 2022, the total blended takeout rate on wagering at Colonial Downs was 20.8%, which generated approximately \$400,000. Virginia also generates commissions through wagering at its many satellite wagering facilities (i.e., off-track betting) located throughout the State, for which the blended takeout rate was 21.3% in 2022, which generated approximately \$6.7 million, as illustrated in the adjacent charts.

In addition to the takeout from wagering on-track and at satellite facilities, revenues from wagering are generated through signal transmission and other fees associated with live export wagering; however, the details of which are unknown for Colonial Downs. Source market and other fees associated with ADW are generated in Virginia, but not reported/allocated at the track-level. Based on aggregated ADW reporting for Virginia, source market and other fees paid by ADW licensees totaled 11.1% of associated wagering, which generated approximately \$13.1 million, as illustrated in the adjacent charts.



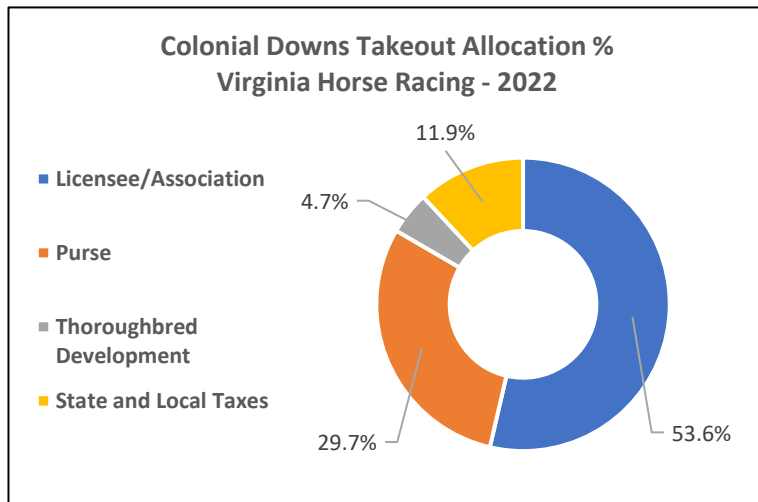
Source: Virginia Racing Commission.



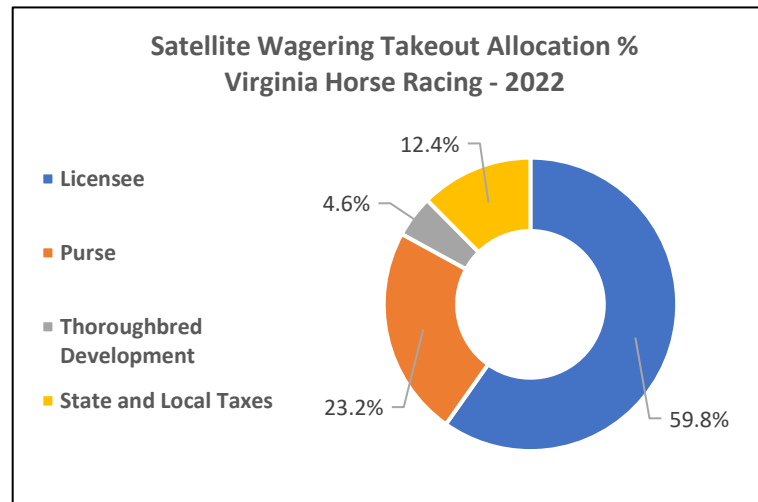
Source: Virginia Racing Commission.

Virginia – Takeout and ADW Fees Allocation

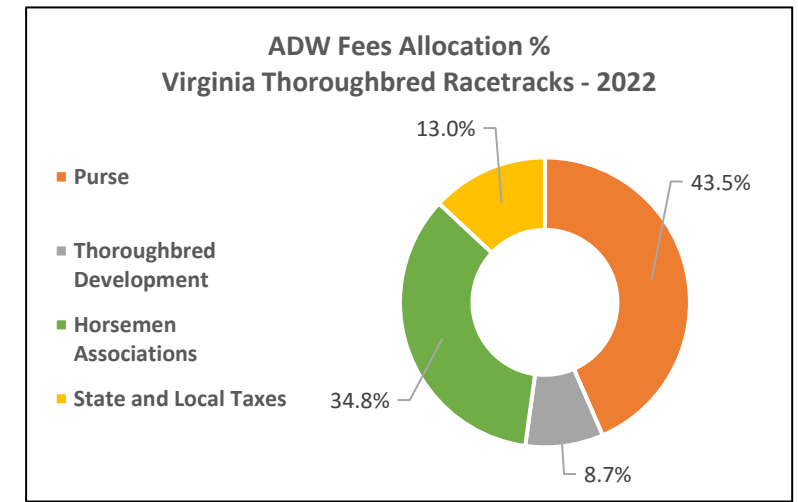
The allocation of the takeout at Colonial Downs and satellite wagering facilities are dedicated primarily to licensee and track operator payments and purses, with lesser amounts dedicated to thoroughbred development and taxes. ADW fees are dedicated primarily to purses and various horsemen associations in the State including, with lesser amounts going to thoroughbred development and taxes. The specific allocation amounts for these funding sources are detailed in the charts and tables below.



Source: Virginia Racing Commission.



Source: Virginia Racing Commission.



Source: Virginia Racing Commission.

Colonial Downs Takeout Allocation Virginia Horse Racing - 2022	
Use	Total
Track Operator	\$192,082
Purse	\$106,505
Thoroughbred Development	\$16,879
State and Local Taxes	\$42,660
Total	\$358,126

Source: Virginia Racing Commission.

Satellite Wagering Takeout Allocation Virginia Horse Racing - 2022	
Use	Total
Licensee	\$3,998,815
Purse	\$1,551,091
Thoroughbred Development	\$308,627
State and Local Taxes	\$831,002
Total	\$6,689,535

Source: Virginia Racing Commission.

ADW Fees Allocation Virginia Horse Racing - 2022	
Use	Total
Purse	\$5,700,830
Thoroughbred Development	\$1,140,166
Horsemen Associations	\$4,560,664
State and Local Taxes	\$1,710,249
Total	\$13,111,910

Source: Virginia Racing Commission.

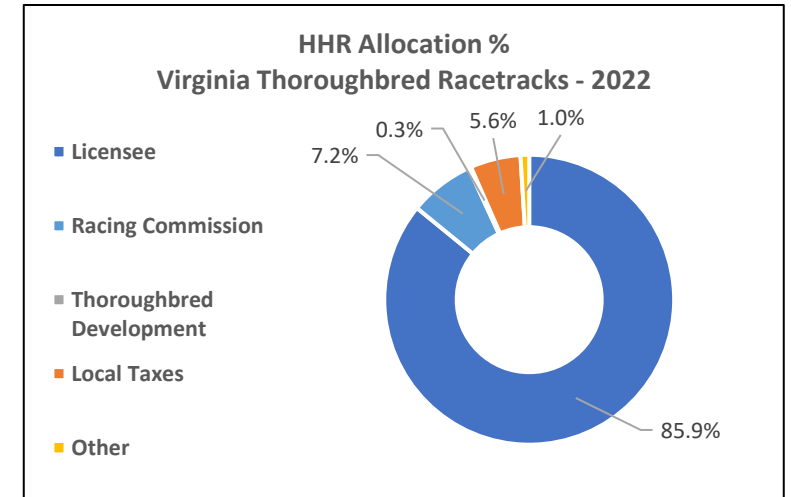
Virginia – Historical Horse Racing

As previously detailed, a portion of revenues generated through pari-mutuel wagering activities in Virginia are utilized to help fund purses and thoroughbred development programs. Additionally, Virginia tracks and horsemen benefit via significant funding contributions from Historical Horse Racing ("HHR") operations in the State.

