

DIVISION OF RACING EVENTS

Report of the Sixty-Third Pari-Mutuel Wagering Season 2011
January 1, 2011–December 31, 2011



STATE OF COLORADO

DIVISION OF RACING EVENTS

Department of Revenue

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John J. Hickenlooper
Governor

Barbara J. Brohl
Executive Director

Daniel J. Hartman
Division Director

Honorable John J. Hickenlooper
Governor of the State of Colorado

Honorable Members of the General Assembly
State of Colorado

Dear Governor Hickenlooper and Honorable Members of the House and Senate:

It is with distinct pleasure that we provide you with the following Report of the 63rd pari-mutuel wagering season, pursuant to Section 12-60-302(2), C.R.S. 1985-replacement volume 5. Included within this report are detailed figures and statements covering the 2011 racing calendar year.

We trust that the information proves to be informative and indicative of the benefits that properly regulated pari-mutuel wagering provides to the State of Colorado. The 40 live days and 879 horse and greyhound simulcast days in 2011 resulted in \$79,749,656 wagered in total, with \$598,122 in pari-mutuel taxes being deposited in the General Fund of the State of Colorado. The pari-mutuel taxes collected in 2011 show an increase related to a full year of greyhound simulcasting.

The Department of Revenue is required to report any information that may be related to taxes in aggregate form only. Therefore, we have grouped our data into "greyhound" and "horse" totals. Please note that this report does not intend to reflect profits or losses from any racetrack.

The Division expresses appreciation for the cooperation and service rendered by the Governor, the State Legislature, the Executive Director of the Department of Revenue and other public officials, as well as the various track operators, the law enforcement agencies of Colorado, the press and the Division staff.

Respectfully,

FOR THE DIVISION OF RACING EVENTS

A handwritten signature in black ink, appearing to read "Daniel J. Hartman". The signature is fluid and cursive.

Daniel J. Hartman

DIVISION DIRECTOR

2011 Annual Report

BARBARA J. BROHL
Executive Director
Department of Revenue

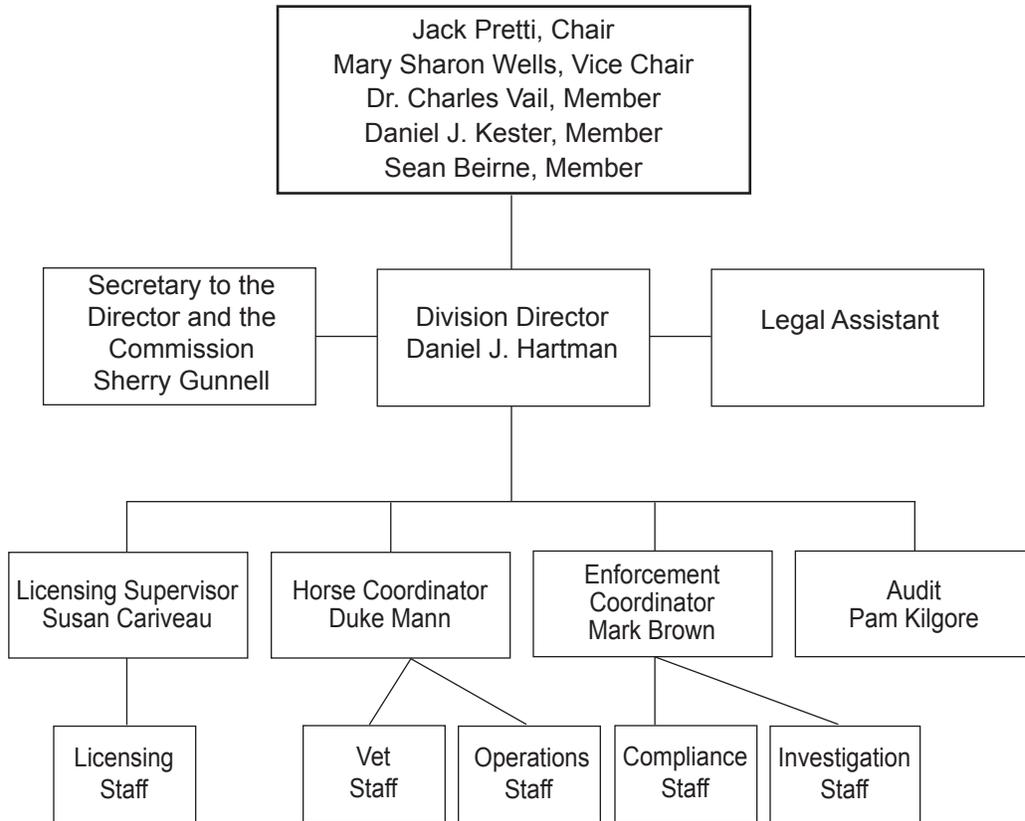
JACK PRETTI
Chair
Colorado Racing
Commission

