

Report of the Sixty-Fourth
Pari-Mutuel
Wagering Season 2012
January 1, 2012—
December 31, 2012

Division of Racing Events

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 64th 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 2012 racing calendar year.

We trust that this material proves to be informative and indicative of the benefits that properly regulated pari-mutuel wagering provides to the State of Colorado. The 39 live days and 730 horse and greyhound simulcast days in 2012 resulted in \$80,035,020.10 wagered in total, with \$600,262.66 in pari-mutuel taxes being deposited in the General Fund of the State of Colorado.

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 and simulcast facility 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".

Daniel J. Hartman
Division Director

2012 Annual Report

BARBARA J. BROHL
Executive Director
Department of Revenue

JACK PRETTI
Chair (Through 6/30/12)
Colorado Racing
Commission

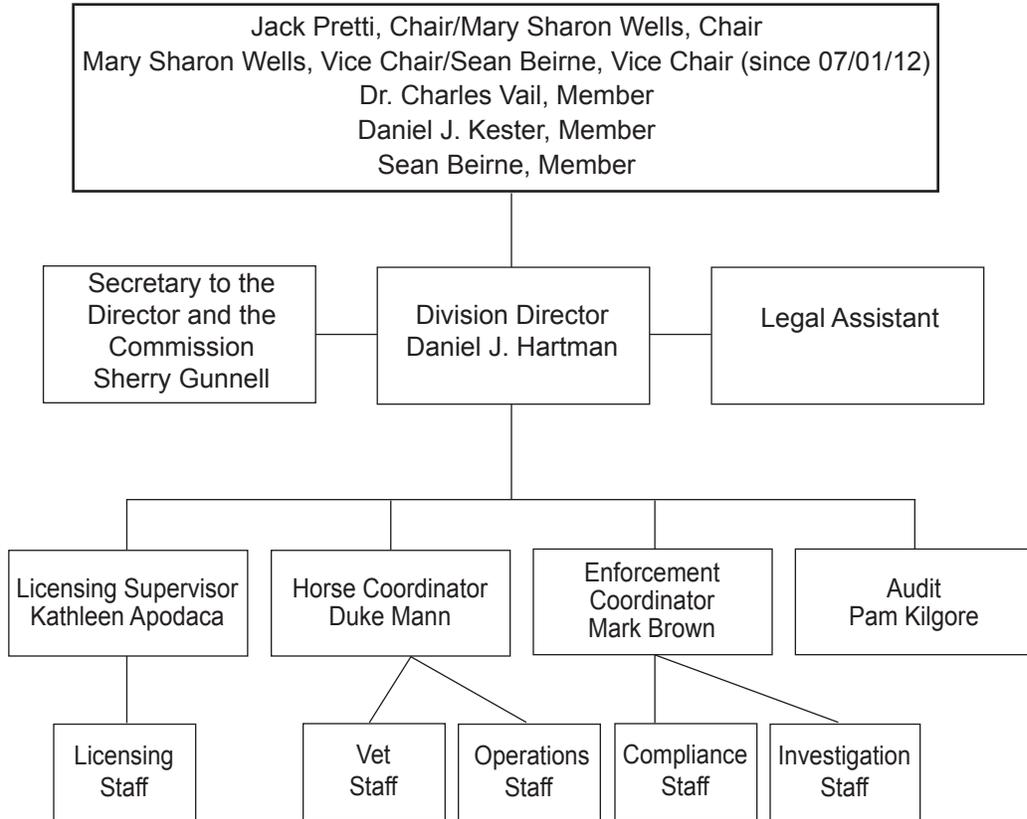
MARY SHARON WELLS
Chair (Since 07/01/12)
Colorado Racing Commission

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 2012.

In 2012, seven Commission meetings were held. The Commission conducted a 2013 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.

Visit us at our web site at www.colorado.gov/revenue/racing

2012 Events

Commission News

After serving two full four-year terms, Jack Pretti concluded his service as a Commission member. Mr. Pretti served ably and conscientiously throughout his tenure and was Commission Chair during his second term. We extend our sincere thanks to Mr. Pretti for his dedication and commitment to the citizens of Colorado and members of the racing industry.

On November 15, 2012, Governor Hickenlooper signed Executive Order A 2012 274, which orders that Cynthia Jane Day of Grand Junction, Colorado has been appointed to serve as the Commissioner who has been previously engaged in the racing industry for at least five years as well as the representative from the Western Slope. Ms. Day is a realtor with RE/MAX 4000, Inc.

Further, the aforementioned Executive Order affirms the re-appointment for a second four-year term of Commissioner Mary Sharon Wells. Ms. Wells is a registered elector in Colorado. Both of these appointments will remain in effect until July 1, 2016.

Commissioner Mary Sharon Wells was appointed to serve as the Chair of the Commission. Commissioner Sean Beirne was appointed to serve as the Vice-Chair of the Commission.