HHR machines are very similar to slot machines in terms of play and other visual aspects, but unlike traditional slot machines, they use the outcomes of previously run races to determine payouts of any given wager instead of a random number generator. This method of determining payouts has allowed these games to be considered pari-mutuel wagering and offered in certain states where other casino gaming may have otherwise been illegal. HHR legislation was enacted in Virginia in 2018. The State's HHR industry has seen significant growth since that time both in terms of revenues generated as well as the number and size of locations offering HHR. It should be noted that the owner of Colonial Downs is the licensee of all HHR operations in Virginia, which include operations at the racetrack as well as six other satellite wagering facilities.

The State's HHR operations pay out various statutory commissions as a percentage of total handle. Collectively, these HHR commissions amounted to approximately \$353.9 million in 2022. The licensee (i.e., the establishments which operates the HHRs) received 85.9% of these commissions in 2022, while 7.2% was allocated to the VRC. Approximately \$1.0 million, or 0.3% was allocated to thoroughbred development and local taxes accounted for 5.6%. Other uses, which accounted for 1.0% of the total commissions in 2022, include distributions to the Virginia-Maryland College of Veterinary Medicine, the Virginia Horse Center Foundation, the Virginia Horse Industry Board, and problem gambling support. These details are illustrated in the adjacent chart and table.

It is likely contractual arrangements exist with the horsemen to further allocate a portion of the HHR licensee commissions to purses and perhaps other initiatives, however the details of which are unknown.



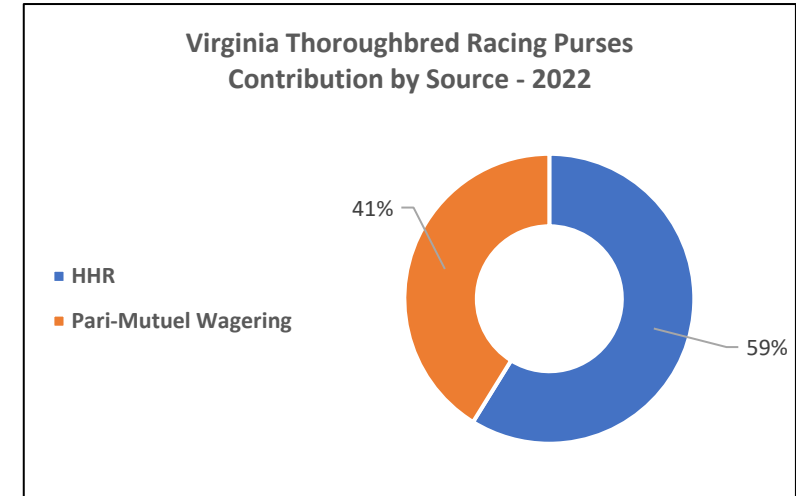
Source: Virginia Racing Commission.

Use	Total
Licensee	\$303,949,091
Racing Commission	\$25,632,782
Thoroughbred Development	\$1,001,281
Local Taxes	\$19,869,707
Other	\$3,404,354
Total	\$353,857,215

Source: Virginia Racing Commission.

Virginia – Historical Horse Racing (cont'd)

It is likely contractual arrangements exist with the horsemen to further allocate a portion of the HHR licensee commissions to purses and perhaps other horsemen initiatives, however the exact details of which are unknown. Based on the previously detailed total purses and contributions from pari-mutuel wagering, it is estimated that approximately \$10 million, or roughly 3.0% of the total HHR commissions paid to licensees, is utilized to supplement purse funds at Colonial Downs. These HHR contributions represented an estimated 59% of the total funding for purses at Colonial Downs in 2022, as illustrated in the adjacent chart and table.



Source: Virginia Racing Commission.

Virginia Thoroughbred Racing Purses Sources and Estimated Funding Amounts - 2022	
Source	Amount
HHR	\$10 million
Pari-Mutuel Wagering	\$7 million
Total	\$17 million

Source: Virginia Racing Commission, Equibase, and Crossroads Consulting Analysis.

Virginia – Breeding Metrics

During 2022, Virginia's 8 reported stallions covered 16 mares, or only 0.1% of all the mares reported bred in North America. The number of mares bred to Virginia stallions decreased by 72.4% from 2013 through 2022. The average book size (number of mares bred per stallion) in Virginia decreased moderately from 2.9 in 2013 to 2.0 in 2022. By comparison, the average North America book size increased from 15.5 to 23.2 during that same timeframe.

Virginia-bred thoroughbred earnings by racing area show that in 2022, only 28.7% of earnings were garnered in-state, up significantly since 2018, but that was primarily due to the reopening of Colonial Downs in 2019. These and other breeding metrics are detailed in the adjacent tables.



Annual Thoroughbred Mares Bred to Virginia Stallions						
Year	Mares Bred	% of North America	Stallions	% of North America	Average Book Size	Average North America Book Size
2013	58	0.2%	20	0.8%	2.9	15.5
2014	45	0.1%	23	1.0%	2.0	16.5
2015	47	0.1%	17	0.8%	2.8	18.1
2016	52	0.1%	14	0.7%	3.7	18.4
2017	38	0.1%	16	0.8%	2.4	18.2
2018	29	0.1%	10	0.6%	2.9	18.7
2019	31	0.1%	14	0.8%	2.2	18.9
2020	23	0.1%	6	0.4%	3.8	19.3
2021	20	0.1%	8	0.6%	2.5	21.2
2022	16	0.1%	8	0.6%	2.0	23.2
10-Year Change	-72.4%	-50.0%	-60.0%	-25.0%	-31.0%	49.7%
CAGR 2013-2022	-13.3%	-7.4%	-9.7%	-3.1%	-4.0%	4.6%
CAGR 2018-2022	-13.8%	0.0%	-5.4%	0.0%	-8.9%	5.5%

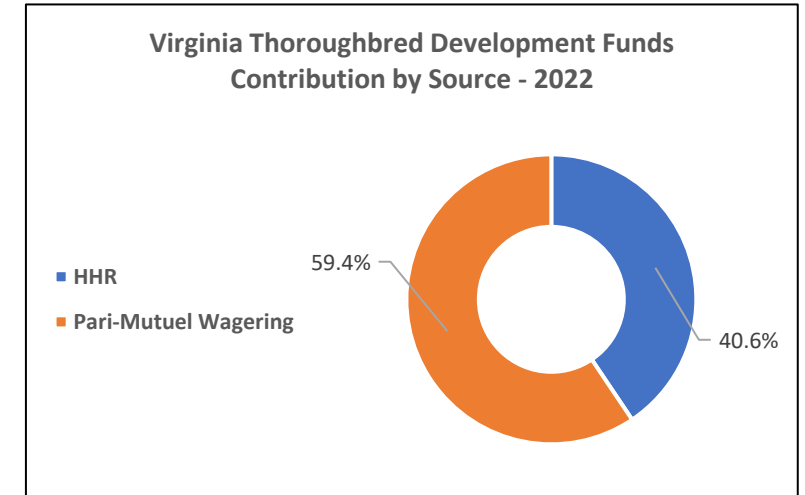
Source: The Jockey Club.