DANIEL J. HARTMAN
Division Director
Division of Racing Events

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COLORADO RACING COMMISSION AND DIVISION OF RACING EVENTS



RACING HISTORY

The Division of Racing Events and the Colorado Racing Commission were established in 1949 to supervise pari-mutuel wagering in Colorado. Pari-mutuel means “betting among ourselves”. When placing a wager at a racetrack, a person is not betting against the “house” as he or she would at a casino. Pari-mutuel wagering is a form of betting in which the loser’s wagers (less a percentage for the racing associations and taxes) are distributed among the winners. The Division is a regulatory, enforcement and revenue-generating agency of State Government. The Colorado Legislature and the Racing Commission set a public policy in the area of racing regulation, which is then administered by the Division of Racing Events. The major functions of the Division and the Racing Commission are to promote racing and the recreational, entertainment and commercial benefits derived therefrom, to establish high standards of sport and fair-play, to promote the health and safety of the animals involved in racing and to foster honesty and fair-dealing in the industry. The Commission allocates race dates to various racing associations, adopts rules and supervises the conduct of race meets, racing officials and licensees. A staff of administrative, security and veterinary professionals, in conjunction with Division racing officials, supervised the daily activities at Arapahoe Park, the active horse track conducting pari-mutuel racing in Colorado during 2011.

In 2011, seven Commission meetings were held. The Commission conducted a 2012 race dates hearing and a renewal application hearing for the one major horse race meet. Additionally, numerous disciplinary, administrative and appeal hearings were held as were rule-making hearings related to the adoption of various greyhound, horse, pari-mutuel and racing rules. Pursuant to its statutory obligation and mandate, the Commission continued its official regulatory, supervisory and enforcement control of pari-mutuel wagering.

MISSION STATEMENT

TO PROMOTE AND FOSTER THE PUBLIC CONFIDENCE IN THE
PARI-MUTUEL INDUSTRY, PROTECT THE WELFARE OF THE
PARTICIPANTS THROUGH FAIR, CONSISTENT, PROACTIVE
ENFORCEMENT OF APPROPRIATE POLICIES, STATUTES AND
COLORADO RACING COMMISSION RULES

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2011 EVENTS

COMMISSION NEWS

During the 2011 legislative session, the Senate confirmed the appointment of Mr. Sean Beirne to serve a four-year term on the Commission. His term will remain in effect until July 1, 2014.

The Senate confirmed the re-appointment of Dr. Charles Vail to serve a second term on the Commission. His term will remain in effect until July 1, 2015.

Commissioner Pretti was re-appointed to serve as the Chair of the Commission. Commissioner Wells was re-appointed to serve as the Vice-Chair of the Commission.

DIVISION NEWS

On April 1, 2011, Mr. Don Burmania, formerly affiliated with the Division of Gaming, was appointed Director of the Division of Racing Events. Mr. Dan Hartman assumed the position of Director of the Division of Medical Marijuana Enforcement.

In November, 2011, Mr. Dan Hartman resumed his position as Director of the Division of Racing Events.

LEGISLATION

Senate Bill 233 – Concerning regulation by the State Lottery Division and, in connection therewith, authorizing the installation of video lottery terminals under the control of the [Lottery] Division, was introduced in the Senate on April 7, 2011, then, assigned to the Business, Labor and Technology Committee where, on May 9, 2011, it was postponed indefinitely.

