



HORSE RACING COMMITTEE

NOTICE OF MEETING and AGENDA

June 20, 2016

Pursuant to the Massachusetts Open Meeting Law, G.L. c. 30A, §§ 18-25,
Notice is hereby given of a meeting of the Horse Racing Committee.
The meeting will take place on:

Monday, June 20, 2016

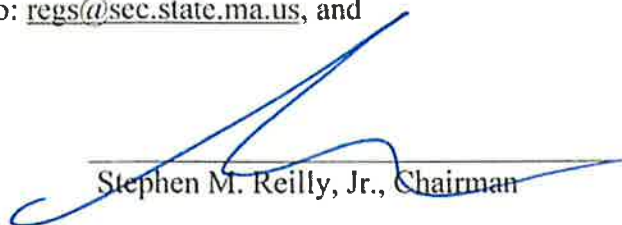
11:00 a.m.

**at the Massachusetts Gaming Commission
101 Federal Street, 12th Floor
Boston, Massachusetts**

1. Call to order
2. Approval of Minutes – May 3, 2016
3. Review, discussion and vote on Race Horse Development Fund split at the request of Harness Horsemen's Association dated February 7, 2015 - VOTE
4. Other business – reserved for matters the Chair did not reasonably anticipate at the time of posting

I certify that on this date, this Notice was posted as "Horse Racing Committee Meeting" at www.massgaming.com and emailed to: regs@sec.state.ma.us, and melissa.andrade@state.ma.us.

6/10/16
DATE


Stephen M. Reilly, Jr., Chairman

Date Posted to Website:

6-10-2016



Massachusetts Gaming Commission



Division of Racing

Massachusetts Horse Racing Committee Meeting Minutes

Date/Time: May 3, 2016 - 2:00 p.m.

Place: Massachusetts Gaming Commission
101 Federal Street, 12th Floor
Boston, Massachusetts

Present: Stephen M. Reilly, Jr., Chairman
Commissioner Gayle Cameron, Member
Frank Frisoli, Member
Peter Goldberg, Member
Catherine Blue, General Counsel
Dr. Alexandra Lightbown, Director of Racing
Cecelia Porché, Paralegal
Ellen Cassidy, Secretary

Absent: Shawn Collins, Member

Call to Order

Chairman Stephen Reilly, Jr. called to order the meeting at 2:06 p.m.

Approval of Minutes

Commissioner *Gayle Cameron* moved for the approval of the *March 29, 2016, Horse Racing Committee meeting minutes*. Motion seconded by *Peter Goldberg*. Motion passed unanimously.

Review of Pending Legislation

Frank Frisoli reported on the legislation proposal and noted that two members (Paul Umbrello and Bruce Patton) of the New England Horsemen's Benevolent and Protective Association ("NEHBPA") have been instrumental in developing a horse park. Mr. Frisoli stated that horse racing economics have changed and it is less desirable for tracks to have live racing. He provided an overview of revenue and expenses and discussions with Suffolk Downs. He stated that the NEHBPA came up with the concept of a horse park that will have an expanded race track, riding trails, and more.

Paul Umbrello provided an overview of the horse park and stated it will include the following: race track, 4-H Club, trade shows, riding trails, retirement facility, therapeutic services, and an advisory board of volunteers. He also stated that a feasibility study will be done soon. He stated that he has received full support from many individuals and organizations.



Massachusetts Gaming Commission

Bruce Patton stated that they came up with a horse park theme, based on a non-profit model, as a way to keep racing alive in Massachusetts. He stated that the horse park will include an adoption and retirement center, and it will be a destination facility with a year round horse and agricultural focus. He noted that they hired an attorney to draft the bill. He stated that they want to create something unique to draw people from out of state and to provide a positive financial impact on the Commonwealth. He distributed a concept diagram to the members of the Committee. He stated that they have received a lot of support from non-racing folks, the Legislature, and the Governor's Office. He also stated that there is a high probability that the bill will pass.

Frank Frisoli stated that for thoroughbred racing to continue in Massachusetts we need to expand it to become a community asset, not just racing. He also noted that the feasibility study is almost done and they received a lot of support. He stated that they have identified a site and the land may be donated. He stated that escrowed funds will be put to good use.

Commissioner Cameron thanked them for thinking outside the box and wished them well with their endeavors. She stated that circumstances can change and the split can be revisited.

Peter Goldberg stated that it is a great concept but it is premature to discuss it with the Committee. He stated that if things change we can come back and revisit it. He stated that the statute is structured to look at what's happening now, we are charged with a duty to change if the numbers have changed. If the horse park is built they can come back with their numbers.

Bruce Patton stated that he will ask for a spot on the Massachusetts Gaming Commission's agenda to announce their feasibility study.

Chairman Reilly stated that he would like to see the feasibility study when it is done. He also wanted to know how much it will cost and where it will be located.

Review of Report from the Massachusetts Gaming Commission with respect to funds overseen by the HRC and industry revenues/status

General Counsel Catherine Blue provided an overview of the Race Horse Development Fund ("RHDF"). She noted that funds are for purses (80%), payments to breeders (16%), and payments for health and welfare benefits (4%). She also noted that the Commission has the ability to escrow the money.

Chairman Reilly inquired about the formula for determining the split. General Counsel Blue stated that the split is determined by the HRC. Peter Goldberg stated that the HRC looked at five criteria and other items. Frank Frisoli stated each committee member gave their opinion on the weight of the criteria.

Dr. Alexandra Lightbown provided an overview of the money paid out in 2015 and the number of racing days for 2016.



Massachusetts Gaming Commission

Frank Frisoli inquired about the Plainridge Park Casino purse agreement. General Counsel Blue stated that we do not approve or review purse agreements.

Chairman Reilly inquired about racing numbers for 2014. Dr. Lightbown stated that she will provide those numbers to him. Members discussed 2014 and 2015 racing numbers. Frank Frisoli stated that the purses for 2015 were higher than normal. He stated that you need to look at the value of horses that are competing. Peter Goldberg stated that the RHDF was intended to help Massachusetts horsemen but it didn't last year. Dr. Lightbown stated that she will gather information on the MassBred but it might take some time. Frank Frisoli requested the 2014 numbers within a week because he needs it for his position paper.

Chairman Reilly inquired about future meeting dates. Frank Frisoli requested an additional seven days to submit his position paper.

Frank Frisoli moved that the HRC change the date of the submission of the position papers from May 18, 2016 to May 25, 2016. Motion seconded by Commissioner Cameron. Motion passed unanimously.