Virginia-Bred Thoroughbred Earnings by Racing Area						
Racing Area	2018	2019	2020	2021	2022	2018 to 2022 Change
Virginia	2.1%	21.2%	6.4%	17.7%	28.7%	1277.9%
Maryland	30.4%	13.0%	27.5%	18.6%	16.1%	-47.1%
Pennsylvania	7.6%	7.4%	8.9%	6.7%	8.4%	10.5%
New York	6.1%	7.9%	5.8%	11.5%	7.9%	29.8%
Other	53.8%	50.6%	51.3%	45.5%	38.9%	-27.6%

Source: The Jockey Club and Equibase Company.

Virginia – Thoroughbred Development Funds

The VRC, in conjunction with the Virginia Thoroughbred Association (“VTA”), is responsible for administering the Virginia Breeders Fund (“VBF”). The purpose of the fund is to award the State’s breeders, racehorse owners and sire owners to promote breeding and racing in the State. As previously detailed, the VBF receives funding contributions from pari-mutuel wagering, which totaled approximately \$1.5 million in 2022. Additionally, the VBF benefits from significant funding contributions by HHR operations in the State in accordance with the previously detailed statutory commissions. In 2022, HHR operations contributed approximately \$1.0 million, or 41% of the total VBF funding, as illustrated in the adjacent chart and table.



Source: Virginia Racing Commission.

Virginia Thoroughbred Development Funds Sources and Funding Amounts - 2022	
Source	Amount
HHR	\$1,001,281
Pari-Mutuel Wagering	\$1,465,673
Total	\$2,466,953

Source: Virginia Racing Commission.

Virginia – Breeding and Racing Incentives

Based on data from Trainer Magazine, the following outlines breeding and racing incentives in Virginia in 2023.

- Breeders Awards: Virginia breeders earn awards when their offspring win races anywhere in North America. Breeders' awards were over 30% of the winning purse in 2022.
- Owners Awards: Owners of Virginia-bred horses, 2020 and older, earn an up to 25% bonus for wins at Mid-Atlantic tracks including NSA sanctioned meets (NY, NJ, PA, DE, MD, WV). For Virginia bred foals of 2021 and after, the Developer will earn the up to 25% bonus for wins at the Mid-Atlantic tracks. Owners of the Virginia-bred horses earn a 50% bonus for 1st-4th in Open Races at Colonial Downs.
- Stallion Owners Awards: Stallion owners earn an award for any offspring's win in North America. In 2022, Stallion awards were 33% of the winning purse.
- Restricted Races for 2023: There are Virginia-bred and Virginia-restricted (includes VA bred/sired/certified) stakes and overnight races at Colonial Downs. Plans are to grow the Virginia-restricted program at the meet.
- Out of State Race Awards: Certified Developer bonuses will not be earned for out of state wins during the Colonial Downs meet.
- # registered foals in 2022: 93
- What you need to know: Developers of Virginia-Certified horses can earn up to a 25% bonus for Open Race wins at Mid-Atlantic tracks, including NSA sanctioned meets (NY, NJ, PA, DE, MD, WV). (Bonuses are projected to be about 20% in 2023). Developers of Virginia-certified horses earn a 10% bonus for state-bred-restricted wins at Mid-Atlantic tracks Virginia Restricted Races are excluded. Beginning with foals of 2023 certified awards will not be earned for wins in West Virginia.

Source: TrainerMagazine.com; vabred.org – Debbie Easter

Virginia – HISA Funding and Assessment

The total HISA assessment for Virginia in 2023 was approximately \$708,000, as shown in the table below. Specific information regarding how the assessment is being funded was not available.

Virginia HISA Assessment - 2023												
State	Purses Paid (1)	Starts (1)	Purses per Start	% of Starts	% of Purses	% Purses/ % Starts	Start Fee for Projected Starts	Start Fee for Projected Purse Starts	Total Start Fee	Initial State Total	10% Cap Adjustment	Revised State Total
Virginia	\$14,563,863	2,055	\$7,087	0.9%	1.2%	1.41	\$142.64	\$200.93	\$343.57	\$706,039	\$ 2,237	\$ 708,276
U.S. Total	\$1,172,603,109	233,067	\$5,031	100.0%	100.0%	1.00	\$142.64	\$142.64	\$285.28	\$66,490,436	\$0	\$66,490,436

(1) - The Purses Paid and Starts data is for the period Oct. 1, 2021 thru Sep. 30, 2022. This excludes Breeder's Cup World Championship races.

Source: HISA.

Virginia – Racing Commission

Established under Virginia Code §59.1-369, the Virginia Racing Commission (“VRC”) is a public corporation. The VRC consists of five members appointed by the governor. Each Commissioner shall have been a resident of the Commonwealth for a period of at least three years preceding his/her appointment and his continued residency shall be a condition of his/her tenure in office.

The VRC is tasked to promote, grow, and control a native horse racing industry with pari-mutuel wagering by prescribing regulations and conditions that command and promote excellence and complete honesty and integrity in racing and wagering.

Key activities of the VRC include:

- Vested with jurisdiction and supervision over all horse racing licensed under the provisions of this chapter including all persons conducting, participating in, or attending any race meeting.
- Visiting and investigating track, facilities, satellite facilities, or other places of business of any license or permit holder, and may compel the production of any of the books, documents, records, or memoranda of any license or permit holder for the purpose of satisfying itself that this chapter and its regulations are strictly complied with.
- Producing an annual balance sheet and operating statement prepared by a certified public accountant for the recognized majority horsemen group and nonprofit industry stakeholder.
- Promulgate regulations and conditions regulating and controlling advance deposit account wagering. Such regulations shall include, but not be limited to, standards, qualifications, and procedures for the issuance of a license to an entity for the operation of pari-mutuel wagering in the Commonwealth.



Source: Virginia Racing Commission

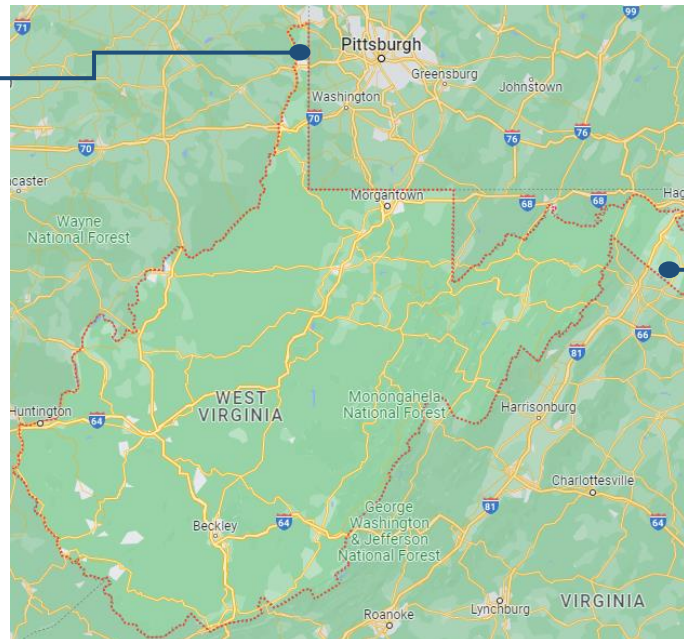
West Virginia – Thoroughbred Racetracks

There are two thoroughbred racetracks operating in West Virginia, both of which are privately owned. Both are also privately operated by gaming/entertainment companies. The following table provides track particulars, and the map that follows show location details.

West Virginia Thoroughbred Racetracks								
Track	Year Opened	Owner	Operator	Seating Capacity		Track Length		Stabling (stalls)
				Grandstand	Clubhouse	Dirt (miles)	Turf (furlongs)	
Charles Town Races	1933	Gaming and Leisure Properties, Inc.	Penn Entertainment, Inc.	3,500	2,500	3/4	N/A	1,350
Mountaineer Racetrack	1951	VICI Properties	Century Casinos, Inc.	5,800	1,600	1	7	1,110

Sources: TwinSpires, AmWager, and facility websites.

