

DEAN || DORTON || ALLEN || FORD
PLLC

Equine Industry Survey 2011

Dean Dorton Allen Ford, PLLC, is pleased to provide you with the results of our 2011 Equine Industry Survey. We focused this year's survey primarily on operations, namely boarding, stallions and breeding, and general farm administrative items. This year, 570 surveys were mailed and we received 112 responses. Ninety-eight percent (98%) of respondents were thoroughbred farms. We hope that these compiled results will be a helpful tool for you to use in conducting your business throughout the year.

The following significant items were noted:

- Eight percent (8%) of survey participants stated that they adjusted their boarding rates in 2011 compared to thirty-one percent (31%) in 2010 and 2009. Of those respondents that changed boarding rates from 2010 to 2011, eighty-three percent (83%) increased 2011 board rates versus 2010.
- Seventy-five percent (75%) of survey participants with financing stated that their borrowing capacity has not changed over the past year.
- Forty-seven percent (47%) of survey participants stated that collections have slowed since last year (compared to 38% in the previous year) while sixty-three percent (63%) of participants reported no change in their payment of payables.
- Fifty-three percent (53%) of respondents indicated that their number of employees has stayed the same since last year.
- Forty-seven percent (47%) of stallion farms reported that they had no change in the number of stallions standing in 2011 versus 2010.
- Thirty-eight percent (38%) of responding stallion farms have moved stallions out of Kentucky during 2011 to Florida, Indiana and Pennsylvania.
- Fifty-six percent (56%) of those that have been audited within the past three years have faced workers compensation audits, by far the most frequently audited area for survey respondents in our 2009, 2010 and 2011 surveys.

We thank those who responded for their participation, as it is your responses that continue to make this survey useful.

Your feedback regarding any aspect of the survey is welcome as we continually try to improve it. We also welcome ideas about other farm management information that may be helpful for future surveys. Please contact Doug Dean or Jen Shah at 859.255.2341 or jshah@ddafcpa.com if you would like to discuss this survey further.



EQUINE

Who we are...

Dean Dorton Allen Ford, PLLC was created in 2011 by the combination of two of Kentucky's premier accounting firms - Dean Dorton Ford and Cotton + Allen. These two legacy firms have provided us a culture that will continue at Dean Dorton Allen Ford. This culture includes providing exceptional client service and the ability to be innovative problem solvers. As Dean Dorton Allen Ford we will continue to pride ourselves on being large enough to provide expert services while still maintaining the core values developed by our legacy firms, which include personal and timely delivery of services.

Our philosophy centers on an unyielding commitment to provide services that exceed our clients' expectations and are consistently superior to our competitors in quality and timeliness. Further, we strive to do so in a setting that is satisfying professional and personally for firm employees.

Our goal in every client relationship is to help our clients reach their objectives. To do so, we know we must listen to our clients and develop a solid understanding of their needs. Our ability to listen to our clients and then bring the expertise needed - whether the need is an audit opinion, a tax return, or a consulting engagement - has allowed us to build long-term client relationships.

In short, we believe that giving unparalleled personal attention to our clients is just as important as providing accurate, timely services that meet their needs. This philosophy of balancing interpersonal skills with accounting and consulting expertise remains at the core of our firm.

Accounting

The unique attributes of the equine industry demand accounting services with the particular depth of experience and expertise that DDAF delivers. We offer accounting services such as:

- Directly performing many accounting, payroll, and clerical functions (for some clients, we effectively serve as their farm office.)
- Providing financial statement assurance services - compilation, review, and audit - for the benefit of owners and when received by lender.

Business Consulting

Helping you build your business with more than traditional accounting and tax services, the DDAF Equine Team also offers you experienced business advisors. You can depend on these professionals for advice about sound organization structure, management goals, strategic planning, and all the factors that affect your bottom line. DDAF Equine can provide you with assistance to:

- Develop financial and business plans
- Provide financial analysis of stallion prospects and broodmares
- Organize, staff, and train for farm office operations
- Design, implement, and administer retirement plans and other employee benefit programs
- Analyze and determine the value of equine businesses
- Design and implement accounting and management information systems



Tax Services

When equine industry participants enlist DDAF to provide tax services, they can be confident that they are engaging a firm with vast industry experience and know-how. We are able to identify and implement tax planning strategies and to provide comfort that tax compliance responsibilities are being met. We're interested in their business, know the industry, and can provide a wide range of valuable services designed both to optimize their tax savings opportunities and to avoid unanticipated problems. Among our services are:

- Developing strategies to make maximum use of potential tax losses
- Minimizing exposure to the hobby loss rules
- Structuring transactions to avoid or minimize sales and use taxes
- Avoiding or managing the potential impact of the passive activity loss rules
- Using current and deferred trades of horses and farms to avoid or postpone income taxes
- Using the involuntary conversion tax rules to defer income taxes on insurance recoveries related to horse and farm casualties
- Estate planning designed to use special-use valuation and family farm conservation incentives, family limited partnership strategies, and deferred tax payments
- Multistate tax allocations and filing compliance
- Helping foreign owners and breeders to minimize exposure to U.S. taxes and comply with filing requirements
- Developing tax accounting systems to comply, where required, with rules requiring capitalization of preproductive period costs
- Taking advantage of unique tax depreciation rules
- Representing clients with federal and state tax audits

2011 EQUINE INDUSTRY SURVEY
 Operational Focus
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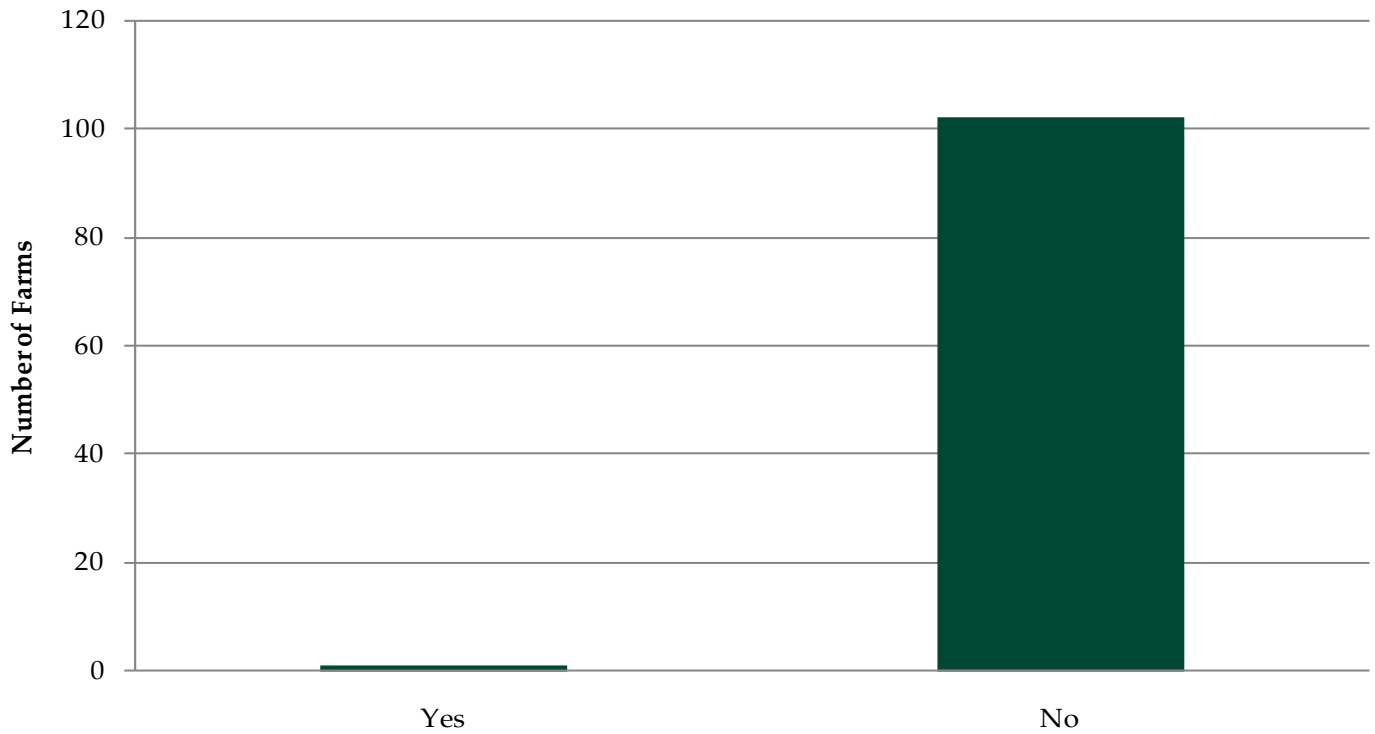
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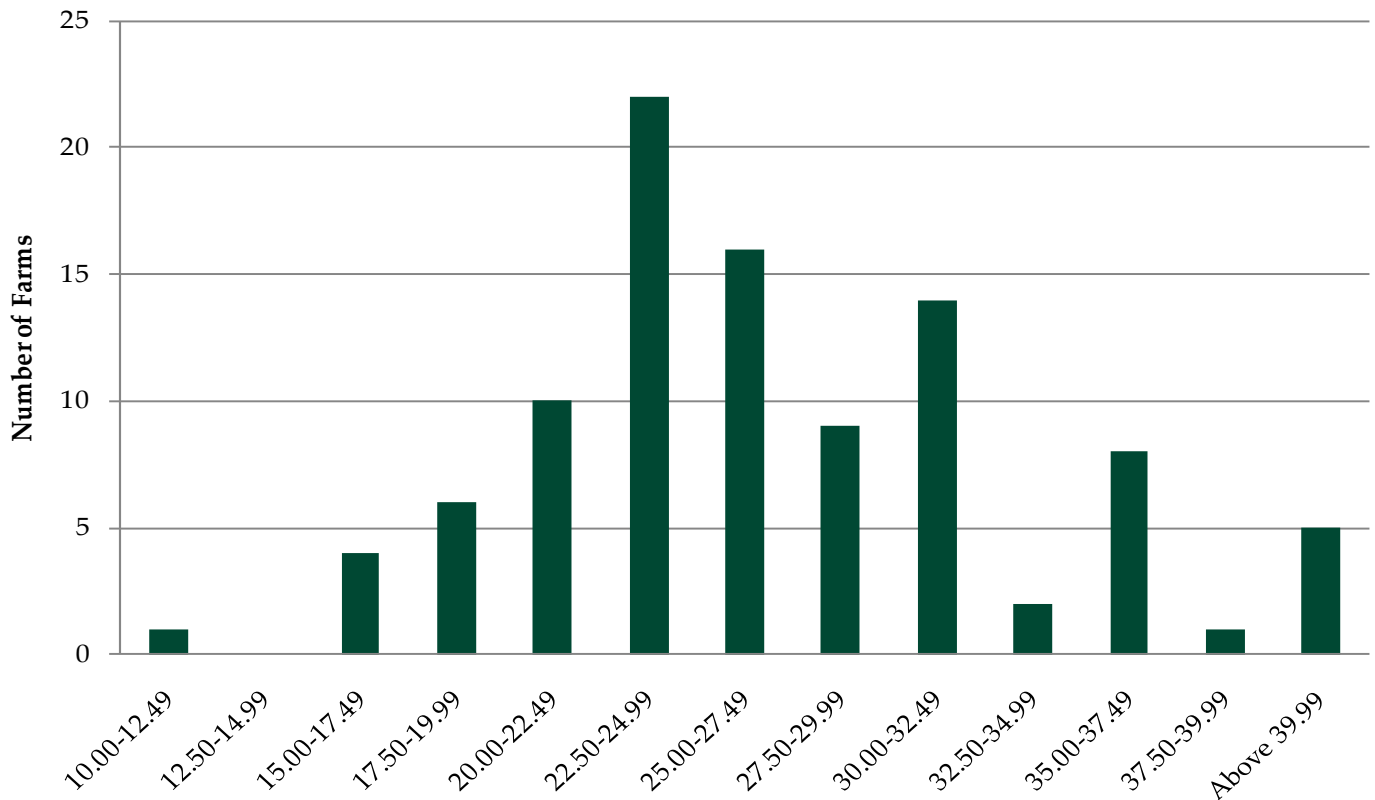
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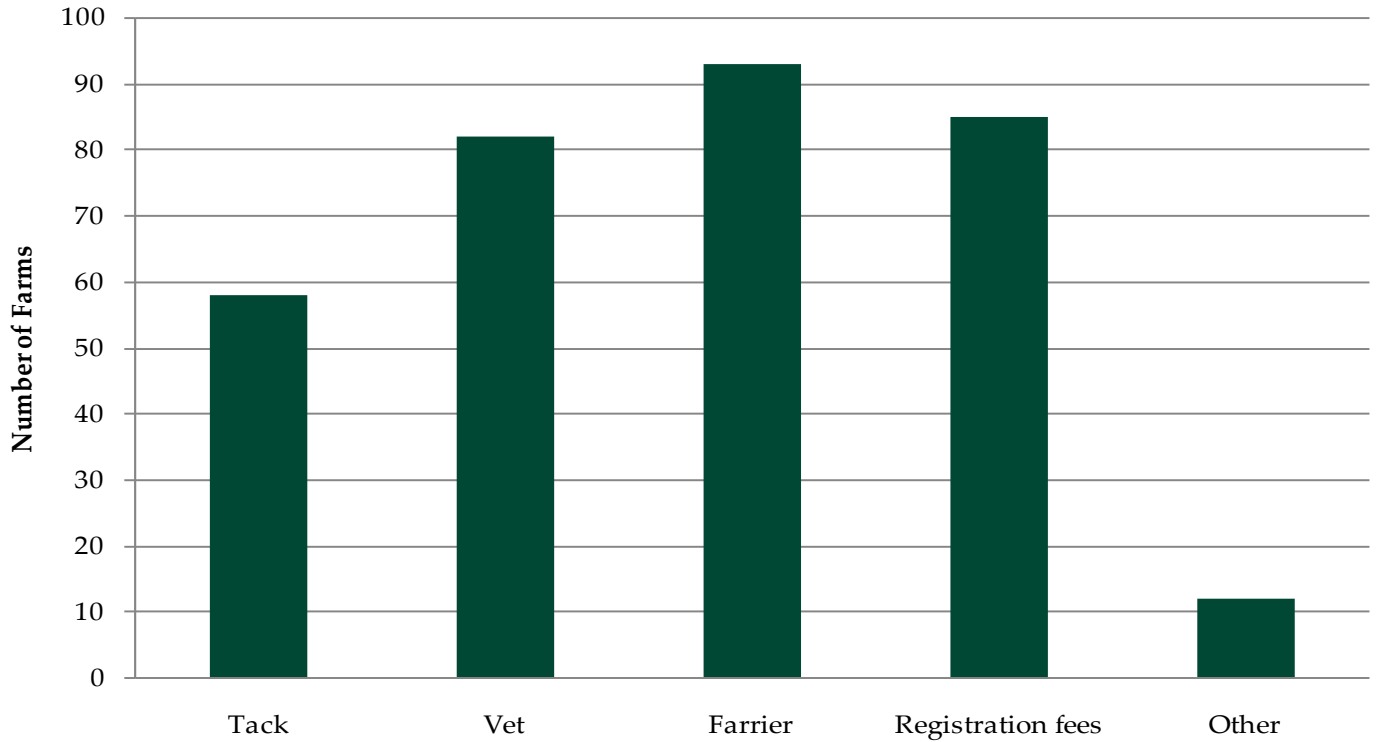
Deposits or Retainer Required for Boarding Clients



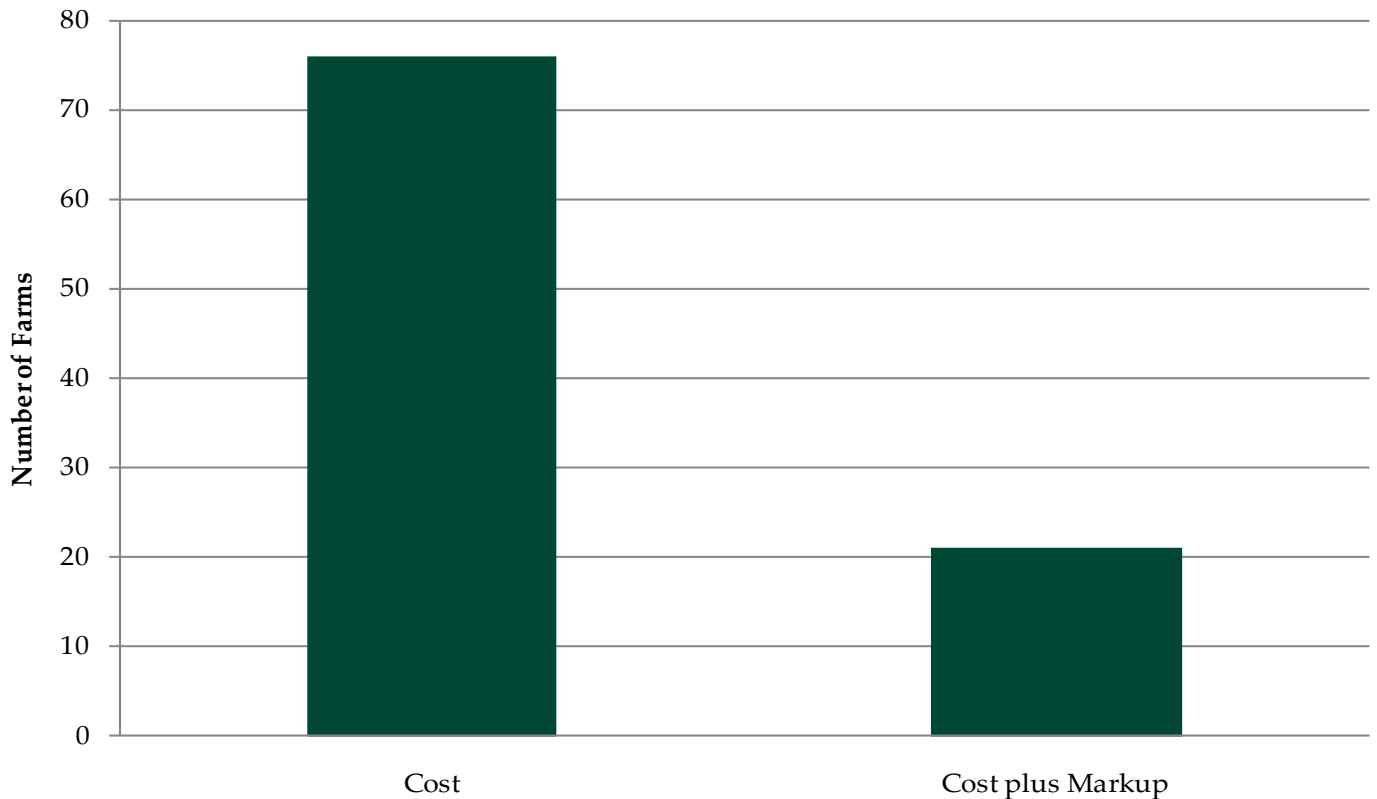
Standard Daily Board Rate



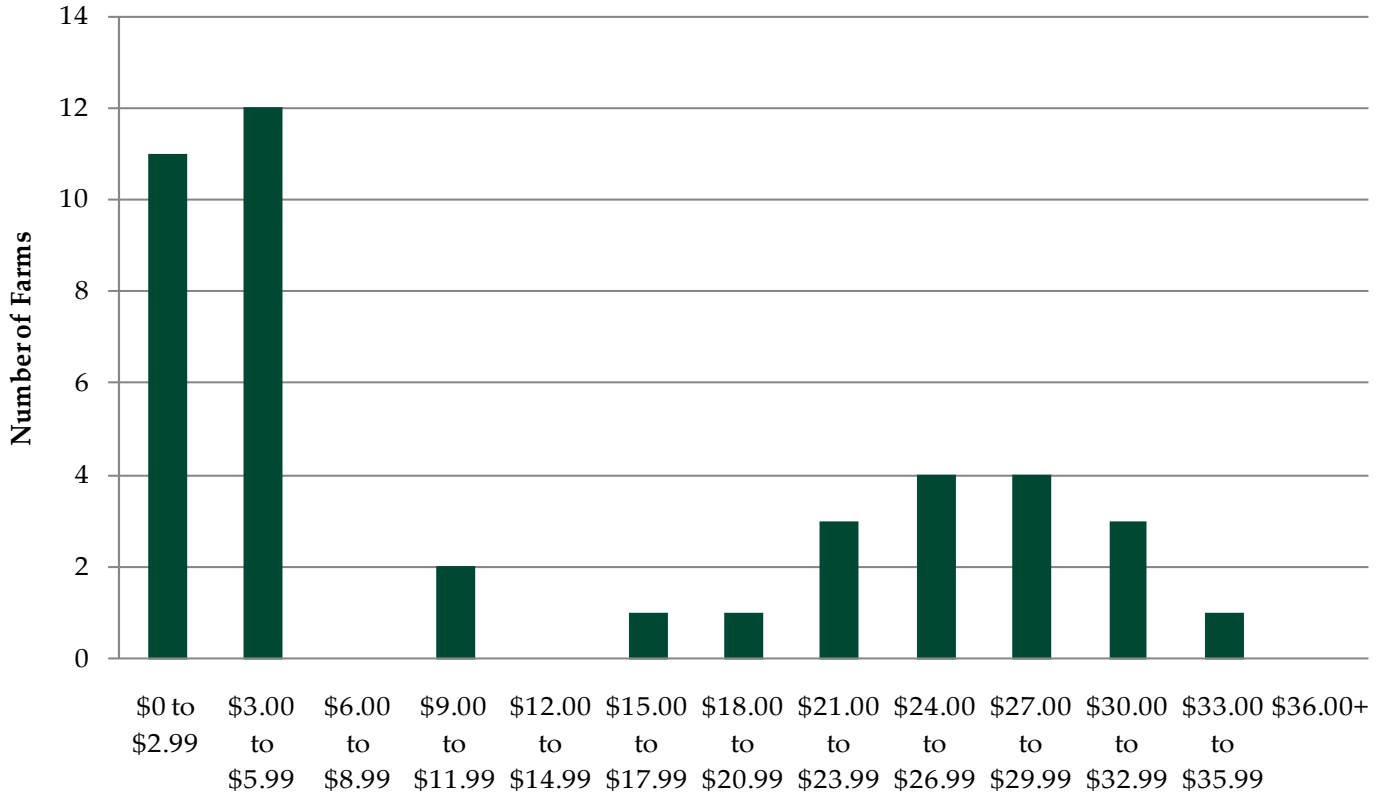
Charges Billed in Addition to Standard Board Rate