HRC members discussed moving the meeting date from June 7th to June 14th. Peter Goldberg stated that he has a trial on June 14th. The members suggested a meeting on June 21st.

Frank Frisoli moved that the HRC change the meeting date from June 7, 2016 to June 21, 2016 at 11:00 a.m. Motion seconded by Commissioner Cameron. Motion passed unanimously.

Other Business Not Reasonably Anticipated

A motion to adjourn was made by Commissioner Gayle Cameron. Motion seconded by Peter Goldberg. Motion passed unanimously.

The meeting adjourned at 3:06 p.m.

List of documents and other items used at the meeting:

1. Massachusetts Racing Committee, Notice of Meeting and Agenda, dated May 3, 2016
2. Massachusetts Racing Committee, Draft Meeting Minutes, dated March 29, 2016
3. Massachusetts Gaming Commission, Memorandum dated April 29, 2016 regarding Thoroughbred and Standardbred track information
4. Public Comments regarding Race Horse Development Fund Split
5. Horse Park Concept Diagram
6. Massachusetts Equine Corporation Bill (MAEC) Fact Sheet

/s/ Ellen Cassidy

Ellen Cassidy

Secretary



Massachusetts Gaming Commission

**GOLDBERG
& WEIGAND LLP**
ATTORNEYS AT LAW

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COMMISSION

2016 MAY 27 AM 11:12

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May 26, 2016

Stephen Reilly, Esq.
c/o Mass Gaming Commission
101 Federal Street Street, 12th Floor
Boston, MA 02110

Re: Standardbred Industry Position Paper

Dear Chairman Reilly:

Pursuant to your request, enclosed please find seven (7) originals of the position paper presented on behalf of the Standardbred Industry in Massachusetts. Kindly distribute to the remaining HRC members. I have also provided several extra copies for Attorney Blue and Dr. Lightbown.

If there is anything else that you may need, please do not hesitate to contact me. I look forward to our next meeting on June 21, 2016.

Regards!

Very truly yours,
Goldberg & Weigand, LLP


Peter M. Goldberg, Esq.

PMG/ms
VIA FEDEX
enclosures

Position of the Standardbred Industry Regarding the Reallocation of the Race Horse Development Fund Pursuant to M.G.L. c. 23K § 60 (b)

From August of 2012 through October of 2014, the Horse Racing Committee (“HRC”) of the Massachusetts Gaming Commission (“MGC”) held numerous public meetings, reviewed reams of documents, hired industry experts, commissioned an academic based study, invited and received public comment and heard well-reasoned arguments from both the Standardbred (“SB”) industry and the Thoroughbred (“TB”) industry. Through its exhaustive research, discussion and debates, the HRC formally sent its recommendation to the Mass Gaming Commission on October 24, 2014. After plugging in all of the applicable *metrics* as required by the Massachusetts Gaming Statute, the HRC recommended by a vote of 3-2, to the MGC a split of the RHDF of 75% to the Massachusetts TB industry and 25% to the Massachusetts SB industry. It is important to note, that even with the numbers as they were in 2014, the two (2) dissenting voters had offered their opinions that the split should have been more equitable. Both HRC dissenters opined that more than 25% should have been allocated to the SB industry.

Much discussion was had at the HRC meetings of the potential change to the future racing landscape in Massachusetts. There was never any certainty as to whether or not *either* industry would be able to survive the current business/economic climate. Confirming this, **both** industries, early on, made it clear to the MGC that *if they (Suffolk Downs & Plainridge Racecourse) did not receive a gaming license, live racing would cease*. In August of 2013, the applicant for the Class 2 license at Plainridge Racecourse, *Ourway Realty*, was found “**not suitable**” by the MGC. Things looked awfully bleak for the SB industry before Penn National Gaming came onto the scene. After Penn National was awarded the Class 2 gaming license, a new life was breathed into standardbred racing in Massachusetts. **As a condition of the license**, live racing **not only had to continue** at Plainridge, but they had to **increase** the number of live race days for the next three (3) years. Obviously, the legislature, after researching and debating the gaming law for many years, determined that **more live racing days was beneficial to the Commonwealth of Massachusetts**. Live racing days have distinct direct and indirect financial benefits to the Commonwealth. It was certainly clear to the Massachusetts legislature that more live racing days meant more financial benefit to the Commonwealth.

One of the major discussions from August 2012 through October of 2014 at the HRC was the number of live race days. In 2014 the TB race 62 days and the SB raced 80 days. The decision made by the HRC to revisit the split on an annual basis was in large part because of the potential change to the live horse racing landscape in Massachusetts. The number of live race days was a major consideration during this discussion. Of course, more live racing days means higher handle, more employment days, more food and beverage sales, more security, more veterinarians, more blacksmith's, more feed being sold, more hay, more taxes being paid to the Commonwealth...and the list goes on. The TB industry always claimed that they were going to race as many days as

the SB. The facts and the numbers do not lie. The facts and numbers are clear and cannot and **must not** be ignored by the HRC. In 2015, the SB's raced 100 days and the TB's merely 3. The gaming statute has not been changed. The criteria to be looked at and analyzed by the HRC have not changed. Only the numbers have changed. Therefore, the split between the TB industry and the SB industry in Massachusetts **must** be changed.

The SB industry commissioned an industry leader, The Innovation Group of New Orleans, LA to obtain the data as required, and perform an analysis consistent with M.G.L c. 23K § 60 (b) and what has been directed by the HRC in our recommendation to the MGC in October 2014. After performing this analysis, it is quite clear that there needs to be a reallocation or the RHDF *split*. The numbers from 2014 to 2015 have changed quite dramatically. The numbers have basically "flip-flopped," with the SB industry now the commanding "leader" in **all** of the categories which the TB industry led when the last split was decided. (The Innovation Group report is attached hereto and is hereby *incorporated by reference* and made a part of this SB position paper).

Purses

In **2014** the TB industry awarded \$6,929,400 in purses compared to \$2,268,300 for the SB industry. Thus the **TB industry awarded 75.34%** of the total purses in 2014. In 2015, the SB awarded \$3,615,814 as compared to \$1,020,200 for the TB. Thus, **in 2015, the SB industry awarded 78%** of the total purses in Massachusetts! A complete and undeniable "flip-flop" in favor of the standardbred industry.