**Mountaineer Racetrack
New Cumberland, WV**



**Charles Town Races
Charles Town, WV**



Source: Google Maps, facility websites

West Virginia – Live Race Days and Attendance

The number of live race days at both Charles Town Races and Mountaineer Park decreased significantly from 2013 to 2022. Charles Town Races held 221 races in 2013 compared to 173 in 2022, representing a decrease of 21.7%, while the decrease (38.1%) at Mountaineer Park was even greater during that same timeframe. These trends are detailed in the table below. The West Virginia Racing Commission has not reported attendance data since 2000, nor do any of the tracks on any regular basis.

Annual Live Race Days West Virginia Thoroughbred Racetracks			
Year	Charles Town Races	Mountaineer Park	Total
2013	221	210	431
2014	192	195	387
2015	177	160	337
2016	170	160	330
2017	165	131	296
2018	160	114	274
2019	167	128	295
2020	114	103	217
2021	174	133	307
2022	173	130	303
10-Year Change	-21.7%	-38.1%	-29.7%
CAGR 2013-2022	-2.7%	-5.2%	-3.8%
CAGR 2018-2022	2.0%	3.3%	2.5%

Source: West Virginia Racing Commission.



West Virginia – Thoroughbred Racing Metrics

The West Virginia thoroughbred racing industry experienced a significant decrease in the number of races (38.2%) and race days (29.7%) over the 10-year period from 2013 through 2022. It also saw a decrease (16.2%) in the average field size per race from 8.1 in 2013 to 6.8 in 2022. Despite these trends and while total purses were lower in 2022 compared to 2013, the total purses have increased in recent years. Additionally, the average purse per race increased from approximately \$16,500 in 2013 to \$21,100 in 2022, representing an increase of 27.5%. These trends and other performance metrics are detailed in the table below.

West Virginia Thoroughbred Racing Metrics							
Year	Races	Purses	Avg Purse per Race	Starters	Starts	Race Days	Avg Field Size
2013	3,926	\$64,936,344	\$16,540	7,096	31,904	431	8.1
2014	3,358	\$56,328,184	\$16,774	6,096	26,361	387	7.9
2015	2,884	\$43,242,115	\$14,994	5,137	22,144	337	7.7
2016	2,814	\$39,999,785	\$14,215	4,720	21,077	330	7.5
2017	2,548	\$36,759,924	\$14,427	4,264	19,150	296	7.5
2018	2,324	\$34,134,322	\$14,688	3,875	17,210	274	7.4
2019	2,489	\$39,113,002	\$15,714	3,997	18,001	295	7.2
2020	2,101	\$32,590,875	\$15,512	4,002	15,896	246	7.6
2021	2,483	\$45,078,450	\$18,155	3,874	17,480	307	7.0
2022	2,427	\$51,183,040	\$21,089	3,596	16,532	303	6.8
10-Year Change	-38.2%	-21.2%	27.5%	-49.3%	-48.2%	-29.7%	-16.2%
CAGR 2013-2022	-5.2%	-2.6%	2.7%	-7.3%	-7.0%	-3.8%	-1.9%
CAGR 2018-2022	1.1%	10.7%	9.5%	-1.9%	-1.0%	2.5%	-2.1%



Note: Purses represent all available money, including monies not won and returned to state breeder or other funds.

Source: The Jockey Club and Equibase Company.

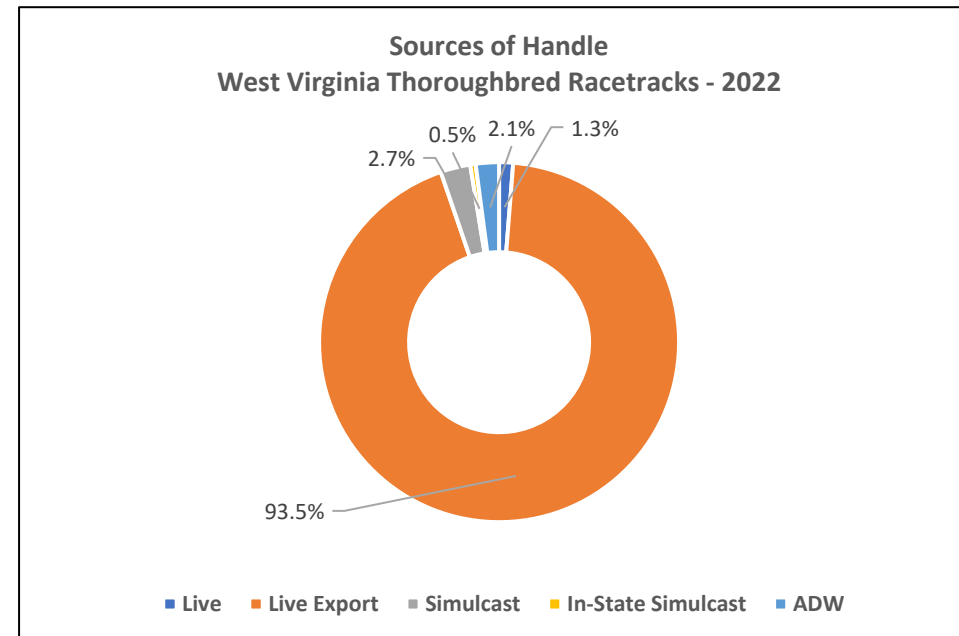
Notable races in West Virginia include the Charles Town Classic and the West Virginia Derby. The Charles Town Classic, a Grade II thoroughbred race for horses aged three years old and up, is held annually in April and carried a purse of \$1,000,000 in 2023. It is one of the more popular races for older horse in the country. The West Virginia Derby, a race for three-year-olds and also a Grade II race, is held annually in August and carried a purse of \$500,000 in 2023.

West Virginia – Thoroughbred Racing Handle

The annual total handle from all sources attributable to West Virginia thoroughbred racetracks was approximately \$460.8 million in 2022 compared to \$496.6 million in 2013, which reflected a decrease of 7.2% over that timeframe. Charles Town Races, however, experienced an increase in its annual total handle of 37.6% over that same period. The handle associated with live export wagering, which is generated from the broadcasting of races at the West Virginia tracks to other locations, accounted for nearly 94% of the total handle in 2022, while live on-track wagering accounted for just over 1%. Simulcast wagering at West Virginia thoroughbred tracks for races taking place outside the state accounted for 2.7% of the total handle in 2022 and in-state accounted for 0.5%. Advanced Deposit Wagering ("ADW"), which is done through online platforms and mobile apps, accounted for 2.1% of the total handle in 2022. These trends are illustrated in the table and chart below.

Annual Total Handle (All Sources) West Virginia Thoroughbred Racetracks			
Year	Charles Town Races	Mountaineer Park	Total
2013	\$240,094,021	\$256,517,723	\$496,611,744
2014	\$198,358,626	\$208,545,414	\$406,904,040
2015	\$182,157,406	\$165,052,004	\$347,209,410
2016	\$180,397,159	\$158,240,989	\$338,638,148
2017	\$208,550,221	\$138,016,936	\$346,567,157
2018	\$207,026,401	\$127,816,171	\$334,842,572
2019	\$174,478,459	\$151,379,654	\$325,858,113
2020	\$266,560,266	\$169,560,605	\$436,120,870
2021	\$339,383,812	\$145,450,376	\$484,834,188
2022	\$330,371,784	\$130,469,168	\$460,840,952
10-Year Change	37.6%	-49.1%	-7.2%
CAGR 2013-2022	3.6%	-7.2%	-0.8%
CAGR 2018-2022	12.4%	0.5%	8.3%

Source: West Virginia Racing Commission.



