

**Kentucky Quarter Horse Association, Inc.  
Breeder's Incentive Fund**

*A Program Of The  
Kentucky Horse Breeder's Incentive Fund  
(KRS 230.804)*

*Regulation 811 KAR 2:120*

November 1, 2014

KENTUCKY  
QUARTER  
HORSE  
ASSOCIATION

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**Administered By The:**

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## **Introduction: The Kentucky Quarter Horse Association Breeders' Incentive Fund**

The Quarter Horse is the world's most popular breed, and the American Quarter Horse Association (AQHA) registers more than 75,000 foals annually. Because of their versatility, Quarter Horses in Kentucky are dispersed among many more counties and towns than any other breed. The Quarter Horse industry is a vital element in Kentucky's collective equine industry.<sup>1</sup>

### **The Kentucky Quarter Horse Association**

The only official affiliate of the AQHA in Kentucky, the KyQHA is a state-chartered not-for-profit corporation designated by the Internal Revenue Service as a 501(c)(7) organization.

### **Allocation of Funds from the Kentucky Horse Breeders' Incentive Fund**

The distribution of the funds allocated for Quarter Horses is made through the Kentucky Quarter Horse Association Breeders' Incentive Fund (KyQHA BIF).

### **Administration of the KyQHA BIF**

The intent is that the KyQHA BIF avoids to the maximum extent possible the need for burdensome recordkeeping and administrative costs. Therefore, the KyQHA BIF utilizes a system in which incentives are based *for performance horses* on points earned at AQHA approved horse shows, and for *racehorses* on racing points awarded according to conditions and order of finish for races recognized by the AQHA. AQHA show points and AQHA racing points are collected and maintained as a regular procedure by the AQHA. Once the KyQHA confirms eligibility, calculation of incentives is straightforward. By utilizing existing AQHA data resources, direct costs of administration are minimized.

### **The KyQHA Approach: *Incentivizing Demand***

It is a firm consensus of the KyQHA board of directors that, regardless of breed or sport use, creating breeder incentives to *supply* more horses (for which there may not be a sufficient demand) will foster mediocrity and, of necessity, depress their market price. Therefore, the KyQHA BIF is structured to create incentives that will only enhance *demand*. Establishment of incentives to boost *demand* for Kentucky-bred Quarter Horses, leaving their *supply* to respond in a natural market fashion, will improve the prices proffered for them. This is a vastly more efficient method of encouraging production than stimulating supply artificially and directly rewarding producers of foals demanded by no

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<sup>1</sup> Quarter Horse Associations Join Kentucky Education Effort, the Blood-Horse, September 4, 2004

one. In addition, increasing the demand has the not-insignificant advantage of increasing the bona fide profit opportunities for horsemen. Encouraging people to breed horses is an ethical goal *only* if there is a legitimate chance of economic return. Concentrating incentives on the *demand* side is the only approach that assures this.

The primary goal of the KyQHA BIF is to increase equine economic activity related to the Quarter Horse breed, by enhancing profit opportunities for both new and existing owners and breeders. The program developed was designed by individuals experienced in showing and racing, in the development and administration of incentive programs, and in the initiatives in other jurisdictions. The KyQHA BIF was also designed with input from AQHA officials.

Horsemen who participate in sanctioned competitions, whether those are licensed pari-mutuel races or 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 and more politically active. They are, in short, the economic leaders of this industry, and this reality provides rationale for incentive fund emphasis on racing and showing.

The following KyQHA BIF eligibility criteria must be met to qualify for awards:

1. The foal must have been born in Kentucky during 2002 or later;
2. The foal must have been conceived in Kentucky;
3. The "sire" on the certificate of registration must have stood the entire breeding season solely in Kentucky in the year that the conception occurred to be eligible for sire/stallion awards.

## **Conclusion**

The KyQHA BIF increases equine economic activity related to the Quarter Horse breed, by enhancing profit opportunities for both new and existing owners and breeders. The health of our Kentucky economy is contingent on ensuring the long-term viability of the horse, racing or non-racing, and thus maintaining the quality of life that we all recognize as uniquely Kentucky.