Employments Numbers

There has been a real difficulty in calculating actual employment numbers for many reasons. First, the number of actual W2 employees at Plainridge actually *decreased* from 2014 to 2015, but **not** because there were less employees, but because Penn National Gaming took over much of the actual day-to-day workload at Plainridge. Furthermore, while Suffolk Downs shows 131 W2 employees, since they only raced 3 days, these employees could not have made much of an economic impact on the Commonwealth. Finally, when we include the 1099 recipients of both facilities, the picture becomes more clear: 561 total employees at Plainridge and 283 at Suffolk Downs. In 2013, the same calculations were: 511 for Plainridge and 714 for Suffolk. So, in **2013 the TB has 58.3% of the employees while the SB industry had 41.7%. In 2015, the SB had 66.47% of the employment compared to 33.53% for the TB industry.** This trend indicates **more than** a complete and undeniable "flip-flop" in favor of the standardbred industry.

Relative Needs of the Industries

This was *conceded* by the TB industry in 2014 as being "equal." The TB industry has, however, continually miscalculated and misled the HRC in its calculations regarding what purse structure is needed by the SB industry to compete in its region. In 2015, **even with its 25% share of the RHDF allocation**, Plainridge had the fourth **lowest** average purse per race of all the Northeast

tracks that it competes with. Plainridge awarded total purses that were **Ten Million (\$10,000,000.00) dollars lower** than the average in the region. This, in spite of the fact that Plainridge Park was *required by law* to race virtually the same number of days as these other tracks (110 versus a 113 day average). Even **after** receiving the 25% from the RHDF, the SB industry's needs remain significant. According to the MGC, the RHDF is generating approximately \$15,600,000. per year. If the SB received 75% of this amount, the amount to purses would be approximately \$9,000,000.00. This amount, added to the approximate amount of 1,400,000.00 generated for purses from other sources, Plainridge would **still be** about \$4,000,000.00 **lower** than the average in the region!

Conversely, the TB industry awarded an average of \$400,000.00 a day in 2015. The 6 days expected to be raced in 2016 would require \$2,400,00.00. The 30 days expected to be raced at Brockton (for lower purses on a ½ mile track) would require \$165,000.00/day or a total of \$4,950,000.00. Total for the TB industry, needed for 2016 will be \$7,350,000.00. The TB industry currently has **unexpended funds** well in excess of this amount. Even if they were to not use a single penny from these funds, when they put into the purse account monies earned from simulcasting, live handle and other sources, the TB would need much **less than** \$5,000,000.00 from the RHDF. This represents another complete and undeniable “flip-flop” in favor of the standardbred industry.

Live Racing Handle

The chart on page 11 of The Innovation Group report succinctly illustrates this metric. Quite simply, in **2014 the TB industry led with 81%** of the total live racing handle to 19% for the SB industry. **In 2015 the SB industry led with 63%** of the total handle to 37% for the TB industry. Once again, a clear and undeniable “flip flop” in favor of the standardbred industry.

Breeding and Training Farms

It is extremely important to point out that this criteria calls for “**breeding and training farms,**” not merely “Farms that house a thoroughbred or a standardbred.” Surveys aside, the best and most accurate way to measure breeding farms is to look at actual foals born each year for each industry. The actual physical farm themselves do not vary too much from year to year, but the residents (stallions, mares, foals) of those facilities does. The Innovation Group chart on page 14 of the attached report clearly shows a positive trend for Massachusetts bred SB foals. Increases from 2014 to 2015 and *again* in 2016 are indicative of a positive trend in SB breeding. In 2014 there were 36 SB foals born in Massachusetts. In 2015 that same number was 48. In 2014 the Massachusetts Thoroughbred Breeders Association listed 20 foals born in 2014. That number in 2015 was 3. So in 2014 the SB industry had 64.3% of the Mass bred foals compared to 35.7% for the TB industry. In 2015 the SB industry had 94% compared to 6% for the TB. For the fifth straight time (for **all** of the 60 (B) criteria), a complete and undeniable “flip flop” in favor of the SB industry.

Discretionary Criteria

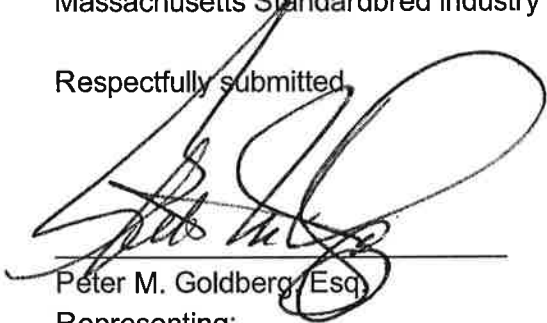
A review of these metrics has been done and is a part of The Innovation Group report attached hereto. Much of this data goes hand-in-hand with the above-mentioned 5 statutory criteria. The most telling of these, and by far the most discussed in the first 2 years of the HRC analysis is live race days. In 2014 the standardbreds raced 80 days and the thoroughbreds 62. This calculated to 56% for the SB and 44% for the TB. In 2015 the numbers were 100 days for the SB and only 3 days for the TB. This calculates to 97% for the SB and 3% for the TB. Another drastic "flip flop," once again, as in **every prior analysis**, in favor of the SB industry.

The rest of the discretionary criteria are much of the same and can be reviewed in the final pages of The Innovation Group report.

Conclusion

The law that the HRC has been charged to follow ***has not changed***. The numbers do not lie. A thorough and in-depth review of the changes in the applicable metrics bear out **only one conclusion: the Standardbred Industry in Massachusetts deserves, and is required by law to get its fair share of the RHDF**. That "fair share" would be a percentage much greater than was recommended to the MGC on October 24, 2014. In this case, the research and calculations are clear, that ***at the very least***, the hard-working horsemen and women of the Massachusetts Standardbred industry should receive 75% of the RHDF.

Respectfully submitted,



Peter M. Goldberg, Esq.

Representing:

Harness Horsemen's Ass'n of New England (HHANE)

Standardbred Owners of Massachusetts (SOM, Inc.)



**THE
INNOVATION
GROUP**

**Economic Impact Study,
New England Harness
Horseracing Industry
Plainville, MA**

Prepared for:

**HARNESS HORSEMAN'S ASSOCIATION OF NEW ENGLAND
STANDARD BRED OWNERS OF MASSACHUSETTS, INC.**

May 2016

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INTRODUCTION

The Innovation Group was commissioned by the Harness Horseman's Association of New England (HHANE) and the Standardbred Owners of Massachusetts, Inc. ("SOM") to assess the economic impacts of the Standardbred horseracing industry in Massachusetts, specifically in regards to the six criteria established by the Massachusetts Horse Racing Committee for the distribution of the Race Horse Development Fund ("Fund" or "RHDF").