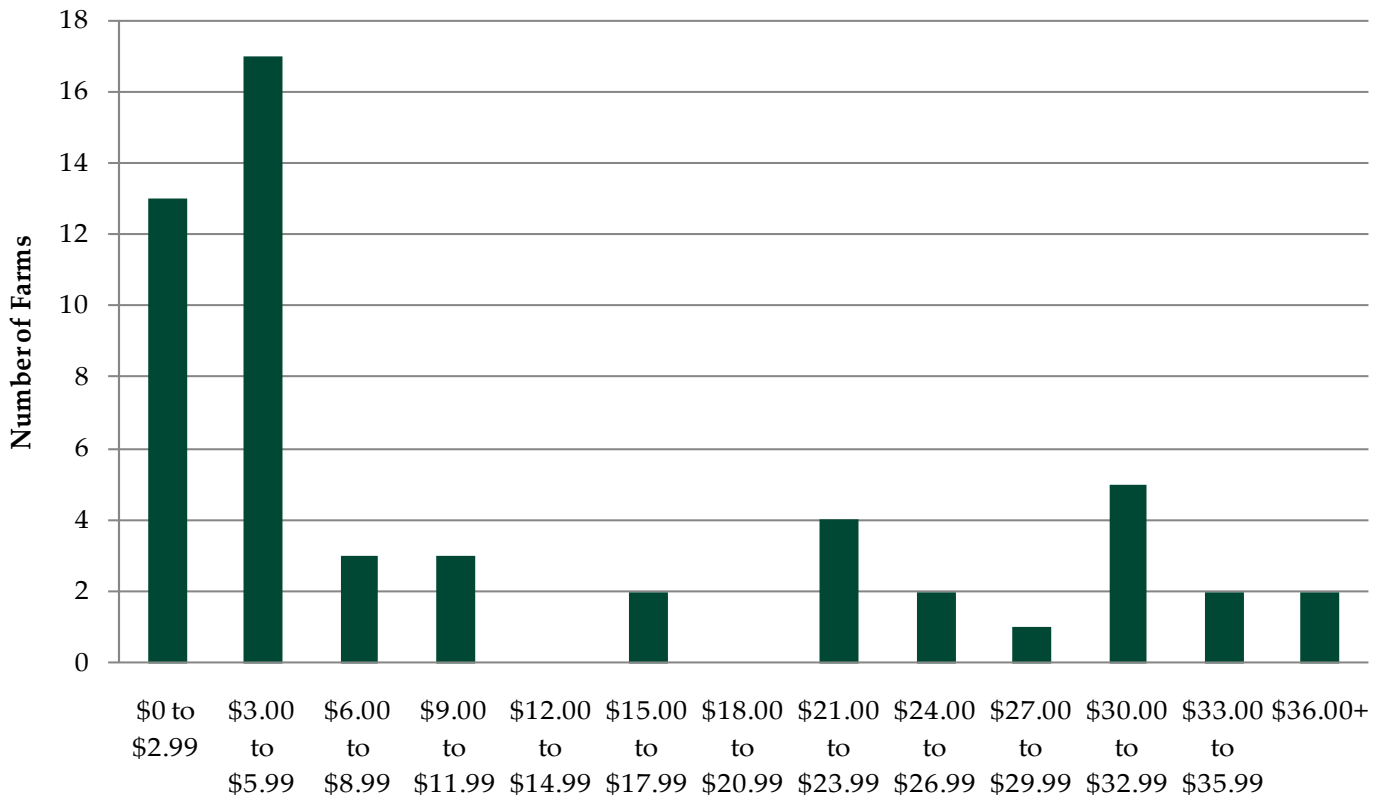
Extra Charges Billed At



Seasonal and/or Temporary Boarding

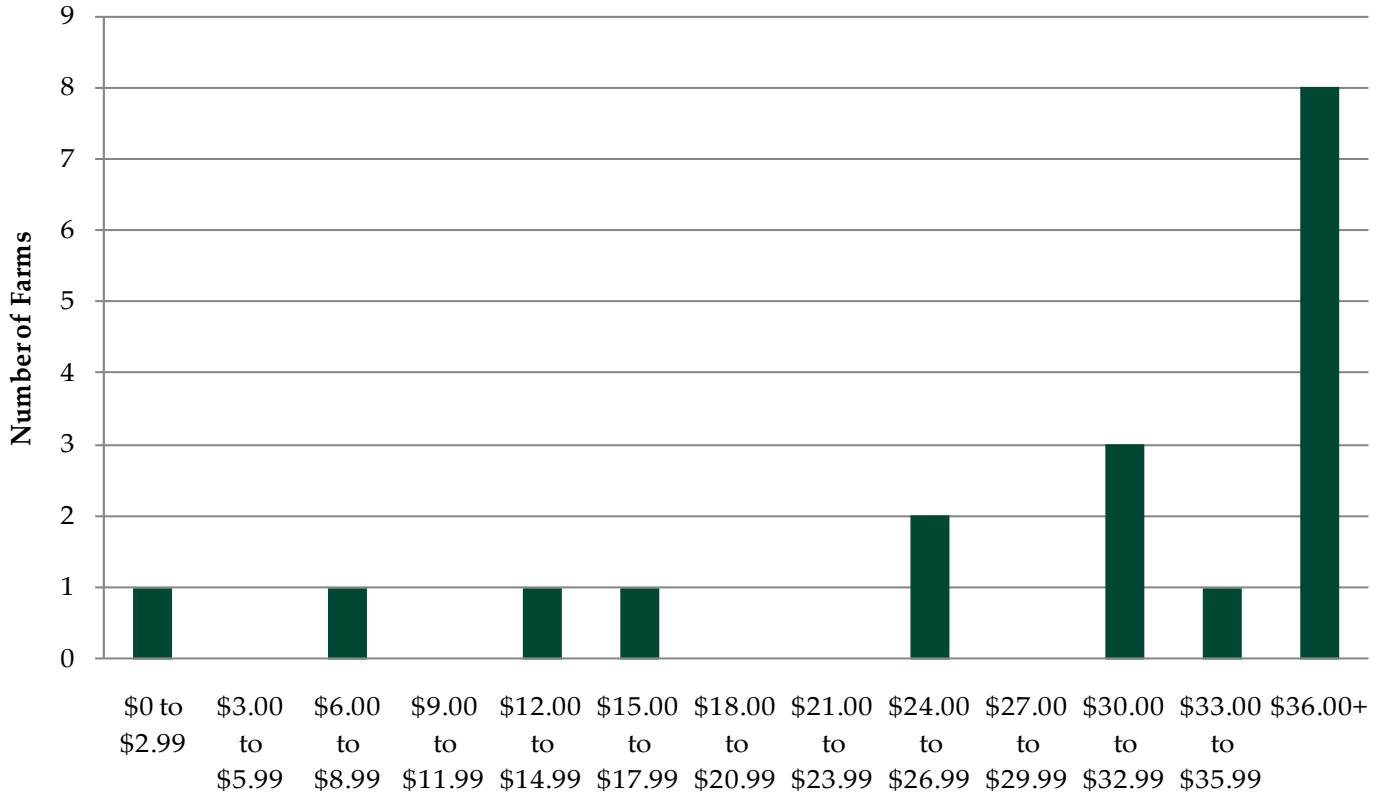


Mares with Foal at Side



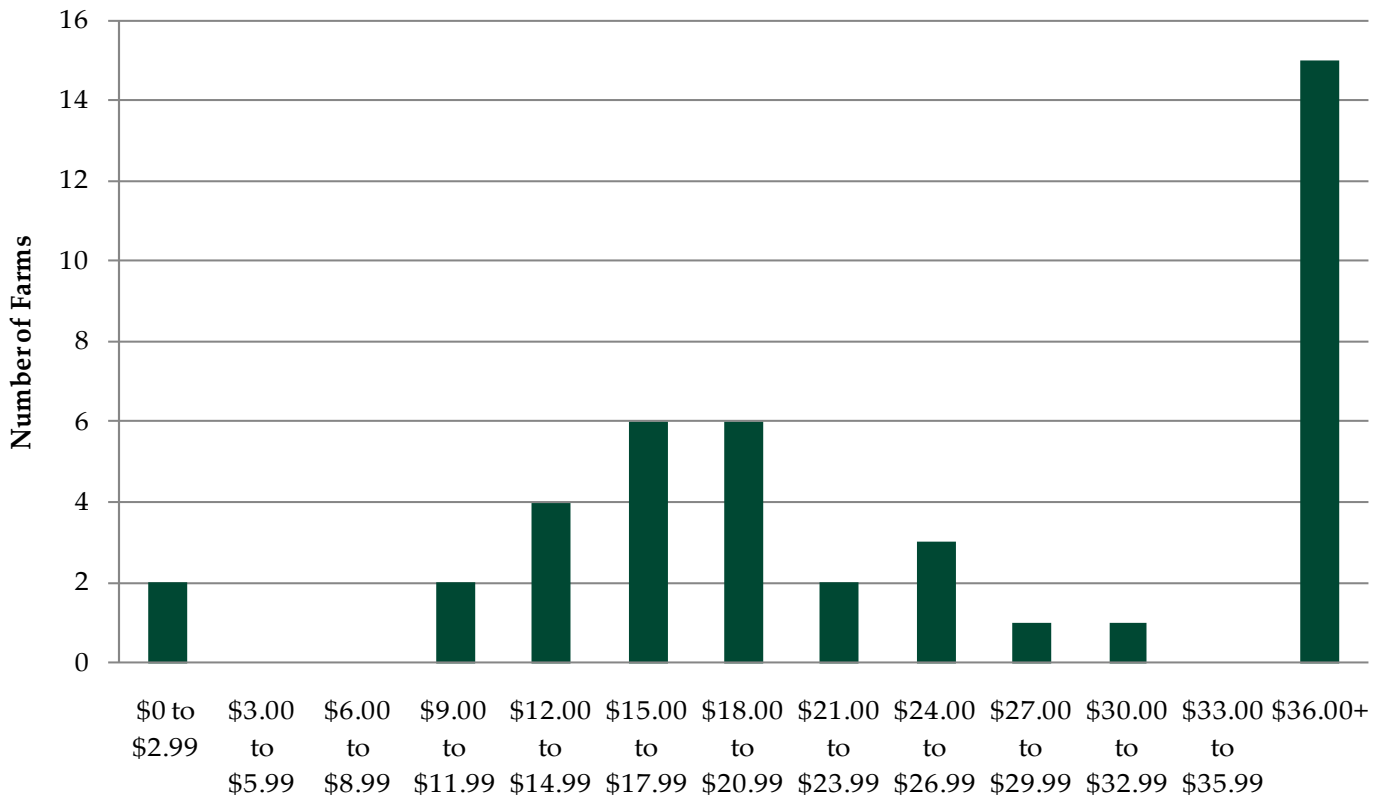
ADDITIONAL DAILY CHARGES

Stallions

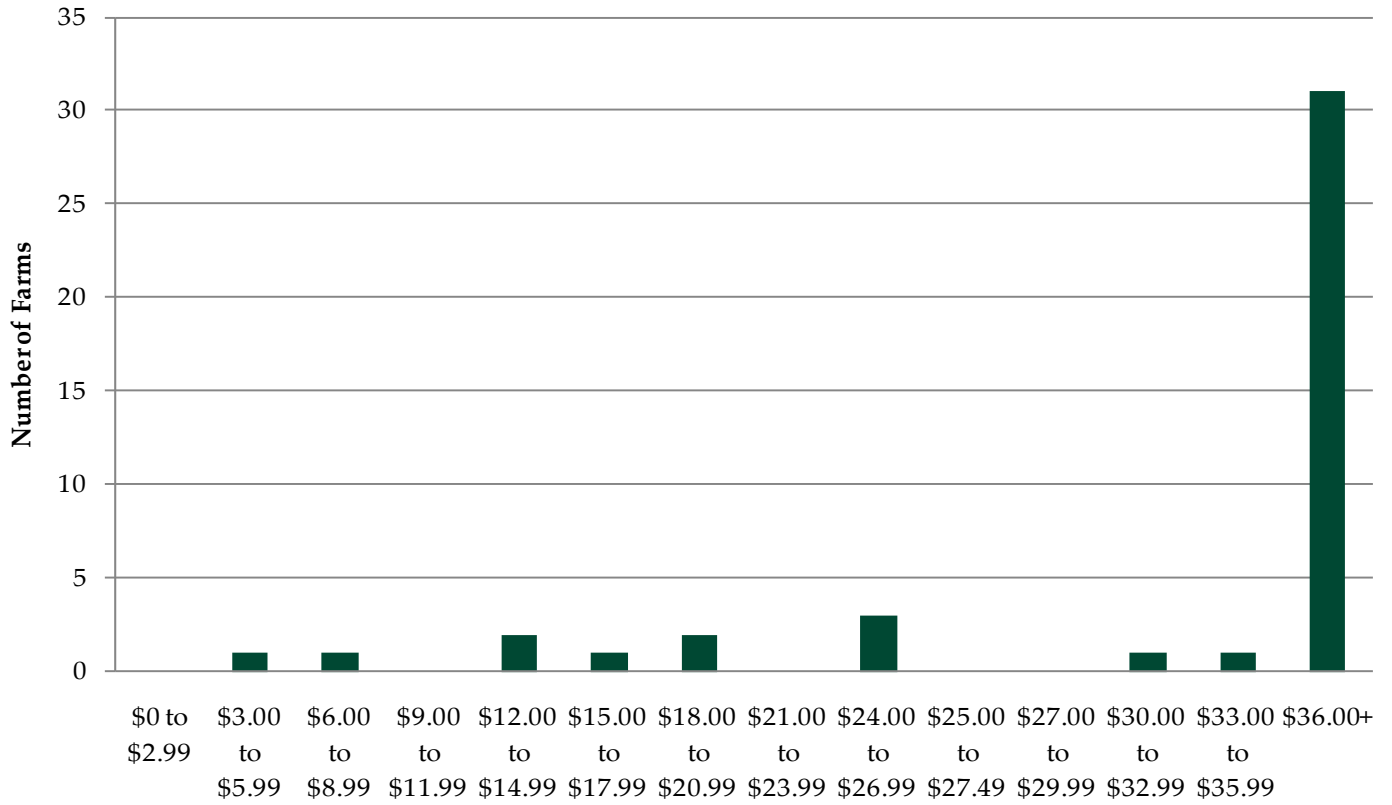


ADDITIONAL DAILY CHARGES

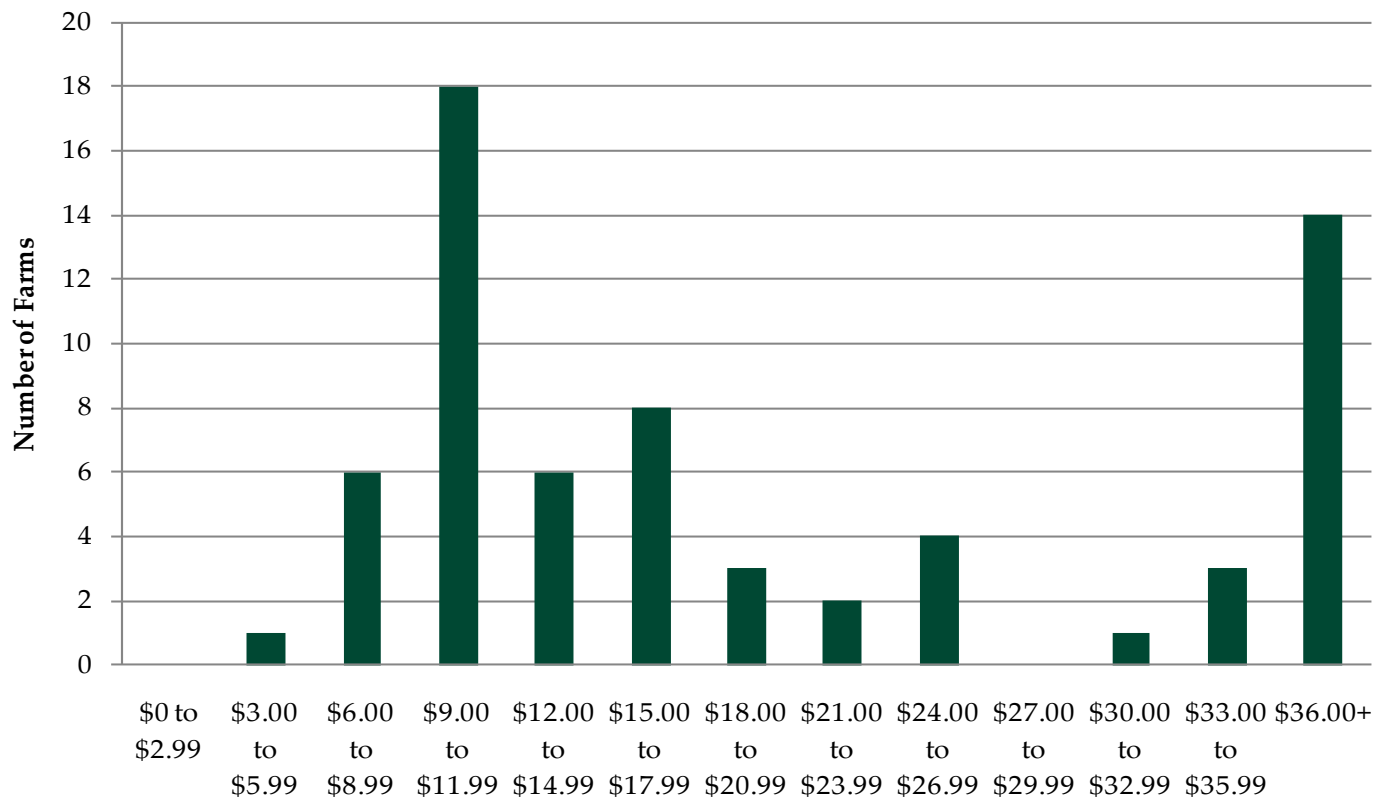
Breaking and Training



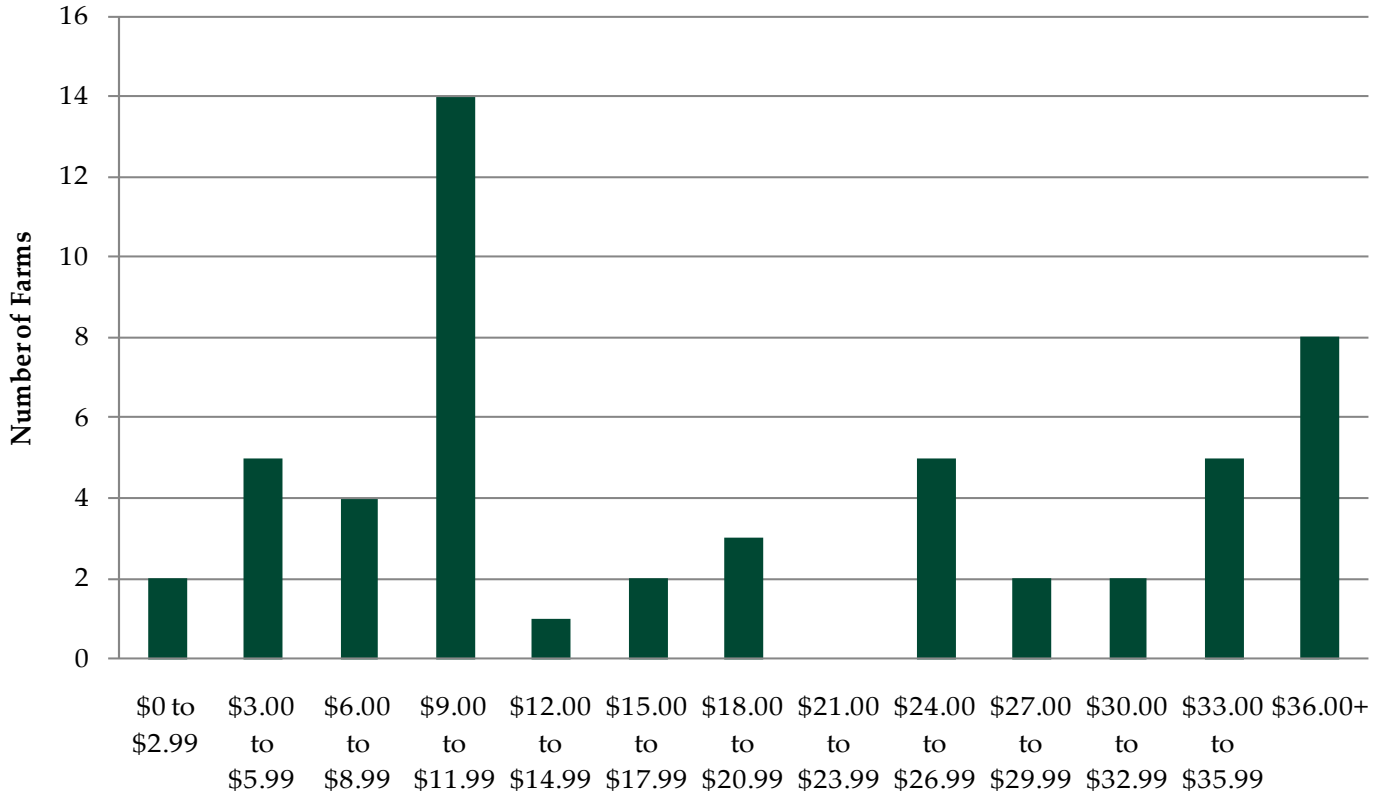