## **What inputs are needed and where do they come from?**

From the Kentucky Horse Racing Commission (KHRC) each year:

1. Dollars to be allocated from the Kentucky Horse Breeders Incentive Fund (*KRS 230.804*) to the KyQHA BIF for the implementation of the fund.

From the AQHA:

1. The number of Kentucky Foaled Quarter Horses that started in an AQHA approved race in the program year being computed.
2. The number of Kentucky Foaled Quarter Horses that showed in an AQHA approved show in the program year being computed.
3. The total race points earned by Kentucky Foaled Quarter Horses for the program year being computed.
4. The total AQHA points earned by Kentucky Foaled Quarter Horses for the program year being computed.
5. Contact information for owners, breeders, and sire owners of Kentucky Foaled-Kentucky Sired Quarter Horses for the program year being computed.

## **Kentucky Quarter Horse Association Breeders' Incentive Fund Rules**

1. The Kentucky Quarter Horse Association (KyQHA), with approval of the Kentucky Horse Racing Commission (KHRC), reserves the right to alter the conditions of all or part of the Kentucky Quarter Horse Association Breeders' Incentive Fund (KyQHA BIF) 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 KHRC, in consultation with the KyQHA, shall decide any and all disputes arising out of the application or interpretation of any rules or conditions of the KyQHA BIF.
3. An entrant is ineligible to participate in the KyQHA BIF 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 KyQHA BIF.
4. Beginning with AQHA points earned in competition year 2015, enrollment in the AQHA Incentive Fund is encouraged, but NOT required.
5. In order to be eligible for an award, all owners, breeders, and sire owners of KyQHA BIF eligible horses must be members in good standing of the American Quarter Horse Association and the Kentucky Quarter Horse Association as of July 1 of the payout year (example: by July 1, 2016 you must be an AQHA and KyQHA member in good standing for awards earned in program year 2015). NO MEMBERSHIP NOTIFICATIONS WILL BE POSTED, MAILED OR OTHERWISE COMMUNICATED; ALL RESPONSIBILITY TO HOLD REQUIRED MEMBERSHIPS RESTS WITH THOSE ANTICIPATING AN AWARD.
6. The following KyQHA BIF eligibility criteria must be met to qualify for awards:
  - a) The foal must have been born in Kentucky during 2002 or later;
  - b) The foal must have been conceived in Kentucky;
  - c) The "sire" on the certificate of registration must have stood the entire breeding season solely in Kentucky in the year that the conception occurred to be eligible for sire/stallion awards.
7. The dam must have physically been in Kentucky when the cover/insemination occurred. Horses with a Certificates of Registration that indicates "Transported Semen" must file a "KyQHA Insemination Certificate" before a validation will be confirmed.

8. Annually, out of the KyQHA BIF monies available for each point earned at an AQHA-approved event:
  - 70% will be awarded to each of the recorded owners during a year, the premium money awarded to each of the record owners will be in proportion to the points earned during each recorded ownership period according to AQHA's records.
  - 15% to the breeder of an eligible race horse or show horse
  - 15% to the owner, at time of breeding, of the sire, if eligible, of the KyQHA BIF race horse or show horse
9. Sires standing the entire breeding season solely in Kentucky will be eligible for the fifteen (15) percent allocation to sire owner.
10. Stallion owners who can verify a personal residency in Kentucky during the breeding season for which the sire stallion was duly nominated shall be automatically eligible for stallion awards for point earning progeny conceived in that season. All other requirements remain in force.
11. Stallion owners who are unable to verify such personal residency in Kentucky during the breeding season for which the sire stallion was duly nominated shall, to be eligible for stallion awards for point-earning progeny conceived in that season, be required to pay an annual sustaining fee equal to the current nomination fee by February 1 following each year in which points are earned. All other requirements remain in force.