The Expanded Gaming Act of 2011 allocated a percentage of gaming revenue from future licensed facilities to a Race Horse Development Fund to support the state's racing industry and established a Horse Racing Committee ("Committee") to recommend to the Massachusetts Gaming Commission ("Commission") how the funds will be allocated between the Thoroughbred and Standardbred segments. The law set forth five minimum criteria that the Committee was to evaluate:

- 1) The average purses awarded at Thoroughbred and Standardbred racing facilities;
- 2) The total employment numbers, both direct and indirect, attributable to each horse racing industry;
- 3) The relative needs of each horse racing industry for increased purses;
- 4) The amount of the live racing handle generated by each horse racing industry;
- 5) The number of breeding and training farms of each industry that are located in the Commonwealth.

In 2014, the Commission accepted the Horse Racing Committee recommendation to distribute 25% of the Fund to the Standardbreds and 75% to the Thoroughbreds. The Committee's final report also recommended to reassess the split on an annual basis and included a sixth category of criteria—such as number of live race days and number of stallions, mares, and foals residing in Massachusetts—to be considered in subsequent reviews.

The Commission can only change the distribution percentage upon a recommendation by the Committee. The primary focus of this report therefore is to assess the economic impacts of the Standardbred industry relative to the Thoroughbred industry based upon the six criteria. The report concludes with a recommendation to the committee for the most appropriate distribution of gaming revenue for horseracing based upon the direct impacts that both segments currently have on the Commonwealth.

The RHDF totaled \$7.9 million in 2015, with 80% or \$6.3 million dedicated to purse supplements. Standardbreds received less than \$1.6 million in supplements while awarding more than \$4.1 million in purses. The situation for Thoroughbreds was nearly identically reversed, with \$4.8 million in supplements contrasted with just \$1.6 million in purses awarded.

RHDF 2015

	Total	Thoroughbreds	Standardbreds
Total Fund	\$7,940,749	\$5,955,562	\$1,985,187
Purse Supplements	\$6,352,599	\$4,764,450	\$1,588,150
Purses Awarded		\$1,620,200	\$4,134,400

Source: Mass Gaming Commission; The Innovation Group.

Based on gaming revenue at the Plainridge Casino through April, the Fund for 2016 is estimated to total \$14 million, with \$11.5 million in purse supplements.

In 2015 Standardbreds became the dominant segment of the Massachusetts horse racing industry. The Standardbred segment accounts for either the large or the vast majority of the key criteria that drive economic benefits for the Commonwealth, including 72% of purses awarded, 63% of live handle, 96% of races, and 59% of Mass-bred starters. The following table shows the growing share of Standardbreds for key racing metrics.

Standardbred Share of Key Metrics

	2015	2014
Purses	72%	26%
Live Racing Handle	63%	19%
Live Race Days	97%	56%
Live Races	96%	57%
Mass-Bred Starters	59%	54%
Mass-Bred Starts	75%	69%
Mass Start Earnings	67%	65%
Occupational Licenses	66%	44%

Source: Mass Gaming Commission; Standardbred Owners of Massachusetts; Massachusetts Jockey Club; The Innovation Group

ANALYSIS OF THE FIVE STATUTORY CRITERIA

This section compares the two race horsing segments regarding the five statutory criteria. Overall, with the decline in operations at Suffolk Downs, the ratios between Standardbred and Thoroughbred impacts have flipped in favor of the Standardbreds. In 2015, the Standardbred industry accounted for 72% of purses awarded, 96% of races, 63% of live racing handle, and 65% of employment.

1) Purses

Because of the drastic reduction in Thoroughbred races, total purses awarded in Massachusetts were \$5.83 million in 2015, down 42% from the year prior. The Standardbreds awarded nearly 72% of total purses in Massachusetts for the year, compared to 28% by the Thoroughbreds. These percentages represent the current distribution of purses between the two segments. The split between the two segments has completely reversed since 2013 when the Thoroughbreds awarded over 81% of the total purses for the year.

The total number of races held annually has also declined by 24% since 2013 as the Thoroughbred industry dropped to only 36 races in 2015. In contrast, the Standardbreds held more races in 2015 than previous years, comprising over 96% of the total annual races. The average purse per race has increased for both segments since 2013, though more dramatically for Thoroughbreds due to the 94% decline in number of races. Total Purse trends for Massachusetts horse racing are shown in the following table.

Total Purses Awarded at Races						
		Standardbred	% Share	Thoroughbred	% Share	Total
Total Purses	2013	\$2,131,739	19%	\$9,277,664	81%	\$11,409,403
	2014	\$2,574,902	26%	\$7,425,874	74%	\$10,007,426
	2015	\$4,210,636	72%	\$1,620,200*	28%	\$5,830,836
Number of Races	2013	780	52%	720	48%	1,500
	2014	736	57%	560	43%	1,296
	2015	949	96%	36	4%	985
AVG Purse per Race	2013	\$2,733		\$12,886		
	2014	\$3,499		\$13,260		
	2015	\$4,437		\$45,006		

Source: Mass Gaming Commission Annual Reports; The Innovation Group

*Note: 2015 Total does not include \$175,000 in purses awarded at Finger Lakes

Both horse racing segments in the Commonwealth participate in restricted races, those that are open only to Massachusetts Bred horses. The Standardbred industry held more than three times the number of restricted races than Thoroughbreds throughout the 2015 season, although the total purses awarded were nearly equal. The average purse per restricted race for Standardbreds doubled from the previous year of \$9,941 to \$20,013.

2015 Restricted Race Purses				
	Standardbred	% Share	Thoroughbred	% Share
Total Purse	\$640,400	52%	\$600,000*	48%
Number of Races	32	78%	9	22%
AVG Purse per Race	\$20,013		\$66,667	

Source: Mass Gaming Commission Annual Report, The Innovation Group

*Note: 2015 Total does not include \$175,000 in purses awarded at Finger Lakes

Excluding the number of restricted races and their purses from annual totals, the Standardbred industry awarded **78%** of all purses for the 2015 season for an average \$3,893 per race compared to **22%** for the Thoroughbred industry.