Source: West Virginia Racing Commission.

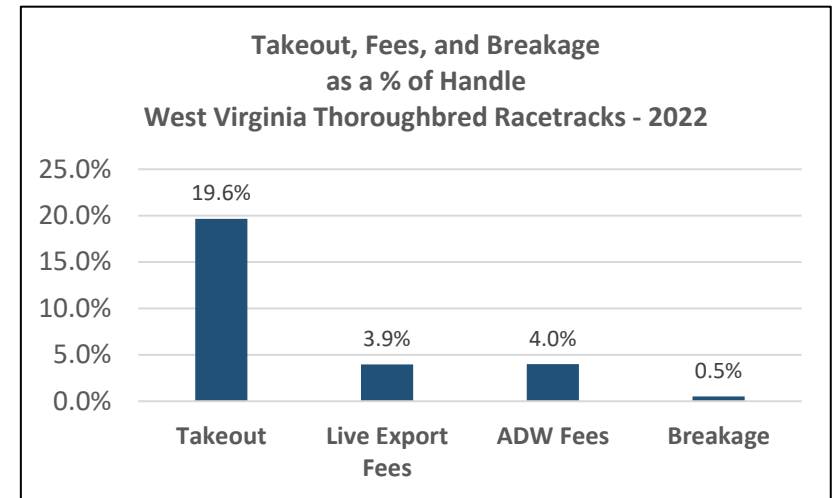
West Virginia legalized and began regulating ADW in July 2020. The West Virginia Racing Commission tracks ADW handle, but it is reported separately from other sources of handle. We have combined it for purposes of this analysis to facilitate comparisons with other states that report in this consolidated manner.

West Virginia – Takeout, Fees and Breakage

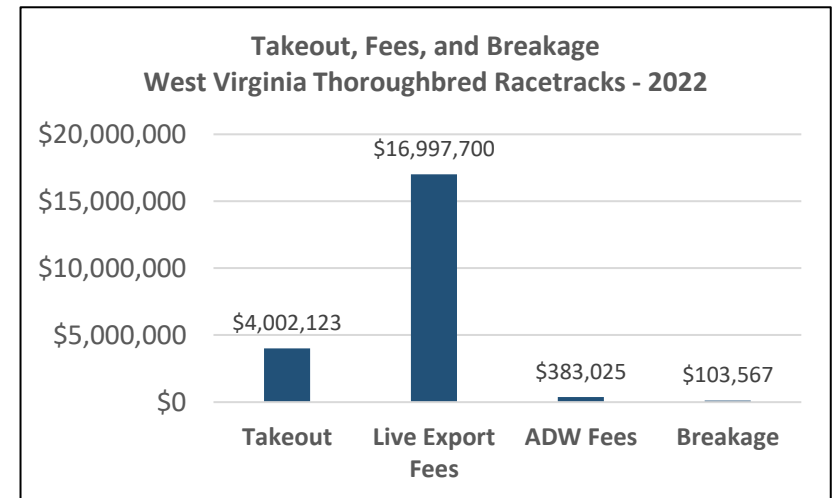
The takeout rates at West Virginia racetracks are applicable to live on-track betting as well as simulcast wagering (both for in-state and out-of-state tracks). The established takeout rates as a percentage of handle at West Virginia tracks ranges from 17.25% on straight wagers to 25.0% on exotic wagers with 3 or more horses. In 2022, the total blended takeout rate on wagering at West Virginia thoroughbred racetracks was 19.6% of live on-track betting and simulcast wagering, which generated approximately \$4.0 million, as illustrated in the adjacent charts.

In 2022, the total live export fees at West Virginia thoroughbred racetracks was 3.9% of live export handle, which generated nearly \$17.0 million, as illustrated in the adjacent charts.

Source market and other fees paid by each ADW licensee are currently set at a statutory rate of 4.0% of the associated wagering. Breakage reflects amounts associated with the rounding down of payouts to the nearest 10 cents. In 2022, ADW fees and breakage at West Virginia thoroughbred racetracks only accounted for approximately \$400,000 and \$100,000, respectively, as illustrated in the adjacent charts.



Source: West Virginia Racing Commission.



Source: West Virginia Racing Commission.

West Virginia – Takeout Allocation

The allocation of the takeout to different uses in West Virginia varies dependent upon the type of wagering taking place. In all cases, equal amounts are paid to purses and the track operators. In aggregate, the takeout allocated to purses and the track operators was 26.7% for each in 2022. The aggregate takeout allocated to the State wagering tax, which is used to fund the WVRC, was 17.0% in 2022 and 4.3% was allocated to the West Virginia Thoroughbred Development Fund (“WVTDF”) for the promotion of breeding and racing. For simulcast wagering at West Virginia racetracks, and dependent upon the agreements in place for each, transmission and host track payments are made (i.e., payments to the track for which a West Virginia track is accepting simulcast wagers), which in 2022 accounted for 23.7% of the total takeout. These allocations, details by type of wager, and the actual amounts allocated are detailed in the adjacent tables.



Takeout Allocation % West Virginia Thoroughbred Racetracks - 2022				
Use	Live	Simulcast	In-State Simulcast	Total
Track Operators	31.2%	23.3%	35.3%	26.7%
Purse	31.2%	23.3%	35.3%	26.7%
State Wagering Tax	28.4%	13.8%	7.9%	17.0%
Host Track/Transmission	0.0%	34.9%	18.3%	23.7%
Thoroughbred Development	8.7%	2.8%	2.1%	4.3%
Other	0.5%	1.9%	1.0%	1.5%
Total	100.0%	100.0%	100.0%	100.0%

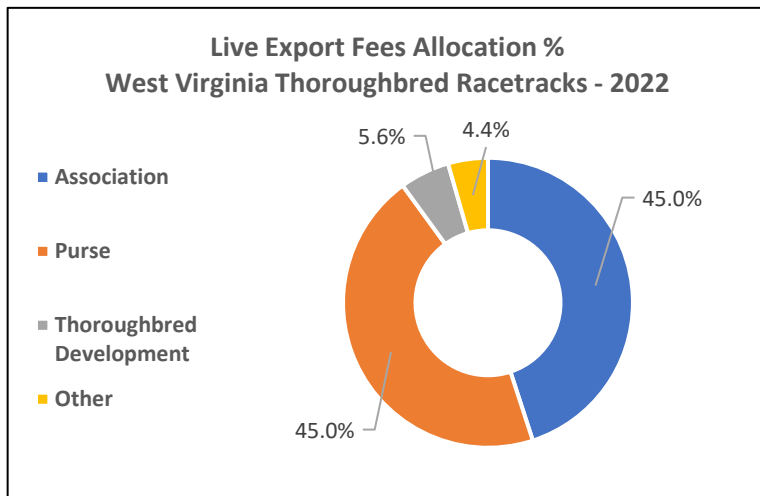
Source: West Virginia Racing Commission.