Caring for Horse While at Sale



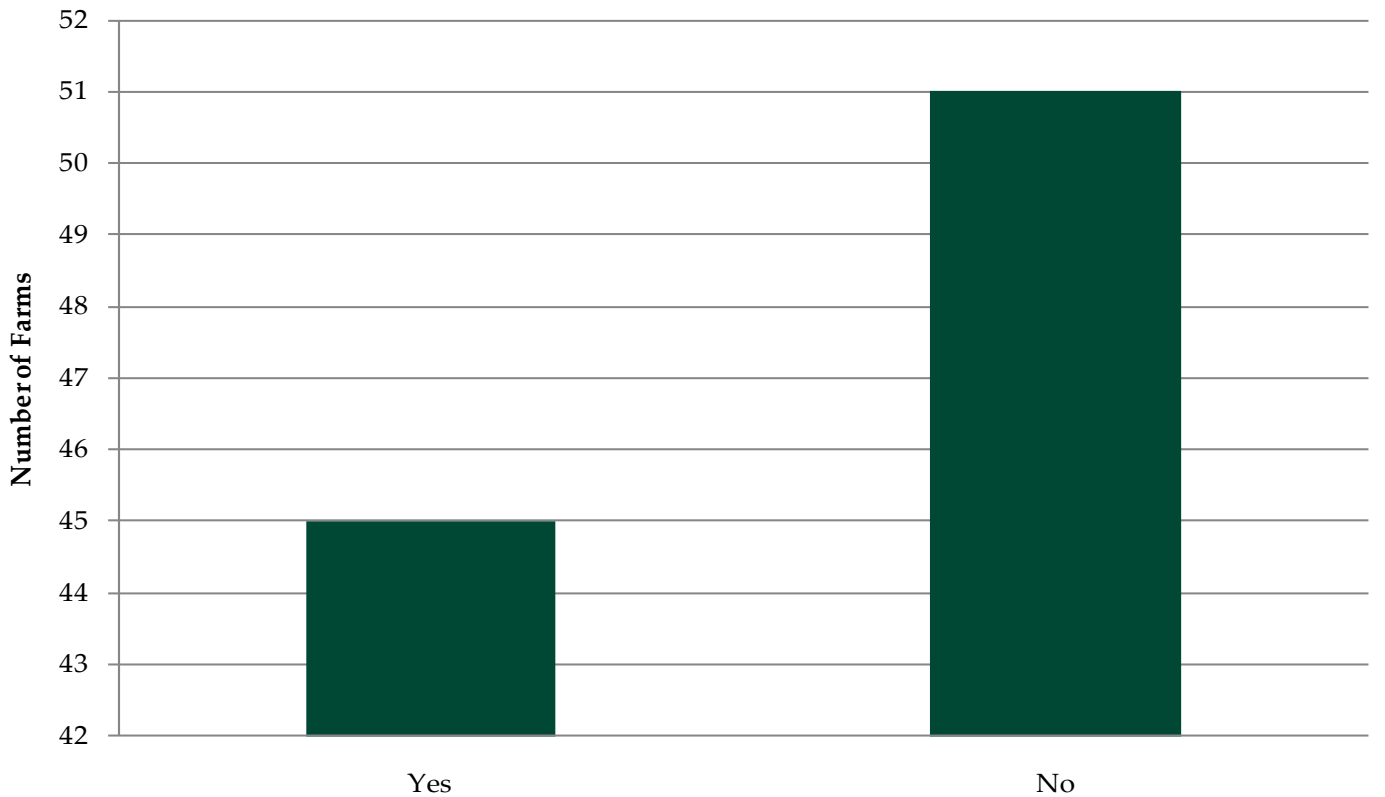
Sales Preparation



Lay-Ups

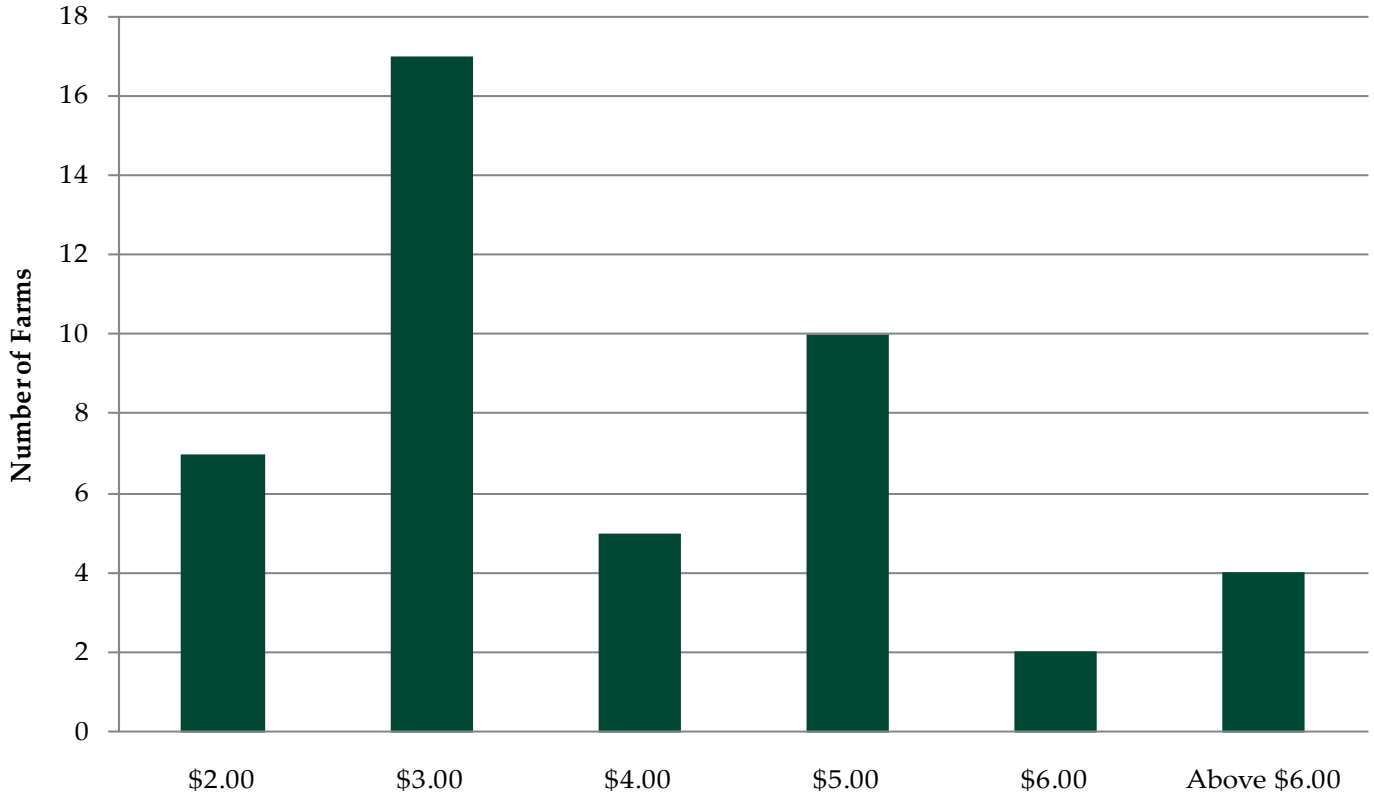


Farms Charging for Foals Not Yet Weaned

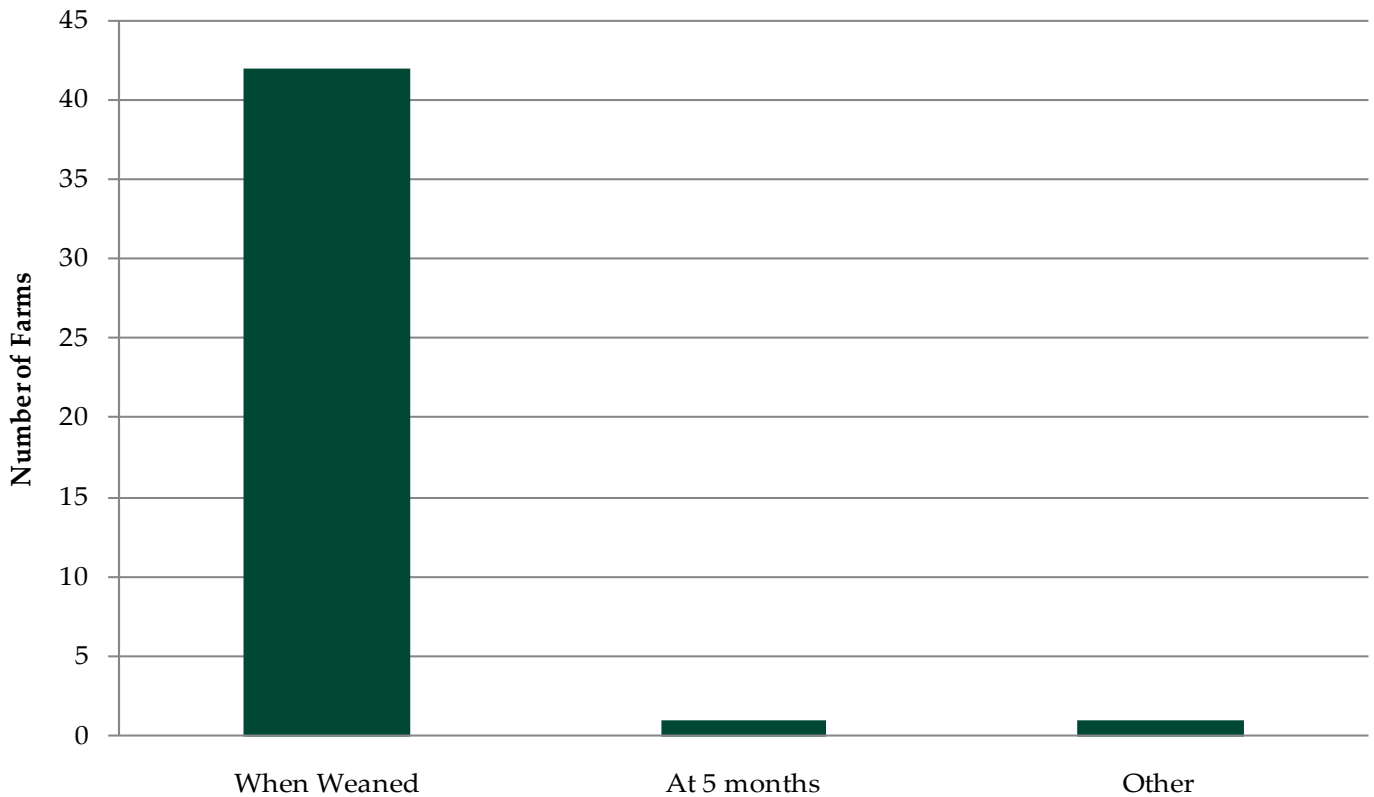


FARMS CHARGING FOR FOALS NOT YET WEANED

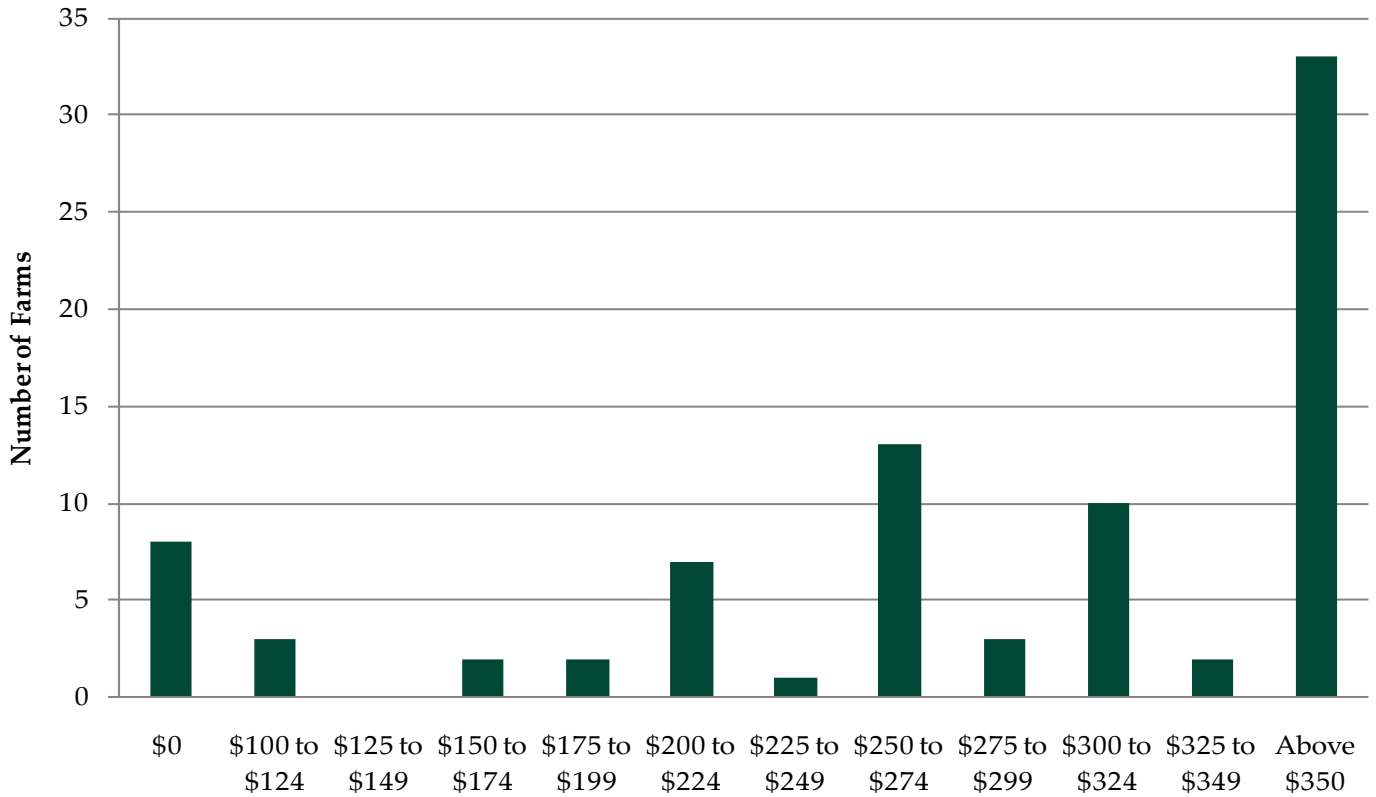
If Yes, Charged at Daily Rate of



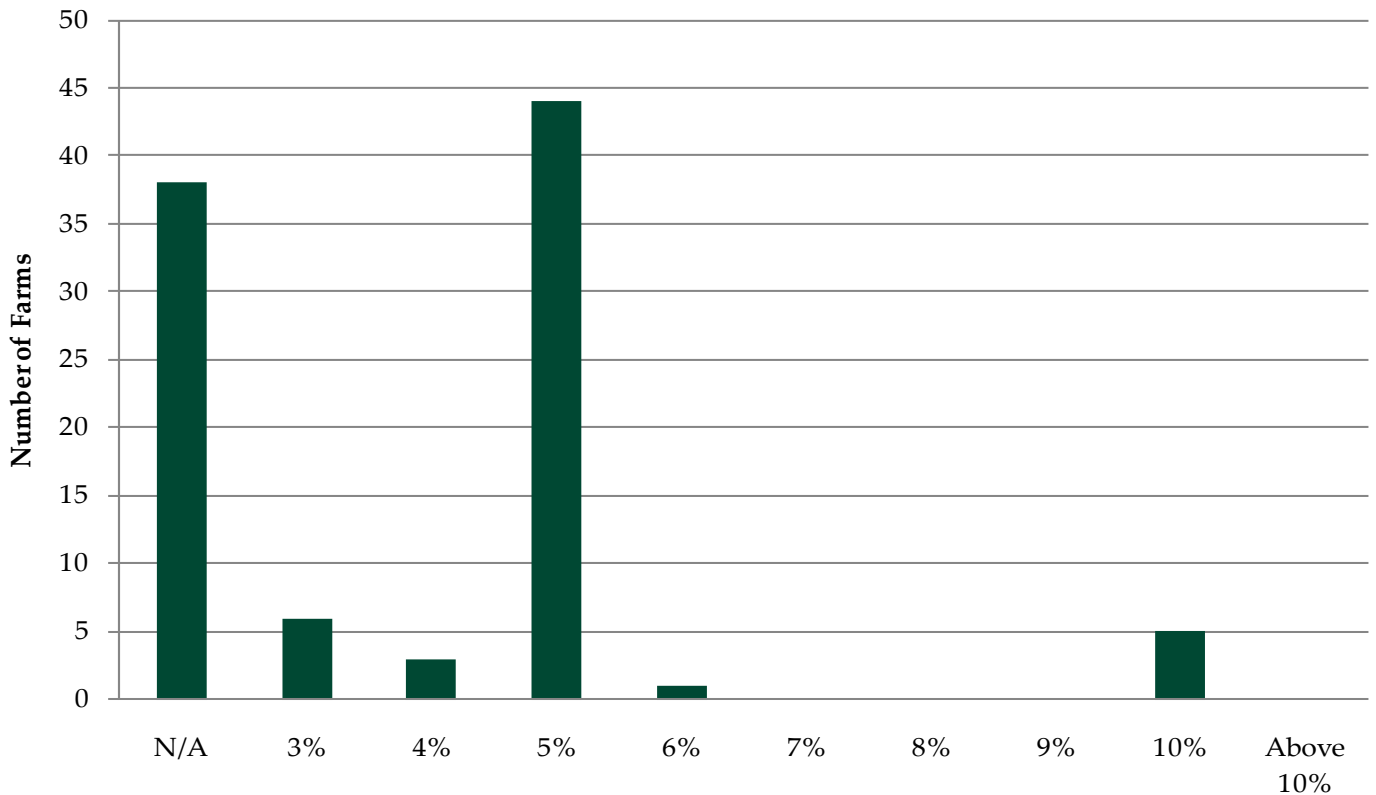
If No, Charge Begins When?