2015 Total Purse - Without Restricted Races				
	Standardbred	% Share	Thoroughbred	% Share
Total Purse	\$3,570,236	78%	\$1,020,200	22%
Number of Races	917	97%	27	3%
AVG Purse per Race	\$3,893		\$37,785	

Source: Mass Gaming Commission Annual Report, The Innovation Group

Pertinent to the economic impact accruing to the commonwealth is the distribution of purses to Massachusetts starters. As detailed in section 6f later in the report, Standardbreds earned 67% of the total earnings for Mass-bred starters in Massachusetts. This percentage closely aligns with horse ownership, as 67.6% of race horse owners in the commonwealth are Standardbred owners (117 Standardbred owners in Massachusetts compared to 56 Thoroughbred owners).

2) Employment Impacts

Direct employment in the horse racing industry is a broad and extensive network involving racetrack operations as well as the breeders, trainers and owners of race horses. Breeders, trainers and owners often perform a combination of these activities and as a sector can be collectively termed “racing enterprises.”

Racing enterprises expend the vast majority of the revenue they earn in the local economy in the ordinary course of business. For instance, the racing operations employ trainers, assistant trainers, horse grooms, farm/ranch workers, drivers/jockeys, exercise riders and administrative personnel. Additionally the industry relies to a large degree on service providers as contract labor for such things as farrier, pony persons, veterinary services, and transportation services. Other expenditures include horse purchases, stallion fees, trainer fees, veterinary services, stabling charges, blacksmith services, tack/groom supplies, transportation costs, insurance and administrative costs. The trainer fees often include day fees (horse care expenses) related to such things as vitamins, medical equipment, medical prescriptions, groom and hot walker wages, exercise rider wages, and feed and bedding (hay/straw).

The ultimate source of this extensive economic activity are purses. Purses provide the revenues that drive the racing operations sector. Currently, the Thoroughbred segment lacks the full-time infrastructure—i.e., a fully operating racetrack—for distributing purse awards. In fact, although the segment’s share of the purse enhancements from the RHDF was \$4.7 million in 2015, given the dearth of races only \$1.8 million in purses were awarded in total, counting races held at Suffolk Downs and Finger Lakes, New York.

It should be noted that economic multipliers from the Bureau of Economic Analysis or IMPLAN do not distinguish between the Standardbred and Thoroughbred segments. To derive the indirect and induced impacts, the direct impacts would be multiplied by the same amount for the Standardbred and Thoroughbred segments. Therefore, for the purpose of this employment comparison, direct employment is sufficient.

The most valid method for the purpose of comparing direct employment in the two segments is to utilize the same data source. Utilizing different data sources or methodologies can result in invalid comparisons as discussed below under the heading “Prior Employment Estimates.” For the purpose of this analysis we have utilized occupational license data from the Massachusetts Gaming Commission. It should be noted that this includes out-of-state license holders but that caveat applies equally to both segments, with just over 40% of licensees in employment categories residing in-state. Additionally, training and breeding farms employ stable help that are not licensed; for the Standardbred segment this number is estimated to be 44 employees in 2015 based on prior survey data from Standardbred Owners of Massachusetts.

In 2015 the Standardbred segment had nearly double the number of license holders employed in the racing industry, compared to previous years when the ratio was relatively even.

Occupational Licenses 2015		
	Standardbred	Thoroughbred
Assistant Trainer		15
Authorized Agent		1
Blacksmith	1	3
Driver	142	
Exercise Rider		4
Jockey		39
Pari-mutuel	49	41
Pony Person		2
Racing Official	14	19
Reimbursement	3	1
Security	2	
Stable Employee	117	48
Track Employee	23	1
Trainer	175	81
Valet		7
Vendor 2015	25	17
Vendor Security		14
Veterinarian	5	1
Total	556	294
Share	65.4%	34.6%

Source: Mass Gaming Commission

As dramatic a difference as they portray, these numbers alone do not tell the whole story. With an 8-month racing season and adding in a ninth month for arrival and preparation, harness racing in Massachusetts effectively represents a permanent economic impact to the Commonwealth. Out-of-state horses that are stabled at Plainridge for the season bring economic impacts to the Commonwealth for three-quarters of the year, whereas the induced impact of out-of-state racing teams at Suffolk are highly temporary, lasting just a few days a year.

There were 35 times the number of race days for the Standardbred segment in 2015. In other words, economic impacts from spending by out-of-state racers and from direct racetrack employment are magnified 35 times.

This magnification could be at play for the 131 Thoroughbred W2s reported in a memo from May 17, 2016. Given that Suffolk Downs had officially closed all racetrack operations as of October 2014 and conducted only 3 days of live racing in 2015, it is difficult to assess what level of employment the 131 represents considering the track had 183 W2 employees in 2014, a full race season. The 52 W2 employees at Plainridge represent permanent, year-end employment. Furthermore, the 52 is not a full account of employees who work at the racetrack since a number of departments—including housekeeping, finance, and food and beverage—were consolidated by Penn National Gaming into the overall property operations. In 2014, prior to the opening of the casino, Plainridge Racecourse reported 127 W2s.

2015 Employment			
Category	Standardbred	Thoroughbred May 3, 2016 Memo	Thoroughbred Revised May 17, 2016
W2	52	36	131
1099	409	12	151

Source: Horse Racing Division Mass Gaming Commission

Given all these caveats and complicating factors, W2s—in the absence of data showing total annual compensation paid out—do not provide a valid apples-to-apples comparison of the economic impacts generated by racing-related employment. The result of the occupational license comparison, although imperfect, is the most valid measurement given the available data. At minimum we estimate that the Standardbred segment in terms of employment contributes approximately two-thirds of the economic impact of the racing industry to the Commonwealth.

Prior Employment Estimates

The report supporting the 3-to-1 distribution of the RHDF in favor of the Thoroughbred segment utilized not only different data sources but entirely different methodologies for estimating employment. The Innovation Group is unable to validate the employment numbers presented in the Ray report from 2014 or the underlying methodology utilized by a third party. For example, direct employment attributed to the Owners and Trainers sector was derived indirectly through IMPLAN software and data instead of any registered count from a primary source such as the

Jockey Club or occupational licenses. Furthermore, the inputs into the IMPLAN analysis were questionable and appeared to include double counting.

