

Kentucky Paint Horse Incentive Fund Program

October 30, 2008

Administered by the



P.O. Box 1177
Versailles, Kentucky 40383
(859) 753-5139
www.kyphc.org

Oversight by the:

Kentucky Horse Racing Commission
4063 Iron Works Pike, Building B
Lexington, KY 40511

Kentucky Paint Horse Incentive Fund Program

Significant Opportunities for Paint Horses in Kentucky

The Kentucky Paint Horse Club (KPHC) is the recognized state affiliate of the American Paint Horse Association (APHA) and speaks with one voice in Kentucky. The KPHC encompasses show and performance horses, breeders, professional horsemen and trainers, amateurs and youths and recreational riding. One of the KPHC's objectives is to promote more activity for each segment of equine enthusiast residing in, or visiting, Kentucky. We believe the following approach addresses not only the increased activity that will result, but also the significant economic development that will occur as a result.

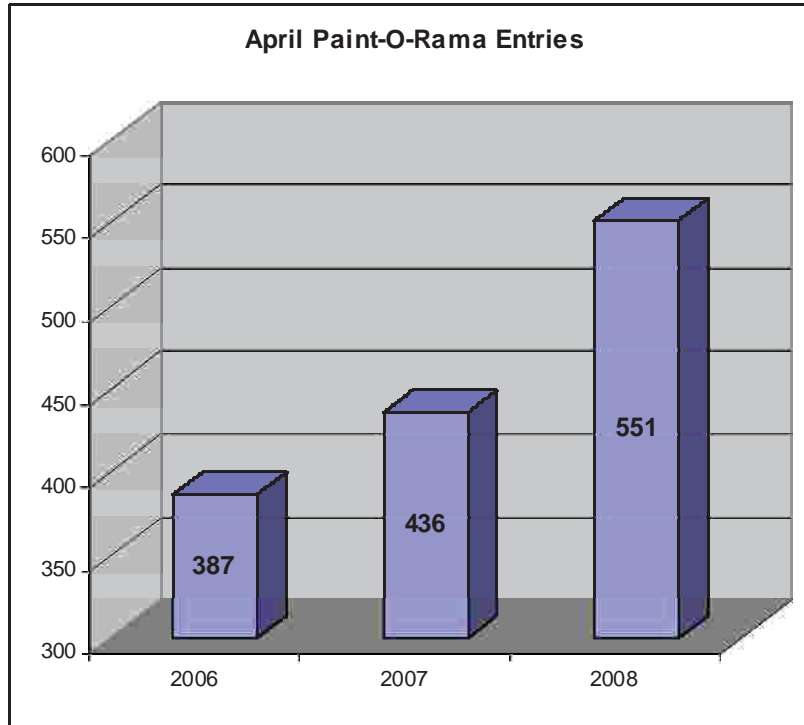
The KPHC is committed to creating incentives that not only enhance demand, but also will improve the quality of Paint Horses in Kentucky. Establishment of incentives to boost demand and quality will result in improved horses and prices offered for them. One goal of the KPHC incentive program is to increase equine economic activity related to the Paint Horse breed by enhancing profit opportunities for both new and existing owners and breeders. In addition, an increase in Paint Horse breeding will also benefit registered Thoroughbreds and Quarter Horses, for they are the only other breeds allowed as either a sire or dam of a registered Paint foal, providing the foals has one Paint parent.

Horsemen who participate in sanctioned competitions, such as nationally recognized shows, tend to invest more money and time in their equine pursuits than their peers. Whether amateurs or professionals, these people tend to be more active in their associations. They are the economic leaders of this industry, and this reality provides rationale for an incentive fund program.

As of September 30, 2008 there are 10,318 registered American Paint Horses, age twenty-five and under.