CURRENT MEMBERS OF THE COLORADO RACING COMMISSION

Jack Pretti: (R) Mr. Pretti, a representative of the racing industry, is a Colorado native and fourth-generation resident of Garfield County, born in Rifle and raised on the family ranch located at Silt. He was initially appointed to the Commission on October 20, 2004 for a four-year term thru July 1, 2008. On September 19, 2008, Mr. Pretti was re-appointed to the Commission for a second four-year term expiring on July 1, 2012. He has operated Colorado Heritage Real Estate Company, a firm servicing all classifications of general real estate properties with offices located in Rifle and Battlement Mesa, for over ten years. His early fondness and enthusiasm for racehorses, races and racing events has remained with him throughout his life. In the mid-1970's, when the Colorado Fair Circuit was active, Mr. Pretti was the Director, President and Association Steward for the Western Slope Race Association, which conducted a Fair Circuit race meet in Rifle. Mr. Pretti is the current Commission Chairperson.

Mary Sharon Wells: (D) On September 22, 2008, Mary Sharon Wells was appointed to serve as a representative of the general public to the Colorado Racing Commission. Ms. Wells' term of service will remain in effect until 2012. Ms. Wells possesses a wealth of varied employment, volunteer and community service experience. She taught music in the Denver Public Schools for approximately ten years; then, served in numerous capacities in state and county government. She worked for twenty-six years with the Colorado Legislature as both a lobbyist and an employee. She held the position of Executive Director of Governmental Relations for the Jefferson County Public Schools. Ms. Wells distinguished herself at the State House and gained a reputation for integrity, fairness and commitment. Her community service has included, but is not limited to, being the chair and an advisory board member for the Colorado Criminal Justice Commission's Build a Generation program, being a community activist in Jefferson County and working for the betterment of neighborhoods, schools and the environment there. Ms. Wells is serving as the Commission's Vice-Chairperson.

Charles D. Vail, DVM: (R) Dr. Vail, a representative who is a practicing veterinarian, was appointed to the Commission on November 20, 2007 for a term to expire on July 1, 2011. Dr. Vail was re-appointed to the Commission for a second four-year term expiring on July 1, 2015. Dr. Vail has had a long and distinguished career in veterinary medicine, which has included serving as an Assistant Veterinarian at the 1958 and 1959 summer race meets at Centennial Racetrack and Brush, Colorado. Upon graduation from the Colorado State University College of Veterinary Medicine in 1960, Dr. Vail entered private equine practice in Littleton, Colorado. In 1962 and 1963, Dr. Vail served as the Track Veterinarian at Centennial Racetrack. Following the 1963 season at Centennial, Dr. Vail accepted the position of Senior Partner in the Littleton Large Animal Clinic, one that he continues to hold. He is now a Partner and Owner of the Littleton Large Animal Clinic. During his career, Dr. Vail has been affiliated with and held offices in numerous professional associations and societies. In 1987, the Colorado Veterinary Medical Association selected Dr. Vail as its Veterinarian of the Year.

Daniel J. Kester: (D) In June, 2009, Governor Ritter appointed Daniel J. Kester to serve as the business representative to the Colorado Racing Commission. Mr. Kester's term of service will remain in effect until 2013. Mr. Kester's thirty years of business experience, his demonstrated competency and recognized acumen qualify him to serve ably as a member of the Commission. Since 1996, Mr. Kester has held the position of President/CEO of the Sooper Credit Union in Denver. As the chief executive officer of this vibrant, expansive credit union, Mr. Kester has been responsible for the service, growth and efficiency of this \$236 million asset credit union. In conjunction with Mr. Kester's professional role, he serves as a member of the Board of Directors of the CU Community Foundation, which provides scholarships, raises funds for a number of women's shelters in Colorado and donates funds for the Arvada Community Food Bank.

Sean Beirne: (R) In 2010, Governor Ritter appointed Sean Beirne to serve as a racing industry representative to the Colorado Racing Commission. Mr. Beirne's term of service will remain in effect until 2014. By virtue of Mr. Beirne's twenty years of experience in all facets of the racing business, including but not limited to, holding management positions at several renowned horse racecourses in various states, and, most recently, serving as a Regional Sales Representative for Roberts Communications Network (RCN) at which, among his numerous responsibilities, is the coordination of decoder assignments and schedules for over 200 sites, he demonstrates that he is well qualified to serve as a member of the Commission. Additionally, Mr. Beirne is a highly motivated professional who has ably utilized his skills in simulcasting, marketing, public relations and racing operations.