Takeout Allocation West Virginia Thoroughbred Racetracks - 2022				
Use	Live	Simulcast	In-State Simulcast	Total
Track Operators	\$332,840	\$579,537	\$157,082	\$1,069,459
Purse	\$332,839	\$579,766	\$157,071	\$1,069,676
State Wagering Tax	\$303,000	\$343,949	\$34,919	\$681,868
Host Track/Transmission	\$0	\$869,081	\$81,148	\$950,229
Thoroughbred Development	\$92,990	\$70,169	\$9,508	\$172,667
Other	\$5,785	\$47,778	\$4,661	\$58,224
Total	\$1,067,454	\$2,490,280	\$444,389	\$4,002,123

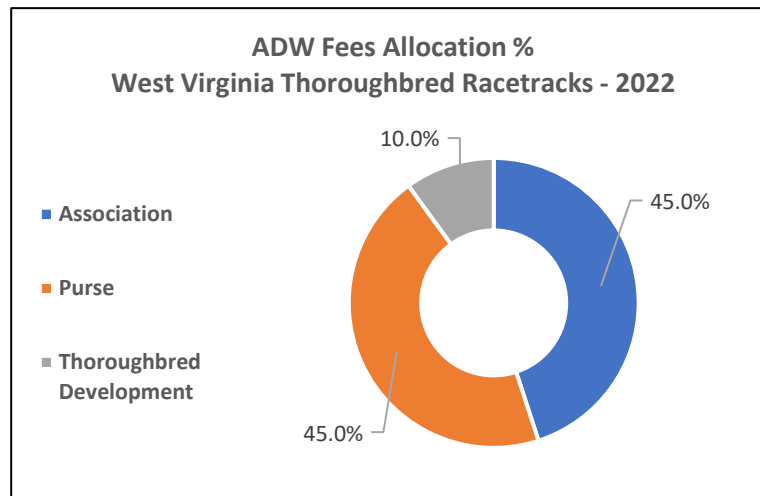
Source: West Virginia Racing Commission.

West Virginia – Other Fees and Breakage Allocation

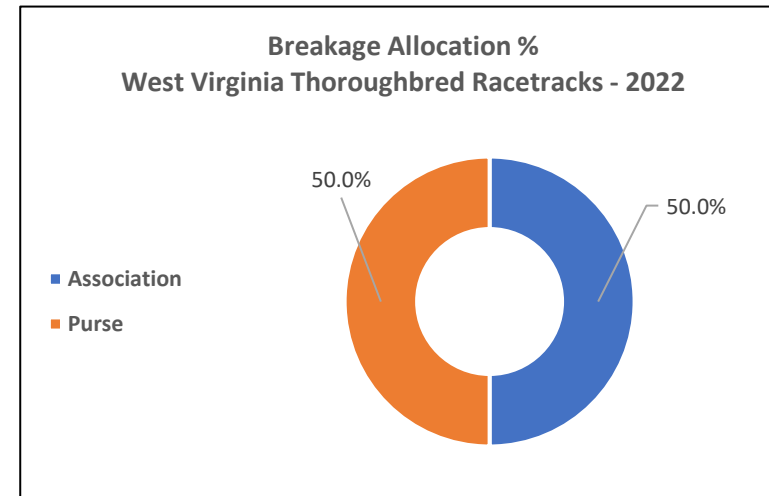
The allocation of live export fees received by the West Virginia racetracks, ADW fees, and breakage are dedicated primarily to purses and track operator payments, with lesser amounts helping to fund thoroughbred development and other uses. The specific allocation amounts for these funding sources are shown in the charts and tables below.



Source: West Virginia Racing Commission.



Source: West Virginia Racing Commission.



Source: West Virginia Racing Commission.

Live Export Fee Allocation West Virginia Thoroughbred Racetracks - 2022	
Use	Total
Track Operators	\$7,647,891
Purse	\$7,647,889
Thoroughbred Development	\$946,079
Other	\$755,841
Total	\$16,997,700

Source: West Virginia Racing Commission.

ADW Fee Allocation West Virginia Thoroughbred Racetracks - 2022	
Use	Total
Track Operators	\$172,361
Purse	\$172,361
Thoroughbred Development	\$38,302
Total	\$383,025

Source: West Virginia Racing Commission.

Breakage Allocation West Virginia Thoroughbred Racetracks - 2022	
Use	Total
Track Operators	\$51,784
Purse	\$51,784
Total	\$103,567

Source: West Virginia Racing Commission.

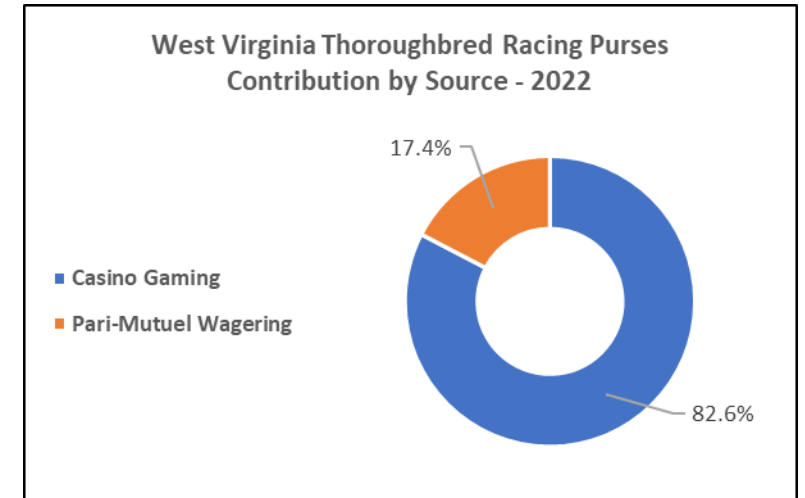
West Virginia – Purse Funds

As previously detailed, the purses for West Virginia thoroughbred racing receive funding contributions from pari-mutuel wagering, which totaled approximately \$8.9 million in 2022. Additionally, West Virginia purses benefit via significant funding contributions from racetrack casino gaming operations in the State. In 2022, casino gaming contributed approximately \$42.3 million, or 82.6% to the total purses, as illustrated and detailed in the adjacent chart and table.

In 1994, the State Legislature passed the Racetrack Video Lottery Act (“RVLA”), which authorized racetracks to operate VLTs, which are effectively slot machines, under the authority of the West Virginia Lottery. It was one of the first states in the country to legalize VLTs at tracks and was credited for invigorating and even perhaps saving the West Virginia thoroughbred racing industry. In 2007, the law was expanded to also allow for the casinos at tracks to offer table games.

Under the original provisions of the RVLA, 14% of net terminal income (VLT revenue less up to 4% for administrative costs) was allocated to track purses. The RVLA was revised in 2001 and designated any revenue above that collected in 2001 as “excess net terminal income.” The legislation maintained the original allocation percentages up to that collected at each track in 2001, which was then used as the future benchmark, but changed the allocation for the excess net terminal income with only 8% going to purses. In 2006, the allocation was further reduced with \$11 million per year of VLT purse funds being redirected to support other uses in the State, but legislation was passed in 2019 to restore these funds to purses going forward.

As it relates to table games revenue, the 2007 legislation provided that 2.5% of adjusted gross receipts (amount bet less amount won) be allocated to racing purses (divided equally among each licensee), and this same allocation rate is currently in place.



Source: West Virginia Racing Commission, West Virginia Lottery, and Equibase Company.

West Virginia Thoroughbred Racing Purses Sources and Funding Amounts - 2022	
Source	Amount
Casino Gaming	\$42,293,114
Pari-Mutuel Wagering	\$8,889,926
Total	\$51,183,040

Source: West Virginia Racing Commission, West Virginia Lottery, and Equibase Company.