Industry News

On November 20, 2012, the demolition of Mile High Greyhound Park in Commerce City began with the destruction of the club entrance to the racetrack. A report in the Denver Post stated that approximately 80 people gathered in the racetrack parking lot to exchange favorite memories about their experiences at Mile High. According to the newspaper article, Commerce City officials held a demolition event. The ceremony marked the beginning of a three-month demolition project to bring down the racetrack. At this time, plans for mixed-use development on the 65-acre site are indefinite with the only known partner with Commerce City being the Boys & Girls Clubs. These organizations intend to build a new facility on the site.

Current Members of the Colorado Racing Commission

Jack Pretti: (Republican–Third Congressional District; Senate District 8/House District 57) Mr. Pretti, the Chairman of the Commission, is 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 through July 1, 2008. On September 19, 2008, Mr. Pretti was re-appointed to the Commission for a second four-year term, which expired on July 1, 2012. Upon the expiration of his term, Mary Sharon Wells was appointed to serve as Chairwoman of the Commission. 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. (Please note that Mr. Pretti's second full four-year term expired on July 1, 2012. His successor, Ms. Cynthia Day, was not appointed until November 2012 and did not assume her duties until 2013.)

Mary Sharon Wells: (Democrat–Seventh Congressional District; Senate District 20/House District 23) Ms. Wells served as the Vice-Chair of the Commission until July 1, 2012. At the Commission's July meeting, she was appointed Chairwoman. 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' first term of service concluded in 2012. She was re-appointed for a second four-year term to continue until July 1, 2016. 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.

Sean Beirne: (Republican–Seventh Congressional District, Senate District 28/House District 41) In October 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 July 1, 2014. At the Commission's July meeting, he was appointed to serve as Vice-Chairman. 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.

Charles D. Vail, DVM: (Republican–Sixth Congressional District; Senate District 26/House District 37) Dr. Vail, a representative who is a practicing veterinarian, was initially appointed to the Commission on November 20, 2007 for a four-year term through July 1, 2011. In 2011, 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. 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: (Democrat–First Congressional District; Senate District 34/House District 5) 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. His duties include providing, enhancing and delivering financial products and services to Sooper Credit Union's 33,000 members. Along with the augmentation of electronic service delivery options to reach the Sooper Credit Union's geographically dispersed membership, personal service has also been enhanced under Mr. Kester's leadership. 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.

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) 428-3518
Licensee: Arapahoe Park

Bank 8 Billiards

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

Copperhead Road Saloon d/b/a 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

Monte Cristo Bar d/b/a Post Time

Donny Talton II, General Manager
124 Santa Fe Trail
Trinidad, CO 81082
(719) 751-5918 (303) 696-7315
Licensee: Arapahoe Park

Whiskey River d/b/a Big D's OTB

Dave Lebsock, Owner
618 25th Street
Garden City, CO 80631
(970) 353-9759
Licensee: Arapahoe Park

Cumulative Data

Year	Total Days		Pari-Mutuel Handle	Percent (compared to previous year)	Total Breakage	State Commission	Total Divisional Receipts
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	82,280,244	6.26	243,683.89	598,122.42	652,067.14
2012	f 769	d	82,734,441	.55	261,185.66	600,262.66	617,435.21

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.

2012 Performance Measures

	Sum of Average Percentage
Number of Greyhound Race Days	0
Number of Greyhound Performances	0
Number of Horse Race Days	39
Number of Business/Occupational Licenses Issued	681
Total Licensee Population	1,483
Number of Denied/Issued Conditionally	0
Number of Rulings Issued Resulting in Fines/Suspensions	36
Number of Commission Disciplinary Hearings	10
Number of Greyhound Drug Tests	N/A
Percent of Greyhound Drug Tests in Compliance	N/A
Number of Horse Drug Tests	630
Percent of Horse Drug Tests in Compliance	99%
Number of Greyhound Injuries Reported	N/A
Number of Horse Injuries Reported	63
Number of Tote Tests Conducted	3
Percent of Race Meet Audits Completed Within Ninety (90) Days	100%
Total Handle Wagered	\$80,035,020.10
Number of Kennel/Stable Inspections Conducted	107
Number of Simulcast Routine Checks Conducted	117
Number of Investigations Completed	19
Percent of Investigations Resulting in Criminal/Administrative Charges	73%
Percent of Investigations Completed within 60 Days	95%

2012 Racing Season — Comparative Data

	# Days	# of Races	Handle	State Revenue	City Revenue	Tracks' Revenue	Owners/ Breeder's Fund
Greyhound							
Simulcast Total	365	65,739	34,182,957.10	256,372.18	N/A	6,944,693.62	N/A
TOTAL	365	65,739	34,182,957.10	256,372.18	N/A	6,944,693.62	N/A
Horse							
Simulcast Total	365	48,407	43,176,069.00	323,820.52	N/A	7,656,686.38	1,021,329.98
Live	39	363	2,675,984.00	20,069.96	N/A	1,109,942.90	28,882.00
TOTAL	404	48,770	45,852,063.00	343,890.48	N/A	8,766,629.28	1,050,211.98
GRAND TOTAL	769	114,509	\$80,035,020.10	\$600,262.66	N/A	\$15,711,322.99	\$1,050,211.98