The following table and discussion summarizes the methodology utilized by the Ray report for the Owners and Trainers sector:

Employment Methodology for Owners & Trainers Segment in Ray Report

	Massachusetts	Out-of-State
Total # of Thoroughbreds	937	
Racing	150	650
Non-Racing	787	
Spend per Capita		
Racing	\$14,000	\$7,000
Non-Racing	\$4,435	
IMPLAN Input	\$9,965,345 ¹	
Direct Jobs	476	

Average expenditures per horse were estimated for two categories: 1) horses that raced at Suffolk Downs, including out-of-state horses; and 2) horses no longer racing but residing in Massachusetts. The third party report defined in-state horses as follows: “Racing related horses include horses currently racing, broodmares, stallions, foals, horses in-training, lay ups (horses recovering from injuries), turnouts and retirees” [emphasis added]. The total number of horses falling into these categories was estimated to be 937; although “Suffolk Downs’s management, the Massachusetts Department of Agriculture, and the Massachusetts Thoroughbred Breeders Association CCA” are cited as sources of the 937, no documentation is provided to support it. From racing statistics, 150 of the 937 are attributed as racing horses and 787 as non-racing; no breakdown is given as to how the non-racing horses are distributed.

The analysis credits racing horses with \$14,000 worth of direct economic impact to the Commonwealth. Out-of-state horses, which were estimated at 650—were discounted by 50% “to reflect the approximately half year they are resident in Massachusetts.” Per-horse spending on non-racing horses was derived from the Salem State University survey. Total spending of \$9.9 million is input into IMPLAN software and an estimate of 476 full and part-time employment is the output of the IMPLAN analysis.

¹ Note: this is the number utilized in the third-party report but it is an error. Multiplying the inputs specified in the report yields \$10,140,345.

From the non-documented estimate of 937 to the inclusion of out-of-state horses on a mere 50% basis, this methodology has a number of flaws undermining its credibility. To represent out-of-state owners and trainers as employment accruing to the Commonwealth of Massachusetts is not valid. Although out-of-state racing teams do contribute to a host state’s economy through spending impacts, they do not represent direct in-state employment.

The Ray report relied on a similarly convoluted methodology for the Racetrack Operations sector. Instead of using payroll data direct from Suffolk Downs, the analysis inputs into IMPLAN an estimate of racetrack revenue, of \$32.7 million, to derive an estimate of direct employment of 279. The third-party report does not explain why an estimate of revenue is utilized and not actual financial data. Furthermore, employment attributed to this sector explicitly includes “persons who train horses there [at Suffolk Downs],” which implies a double-counting with the Owners and Trainers sector.

As for the Breeding sector, the third-party study utilized in the Ray report relied exclusively on the Salem State University survey.

The survey conducted by Salem State University determined that there were close to 1,000 farms with stables (self-reporting) in Massachusetts in 2012, of which 133 farms have some level of affiliation with Thoroughbreds and 62 farms are directly involved with Thoroughbred breeding.

The figure utilized in the analysis, 62 farms, has not been independently confirmed, nor is it clear if it includes racing-related farms only. Furthermore, since the Owners and Trainers sector included breeding horses, the 356 employees attributed to the breeding sector appear to represent a double counting.

Also included in the Ray report are 22 employees attributed to spending by Suffolk Downs patrons on local hotels, transportation, restaurants, and retail operations. To classify these 22 as direct employees of the racing industry is not credible.

The following table summarizes the analysis that was utilized in the Ray report as the direct employment attributed to the Thoroughbred industry.

Details behind Ray Report Thoroughbred Employment

	# of Jobs
Owners and Trainers	476
Racetrack Operations	279
Breeding	356
Patron Spending Off-track	22
Direct Employment	1,133

Finally, the Ray report invalidly compares this employment estimate of 1,133—which by the way includes both full and part time employees—to a concrete and itemized report by the Standardbred industry of full-time employment as shown below:

Standardbred Industry Itemized Employment Report	
	Full Time Employees
Trainers	160
Drivers	58
Stable Employees	139
Blacksmiths	6
Veterinarians	12
Racing Officials	12
Racetrack Maintenance	15
Backside Security	9
Farm Employees (not licensed)	35
Total	446

The Ray report also failed to acknowledge that the Standardbred report specifically excluded “Plainridge Racecourse vendors and employees that are employed on non-racing days as well as live race days such as pari-mutuel clerks, cleaners, bartenders, etc....”

In summary, the Ray report did not offer a valid comparison between Thoroughbred and Standardbred employment, and any future analysis utilized by decision makers should be based on an apples-to-apples comparison of equivalently credible and itemized data sources.

3) Relative Needs for Increased Purses

Plainridge race track competes with 22 other harness tracks in the Northeast region of the country and continues to rank well below their competitors. Plainridge had the fifth lowest average purse awarded per race in 2015 at \$4,436, up only slightly from 2014 when they were the lowest of the region. The total purses awarded at Plainridge in 2015 was \$10 million lower than the regional average despite the fact that the Plainridge raced close to the same number of days as the regional average (113). All regional competitors receive purse supplements from casino operations in their respective states, with the exception of New Jersey that ceased funds to the industry in late 2010.

2015 New England Harness Race Tracks

Track	State	Track Size	Cards	Races	Purses	Avg. Purse per Race	Avg. Purse per Card
Meadowlands	NJ	M	85	1,060	\$26,529,156	\$25,027	\$312,107
Yonkers Raceway	NY	H	230	2,804	\$61,968,074	\$22,099	\$269,426
Mohegan Sun Pocono	PA	F	139	1,928	\$33,295,950	\$17,269	\$239,539
Harrah's Philadelphia	PA	F	150	2,098	\$30,079,137	\$14,337	\$200,527
Scioto Downs	OH	F	95	1,148	\$15,710,404	\$13,685	\$165,372
The Meadows	PA	F	195	2,732	\$35,232,796	\$12,896	\$180,681
Dover Downs	DE	F	94	1,418	\$16,164,326	\$11,399	\$171,960
Tioga Downs	NY	F	62	642	\$6,654,309	\$10,364	\$107,327
Saratoga Harness	NY	H	170	2,019	\$18,112,972	\$8,971	\$106,546
Harrington Raceway	DE	H	82	1,058	\$9,073,697	\$8,576	\$110,654
Vernon Downs	NY	S	91	994	\$7,931,703	\$7,979	\$87,161
Miami Valley Racing	OH	F	90	1,125	\$8,367,079	\$7,437	\$92,967
Batavia Downs	NY	H	70	829	\$5,463,431	\$6,590	\$78,049
Buffalo Raceway	NY	H	92	1,105	\$7,248,726	\$6,559	\$78,790
Northfield Park	OH	H	216	3,235	\$20,847,389	\$6,444	\$96,515
Rosecroft Raceway	MD	F	55	662	\$4,173,315	\$6,304	\$75,878
Ocean Downs	MD	H	48	549	\$3,361,052	\$6,122	\$70,021
Hollywood Dayton Raceway	OH	F	74	941	\$5,248,917	\$5,578	\$70,931
Freehold Raceway	NJ	H	109	1,208	\$5,684,863	\$4,706	\$52,154
Plainridge Racecourse	MA	F	105	949	\$4,210,636	\$4,436	\$40,101
Monticello Raceway	NY	H	200	2,163	\$9,284,641	\$4,292	\$46,423
Scarborough Downs	ME	H	102	911	\$3,834,798	\$4,209	\$37,596
Bangor Raceway	ME	H	52	478	\$1,727,380	\$3,613	\$33,218
Northeast Average			113	1,394	\$14,791,511	\$9,517	\$118,432
<i>Track Size F Average</i>			<i>106</i>	<i>1,364</i>	<i>\$15,913,687</i>	<i>\$10,371</i>	<i>\$134,528</i>