Example: By February 1, 2016, non-resident stallion owners shall be required to make a sustaining payment in an amount equal to the stallion nomination fee for the 2016 breeding season to be eligible for stallion awards won by point-earning progeny during the competition year 2015. All other requirements remain in force.
12. If the recorded owner, breeder, or sire owner of an otherwise eligible BIF award winner does not qualify for any reason including failure to maintain required association memberships, their respective allocations will be forfeited for that horse, and reallocated to eligible horses within the respective owner, breeder or sire owner category.
13. Foals of 2002 and later will be eligible for the KyQHA BIF.
14. All officially sanctioned AQHA racing and show events qualify.
15. Unless otherwise indicated, requirements based upon dates will be based upon post-mark.

16. The most current “Official handbook of Rules and Regulations” of the American Quarter Horse Association will serve as a guide and default criteria for any and all aspects of the KyQHA BIF.
17. All required information must be post-marked to the office of KyQHA no later than December 31 of the year following the program year. Example: for competition year 2015 payouts to be considered, all required materials must be received at the office of KHRC no later than December 31, 2016.
18. A “Foaling Verification/Registration Form” must be submitted to the KyQHA office as follows: Part 1 (Foaling Verification) – a licensed Kentucky veterinarian must physically inspect each foal within 72 hours of the date of foaling and sign Part 1 along with the owner, or agent for the owner, of the foal. Part 2 (Foaling Registration) – must be completed by the owner, or agent for the owner, of the foal before the foal will be listed as KyQHA BIF eligible on the KyQHA web site. Parts 1 & 2 must be submitted to the KyQHA office by December 31 of the year foaled. The Foaling Verification/Registration Form will confirm the birth of each KyQHA BIF eligible foal occurred within the state of Kentucky, and that the foal meets the KyQHA BIF program requirements.  
  
(See Appendix 1. KyQHA BIF Fee Schedule).
19. The KyQHA 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 of the KyQHA BIF to ensure compliance with program rules.
20. The “breeding season” is defined as beginning February 1 and ending July 15 each year in the northern hemisphere. The stallion must have a permanent domicile in Kentucky during the entire duration of the designated breeding season (regardless of natural, shipped, or frozen semen from deceased or live stallions). The only allowance is for the reasonable transport to, and showing or racing at, and transport back from, a documentable show, race or event, or a documented medical emergency. All semen, to include raw, cooled, frozen, or otherwise, shall be produced and utilized to cause the conception of the KyQHA BIF eligible offspring during the breeding season in which the stallion stood in Kentucky. If the stallion does not reside in Kentucky for the entire breeding season, the resulting offspring may not be KyQHA eligible.
21. A copy of the AQHA Stallion Breeding Report shall be sent to the KyQHA no later than December 31 of the calendar year for which the report was filed. Copies postmarked after December 31 will only be accepted with a penalty fee. Amendments to the AQHA Stallion Breeding Report shall be reported to KyQHA at the time they are reported to AQHA.  
  
(See Appendix 1. KyQHA BIF Fee Schedule).

22. Only one (1) offspring per mare shall be eligible for enrollment in the Kentucky Quarter Horse Association's Breeders' Incentive Fund (KyQHA BIF) per foaling year.
23. A licensed Kentucky veterinarian shall perform all embryo transfer (ET) procedures.
24. The veterinary firm conducting the ET shall be declared and fully identified on the appropriate KyQHA form and notify the KyQHA upon performing the ET.
25. All ETs shall be conducted within the borders of the state of Kentucky.
26. The donor mare shall be declared prior to the date of initial cover/insemination utilizing the appropriate KyQHA application form.
27. All recipient mares shall be confirmed, by the veterinary practice conducting the embryo transfer, to have been implanted with an ISO/ANSI compatible RFID chip (11784/85, 134.2 kHz) upon their arrival. In the event no ISO/ANSI compatible RFID chip (11784/85, 134.2 kHz) is detected, the veterinary practice conducting the ET shall implant a RFID chip prior to the embryo transfer occurring.
28. The recipient mare shall be declared at the time of the 42 – 60 day pregnancy test as carrying the pregnancy of the donor mare. This will be the designated KyQHA BIF eligible offspring of the donor mare for that given year. Should the recipient mare lose the pregnancy after the 42 – 60 day pregnancy check, the donor mare may be rebred during that breeding season, but forfeits the right to an additional ET KyQHA BIF eligible offspring for that breeding season, but not a pregnancy by natural means. The ISO/ANSI compatible RFID chip number will be indicated on the appropriate notification form that links donor mare with recipient mare.
29. All recipient mares shall be maintained within the borders of Kentucky until a licensed Kentucky veterinarian confirms the pregnancy status. The pregnancy status is not considered confirmed until the 42 – 60 day pregnancy test. Recipient mares shall reside within the state of Kentucky until completion of the 42 – 60 day pregnancy test.
30. At the time of the 42 – 60 day pregnancy test, a Federal "Equine Infectious Anemia Laboratory Test" will be conducted, and the form completed. Included on the "Equine Infectious Anemia Laboratory Test" shall be the Electronic I.D. No. of the recipient mare. This test is required at the time of the 42 – 60 day pregnancy test regardless of the date of any earlier Equine Infectious Anemia Laboratory tests.
31. Donor mares are recommended to stay within Kentucky until the recipient mare is declared pregnant.