West Virginia – Breeding Metrics

During 2022, West Virginia's 36 reported stallions covered 366 mares, or 1.3% of all the mares reported bred in North America. The number of mares bred to West Virginia stallions decreased by 51.7% from 2013 through 2022. The average book size (number of mares bred per stallion) in West Virginia decreased moderately from 11.6 in 2013 to 10.2 in 2022. By comparison, the average North America book size increased from 15.5 to 23.2 during that same timeframe.

West Virginia-bred thoroughbred earnings by racing area show that in 2022, nearly 98% of earnings were garnered in-state, up from approximately 88% in 2018. These and other breeding metrics are detailed in the adjacent tables.



Annual Thoroughbred Mares Bred to West Virginia Stallions						
Year	Mares Bred	% of North America	Stallions	% of North America	Average Book Size	Average North America Book Size
2013	757	2.0%	65	2.7%	11.6	15.5
2014	735	1.9%	58	2.5%	12.7	16.5
2015	716	1.9%	58	2.8%	12.3	18.1
2016	493	1.4%	46	2.3%	10.7	18.4
2017	524	1.5%	51	2.7%	10.3	18.2
2018	430	1.3%	40	2.3%	10.8	18.7
2019	411	1.3%	38	2.3%	10.8	18.9
2020	423	1.4%	36	2.3%	11.8	19.3
2021	388	1.3%	34	2.5%	11.4	21.2
2022	366	1.3%	36	2.9%	10.2	23.2
10-Year Change	-51.7%	-35.0%	-44.6%	7.4%	-12.7%	49.7%
CAGR 2013-2022	-7.8%	-4.7%	-6.4%	0.8%	-1.5%	4.6%
CAGR 2018-2022	-3.9%	0.0%	-2.6%	6.0%	-1.4%	5.5%

Source: The Jockey Club.

Percentage of West Virginia-Bred Thoroughbred Earnings by Racing Area						
Racing Area	2018	2019	2020	2021	2022	2018 to 2022 Change
West Virginia	88.2%	89.5%	94.1%	95.0%	97.5%	10.5%
Maryland	3.4%	4.6%	2.8%	1.6%	0.7%	-78.8%
Virginia	0.1%	0.4%	0.3%	0.8%	0.4%	700.0%
Ohio	0.6%	0.3%	0.3%	0.4%	0.3%	-40.0%
Other	7.8%	5.2%	2.5%	2.2%	1.1%	-86.2%

Source: The Jockey Club and Equibase Company.

West Virginia – Thoroughbred Development Funds

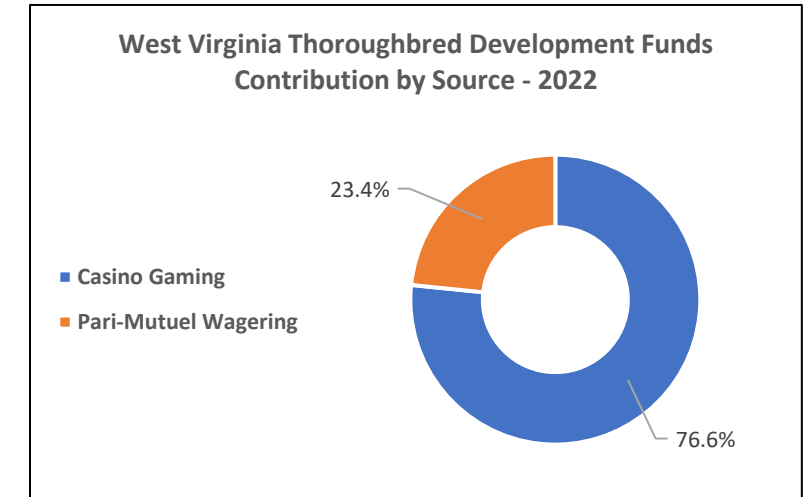
The WVRC is responsible for administering the WVTDF. The purpose of the funds is to award accredited breeders, thoroughbred racehorse owners and sire owners of West Virginia-bred and/or sired horses to promote breeding and racing in the State. As previously detailed the WVTDF receives funding contributions from pari-mutuel wagering, which totaled approximately \$1.0 million in 2022. Additionally, the WVTDF benefits from significant funding contributions by racetrack casino gaming operations in the State. In 2022, casino gaming contributed approximately \$3.9 million, or 76.6% of the total WVTDF funding, as illustrated in the adjacent chart and table.

Current legislation provides that 1.5% of net terminal income from VLTs and 1.8% from table games adjusted gross receipts is allocated to thoroughbred and greyhound development funds (divided on a pro rata basis). Additionally, State legislation provides that WVTDF awards are allocated as follows: 60% breeder, 25% owner, and 15% sire.

In 2022, there were 570 participants in the WVTDF program that received an average award of \$8,645. Based on data from the WVRC, 436 participants, or 76.5%, were attributable to Charles Town Races. The \$4.9 million distributed by the WVTDF in 2022 represented 9.0% of the total earnings for accredited breeders, thoroughbred racehorse owners and sire owners, as detailed in the following table.

West Virginia Thoroughbred Development Funds Earnings Percentage Calculation - 2022			
Recipient	Total Earnings	WVTDF Payout	Payout %
Breeder	\$20,839,638	\$2,956,498	14.2%
Owner	\$21,438,119	\$1,231,874	5.7%
Sire	\$12,397,992	\$739,125	6.0%
Total	\$54,675,749	\$4,927,497	9.0%

Source: West Virginia Racing Commission.



Source: West Virginia Racing Commission and West Virginia Lottery.

West Virginia Thoroughbred Development Funds Sources and Funding Amounts - 2022	
Source	Amount
Casino Gaming	\$3,947,731
Pari-Mutuel Wagering	\$979,765
Total	\$4,927,497

Source: West Virginia Racing Commission and West Virginia Lottery.

West Virginia – Breeding and Racing Incentives

Based on data from Trainer Magazine, the following outlines breeding and racing incentives in West Virginia in 2023.

- Breeders Awards: 14.49% of progeny earnings & supplemental awards.
- Owners Awards: 5.89% of earnings & supplemental awards.
- Stallion Owners Awards: 5.04% of progeny earnings & supplemental awards.
- Restricted Races for 2023: Yes
- What you need to know: Thoroughbred Development Fund distributions of \$4.7 million to breeders, owners, and sire owners of accredited WV-bred and/or sired horses based on the horses' annual earnings at Charles Town and Mountaineer Park racetracks. A minimum of 3 accredited races are written every day at Charles Town exclusively for registered WV-bred and/or sired horses. \$740,000 in purses for WV-bred and/or sired horses at the West Virginia Breeders Classics held annually on the 2nd Saturday in October. \$800,000 in purses are allocated for up to sixteen WV accredited Stake Races during the year. Supplemental Purse Awards of up to 10% of the winners share of the purse to the owner, breeder, and/or sire owner of the accredited WV-bred and/or sired winner.

Source: TrainerMagazine.com; wvtba.com – Dawn Cook

West Virginia – HISA Funding and Assessment

In July 2022, the states of West Virginia and Louisiana won an injunction in federal court to keep the Horseracing Integrity and Safety Authority's ("HISA") rules from being implemented in those two states, pending a final ruling on the constitutionality of HISA and other procedural challenges brought forth. HISA has appealed that ruling, but also announced in March 2023 that it would not enforce its jurisdiction in West Virginia until the legal challenges play out. In May 2023, a federal judge ruled revamped HISA statutes to be constitutional. However, as of September 2023, a final ruling on the lawsuit brought forth by West Virginia and Louisiana had not been issued and HISA rules are not being enforced in West Virginia. Additionally, the WVRC has not publicly announced any decisions on how HISA-related fees/funding would be collected and the corresponding sources of such funds should the State ultimately be compelled or choose to opt-in to the HISA program.