Source: US Trotting Association; The Innovation Group

If we compare Plainridge to only those tracks of a similar size (5/8 mile - F), the track fares worst of all ten competitors in New England. The total annual purse for Plainridge was three-quarters below the NE average for the 2015 season (\$15.9 million), giving it the lowest average purse per race and card.

By contrast, as noted previously, the Thoroughbred segment was unable to distribute the purse supplements it received in 2015 and currently has an unexpended fund balance of \$11.6 million. This is far greater than the \$7.35 million in purses forecasted for the Thoroughbred's 2016 meets (combined between Suffolk Downs and Brockton). Therefore, it could be argued that the Thoroughbred segment does not require any purse supplements for 2016.

4) Live Racing Handle

Live racing handle at Plainridge increased from 2014, giving the Standardbred segment **63%** of

all live racing handle in the Commonwealth. Overall, because of the precipitous drop at Suffolk Downs, total live handle in Massachusetts declined by 66% from the previous year, dropping to \$2 million in 2015. Live handle is preferred over simulcast export since a larger share is retained by the racetrack and the state.

Live Racing Handle					
	Standardbred	% Share	Thoroughbred	% Share	Total
2014	\$1,108,715	19%	\$4,789,715	81%	\$5,898,430
2015	\$1,253,511	63%	\$746,497	37%	\$2,000,008
% Change	13%		-84%		-66%

Source: Mass Gaming Commission Annual Report, The Innovation Group

This increase in Standardbred live handle shows how the purse supplements have made a positive impact and reversed a long-standing trend of declining live handle that has afflicted horse racing in general and Plainridge in particular. Live handle at Plainridge peaked in 2003 at \$4.3 million before dropping dramatically to just \$1.1 million in prior to purse supplements from the slot machine funding. Meanwhile, despite receiving 75% of the RHDF, Suffolk has seen a decline in purses awarded as well as live handle generated.

5) Breeding and Training Farms

The Standardbred Owners of Massachusetts (SOM) is recognized by the Commission as the official organization for Massachusetts standardbred breeding program. The SOM provided the following statistics on horses in the program from the 40 farms registered with the Massachusetts Department of Agriculture Resources (DAR). While the DAR is the designated state agency responsible for farm registration, they were unable to provide a list of farms by activity. Therefore, there may be a greater number of farms in Massachusetts that participate in breeding and/or training programs for the standardbred industry.

The US Trotting Association is the sole issuer of registration documents for Standardbred horses, which must first be registered with the USTA (by law) before being eligible to race in North America— or to subsequently be used in the Standardbred breeding industry. The USTA has confirmed 234 individual USTA members in Massachusetts and 62 stables, farms, and/or corporations. Again, while this number may not be wholly representative of the Standardbred farms in Massachusetts it does provide a minimum number of farms.

Standardbred Breeding Program Statistics

Year	Breeders	Broodmares	Stallions	Yearlings	Two Year Olds	Three Year Olds	Mass Bred Starters (all ages)	Mass Bred Starts	Mass Bred Earnings (all ages)
2014	56	44	2	49	49	23	84	1,076	\$1,428,886
2015	68	56	1	36	47	49	94	1,198	\$2,320,551
2016	72	65	1	48	35	44			

Source: Standardbred Owners of Massachusetts, Inc.

Data was not publicly available for the Thoroughbred industry according to the Massachusetts Thoroughbred Breeders Association (MBTA). However, the MBTA allows for members to advertise their farms on the association's website. According to the list, there are 19 Thoroughbred farms that are self-classified as breeding farms.

ANALYSIS OF THE DISCRETIONARY CRITERIA

As noted, under Section 6) the Committee provided a list of other criteria “consistent with the statute, including but not limited to”:

- a. Pool size;
- b. Field size;
- c. Number of live race days and total races;
- d. Number of Mass-bred starters;
- e. Number of Mass-bred starts;
- f. Amount of Mass-bred purses earned;
- g. Number of restricted Mass-bred races;
- h. Number of W2 and 1099 employees;
- i. Capital expenditures to racing facilities;
- j. Gross terminal revenue on live race days vs. non-live race days at the Category 2 Gaming Facilities;
- k. Number and types of occupational licensees;
- l. Number of stallions, mares, and foals residing in Mass;
- m. Number of breeders registered with relevant breed organizations;
- n. Number and average sale price of MA- bred horses sold at public auction;
- o. Such other criteria consistent with the statute.

The following sections assess these criteria where data is available.

a. Pool Size

In pari-mutuel betting, all bets for a particular race are placed together in a pool where payouts are calculated by sharing the pool amongst winning bets. The average pool size is determined by taking the total handle (live and exported) placed on races for the year divided by the number of races. Standardbred races typically have lower pari-mutuel handles than Thoroughbreds, and thus lower pool sizes. In Massachusetts, the average pool size for Thoroughbreds have declined year-over-year despite increases in both field size and average purse per race. The opposite trend has occurred for the Standardbreds, with average pool size increasing by 1% since 2013.