32. A processing fee shall be payable to the KyQHA before the application for ET is approved.

(See Appendix 1. KyQHA BIF Fee Schedule).

33. A copy of all forms/paperwork required by AQHA shall be sent to KyQHA consistent with AQHA deadlines.

34. If all paperwork is not submitted to KyQHA, the resulting ET foal may not be eligible for the KyQHA BIF.

35. All other KyQHA BIF rules apply to embryo transfer(s).

36. In the case of semen shipped into the state - allowed only for race horses and only if the mare is domiciled in, and owned by, a resident of Kentucky - the qualification criterion is the residency of the breeder of record for the horse being considered for the KyQHA BIF.

37. Upon recommendation of the KyQHA BIF Committee, and with the approval of the KyQHA Board of Directors, fees and/or other assessments may be imposed and implemented as a requirement of participating in the KyQHA BIF as the Board of Directors shall deem necessary or appropriate.

(See Appendix 1. KyQHA BIF Fee Schedule).

38. After administrative fees are paid, the balance of any fees paid will be distributed in a show or race "KyQHA BIF Supplement" program distributed in a manner approved by the KyQHA board of directors.

(See Appendix 1. KyQHA BIF Fee Schedule).

39. There shall be a fee per breeding season associated with the notification of KyQHA that a stallion will be standing in the state of Kentucky during the breeding season in question. The payment of this fee will ensure that the stallion is listed as "in Kentucky" according to KyQHA records and that the KyQHA shall report to the KHRC the stallion as "in Kentucky" as required.

(See Appendix 1. KyQHA BIF Fee Schedule).

40. KyQHA BIF does not payout for AQHA Green classes.

41. KyQHA BIF payouts for team penning points are calculated by dividing by one-third (1/3) the total number of points earned in team penning for the program year being computed.