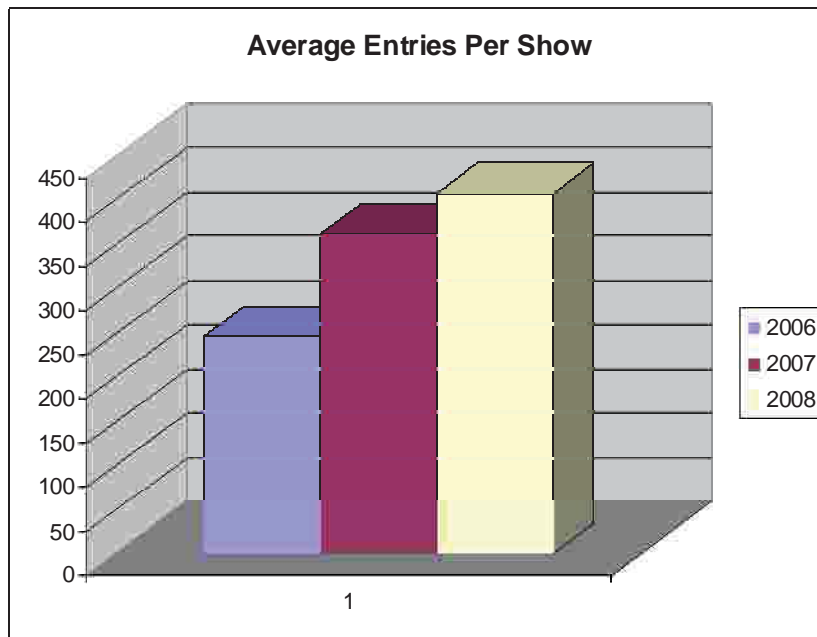
Initial Impact of the Kentucky Paint Horse Incentive Fund Program

Data provided by the American Paint Horse Association indicates that show entries at the Kentucky Paint Horse April Paint-O-Rama Shows have increased by 70% since the first year of Incentive Fund awards.



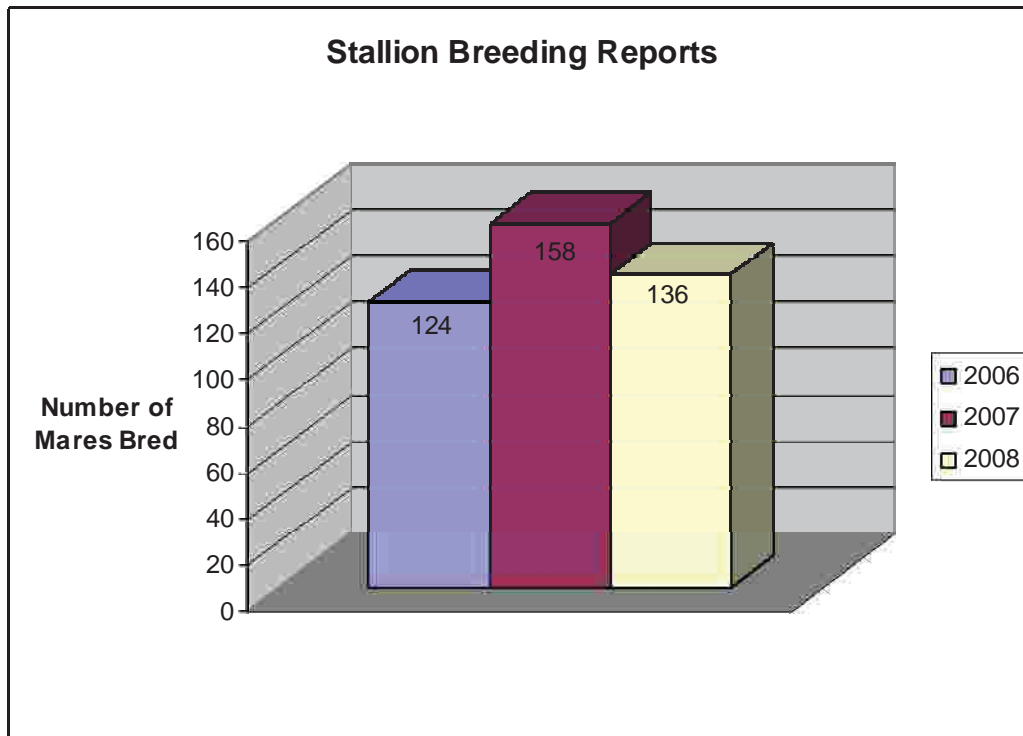
This growth in entries impacts the local economy through additional show revenue to the KPHC, revenue to show vendors, revenue to feed and bedding distributors, revenue to local restaurants and gas stations, and revenue to local hotels.