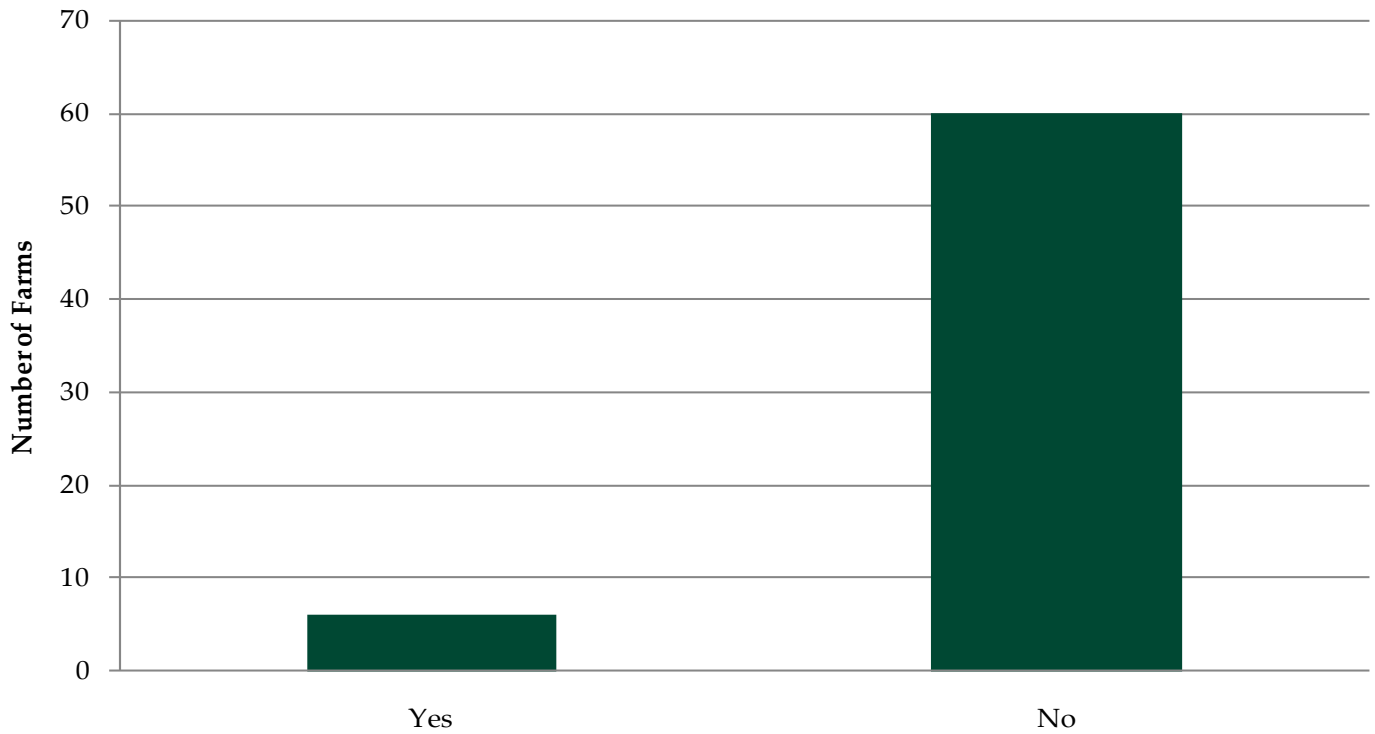
Standard Foaling Rates



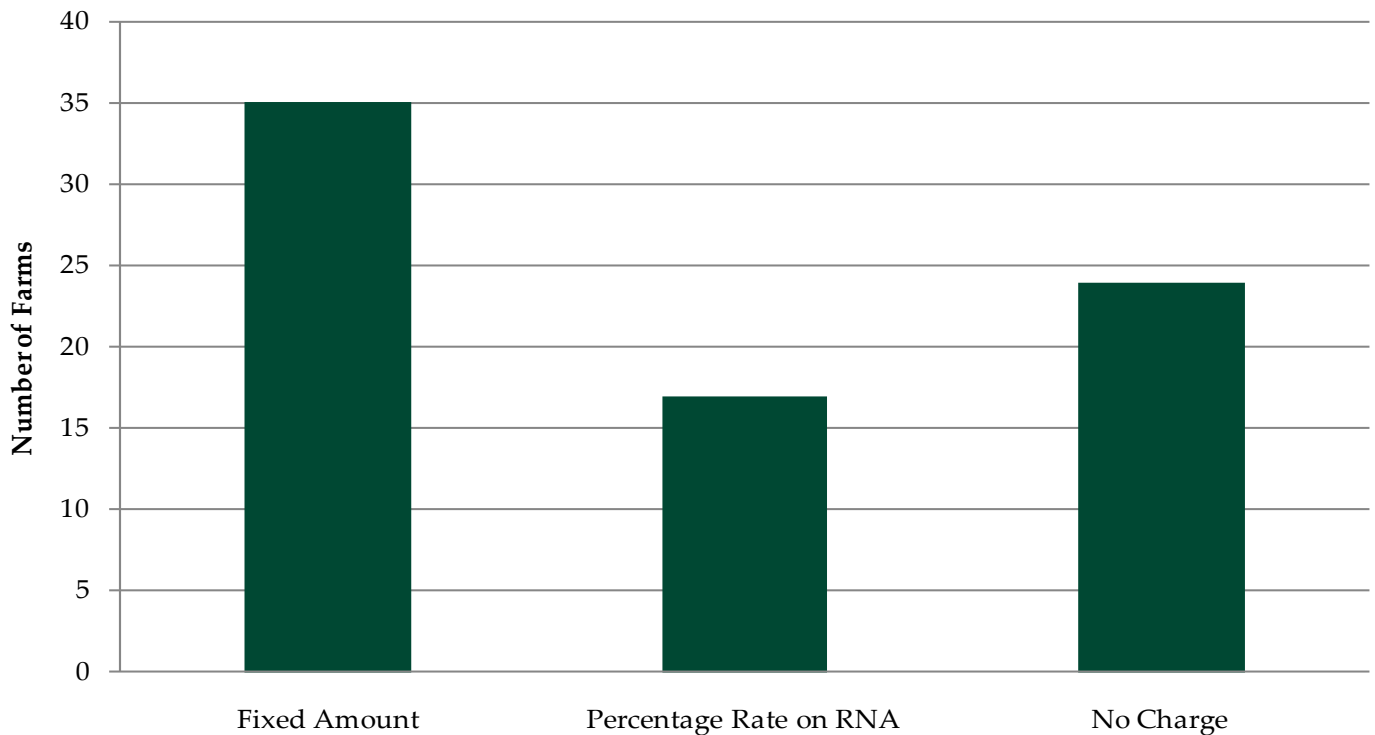
Sales Commission Charges - Flat Rate



Sales Commission Charges - Sliding Scale Once Sale Exceeds Certain Dollar Amount?