While not being funded at this time, the total HISA assessment for West Virginia thoroughbred racetracks in 2023 was approximately \$3.8 million, as detailed in the table below.

West Virginia HISA Assessment - 2023												
State	Purses Paid (1)	Starts (1)	Purses per Start	% of Starts	% of Purses	% Purses/ % Starts	Start Fee for Projected Starts	Start Fee for Projected Purse Starts	Total Start Fee	Initial State Total	10% Cap Adjustment	Revised State Total
West Virginia	\$49,687,633	16,779	\$2,961	7.2%	4.2%	0.59	\$142.64	\$83.96	\$226.60	\$3,802,121	\$ 12,048	\$ 3,814,169
U.S. Total	\$1,172,603,109	233,067	\$5,031	100.0%	100.0%	1.00	\$142.64	\$142.64	\$285.28	\$66,490,436	\$0	\$66,490,436

(1) - The Purses Paid and Starts data is for the period Oct. 1, 2021 thru Sep. 30, 2022. This excludes Breeder's Cup World Championship races.

Source: HISA.

West Virginia – Racing Commission

Established under West Virginia Code §19-23-1, the West Virginia Racing Commission (“WVRC”) is a public corporation. The WVRC consists of three commissioners appointed by the Governor with a term of four years and may serve any number of successive terms. Not more than two of the appointees at any point in time may be members of the same political party, and a majority constitutes a quorum for all voting and decision-making purposes.

The WVRC is tasked with the promotion of thoroughbred horse breeding in the State and full regulatory and supervisory oversight of thoroughbred racing in the State and all individuals involved in the holding or conducting of such races. The WVRC is also responsible for these same activities for the State’s greyhound breeding and racing industries.

Key activities of the WVRC include:

- On-site personnel at racetracks to enforce rules and regulations, illegal drug and substance collection/testing.
- Issuance of occupational permits, hearings for rules violations, and the collection of fees and fines.
- Administrative support and oversight over the West Virginia Thoroughbred Development fund to monitor and inspect breeding sites and activities to confirm program eligibility.

The WVRC receives 100% of the State Wagering Tax collected from thoroughbred wagering, as detailed in the following slides, with additional funding received from occupational license fees (\$20 to \$60, dependent upon role), license tax paid by thoroughbred track operators conducting the race (\$250 per race), and fines levied against owners, trainers, etc.



Source: West Virginia Racing Commission.

Appendix – Glossary of Terms



Appendix – Glossary of Terms

ADW (“Advance deposit wagering”) - a form of gambling in which the bettor must fund their account before being allowed to place bets. Usually used to bet on the outcome of horse or greyhound dog races, though it can also apply to casinos.

Book - The group of mares being bred to a stallion in a given year. If a stallion attracts the maximum number of mares allowed by the farm manager, he has a full book.

Bred- A horse is considered to have been bred in the state or country of its birth.

Breakage - In pari-mutuel payoffs, which are rounded down to a nickel or dime, the pennies that are left over. Breakage may be used for any of a number of purposes. Depending on a state’s rules of racing, the money goes to the state, the track, purses, or benevolence programs.

Developer – The owner of the horse in its first career start.

Furlong – An eighth of a mile.

Graded race – A non-restricted race with added money or guaranteed purse value of \$100,000 or more which has been run at least twice under similar conditions and on the same surface and has been assigned graded status for the year contested by the American Graded Stakes Committee.

Guest Track – The racetrack that is showing the simulcast of live races from other racetracks.

Handicap – This race type refers to a race where the weight each horse will carry is assigned by the track’s racing secretary or handicapper.

Handle - Amount of money wagered in the pari-mutuel system on a race, full day of races, or entire racing season at a track.

HISA (“Horse Racing Integrity and Safety Authority”) - Created to implement, for the first time, a national, uniform set of integrity and safety rules that are applied consistently to every Thoroughbred racing participant and racetrack facility.

HHR (“Historical Horse Racing”) – A form of gambling very similar to slot machines in terms of play and other visual aspects, but unlike traditional slot machines, HHR machines use the outcomes of previously run races to determine payouts of any given wager instead of a random number generator.

Appendix – Glossary of Terms (cont'd)

Length – A measurement approximating the length of a horse, used to denote distance between horses in a race.

Live Export Fee – The revenue received by the Horse Track from the Guest Track for the ability to wager on the Horse Track's live races.

Live Export Wagering – wagering generated from the broadcasting of races at a track to other locations.

Mare – Female horse five years or older. Also, any female that has been bred regardless of age.

Pari-mutuel – A form of wagering originated in 1865 by Frenchman Pierre Oller in which all money bet is divided up among those who have winning tickets after taxes, takeout, and other deductions are made.

Post Position – Position of stall in starting gate from which a horse begins a race.

Simulcast – A simultaneous live television transmission of a race to other tracks, offtrack betting facilities, or other outlets for the purpose of wagering.

Sire – Father of a foal.

Stakes – A race for which the owner usually must pay a fee to run a horse. The fees can be for nominating, maintaining eligibility, entering and starting, to which the track adds more money to make up the total purse. Some stakes races are by invitation and require no payment or fee.

Stallion – A male horse used for breeding.

Starter – A horse declared to start in a race, and which is not subsequently declared a non-starter or non-runner or otherwise withdrawn from a race pursuant to the Rules of Racing.

Takeout – Commission deducted from mutuel pools that is shared by the track, horsemen (in the form of purses), and local and state governing bodies in the form of tax. Also called take.

VLT ("Video lottery terminal") – a video-based version of a traditional slot machine. Winnings from a VLT are not dispensed from the terminal, but rather a voucher for the winnings printed by the terminal, which the player is required to claim.

Sources: Americasbestracing.net and Americahorsepubs.

Limiting Conditions & Assumptions



Limiting Conditions & Assumptions

This analysis is subject to our contractual terms as well as the following limiting conditions and assumptions:

- This analysis has been prepared for the Maryland Thoroughbred Racetrack Operating Authority ("Client") for their internal decision-making purposes and should not be used for any other purposes without the prior written consent of Crossroads Consulting Services, LLC.
- This report should only be used for its intended purpose by the entities to whom it is addressed. Reproduction or publication by other parties is strictly prohibited.
- The findings and assumptions contained in the report reflect analysis of primary and secondary sources. We have utilized sources that are deemed to be accurate but cannot guarantee their accuracy. No information provided to us by others was audited or verified and was assumed to be correct.
- Although the analysis includes findings and recommendations, all decisions relating to the implementation of such findings and recommendations shall be the Client's responsibility.
- Although this analysis utilizes various mathematical calculations, the final estimates are subjective and may be influenced by our experience and other factors not explicitly stated.
- We have no obligation, unless subsequently engaged, to update this report or revise this analysis as presented due to events or circumstances occurring after the date of this report.
- Multiple external factors influence current and anticipated market conditions. Although we have not knowingly withheld any pertinent facts, we do not guarantee that we have knowledge of all factors which might influence the operating potential of the proposed sports facilities. Due to quick changes in the external factors, actual results may vary significantly from estimates presented in this report.
- The analysis performed was limited in nature and, as such, Crossroads Consulting Services, LLC does not express an opinion or any other form of assurance on the information presented in this report.
- The analysis is intended to be read and used in its entirety. Separation of any portion from the main body of the report is prohibited and negates the analysis.
- In accordance with the terms of our engagement letter, the accompanying report is restricted to internal use by the Client and may not be relied upon by any party for any purpose including any matter pertaining to financing.