The chart below indicates the growth in the average number of entries per show that occurred during 2006-2008.



One of the most significant areas of increased equine activity can be noted in the area of breeding. The number of Breeders Trust nominated stallions standing in Kentucky jumped from seven stallions in 2006 to one hundred and forty-two stallions in 2008. The revenue generated from stallion board, mare board, veterinary services, feed and bedding, equine transportation, and construction should be most beneficial to the Kentucky economy.

The number of mares being bred to these Kentucky stallions has also shown a steady increase as indicated by the graph below.



Please note, the deadline for submission of 2008 Stallion Breeding Reports is November 30, 2008. The data above is through October 24, 2008.

Administration of Kentucky Paint Horse Incentive Funds

The Kentucky Paint Horse Incentive Fund (KPHIF) will make every attempt to avoid the need for burdensome record keeping and administrative costs. Therefore, the KPHC will utilize a system in which incentives are based for performance horses on points earned through APHA shows, Paint Alternative Competitions and other KPHC recognized horse activities. Once the KPHC confirms eligibility, calculation of incentives will be straight forward.

Considered a “non-racing” breed, Paint Horses will be allocated incentive funding through a legislatively mandated distribution system, with dollar amounts yet to be determined to promote the Paint Horses in Kentucky and administered by the KPHC. The KPHC has a board of directors and officers that oversee the daily operation of the club.

Oversight of the KPHIF

To ensure compliance with regulations and legislative intent, both as to the recipients of the funds and also the way in which they are distributed, oversight has been invested in the Kentucky Horse Racing Commission (KHRC). The KPHC will provide an annual report, or any other documents required by the KHRC, in a timely fashion.

Kentucky Paint Horse Incentive Fund Goals

The KPHC board is committed to creating incentives that will enhance *demand*. Establishment of incentives to boost *demand* for Kentucky-bred Paint Horses, leaving their *supply* to respond in a natural market fashion, can only serve to improve the prices ultimately obtained for them. This is a more efficient method of encouraging production rather than stimulating an artificial supply and directly rewarding producers of foals that no one demands. In addition, increasing the demand has the advantage of increasing the bona fide profit opportunities for horsemen.

The **goals** of the KPHIF are 1) increasing equine economic activity related to the Paint Horse breed, by bringing more stallions and mares into the state during the breeding season; 2) stimulating Paint Horse breeding activity; 3) to increase the number of mares bred to Kentucky Stallions; and 4) to increase the number of Paint Horse owners within Kentucky. The proposed program was developed and designed by individuals experienced in showing and in the record of similar initiatives with other associations. The KPHIF was also designed with input from the immediate Past-President of the American Paint Horse Association (APHA).

Kentucky Paint Horse Incentive Fund Program Guidelines and Procedures

Computation and Allocation of Dollars for the Kentucky Paint Horse Incentive Fund

Of the total Kentucky Horse Breeders' Incentive Fund (KRS 139.531) dollars earmarked for Paint Horses, all will be allocated directly to KPHIF awards. Earmarked dollars for the Paint Horse breed will be based on the percentage of active registered Paint Horses versus percentages of other active registered horses in the state. The number of "active registered horses" as defined as horses 25 years old and under, owned by Kentucky residents, and verified from APHA, the national breed association.

Inputs and Scoring System

From the KHRC each year:

Awarded dollars to be allocated from the Kentucky Horse Breeders Incentive Fund (KRS 139.531) to the KPHC for the implementation of the KPHIF.