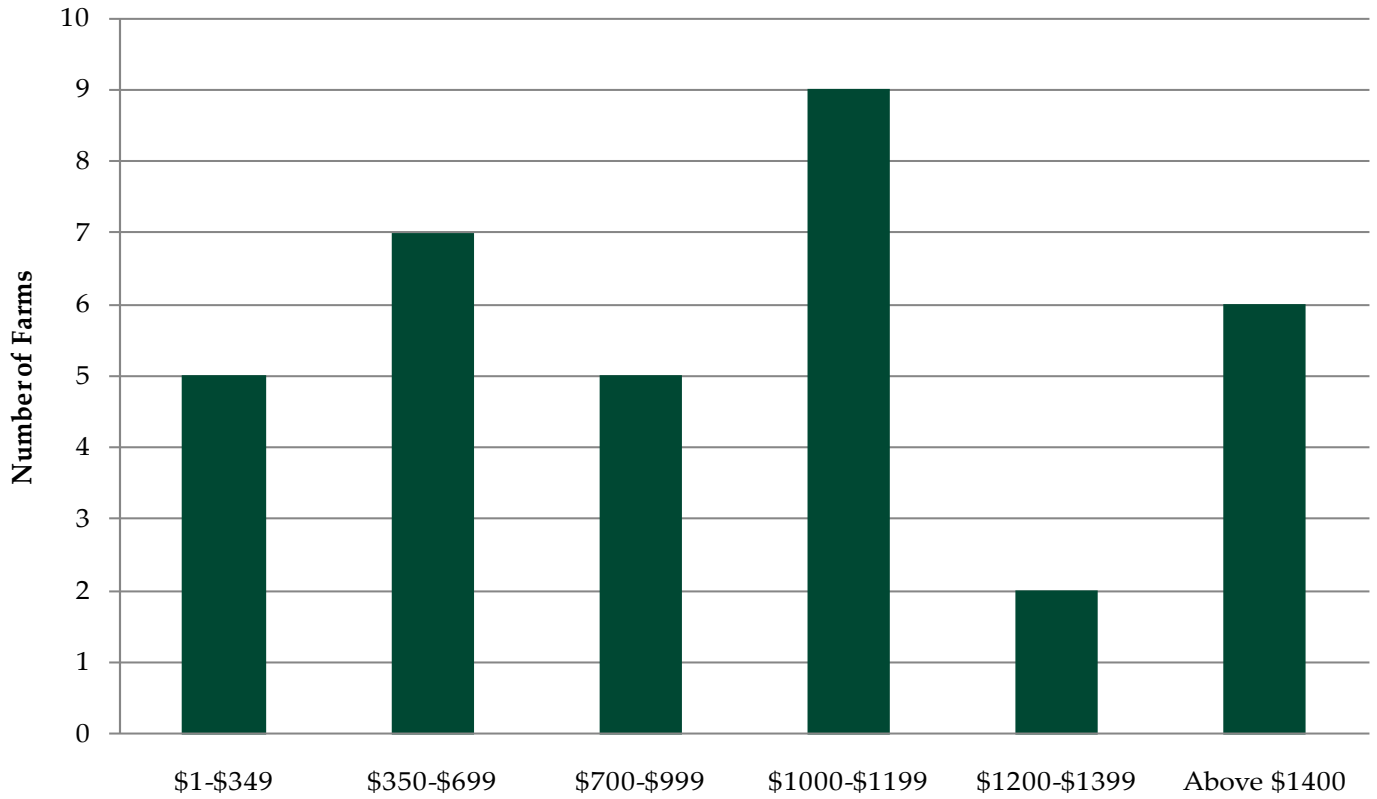


Charges for Horses Brought Back from Sales Unsold

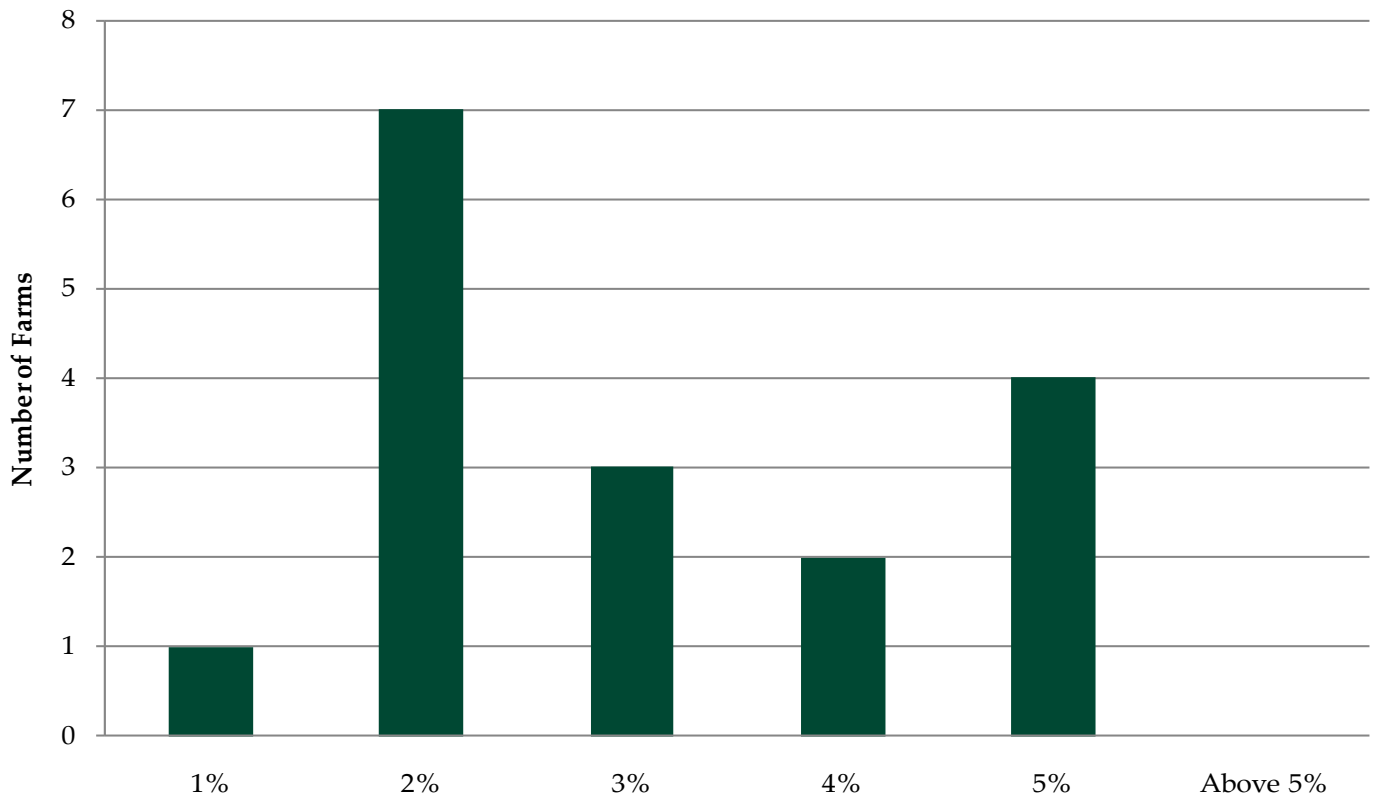


CHARGES FOR HORSES BROUGHT BACK FROM SALES UNSOLD

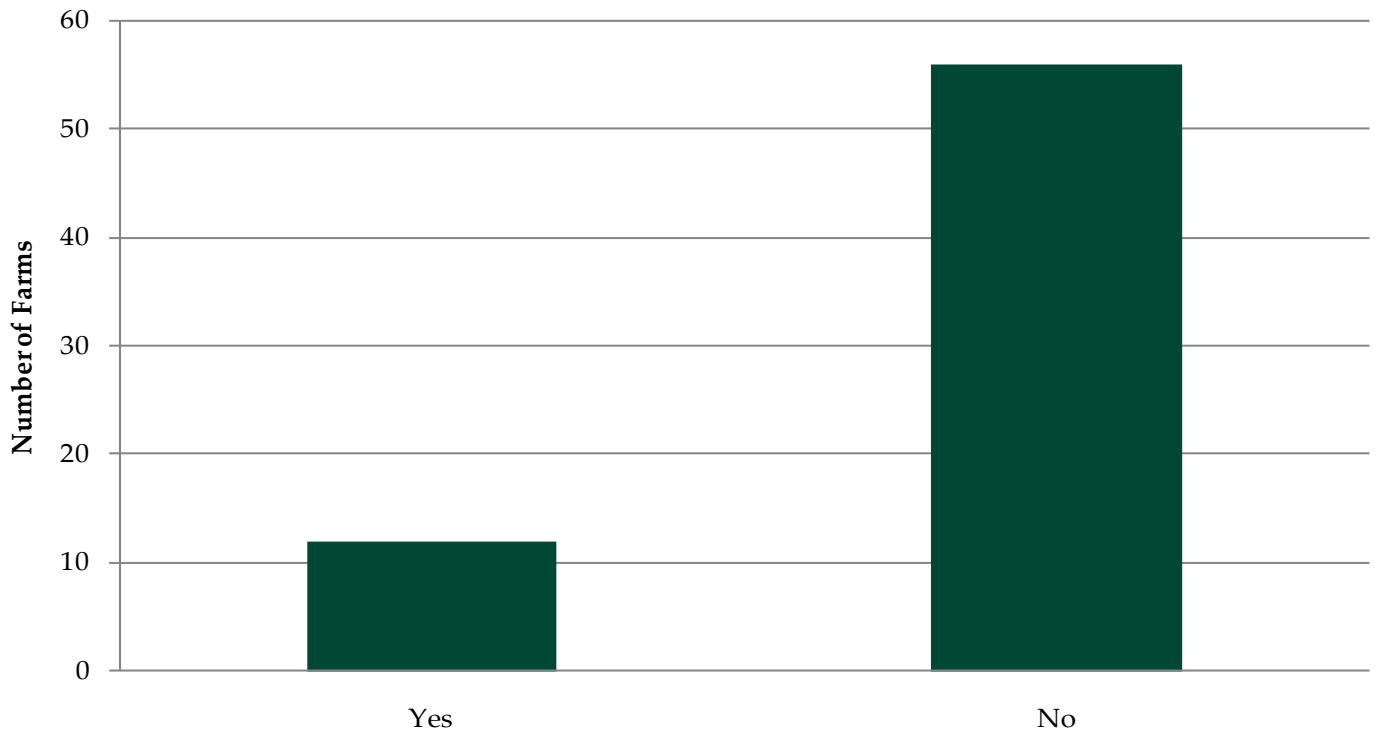
Fixed Amount Charged



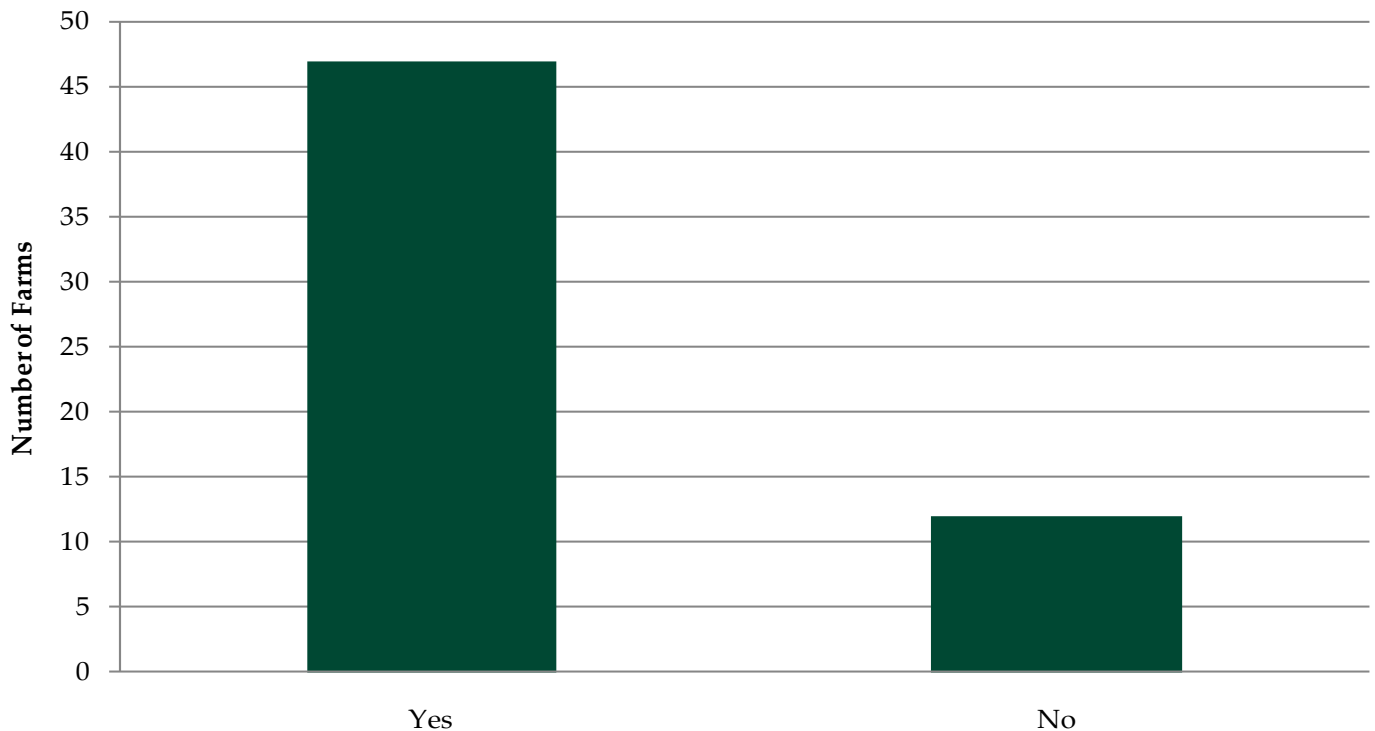
Percentage Rate on RNA Charged



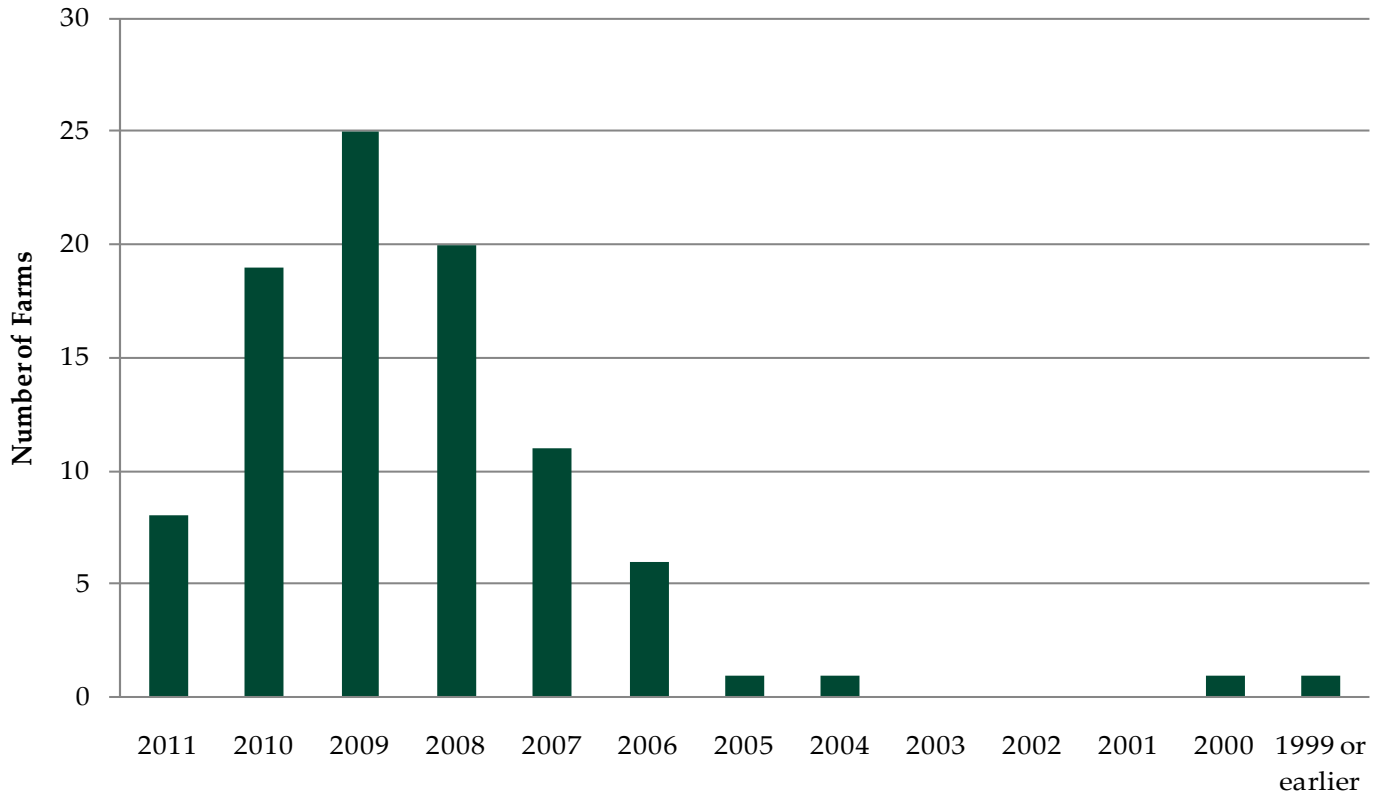
Do you charge a different commission rate for clients who board their broodmares with you?



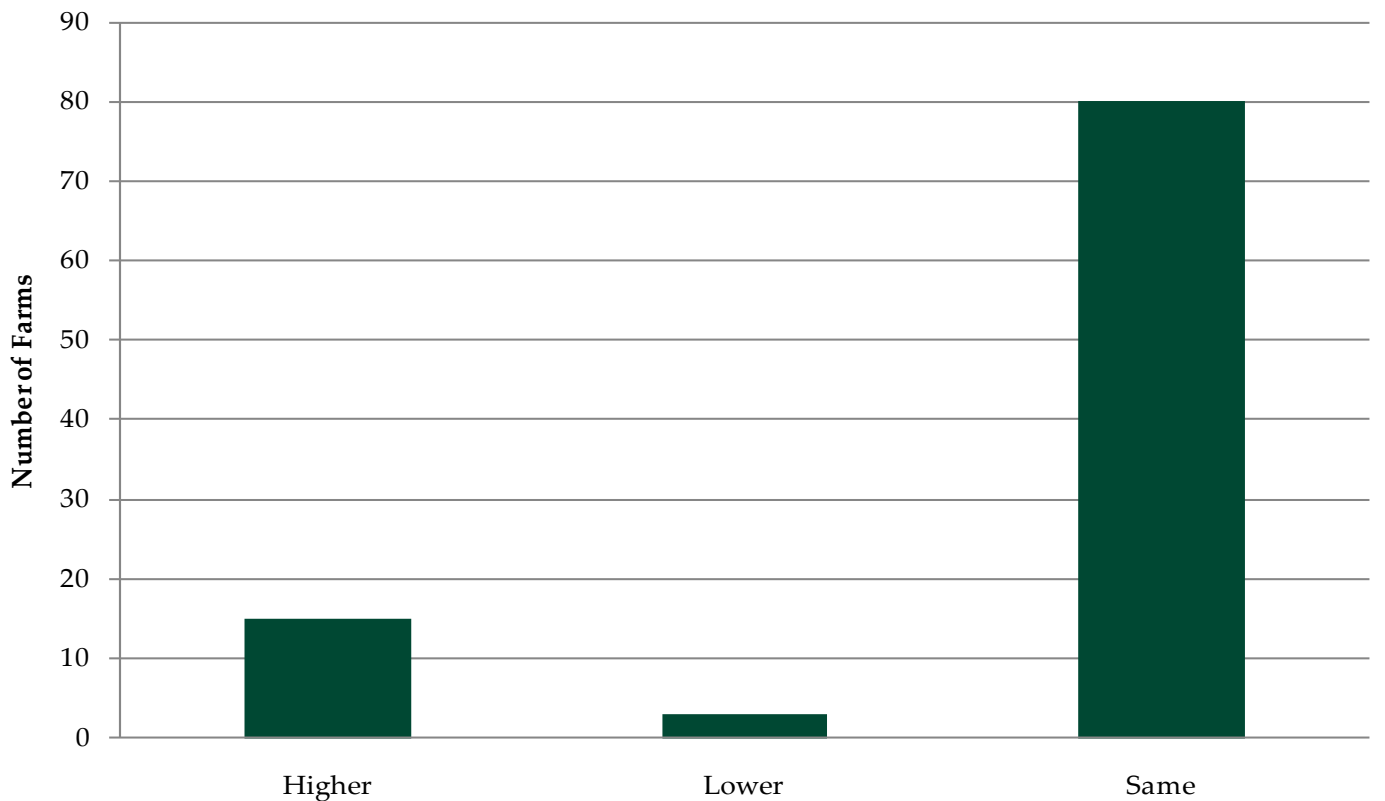
Separate Charge for Advertising of Horses that the Farm is Commissioned to Sell?



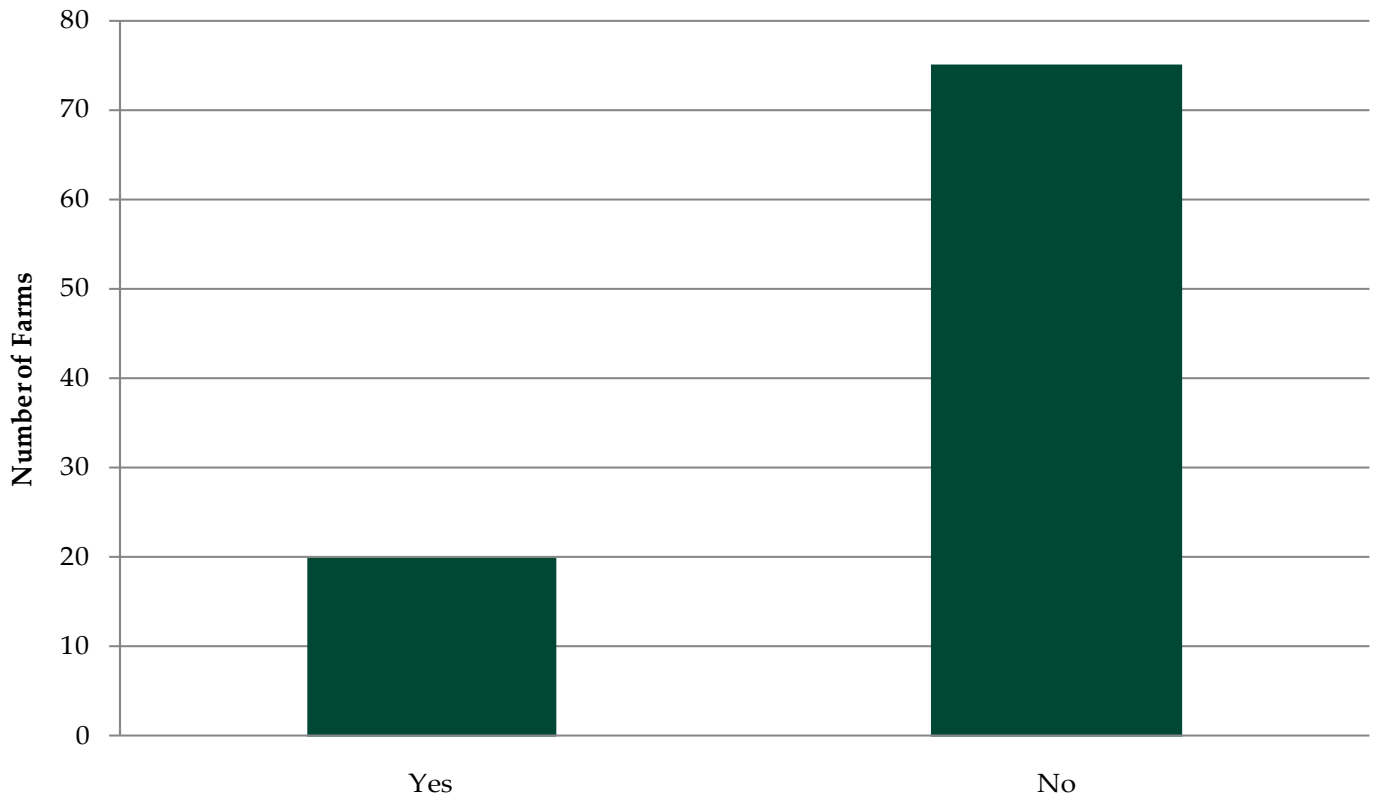
Last Adjusted Standard Daily Board Rates In



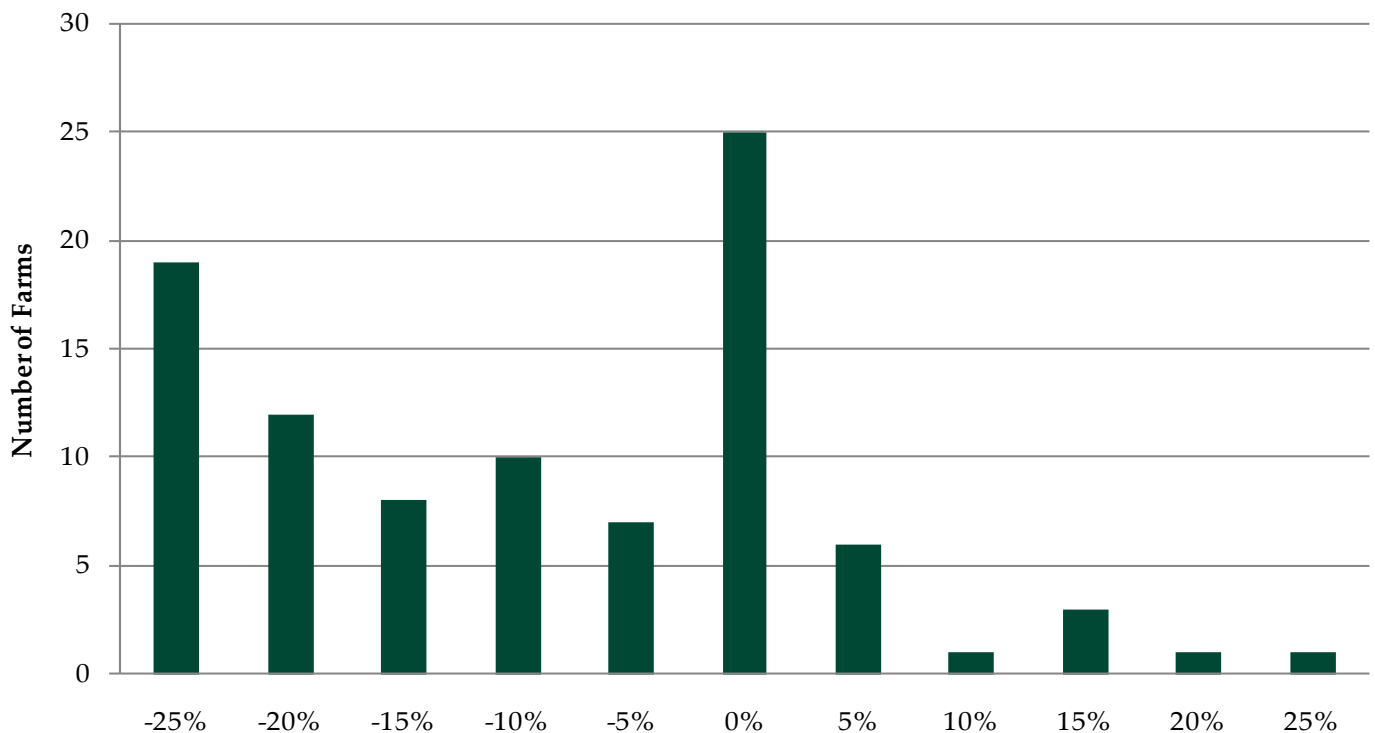
2011 Board Rates vs. 2010 Board Rates



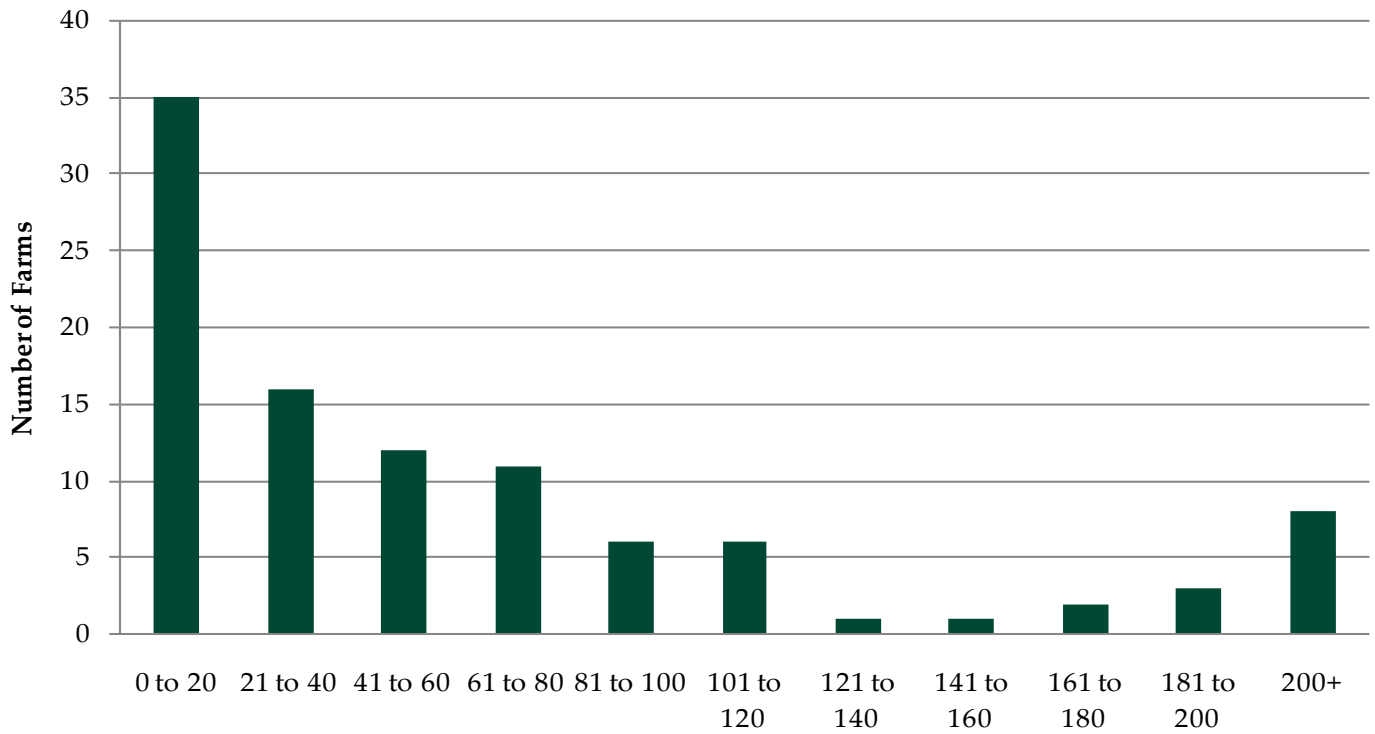
Boarding is a Profitable Stand Alone Business



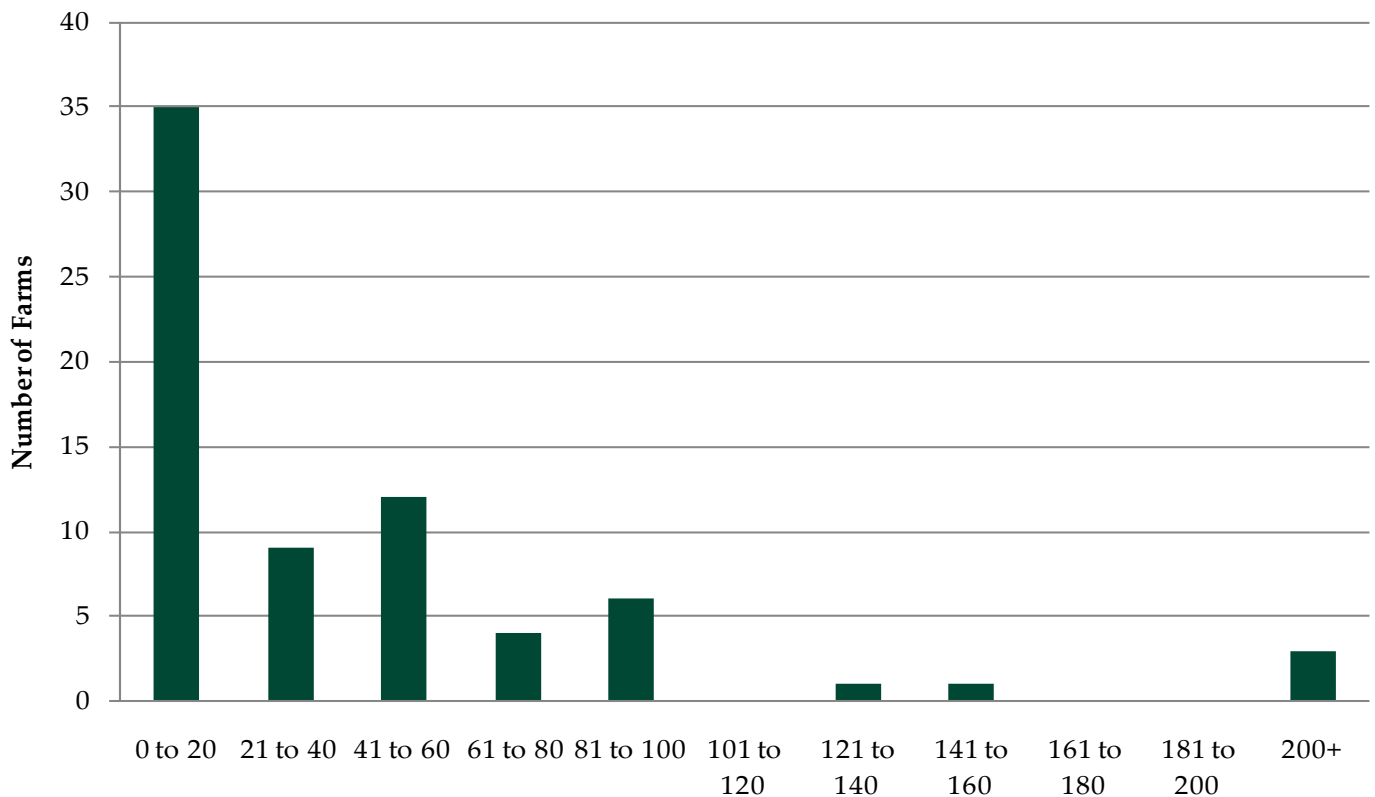
Percentage Change in Number of Horses Boarded Since Last Year