42. KyQHA BIF payouts for ranch sorting points are calculated by dividing by one-half ( $\frac{1}{2}$ ) the total number of points earned in ranch sorting for the program year being computed.
43. KyQHA BIF does not payout for *AQHA's open horse show points*.
44. The KyQHA BIF has placed an annual cap on the number of show points earned by any horse eligible for award payouts in a year. This cap is calculated every year and is based on the mean number of show points earned that year plus a standard deviation above the mean rounded up to the next whole number. Should a horse earn points for more than one owner during that year, the earliest owner will be paid first. If there remains a balance of points under the cap, later owner(s) will be paid up to the cap calculated for that year.
45. Stallion owners/agents must notify KyQHA no later than February 1 of the current breeding season that said stallion will be standing in Kentucky.
46. A KyQHA Racing Premium program is available to Quarter Horse Racing enthusiasts that qualify. Refer to Appendix 3 for more information.
47. KHRC will distribute award checks only after all requirements have been met.
48. Any attempt in connection with the Kentucky Horse Breeders' Incentive Fund to provide false or misleading information to KyQHA or government officials, or to otherwise engage in fraudulent activity, shall result in appropriate disciplinary action by the KyQHA and the application of all civil and criminal penalties that may apply.
49. If event awards are earned fraudulently, the amount equal to the allocation that would have been paid shall be made to the Kentucky Quarter Horse Association BIF Supplement as race horse awards or as show horse awards for KyQHA BIF eligible horses in a manner recommended by the BIF committee and approved by the KyQHA board of directors.
50. Quarter Horse stallions participating in the KyQHA BIF shall have been tested for Equine Viral Arteritis (EVA). Proof of such testing to be submitted to KyQHA. It is highly encouraged that stallion owners develop and implement, in conjunction with their farm/ranch veterinarian, an EVA prevention program.
51. Quarter Horse stallions participating in the KyQHA BIF shall have been vaccinated for Equine Viral Arteritis (EVA). Proof of such vaccination to be submitted to KyQHA. It is highly encouraged that stallion owners develop and implement, in conjunction with their farm/ranch veterinarian, an EVA prevention program.
52. KHRC will distribute award checks when all program requirements have been met.

## **Computation and Allocation of Dollars for the Kentucky Quarter Horse Association Breeders' Incentive Fund**

Of the total KyQHA BIF (*KRS 230.804*) dollars earmarked for Quarter Horses, 100% will be allocated directly to KyQHA BIF awards. There are incentives for both performance and racing competitors, with ratio adjusted based upon the number of Kentucky foaled Quarter Horses that participated in an AQHA sanctioned show or started in an AQHA sanctioned race during the program year being computed.

### **How the KyQHA BIF will be Computed and Allocated**

1. KHRC determines the total dollars to be allocated to the Quarter Horse breed in Kentucky.
2. The dollars to be allocated to Kentucky Quarter Horses that race versus those that show will be computed for each program year. The allocation will be the percentage of Kentucky foaled race horses and the percentage of Kentucky foaled show horses where the total population of horses are those that started in an AQHA approved race or AQHA approved show in the program year being computed.
3. AQHA will provide data for the previous program year, to include: 1) the number of AQHA racing points earned by eligible Kentucky foaled Quarter Horses that started in a race the previous year, along with a list of the horse's name, points earned, owner, breeder and sire owner; 2) the number of AQHA points earned by eligible Kentucky foaled Quarter Horse show horses, along with a list of the horse's name, points earned, owner, breeder, and sire owner.
4. Total dollars available for each segment (#2 above) will be divided by total points earned for each segment (#3 above) to determine the KyQHA BIF point values for racing and showing for that year.
5. The KyQHA BIF payout per horse will be determined by multiplying the number of AQHA points earned by each Kentucky foaled race horse and each Kentucky foaled show horse by the value of each AQHA race point and each AQHA show point identified in #4.
6. The distribution of payouts to each horse will be as follows:
  - 70% to owner (at the time the points were earned) of the KyQHA BIF eligible horse
  - 15% to the breeder of an eligible race or show horse
  - 15% to the owner at time of breeding of the sire, if eligible, of the KyQHA BIF eligible race or show horse, for the breeding season during which the horse was conceived

## Appendix 1. KyQHA BIF Fee Schedule for 2015-2017 Breeding Seasons

The following fee schedule for the 2015-2017 breeding seasons is established for the Kentucky Quarter Horse Association Breeders' Incentive Fund (KyQHA BIF):

- a) A processing fee of \$500 shall be payable to the KyQHA before the application for an embryo transfer (ET) is approved.
- b) The **Horse Eligibility Verification Form** fee for horses foaling in years 2002-2008 at \$20 per horse for members; \$45 per horse for non-members.
- c) A **Foaling Verification/Registration Form (Part 1 & 2)** must be submitted to the KyQHA office with a fee of \$50 (member rate) to be paid no later than December 31 of the year foaled. This form will verify that the foaling occurred in Kentucky, and upon the successful completion of the AQHA Certificate of Registration and AQHA Incentive Fund nomination, the foal will be listed on the KyQHA web site as KyQHA BIF eligible.