LICENSED RACETRACKS

HORSE TRACKS

ARAPAHOE PARK

Bruce Seymore, General Manager
26000 East Quincy Avenue
Aurora CO 80016
(303) 690-2400

GREYHOUND TRACKS

There are currently no live greyhound tracks licensed.

LICENSED OTBs

HAVANA PARK

10750 East Iliff Avenue
Aurora, CO 80014
(303) 751-5918
Licensee: Arapahoe Park

RED AND JERRY'S

1840 West Oxford Avenue
Sheridan, CO 80110
(303) 783-0655
Licensee: Arapahoe Park

SOUTHERN COLORADO GAMING & EVENT CENTER

3215 Lake Avenue
Pueblo, CO 81005
(719) 561-8926
Licensee: Arapahoe Park

LICENSED OTBs

SOFTBALL COUNTRY

Larry Gentry, General Manager
2101 W 64th Avenue
Denver, CO 80221
(303) 426-6784
Licensee: Arapahoe Park

BANK 8 BILLIARDS

John Hynes, General Manager
2460 Patterson #3
Grand Junction, CO 81505
(970) 255-8808
Licensee: Arapahoe Park

POST TIME

Donny Talton II, Owner/Manager
3570 N Academy
Colorado Springs, CO 80915
(719) 568-2121
Licensee: Arapahoe Park

SUNDANCE STEAKHOUSE

Mike Poppenwimer, Owner/Manager
2716 E Mulberry St
Fort Collins, CO 80524
(970) 484-1600
Licensee: Arapahoe Park

ON THE BORDER

Michael O'Keefe, Owner/Manager
68777 US Hwy 85
Carr, CO 80612
(970) 691-0812
Licensee: Arapahoe Park

CUMULATIVE DATA

Year	Total Days	Pari-Mutuel Handle	Percent (compared to previous year)	Total Breakage	State Commission	Total Divisional Receipts
2006	f 770 d	149,213,563	-6.43	427,317.06	3,235,269.31	3,270,570.16
2007	f 759 d	127,108,766	-14.81	261,110.42	2,792,776.48	2,810,254.76
2008	f 543 d	90,756,248	-28.59	290,518.85	1,568,600.28	1,612,516.59
2009	f 565 d	64,216,527	-29.24	209,218.30	470,858.84	492,060.99
2010	f 870 d	77,435,356	20.58	204,722.97	562,299.87	591,740.22
2011	f 879 d	79,749,656	2.99	243,683.89	598,122.42	652,067.14

Footnotes

- d Includes handle wagered from out-of-state sources on in-state races.
- f Both live and simulcast days are included in this calculation.

2011 PERFORMANCE MEASURES

	Sum of Average Percentage
Number of Greyhound Race Days	0
Number of Greyhound Performances	0
Number of Horse Race Days	40
Number of Business/Occupational Licenses Issued	805
Total Licensee Population	1,456
Number of Denied/Issued Conditionally	0
Number of Rulings Issued Resulting in Fines/Suspensions	31
Number of Commission Disciplinary Hearings	4
Number of Greyhound Drug Tests	N/A
Percent of Greyhound Drug Tests in Compliance	N/A
Number of Horse Drug Tests	586
Percent of Horse Drug Tests in Compliance	95%
Number of Greyhound Injuries Reported	N/A
Number of Horse Injuries Reported	71
Number of Tote Tests Conducted	3
Percent of Race Meet Audits Completed Within Ninety (90) Days	100%
Total Handle Wagered	\$79,749,655.70
Number of Kennel/Stable Inspections Conducted	101
Number of Simulcast Routine Checks Conducted	131
Number of Investigations Completed	25
Percent of Investigations Resulting in Criminal/Administrative Charges	72%
Percent of Investigations Completed within 60 Days	96%

2011 RACING SEASON — COMPARATIVE DATA

	# Days	# of Races	Handle	State Revenue	City Revenue	Tracks' Revenue	Owners/ Breeder's Fund
GREYHOUND							
SIMULCAST TOTAL	364	56,031	31,686,652.50	237,649.89	N/A	6,422,319.46	N/A
TOTAL	364	56,031	31,686,652.50	237,649.89	N/A	6,422,319.46	N/A
HORSE							
SIMULCAST TOTAL	475	43,038	42,705,635.67	320,292.27	N/A	8,619,553.14	1,016,387.41
LIVE	40	371	5,357,367.53	40,180.26	N/A	1,157,125.02	30,813.34
TOTAL	515	43,409	48,063,003.20	360,472.53	N/A	9,776,678.16	1,047,200.75
GRAND TOTAL	879	99,440	\$79,749,655.70	\$598,122.42	N/A	\$16,198,997.62	\$1,047,200.75

NOTES Do not compare the horse numbers to previous years, as the calculation method has changed to show the difference between live and simulcast days.