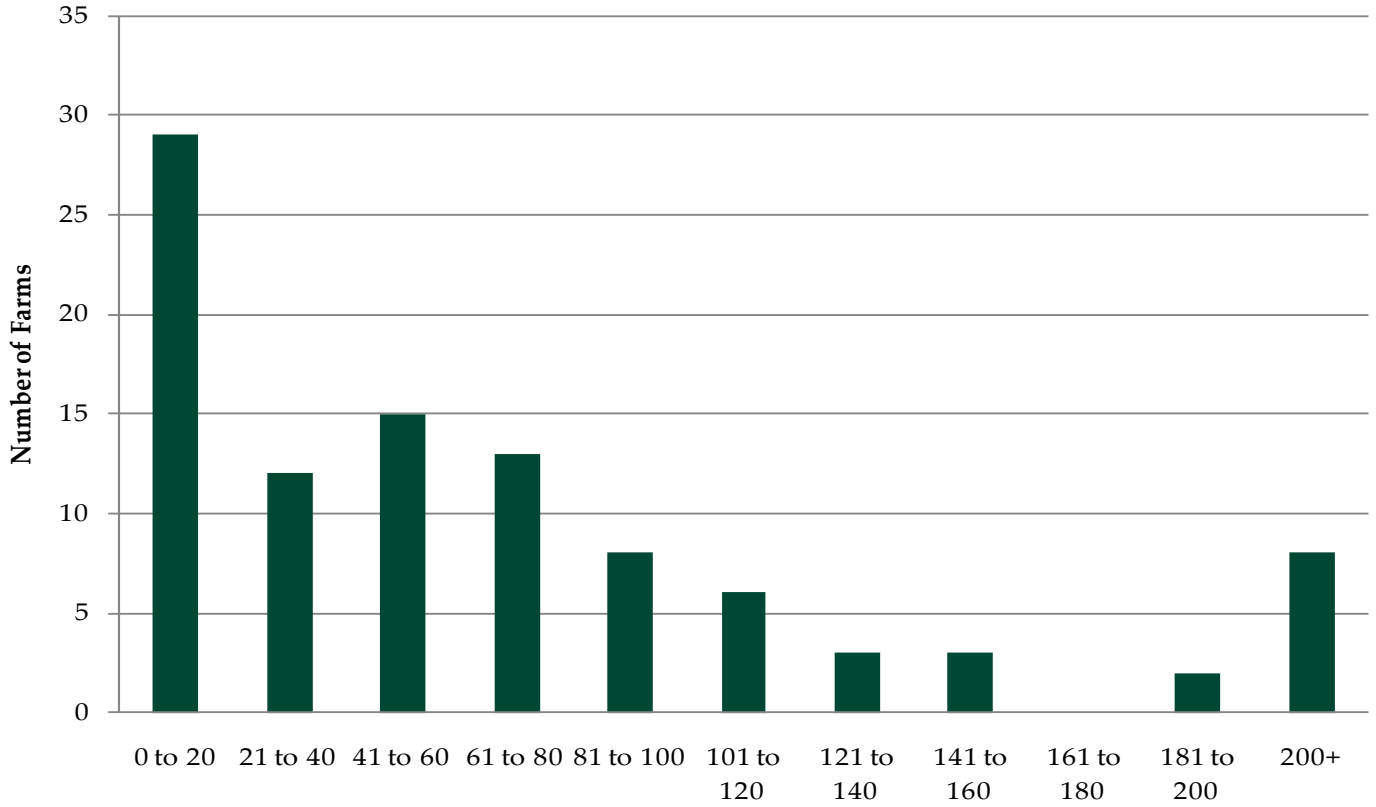
Number of Horses Boarded Per Day - Annual Average



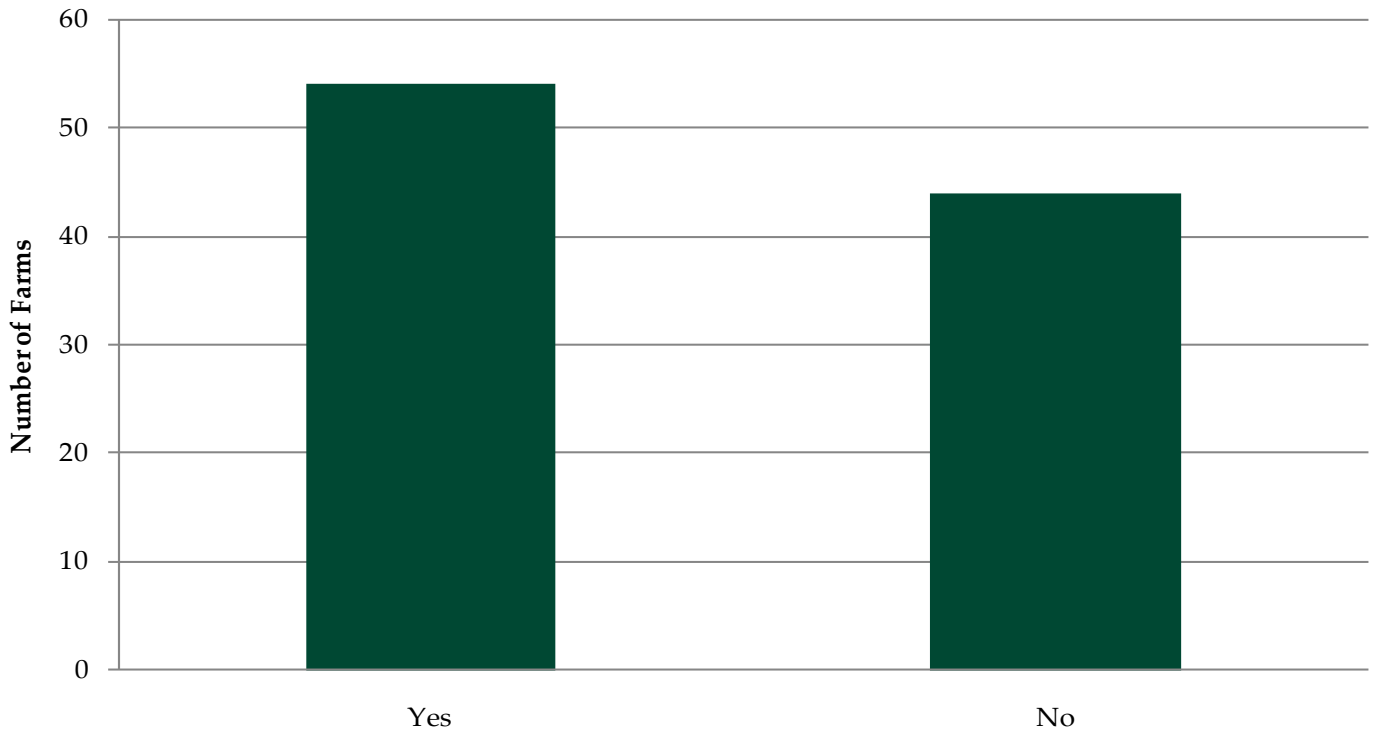
Number of Horses Boarded Per Day - Seasonal



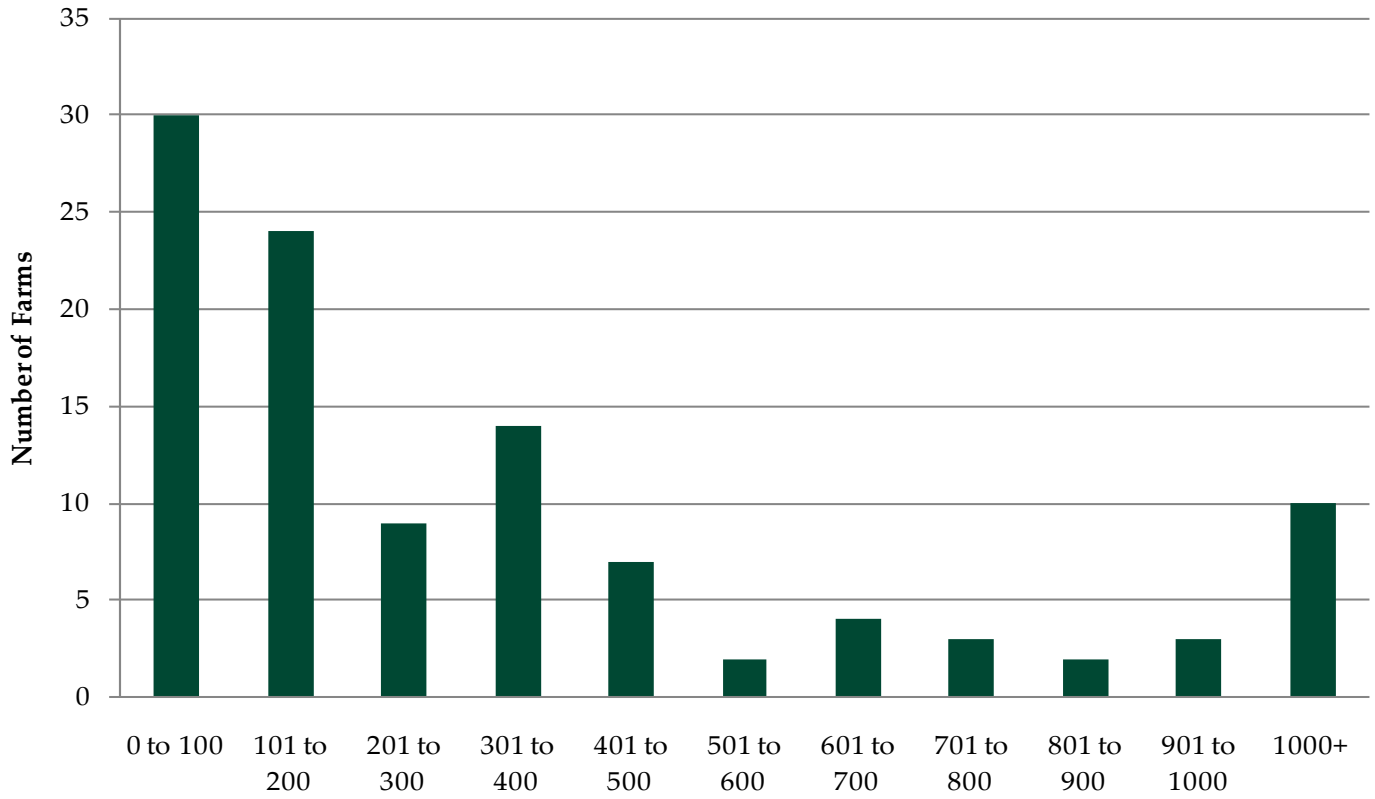
Number of Stalls for Boarding Purposes



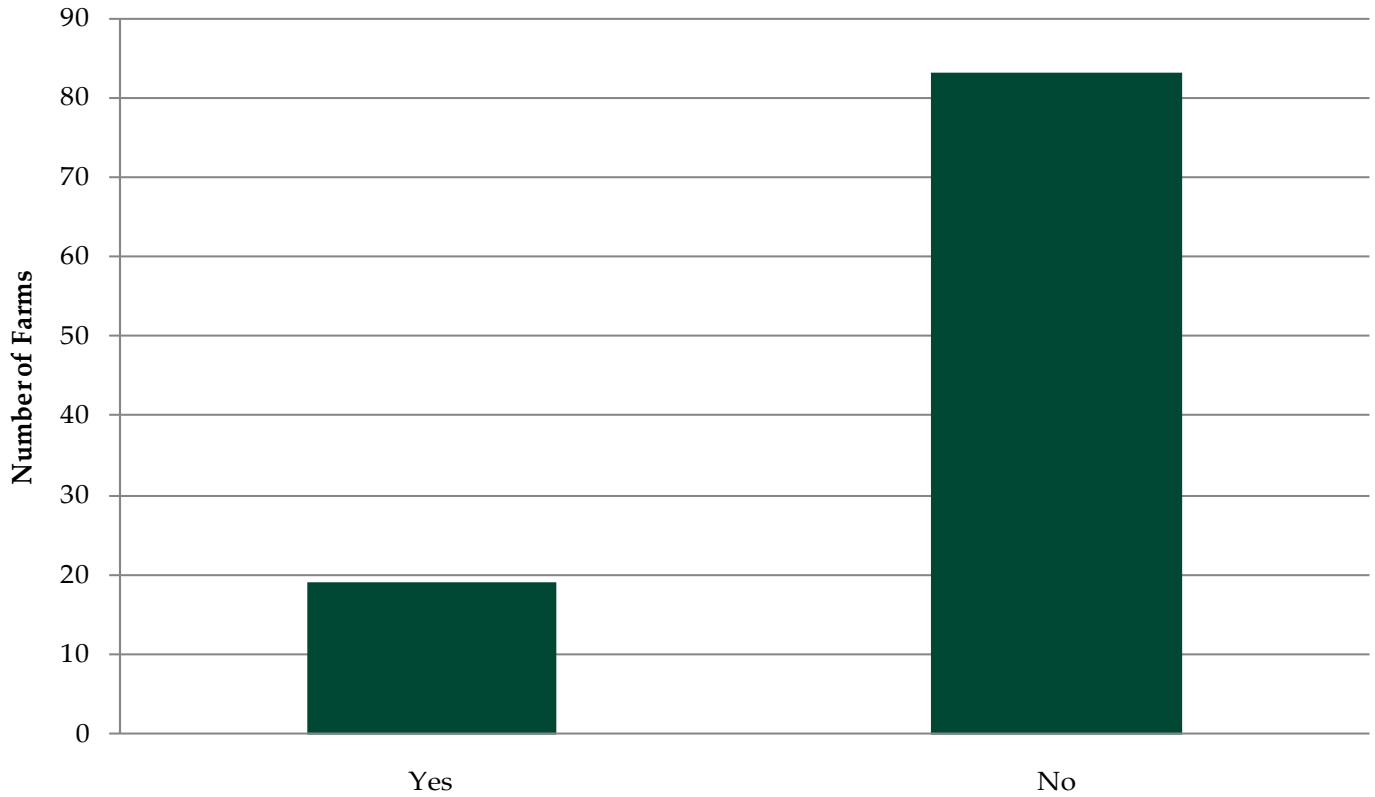
Farms that Currently have Excess Boarding Capacity