A late fee of \$250 will be due if the **Foaling Verification/Registration Form** is received from January 1 to December 31 of the yearling year;

A late fee of \$2,500 will be due if the **Foaling Verification/Registration Form** is received from January 1 until December 31 of the two-year-old year;

A late fee of \$5,000 will be due if the **Foaling Verification/Registration Form** is received from January 1 until December 31 of the three-year-old year;

A late fee of \$10,000 will be due if the **Foaling Verification/Registration Form** is received from January 1 of the four-year-old year and later.

Note: 50% of all Foaling Verification/Registration fees will be directed to a "KyQHA BIF Supplement" to be paid to KyQHA BIF eligible horses in a manner recommended by the BIF committee and approved by the KyQHA board of directors

Note: 50% of all Foaling Verification/Registration fees will be directed to KyQHA BIF administration

- d) A \$300 **Stallion Nomination** Fee is due at the KyQHA office post-marked no later than February 1 of the current breeding season each year; this fee will be required of all stallions participating in the KyQHA BIF and will result in a listing only on the KyQHA web site.

An additional “late” fee of \$250 will be due if the **Stallion Nomination** Fee is not received in the KyQHA office postmarked by February 1 each year.

Note: 50% of all **Stallion Nomination** Fees will be directed to a “KyQHA BIF Supplement” to be paid to KyQHA BIF eligible horses in a manner recommended by the BIF committee and approved by the KyQHA board of directors

Note: 50% of all **Stallion Nomination** Fees will be directed to KyQHA BIF administration

- e) At the time the AQHA stallion breeding report is submitted to the KyQHA office, ten (\$10) dollars for each eligible mare bred will be due and payable to the KyQHA from the stallion owner/agent. Same rules apply as AQHA for reports received late: \$10 late fee will apply in addition to the regular fee.

Note: 50% of all mare bred fees will be directed to a “KyQHA BIF Supplement” to be paid to KyQHA BIF eligible horses in a manner recommended by the BIF committee and approved by the KyQHA board of directors

Note: 50% of all mare bred fees will be directed to KyQHA BIF administration

- f) A copy of the AQHA Stallion Breeding Report shall be sent to the KyQHA no later than December 31 of the calendar year for which the report was filed. Copies postmarked after December 31 will only be accepted with a \$250 penalty fee, in addition to the fee for each mare bred.

**APPENDIX 2.            Calculation for 2015-2017 KyQHA Breeders' Incentive Fund  
USING SAMPLE DATA AS AN EXAMPLE ONLY.**

1. For the sample year, KHRC allocated \$223,412.00 to the KYQHA BIF.
2. AQHA reports for sample program year there were 59 Kentucky foaled Quarter Horses that started a race, and 857 Kentucky foaled Quarter Horses that showed at a horse show. Consequently, 6.44% of the KYQHA BIF will be distributed to Kentucky Quarter Horse racing, and 93.56% will be distributed to Kentucky Quarter Horse showing.
3. Multiplying \$223,412.00 by 6.44% equals a distribution of \$14,387.73 to racing.
4. Multiplying \$223,412.00 by 93.56% equals a distribution of \$209,024.26 to showing.
5. Total racing points awarded in sample year to BIF eligible horses was 234. Dividing \$14,387.73 by 234 yields a value of \$61.48 per racing point.
  - 70% of this allocation will go to owners or \$10,071.41;
  - 15% of this allocation will go to breeders or \$2,158.16;
  - If eligible, 15% of this allocation will go to sire owners at the time of breeding or \$2,158.16.
6. Total AQHA points awarded in sample year to BIF eligible horses was 3085.8. Dividing \$209,024.26 by 3085.8 yields an average value of \$67.74 per AQHA show point over all Junior and Senior horses.
  - 70% of this allocation will go to owners of show horses or \$146,316.98;
  - 15% of this allocation will go to the breeder of the show horse or \$31,353.64;
  - If eligible, 15% of the allocation will go to the sire owner during the breeding season of conception of the KYQHA BIF eligible show horse or \$31,353.64.
7. KYQHA BIF checks will be distributed by KHRC only after all requirements have been met.