2011 RACING SEASON — COMPARATIVE DATA

	Greyhound Welfare	Breakage	Pay to Public	Average Daily Handle
GREYHOUND				
SIMULCAST TOTAL	73,404.65	55,903.45	23,692,686.01	87,051.24
TOTAL	73,404.65	55,903.45	23,692,686.01	87,051.24
HORSE				
	CSU Fund			
SIMULCAST TOTAL	84,541.69	165,443.03	33,616,418.29	89,906.60
LIVE	4,169.86	22,337.41	4,177,908.26	133,934.19
TOTAL	88,711.55	187,780.44	37,794,326.55	93,326.22
GRAND TOTAL	\$162,116.20	\$243,683.89	\$61,487,012.56	\$90,727.71

APPROVED 2012 RACE DATES CALENDAR

GREYHOUND

NO DATES REQUESTED

HORSE

ARAPAHOE PARK

(Unincorporated Arapahoe County)

MAY 26–AUGUST 19, 2012

(Saturday) (Sunday)

(Total of 39 race days)

APPROVAL GRANTED SUBJECT
TO AVAILABILITY OF DIVISION FUNDING AND STAFFING

HORSE BREEDERS AND OWNERS AWARDS AND SUPPLEMENTAL PURSE FUND

12-60-704, C.R.S. as amended, June 6, 1993 provides for the Horse Breeders and Owners Awards and Supplemental Purse Fund program. The fund consists of 0.5% of the mutuel handle on win, place and show wagers and 1.5% of the mutuel handle on all other wagers from all horse meets, including simulcast programs, plus uncashed ticket money from previous years.

The following accounting of the Owners'/Breeders' Awards and Supplemental Purse Fund money to be distributed to the various breed organizations is summarized for the calendar year 2011 as follows:

Earned from wagering in 2011	\$ 1,047,369.44
Earned from 2010 uncashed tickets	\$ 184,639.65
Interest in 2011	\$ 0
Less Bank Fees	\$ (3,500.00)
TOTAL OWNERS' / BREEDERS' FUND	\$ 1,228,509.09

Following is the approved Owners and Breeders Awards and Supplemental Purse Funds distribution amounts for calendar year 2011 submitted for approval at the February 2012 Commission meeting:

Thoroughbreds	\$ 840,002.66
Quarterhorse	\$ 153,055.50
Arabian	\$ 85,702.10
Paint	\$ 2,799.58
Appaloosa	\$ 1,226.84
Harness	\$ 9,722.41
Mule	\$ 0
TOTAL	\$ 1,092,509.09

The difference in the two amounts is the result of the \$136,000 advance granted by the Commission to the Thoroughbred organization.

ESCROW ACCOUNT UPDATE

In 2008, the Commission released the funds in the Appaloosa escrow account to the Appaloosa Breed Organization. In 2008, Arapahoe Park took Mule races from California, so an escrow account was established for that breed until such time as a Mule Breed organization in Colorado is recognized by the Commission to receive those funds. In 2009, a distribution of \$172,000 was made to Arapahoe Park pursuant to C.R.S. 12-60-704(5). In 2010, a distribution of \$52,864.69 was made to Arapahoe Park and, in 2011, a distribution of \$44,327.24 was made to Arapahoe Park, also pursuant to C.R.S. 12-60-704(5).