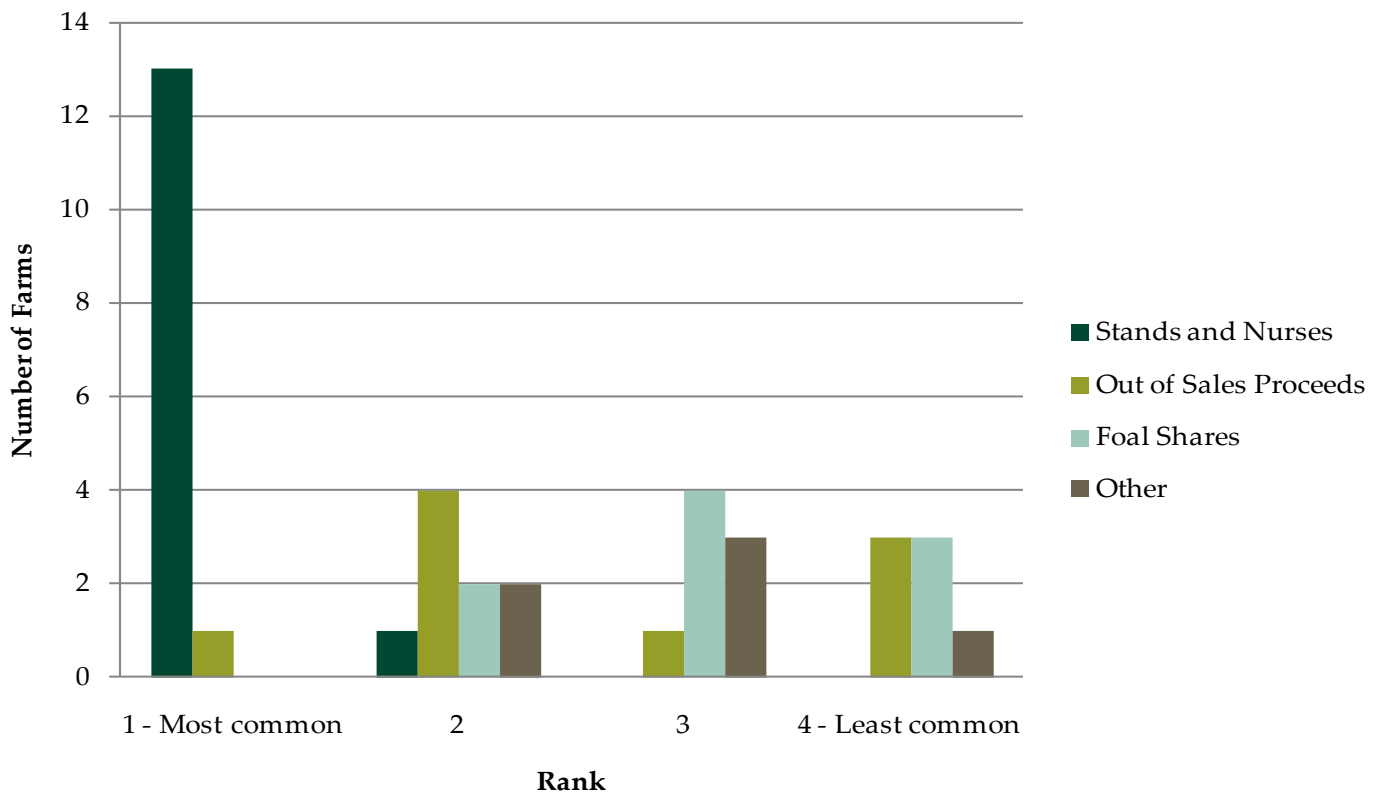
Acreage of Farm



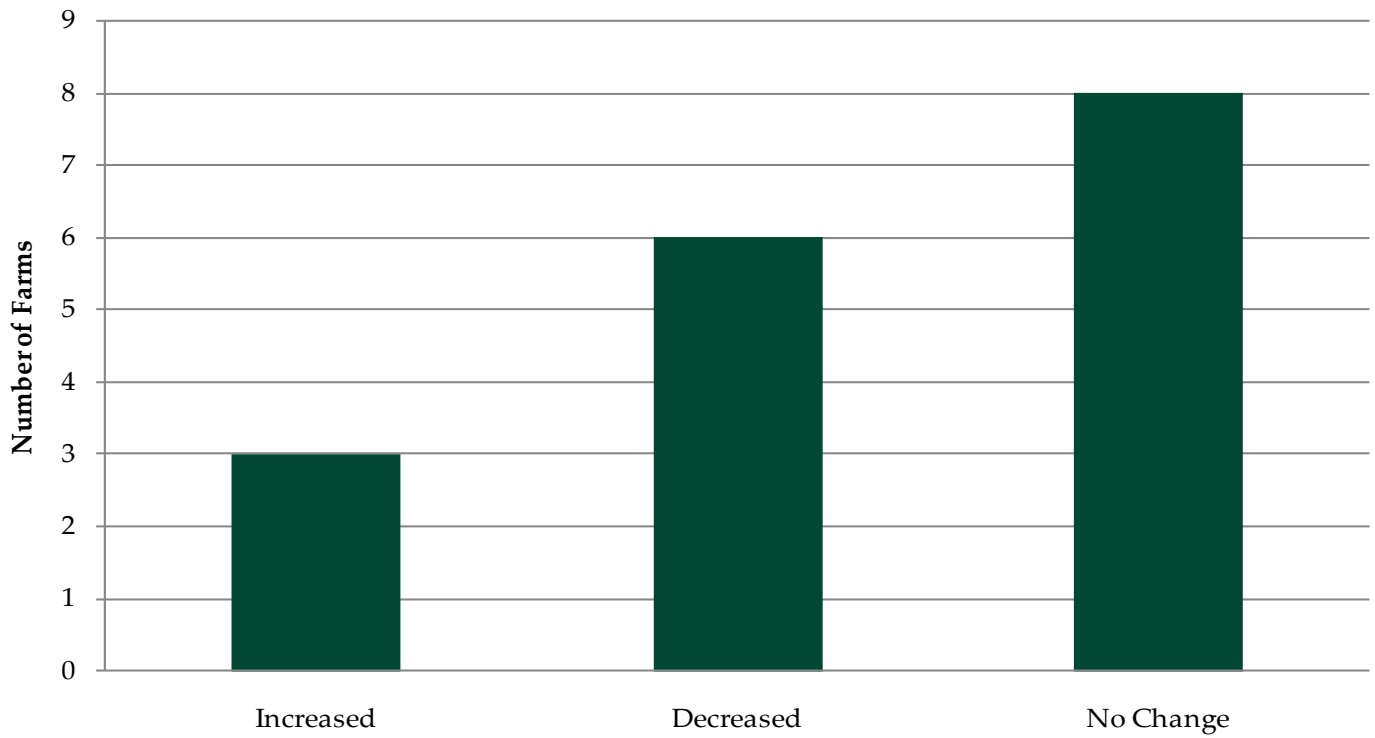
Stallions Standing at Your Farm



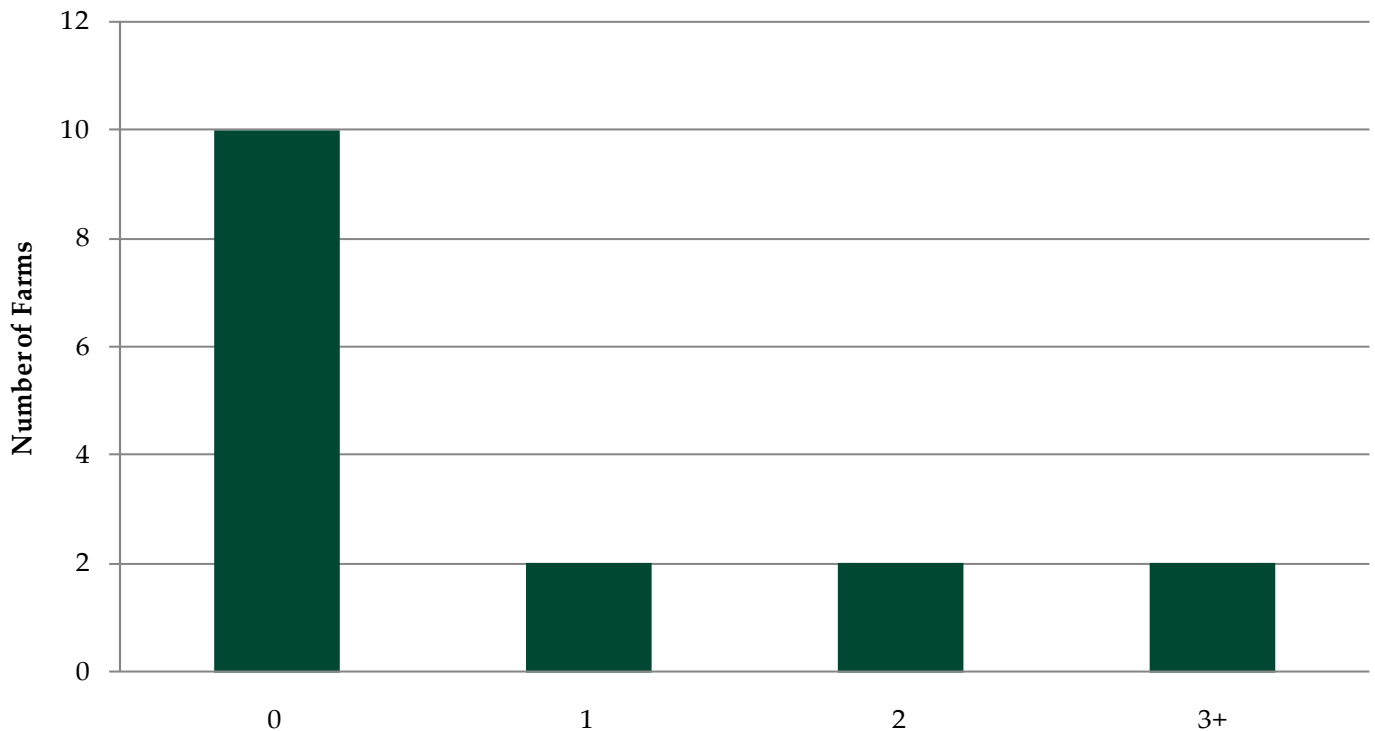
Breeding Contracts Issued



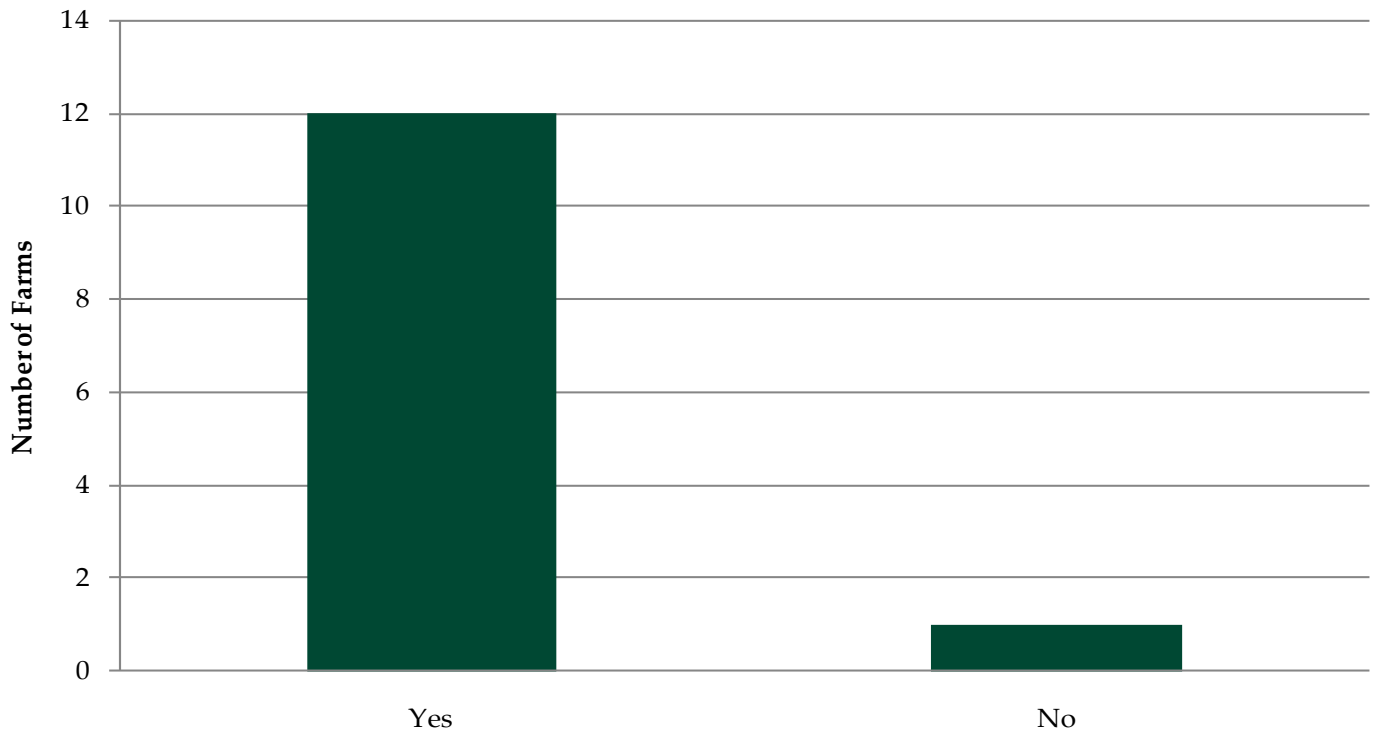
Number of Stallions Standing in 2011 versus 2010



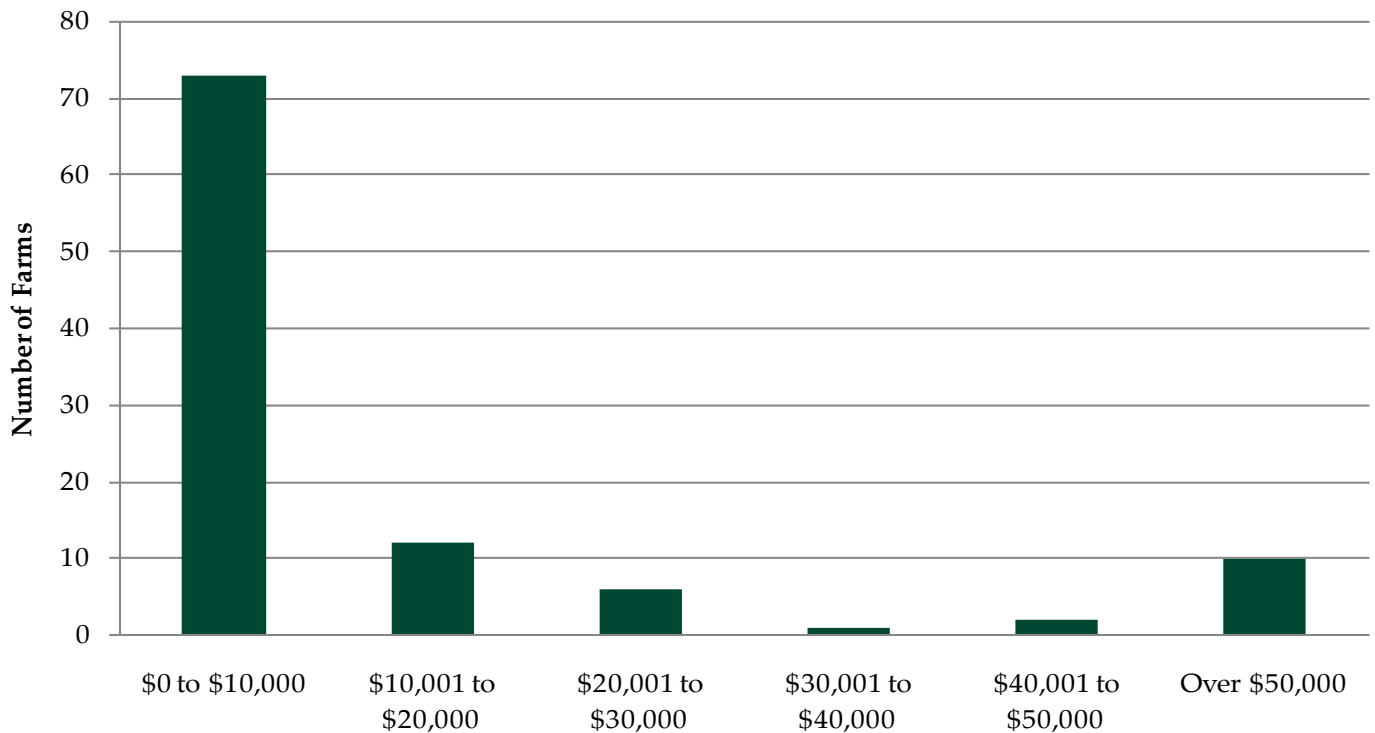
Number of Stallions Moved to Other States in 2011



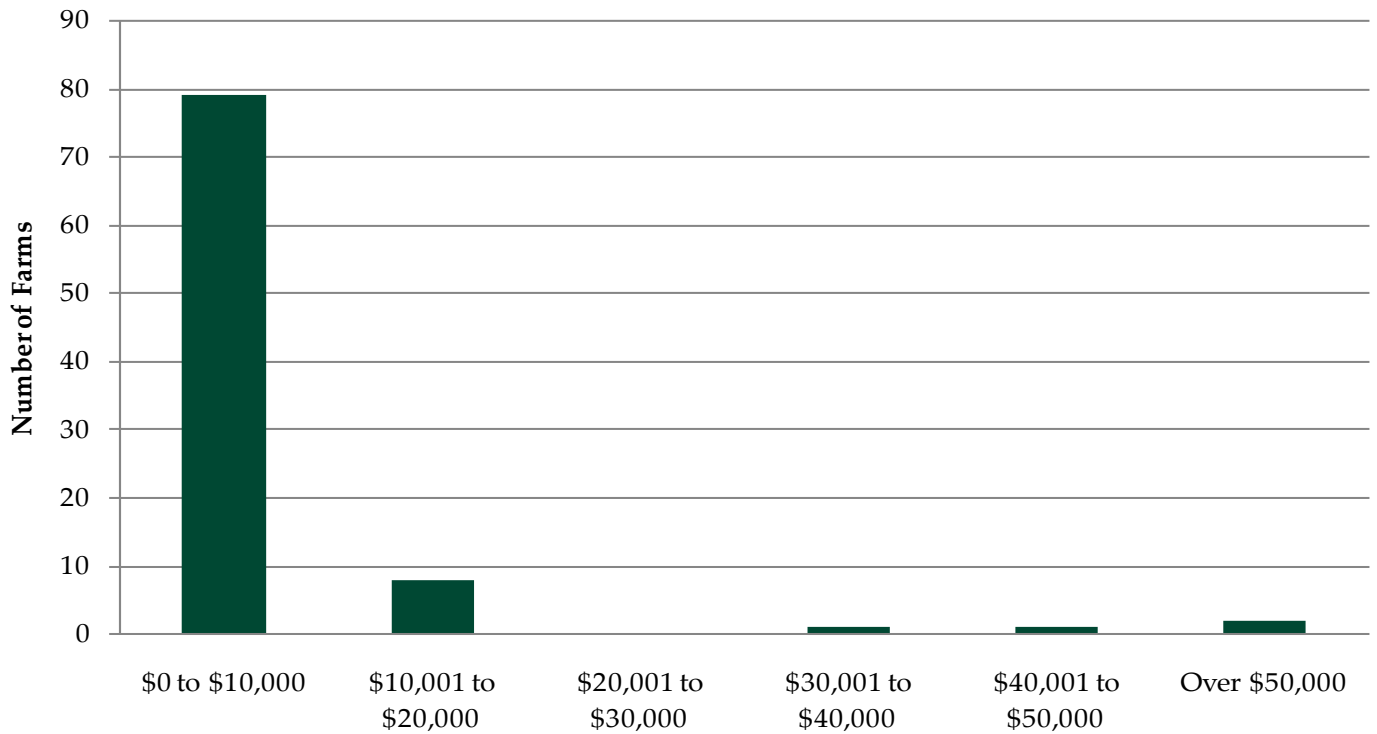
Advertising Expenses Charged to Stallion Owner(s)?



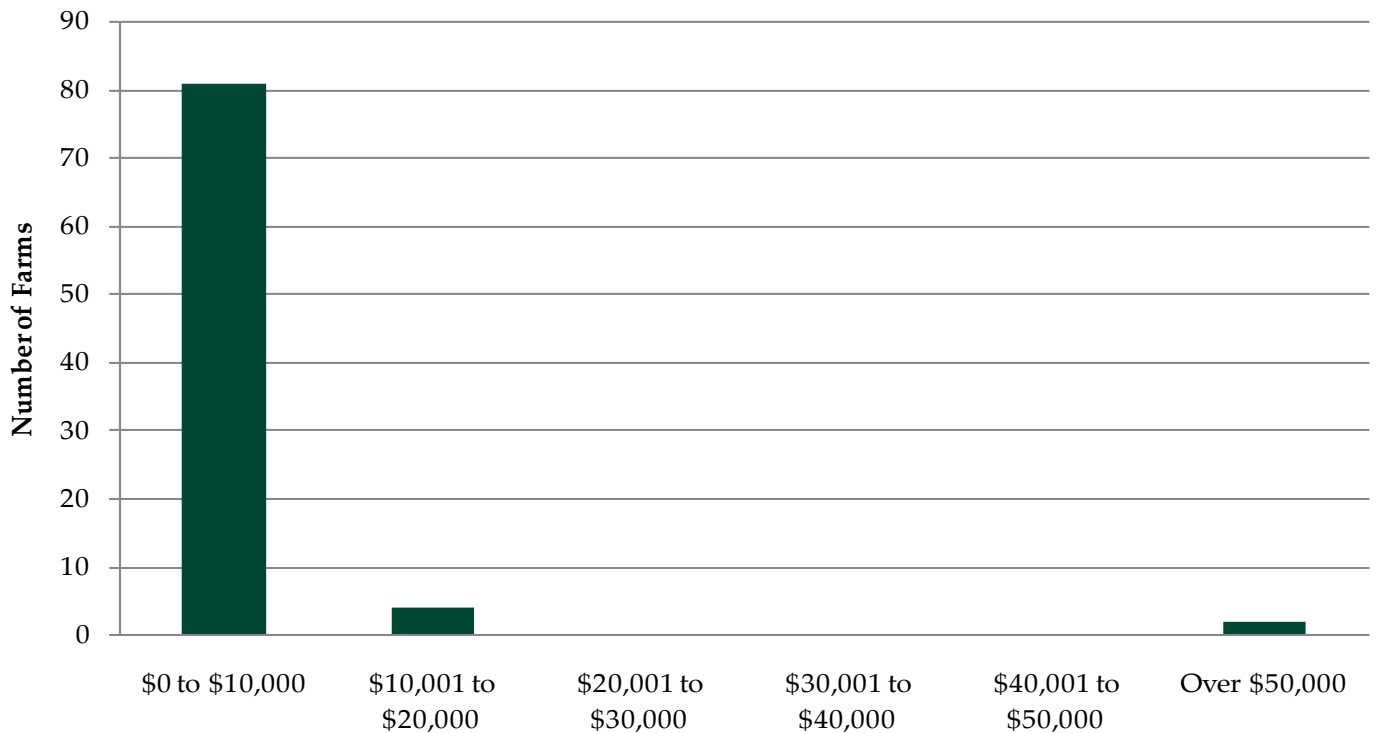
Money Earned from Kentucky Breeder's Incentive Fund in Past Year



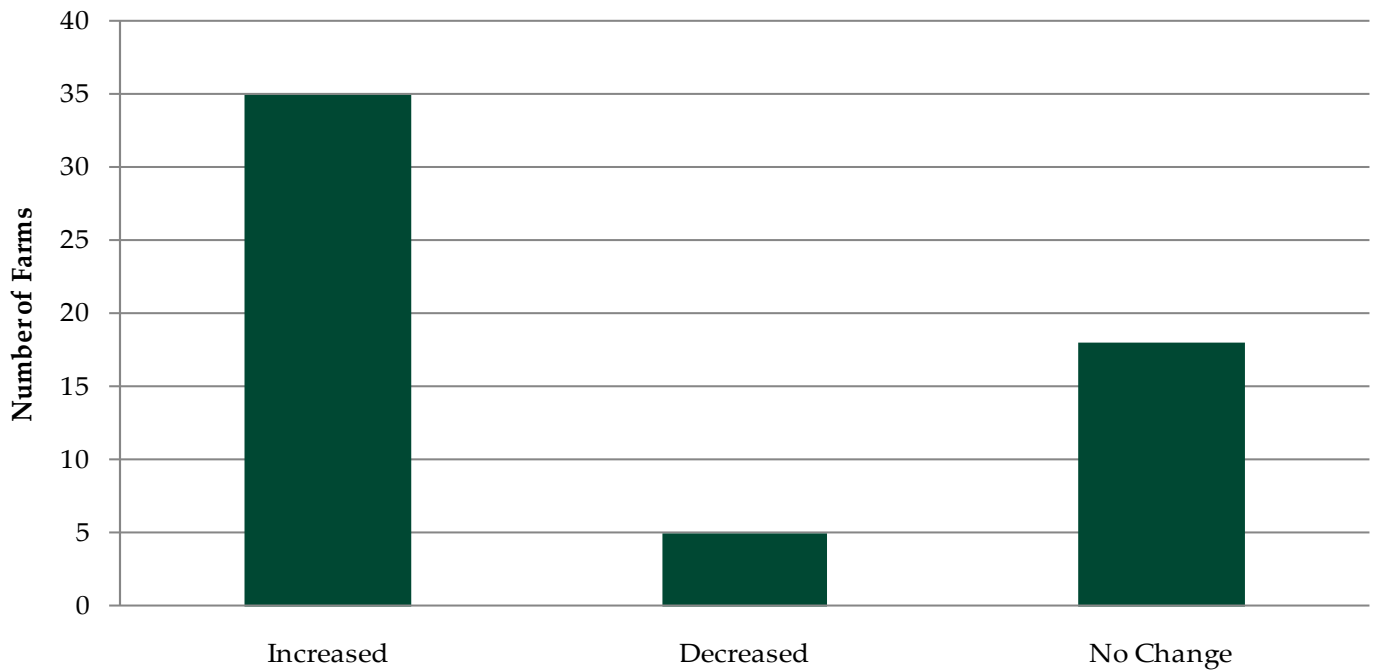
Money Earned from Other State Breeder's Incentive Funds in Past Year