### Appendix 3. KyQHA BIF Racing Premium

#### Objective:

1. To eliminate the sales tax inequity for cooled, transported semen utilized in race horses (non-AQHA IF).
2. To provide a “supplemental” source of funds specific to racing that will accrue to the KyQHA BIF.
3. To cover administrative funds for KyQHA BIF specific racing related activities.

#### Methodology for KyQHA BIF Racing Premium:

1. Each Kentucky resident owner of a mare bred by semen shipped into Kentucky for racing purposes, specific to the KyQHA BIF, will, in order to have their offspring eligible each year, pay a nomination fee of \$500.00 (USD) prior to that specified foal becoming eligible for the KyQHA BIF.
2. The \$500 fee will be paid to an escrow account entitled “KyQHA BIF Racing Premium Fund”.
3. Racing program will indicate the amount to be allocated for each race
4. The “KyQHA BIF Racing Premiums” account will be for:
  - KyQHA BIF eligible horses only
  - Awarded in open races as purse “premiums”
  - Awarded only at the same payout percentages as the regular purse
5. Premiums not awarded will be returned to the “KyQHA BIF Racing Premium” account

#### Methodology for KyQHA BIF Racing Supplement:

1. Each owner in good standing of a KyQHA BIF racing eligible horse will have the OPTION to nominate that horse for “KyQHA BIF Racing Supplement”.
2. At time of entry, each KyQHA BIF eligible horse will pay \$200 for the right to become eligible for the KyQHA BIF Racing Supplement.
3. Each “KyQHA BIF Racing Supplement” nomination will retain 10% for administrative purposes.
4. Racing program will indicate the amount to be allocated from KyQHA BIF Racing Supplement as “added”
5. The “KyQHA BIF Racing Premiums” account will be for:
  - KyQHA BIF eligible horses only
  - Awarded in open races as purse “premiums”
  - Awarded only at the same payout percentages as the regular purse
6. Premiums not awarded will be returned to the “KyQHA BIF Racing Supplement” account

#### **APPENDIX 4.           Enhancement of Economic Development of the                                   Quarter Horse Breed in Kentucky**

- Simply stated, the goal of the KYQHA BIF is to create significantly higher demand for Kentucky-bred Quarter Horses, hence higher prices for the breeders. This will drive economic activity.
- The KYQHA BIF will promote the breeding of quality horses that are capable of competing in open competition anywhere in the world. Because the requisite achievements, whether performance or racing, can be made in any state/province/country, not just Kentucky, the maximum incentive impact will be achieved. This approach correctly addresses the debate over “restricted” programs and captures the objectives of a true incentive program.
- Rather than require the policing of residency, the preferred approach is to require that the stallions stand in Kentucky, and that mares are both covered/inseminated and also foal in Kentucky. This promotes additional, and significant, economic activity in the Commonwealth of Kentucky.
- Kentucky breeders will benefit as a result of the fact that in order to qualify for the KYQHA BIF, horses will be designated as “Kentucky-bred.” This designation will be available to those residents of Kentucky that are owners of the Quarter Horse mares at the time of conception. Thus, Kentucky breeders will have a competitive advantage in that horses they produce will be KYQHA BIF eligible.
- The KYQHA BIF will also encourage more ownership of Quarter Horse stallions by Kentucky residents, as well as encourage non-residents of Kentucky to consider standing more stallions in our Commonwealth. This is encouraged and accomplished by paying 15% of KYQHA BIF available dollars to stallion owners if the stallion stands the entire breeding season in Kentucky. This further drives economic activity associated with Quarter Horse breeding endeavors.
- Sales prices would eventually reflect that buyers would adopt the conviction that, all things equal, Kentucky Quarter Horses are worth more. Kentucky residents would benefit from the higher sale prices, thus invest in higher quality breeding stock. The cycle would repeat with the eventual result being even higher demand for Kentucky-bred Quarter Horses.

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