From the APHA:

- The number of Kentucky-Bred/Sired Paint Horses that earned show/race points in the program year being computed. Points may be earned at any APHA approved show event (worldwide).
- The number of Kentucky-Bred/Sired Paint Horses that earned Paint Alternative Competition Credits in the program year being computed. Credits may be earned at any APHA PAC approved show event (worldwide).
- Contact Information for the owners, breeders, and sire owners of Kentucky-Bred/Sired Paint Horses for the program year being computed.
- The owner shall be the individual(s) who are the recorded owner(s) of the KPHIF nominated horse at the time points were earned. The breeder shall be the recorded owner(s) of the mare at the time of breeding. The sire owner shall be the recorded owner(s) of the stallion at the time of breeding.

From the KPHC:

Identification of "other KPHC recognized horse activities" as addressed in the *Administration of Kentucky Paint Horse Incentive Fund* section on page 4.

Fund Distribution

1. Points earned through APHA Race Performance will be handled in the same manner as points earned through APHA Show Performance.
2. The distribution of payouts to each horse will be as follows:
 - a. 70% to owner of the KPHIF eligible horse
 - b. 15% to breeder of the KPHIF eligible horse
 - c. If eligible, 15% to owner of the sire of the KPHIF eligible horse at time of breeding
3. If the sire did not stand the entire season in Kentucky, the 15% sire owner Allocation for that horse (c, above) will be distributed among the eligible sires as a supplemental award in the same proportion as earned payouts.
4. KPHC will distribute award letters beginning March 1 (or as soon as award Letters are received from KHRC), and will have distributed all award letters for the previous program year by June 30 of the current year, so long as all requirements have been met.

Kentucky Paint Horse Incentive Fund Eligibility and Rules

1. The Kentucky Paint Horse Club (KPHC), with approval of the Kentucky Horse Racing Commission (KHRC), reserves the right to alter the conditions of all or part of the Kentucky Paint Horse Incentive Fund (KPHIF) program as it, in its sole discretion, determines to ensure fairness and equality to all participants so that the spirit and intent of the program are being upheld.
2. The KPHC, with the approval of the KHRC, shall decide all disputes arising out of the application or interpretation of any rules or conditions of the KPHIF.
3. An entrant is ineligible to participate in the KPHIF where prohibited by law Because of legal residence, situs of approved event, or any other basis; and all, or the prohibited portion, of the earned points or purse money shall be disregarded in calculations for an earned portion of the KPHIF.
5. Any breeder, horse owner, or sire owner found guilty of fraud in connection with the Kentucky Breeders' Incentive Fund will be ineligible for life to receive any distribution of funds from the KPHIF.
6. All KPHIF eligible offspring must be nominated for, and officially enrolled in, the APHA Incentive Fund (foals of 2009 and beyond).
7. Eligibility for the KPHIF will require meeting the following criteria:

Kentucky-Bred/Sired

- Mares must foal in Kentucky
 - Mares may be bred by any acceptable breeding method as described and recognized by the APHA registry handbook.
 - The stallion must stand the entire breeding season in Kentucky
 - There is no aim to exclude the owners or boarders of stallions standing in Kentucky, if Paint Horse breeders from other states might be induced to breed their mares to such stallions.
7. All horses meeting the eligibility requirements above must be nominated to the KPHIF. See fee schedule and deadlines.
 - 8..All owners, breeders, and sire owners of KPHIF eligible horses must be Members in good standing of APHA and KPHC before payments from the Incentive Fund will be made.
 9. All officially sanctioned APHA show and racing events qualify (worldwide).
 10. The most current “Official Handbook of Rules and Regulations” of the American Paint Horse Association (APHA) will serve as a guide for any and all aspects of the KPHIF.
 11. All required information for earning KPHIF payments must be postmarked to The office of KPHC no later than December 31 of the year following the program year. Example: for program year 2008 payouts to be considered, all required materials must be received by the KPHC no later than December 31, 2009. Any dollars available from Incentive Fund requests not meeting this deadline will be allocated to the following year KPHIF monies.
 12. A licensed Kentucky veterinarian shall physically inspect each foal within 30 days of the day of foaling and complete a “Verification of Kentucky Foaling” form. This form is to be submitted at the time of foal nomination. The verification form will confirm that the birth of each KPHIF eligible foal occurred within the state of Kentucky.
 13. The KPHC and/or their authorized representatives reserve the right, and shall be granted the opportunity in a timely manner, to enter the premises of any and all participants in the KPHIF to ensure compliance with program rules.
 14. A copy of the Stallion Breeding Report which is filed annually with the APHA (by November 30) must also be submitted to the KPHC by December 31. Any amendments to the report shall be reported to the KPHC at the same time that they are reported to the APHA. Failure to submit the Stallion