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

2012 Racing Season — Comparative Data

	Greyhound Welfare	Breakage	Pay to Public	Average Daily Handle
Greyhound				
Simulcast Total	79,267.72	57,790.18	25,232,809.97	93,651.94
TOTAL	79,267.72	57,790.18	25,232,809.97	93,651.94
CSU Fund				
Horse				
Simulcast Total	79,366.21	225,834.24	33,209,125.15	118,290.60
Live	3,875.30	35,351.42	4,177,294.40	68,615.23
TOTAL	83,241.51	203,395.48	37,386,419.55	113,495.21
GRAND TOTAL	\$162,509.23	\$261,185.66	\$62,619,229.52	\$104,076.75

Approved 2013 Race Dates Calendar

Greyhound

NO DATES REQUESTED

Horse

Arapahoe Park

(Unincorporated Arapahoe County)

May 25–August 18, 2013

(Saturday) (Sunday)

(Total of 39 unspecified race days)

No live racing on Thursday, July 4, 2013

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 2012 as follows:

Earned from wagering in 2012	\$ 1,050,355.18
Earned from 2011 uncashed tickets	\$ 274,612.43
Interest in 2012	\$ 0
Less Bank Fees	\$ (3,500.00)
Total Owners' / Breeders' Fund	\$ 1,321,467.61

Following is the approved Owners and Breeders Awards and Supplemental Purse Funds distribution amounts for calendar year 2012 submitted for approval at the February 2013 Commission meeting:

Thoroughbreds	\$ 909,389.11
Quarterhorse	\$ 196,173.69
Arabian	\$ 53,484.32
Paint	\$ 2,747.63
Appaloosa	\$ 1,558.31
Harness	\$ 12,114.55
Mule	\$ 0
Total	\$ 1,175,467.61

The difference in the two amounts is the result of the \$146,000 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, 2009 and 2010, 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). In 2012, a distribution of \$44,646.13 was made to Arapahoe Park, also pursuant to 12-60-704(5). In 2013, a distribution of \$15,491.17 was made to Arapahoe Park, also pursuant to 12-60-704(5).

	2009 Award	2010 Award	2011 Award	2012 Award	2012 Payment Arapahoe	2013 Balance
Harness	\$15,121.54	\$12,496.68	\$9,722.41	\$12,114.55	\$(43,838.25)	\$15,121.54
Mule	\$369.63	\$305.48			\$(807.88)	\$369.63
Appaloosa						
	\$15,491.17	\$12,802.16	\$9,722.41	\$12,114.55	\$(44,646.13)	\$15,491.17

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 2012, these uncashed tickets are from the 2011 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 2012, these uncashed tickets are from the 2011 live race meet held at Arapahoe Park.

Division Receipts And Disbursements

Receipts:

State Commission on Pari-Mutuel Handle:

Horse	\$	343,890.48
Greyhound		<u>256,372.18</u>
Total Commission	\$	600,262.66

Occupational Licenses:

	# Issued		Received
Horse	681	\$	11,504.65
Greyhound	<u>0</u>		<u>0</u>
Total Licenses	681	\$	11,504.65

Fines and Penalties Collected	\$	4,300.00
Investigation Fees Collected		1,367.90
Printing Fees Collected		<u>0.00</u>
Total Fees & Fines	\$	5,667.90
Total Receipts	\$	617,435.21

Disbursements:

Personal Services	\$	765,409.46
Operating Expenses		80,369.43
Laboratory Services		47,775.00
Legal Services		<u>56,618.88</u>
Total Disbursements	\$	950,172.77

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, although since 2008, there has been no live greyhound racing conducted in the state. 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 the responsibility for ensuring that proper actions are taken in the event of violations of rules or of the Racing Statute. Additionally, Division enforcement personnel conduct stable inspections, off-track wagering facility inspections and inspections of greyhound welfare and adoption facilities. They may be assigned to inspect the remaining greyhound kennels that have continued to engage in breeding dogs for racing and breeding purposes since these facilities must be licensed by the Division. As needed, staff performing enforcement-related duties prepare and defend adoption of new or modified 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 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 venues 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 animals racing in the state. Several approaches are used to achieve this goal, such as multiple inspections of animals, human and animal drug-testing programs and injury tracking. 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 conduct audits and calculate pari-mutuel taxes due and paid, minimum purse amounts, payments to and proposed distribution amounts from the Horse Owners' and Breeders' Awards and Supplemental Purse Fund and the Greyhound Promotion and Welfare 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. The staff reviews all racing association financial statements and makes observations and recommendations to the Commission regarding the 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.



Struggler's Legend (pictured on the cover) is in his second career as a show horse, and is successful in both hunters and jumpers. Owned by Katie Gardner of Otteridge Farm, LLC., he competes under the name Frankly My Dear and is a fixture at the Thoroughbred Celebration Horse Shows, the only three day all-Thoroughbred horse shows in the nation. "Frank" was a giveaway from the track and as such, he is a classic example of what happens when these incredibly versatile athletes are given a second chance to shine.