	2007 Award	2008 Award	2009 Award	2010 Award	2011 Award	2011 Payment Arapahoe	2012 Balance
Harness	\$44,327.24	\$43,838.25	\$15,121.54	\$12,496.68	\$9,722	\$(44,327.24)	\$43,838.25
Mule		\$807.88	\$369.63	\$305.48			\$807.88
Appaloosa	\$2,206.08	\$(23,165.09)					
	\$46,533.32	\$21,481.04	\$15,491.17	\$12,802.16	\$9,722	\$(44,327.24)	\$44,646.13

EXPLANATION OF CALCULATIONS for the OWNERS' AND BREEDERS FUND

The total amount due to each breed organization is computed by using:

- 1) the current year's percentages from wagering on live race days applied to the funds accumulated from all wagering on live races during the year as specified in Rule #9.316.
- 2) the prior year's percentages from wagering on all live races during that year applied to the uncashed simulcast ticket proceeds from that same prior year as specified in Rule #9.318. For calendar year 2011, these uncashed tickets are from the 2010 simulcast meet held by Arapahoe Park.
- 3) the applicable live wagering percentages for any association's uncashed ticket proceeds from the prior year's live race meet as specified in Rule #9.318. For the calendar year 2011, these uncashed tickets are from the 2010 live race meet held at Arapahoe Park.

DIVISION RECEIPTS AND DISBURSEMENTS

RECEIPTS:

State Commission on Pari-Mutuel Handle:

Horse	\$	360,472.53
Greyhound		<u>237,649.89</u>
TOTAL COMMISSION	\$	598,122.42

Occupational Licenses:

	# Issued	\$	Received
Horse	748	\$	15,784.45
Greyhound	0		0
Central	<u>57</u>		<u>1,418.05</u>
TOTAL LICENSES	805	\$	17,192.50

Fines and Penalties Collected		13,990.00
Investigation Fees Collected		351.97
Printing Fees Collected		<u>0.00</u>
TOTAL RECEIPTS	\$	652,067.14

DISBURSEMENTS:

Personal Services	\$	725,716.55
Operating Expenses		74,187.90
Laboratory Services		62,000.00
Legal Services		<u>33,404.82</u>
TOTAL DISBURSEMENTS	\$	895,309.27

NOTE: We have modified this report. Therefore, the reporting categories (and net balance) should not be compared to previous years.

FUNCTIONS OF THE DIVISION OF RACING EVENTS

The Division of Racing Events is statutorily mandated to regulate the greyhound and horse racing industries in Colorado. The Division is responsible for ensuring honesty and integrity in racing and racing-related activities, such as simulcasting, and for protecting the citizens of the state from corrupt practices. In order to fulfill its mission and its obligations to the people of the state, the Division performs the following functions:

Enforcement: Staff members engaged in the enforcement realm conduct various types of investigations. They are charged with responsibility for ensuring that proper actions are taken in the event of violations of rules or of the Racing Statute. Additionally, Division staff members are responsible for kennel, stable and off-track wagering facility inspections. As needed, staff performing enforcement-related duties prepare and defend adoption of new or amended rule proposals before the Commission and implement policies and procedures to support them. They assist the Division's veterinary group in the enforcement of its policies and procedures, such as state and federal laws requiring vaccinations and the presentation of current health certificates for racing animals coming into Colorado.

Licensing, racing operations and animal welfare: The Division licenses all racing participants, oversees operations at racetrack and simulcast sites and ensures the safety and welfare of animals racing in Colorado. It is also responsible for maintaining up-to-date rules, policies and procedures to carry out its regulatory roles. All staff members are charged with the responsibility for ensuring honesty and integrity in racing as well as protecting the health and safety of greyhounds and horses racing in the state. Several approaches are used to achieve this goal consisting of multiple inspections of animals, a human and animal drug testing program and an injury tracking system. A comprehensive drug-testing program, which is overseen by animal welfare specialists, is used to monitor drug administration in racing animals.

Financial oversight: In order to determine compliance with statutory requirements, the financial services staff members conduct audits and calculate pari-mutuel taxes due and paid, minimum purse amounts, payments to and proposed distribution amounts from the Horse Breeders' and Owners' Awards and Supplemental Purse Fund, payments to the Colorado State University School of Veterinary Medicine for equine research, uncashed ticket monies, pre-meet tests, price tests and revenue audits. They review all racing association financial statements and make observations and recommendations to the Commission regarding acceptability of each fiscal report. The Division also maintains statistical information regarding all pari-mutuel wagering in Colorado. It continues to ensure totalisator compliance by means of regular performance audits.