Breeding Report to KPHC by the deadline will result in a \$50/month penalty fee.

15. The “breeding season” is defined as beginning February 1 and ending July 15 each year in the northern hemisphere. The stallion shall stand the entire breeding season in Kentucky. All semen, to include raw, cooled, frozen, or otherwise, shall be produced and utilized to cause the conception of the KPHIF eligible offspring during the breeding season in which the stallion stood in Kentucky. The stallion may leave the state during the breeding season (for periods of time not to exceed seven days) for show, race, or other purposes unrelated to breeding services. If a stallion owner chooses to have a shorter breeding season and remove the stallion from his declared residence (as indicated “standing in Kentucky” according to APHA Breeder’s Trust records) prior to July 15, this may be done so long as no other breeding activity occurs.
15. Should evidence indicate any breeding activity outside of the state of Kentucky, the stallion owner shall forfeit the 15% fund distribution for that entire foal crop.
16. In case of the death of a stallion during the breeding season, the frozen or otherwise preserved semen of that stallion may continue to be used to produce KPHIF eligible foals thru July 15 of the year of his death.
17. Embryo transfers will be permitted, however a penalty nomination fee will be assessed for each foal conceived through embryo transfer after the first foal (see fee schedule).
18. Copies of all embryo transfer documentation required by APHA must also be submitted to the KPHC by December 31.
19. Any attempt to provide false or misleading information in connection with the Kentucky Horse Breeders’ Incentive Fund to the Kentucky Paint Horse Club or government officials, or to otherwise engage in fraudulent activity, shall result in appropriate disciplinary action by the Kentucky Paint Horse Club and the application of all civil and criminal penalties that may apply.

Fee Schedule

Eligible foals of the current breeding season, nomination postmarked by December 1, for whom the 6% sales tax was paid	\$50.00
Eligible foals of the current breeding season, nomination postmarked by December 1, for whom the 6% sales tax was not paid (gift seasons, stallion owner's own foals, semen shipped out of state)	\$100.00
Eligible foals of the current breeding season, nomination postmarked from December 2-January 31	\$500.00
Eligible foals of the previous year (s), failing to nominate by the December 1 or January 31 deadlines	\$500 + \$200 for each month after January 31. \$2000.00 maximum

Foals resulting from Embryo Transfer:

First foal (as indicated by date of foaling), 6% sales tax paid	\$50.00
Second foal (as indicated by date of foaling), 6% sales tax paid	\$100.00
Third foal (as indicated by date of foaling) 6% sales tax paid	\$200.00
Each additional foal may be nominated at double the previous foal's rate	

First foal (as indicated by date of foaling), no tax paid	\$100.00
Second foal (as indicated by date of foaling), no tax paid	\$200.00
Third foal (as indicated by date of foaling), no tax paid	\$400.00
Each additional foal may be nominated at double the previous foal's rate	

Horses born between 2001 and 2007 that were eligible for the KPHIF, but not nominated (only points earned after the enrollment date will count toward KPHIF payouts. Enrollment date is defined as the date when all required funds and documentation are correct and completed as determined by the KPHIF manager) \$2000

A portion of funds collected for penalty nominations will be utilized by KPHC to increase activities of the American Paint Horse in Kentucky as approved by the KPHC Board and membership.