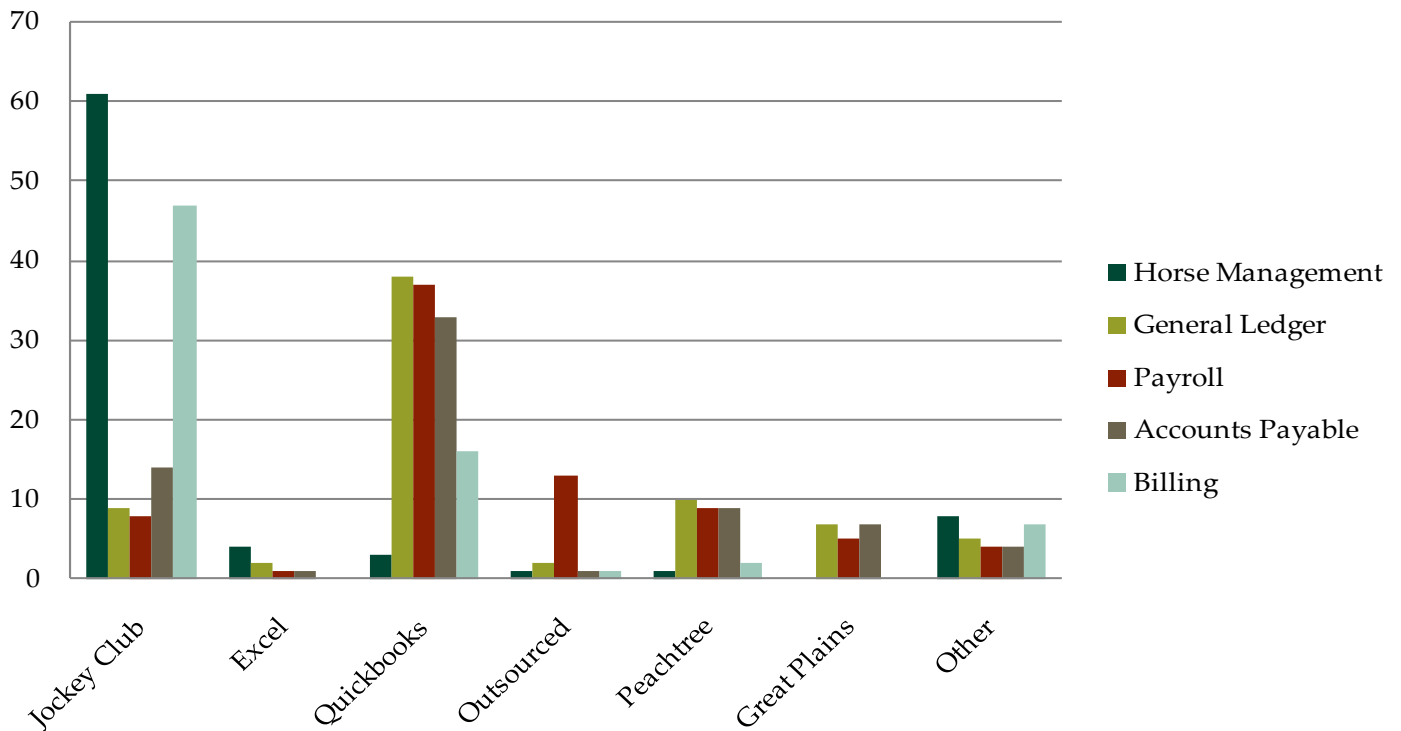
Money Earned from Breeders' Cup Breeders Fund in Past Year



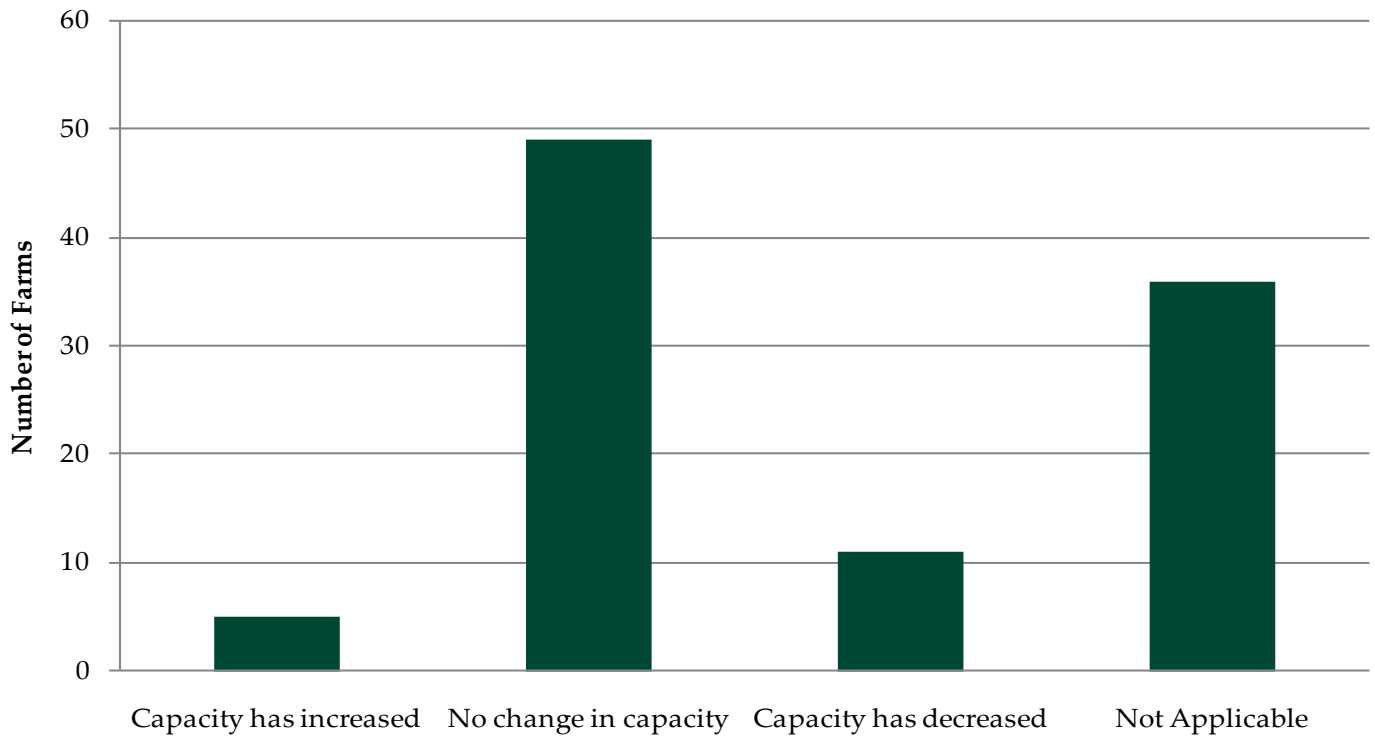
Change in Delayed Payment or Financing Arrangement for Stallion Service Contracts from 2010



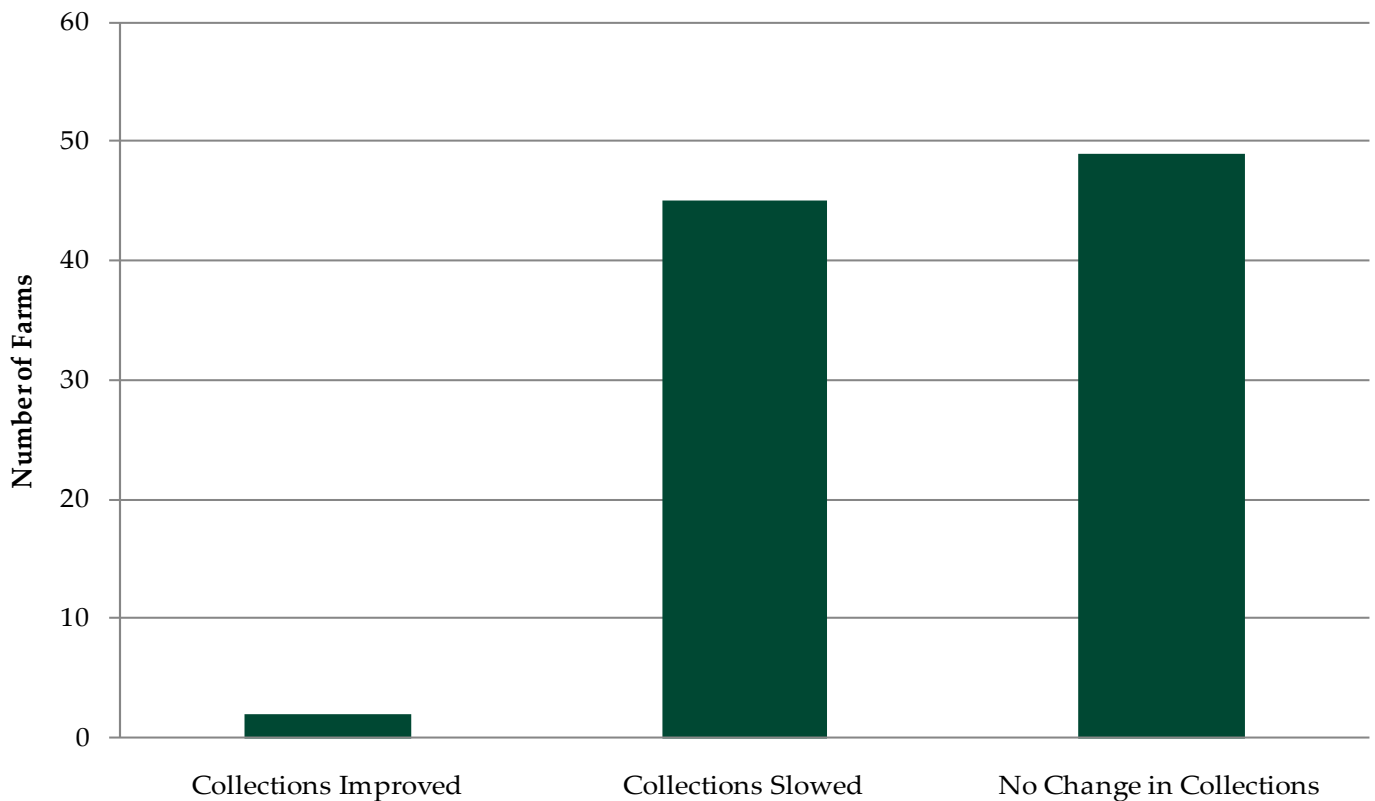
Computer Programs Used for Farm Management Applications



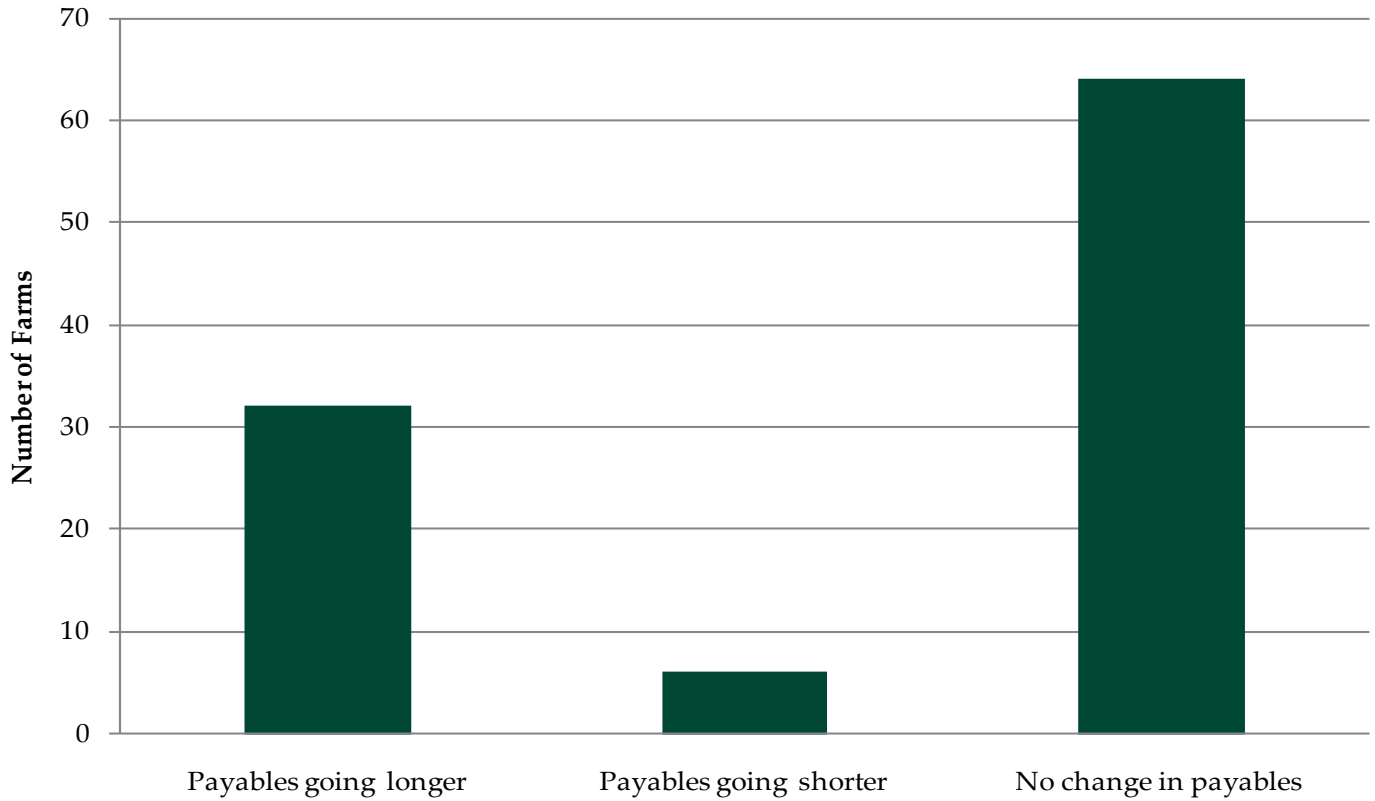
Change in Borrowing Capacity with Financial Lender Since Last Year



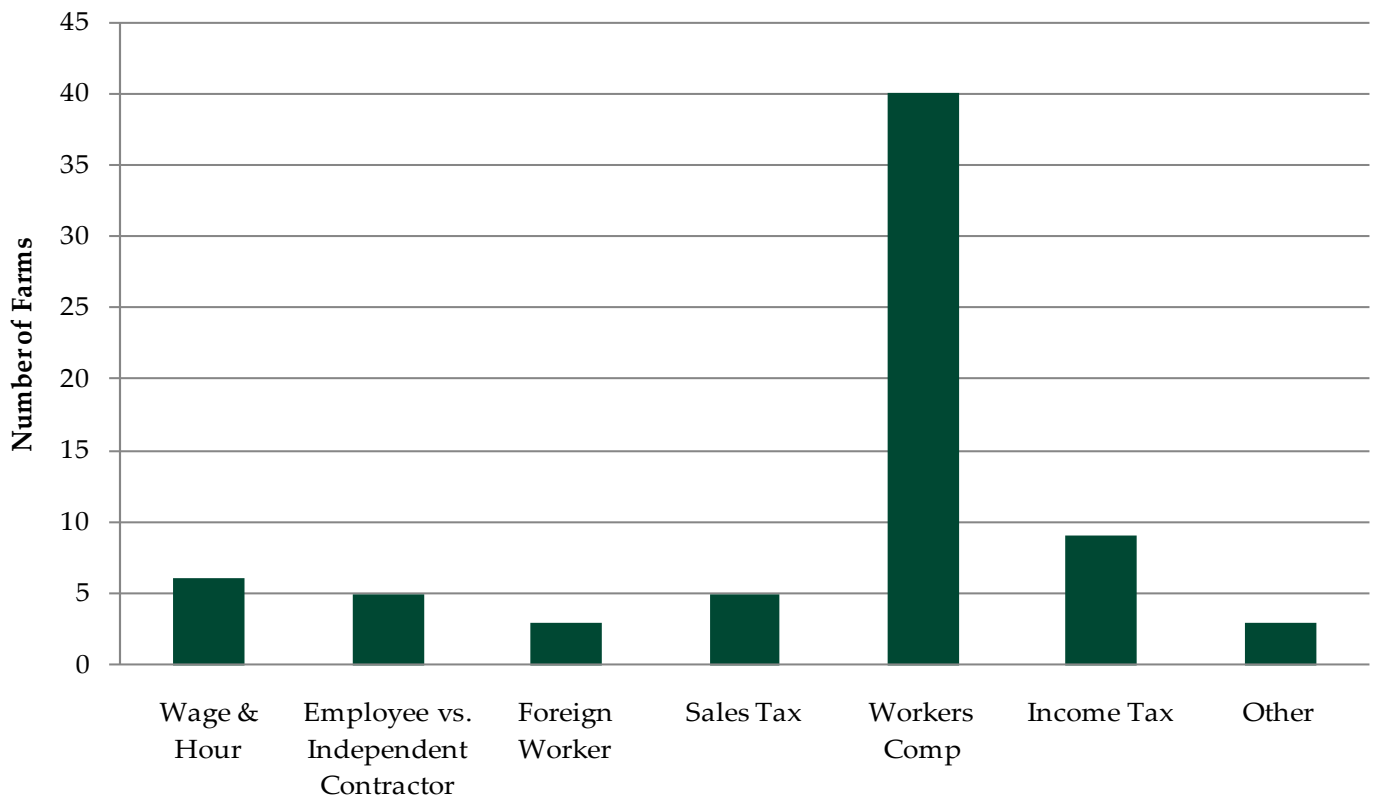
Change in Collections Since Last Year



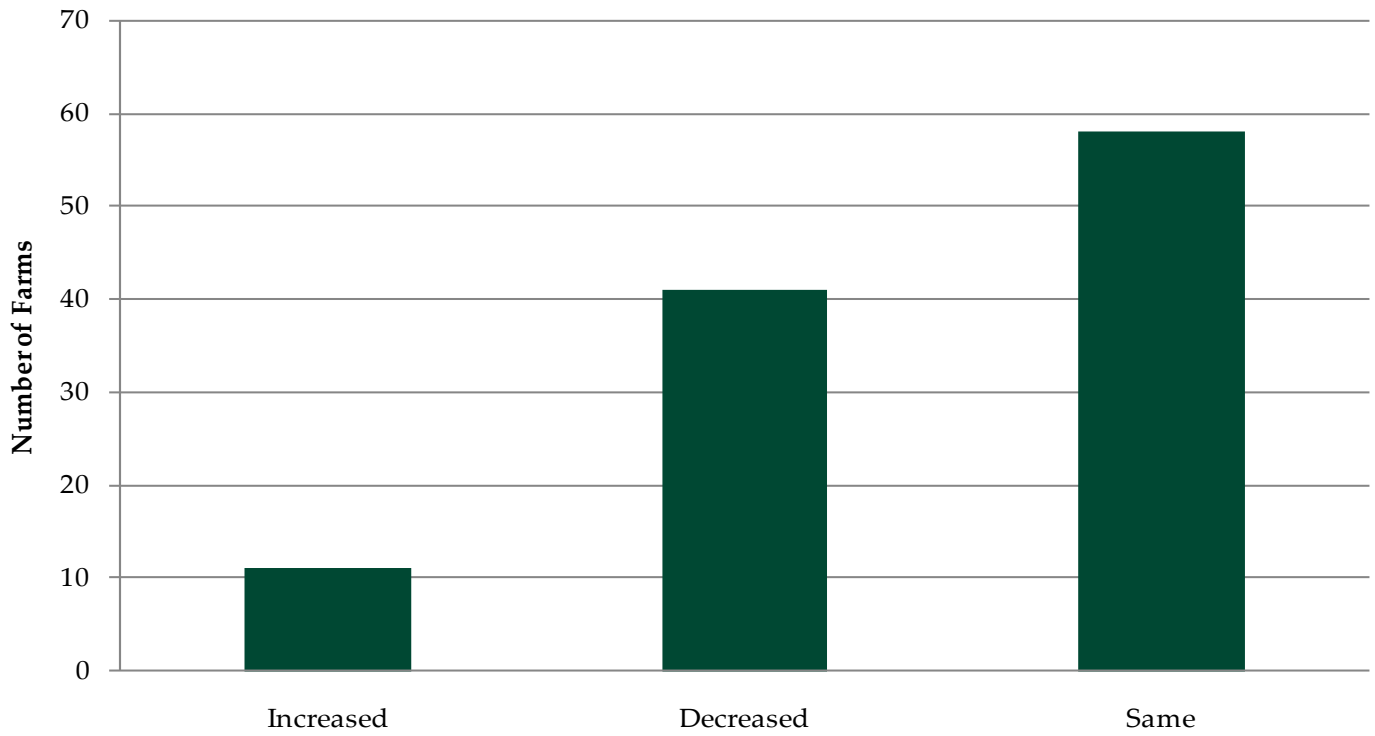
Change in Payables Since Last Year



Audits in Last Three Years, By Issue



Change in Number of Employees in 2011 versus 2010



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