Average Pool Size		
	Standardbred	Thoroughbred
2013	\$14,556	\$91,896
2014	\$10,442	\$77,637
2015	\$14,688	\$67,744
% Change '13-'15	1%	-26%

Source: Mass Gaming Commission; The Innovation Group

b. Field Size

Field size is calculated as the average number of horses participating in a race. In general it is widely accepted that field size is positively correlated to wagering pools and racing handle. As the number of horses participating in a race increases, the probability of each horse winning decreases thus creating more betting options and winning chances for punters.² In 2014, the average field size was nearly identical for both Standardbred and Thoroughbreds but have since increased for Thoroughbreds to 8.1 per race. This number is higher than the national average reported by the Jockey Club at 7.82 in 2015.

Field Size		
	Standardbred	Thoroughbred
2014	7.02	7.17
2015	7.0	8.1

Source: Mass Gaming Commission Annual Report

c. Live Race Days and Total Races

In 2015 the Thoroughbreds drastically reduced the number of race days and races for the season due to the loss of a licensed track in Massachusetts. The Thoroughbreds were able to secure three race days at Suffolk Downs, holding 36 races. In comparison, the Standardbreds raced 949 races over 105 live race days for the 2015 season comprising **96%-97%** of races and race days in Massachusetts.

Following the 2015 Thoroughbred racing season, Bill Lagorio, President of Massachusetts Thoroughbred Horseman's Association (MassTHA), issued a statement on behalf of the organization in late 2015 criticizing the industry's 'festival approach' for horse racing that occurred during the 2015 season. Lagorio stated that "we believe the facts support our conclusion [that 2015] was a financial disaster for local horsemen and breeders' with the majority of purse monies going to out of town owners and trainers." He further stated that only 36% of the funds were awarded to local trainers and even claimed that the New England Horsemen's Benevolent and Protective Association (NEHBPA) creatively categorized local trainers to distort the actual benefit of festival races to local horsemen.³ The NEHBPA is recognized by the Massachusetts Gaming Commission as the official Thoroughbred breeders organization in the Commonwealth, while the MTHA is a group of 350 horsemen that broke away from the NEHBPA following the 2015 racing season.

² Punters are defined as a person who places a bet.

³ Massachusetts Thoroughbred Horsemen's Association. Accessed on 5/11/2016 <http://www.masstha.com/?p=109>

Following approval by the Massachusetts Gaming Commission, the NEHBPA has contracted again with Suffolk Downs to host 6 live races days (3 2-day festivals) for the 2016 season, while the MTHA has contracted with Brockton Fair Grounds to hold 30 live race days for the 2016 season. If we assume the minimum of 9 races per live race day as done in previous seasons, the Thoroughbreds will hold at least 324 races for the 2016 season or **24%** of all races in the Commonwealth. In addition, it is worthwhile to note that the Massachusetts Thoroughbred Breeders Association announced plans for 6 restricted races to be held in neighboring New York State at Finger Lakes race track. The economic impacts of racing out of state are minimal compared to hosting events in state.

The Standardbred industry has committed to 115 race days for the 2016 season extending from April through November. If we assume that Plainridge will continue to host at least 9 races per live race day as done in the previous 2 years, the Standardbreds will hold at least 1,035 races for the 2016 season or **76%** of all races in the Commonwealth.

Live Race Days and Number of Races					
		Standardbred	% Share	Thoroughbred	% Share
2014	Racing Days	80	56%	62	44%
	# of Races	736	57%	560	43%
2015	Racing Days	105	97%	3	3%
	# of Races	949	96%	36	4%
2016	Racing Days	115	76%	36	24%
	# of Races	1,035*	76%	324*	24%

Source: Mass Gaming Commission Annual Report; *Note: the 2016 season # of races were estimated using a minimum of 9 races per live race day based on historical trends for both segments

d. Mass-bred Starters

The following table displays the number of Massachusetts bred horses that started a race in 2015, not limited to restricted races. The number of starters in the Commonwealth was identical for the two segments back in 2013; however, since then the number of Thoroughbred starters declined as the number of Standardbred starters simultaneously increased. Standardbred starters currently comprise **59%** of all Mass-bred starters in Massachusetts.

Mass Bred Starters				
	Standardbred	% Share	Thoroughbred	% Share
2013	77	50%	77	50%
2014	84	54%	73	46%
2015	94	59%	66	41%

Source: Jockey Club 2016 Massachusetts Fact Book Report; Standardbred Owners Massachusetts Inc. Breeding Statistics

e. Mass-bred Starts

The average number of starts per Standardbred starter is more than double that of a Thoroughbred starter with every Standardbred starting an average of 12.7 races per year. Despite having only 59% of the starters, the total number of starts for Standardbreds comprised 75% of all starts in the Commonwealth for 2015.

	Standardbred	% Share	Thoroughbred	% Share
2013	1,052	71%	440	29%
2014	1,076	69%	485	31%
2015	1,198	75%	394	25%
2013	13.7		5.7	
2014	12.8		6.6	
2015	12.7		6.0	

Source: Jockey Club 2016 Massachusetts Fact Book Report;
Standardbred Owners Massachusetts Inc. Breeding Statistics

f. Mass-bred Purses Earned

Of Mass-bred horses, Standardbreds earned double the purses of Thoroughbreds. Standardbreds earned 67% of the total earnings for Mass-bred starters in Massachusetts.

	Standardbred	% Share	Thoroughbred	% Share
2013	\$2,430,606	76%	\$751,821	24%
2014	\$1,428,883	65%	\$779,666	35%
2015	\$2,320,551	67%	\$1,153,099	33%

Source: Jockey Club 2016 Massachusetts Fact Book Report;
Standardbred Owners Massachusetts Inc. Breeding Statistics

g. Restricted Mass-bred Races

The number of restricted races in the Commonwealth increased by 11 races for Standardbreds from the previous year, but only by one for Thoroughbreds. The out-of-state restricted races held by Thoroughbreds at Finger Lakes are not included in 2015 totals.

	Standardbred	Thoroughbred
2014	21	8
2015	32	9

Source: Mass Gaming Commission Annual Report and Memo

h. W2 and 1099 Employees

The number of employees that support horse racing in Massachusetts is broken into two components, full and part-time employees that were issued W2's from racetrack operations and contract employees that were issued 1099 forms from racetrack operations. The Horse Racing Division submitted a memo to the Massachusetts Gaming Commission at a meeting on May 3, 2016 reporting the number of W2 and 1099 employees from the two racetrack facilities, Suffolk Downs and Plainridge. The memo was revised as of May 17, 2016 to include 95 additional W2s and 139 additional 1099 employees for Suffolk Downs. No additional information was provided by the Horse Racing Division as to the nature of the revision.

Given that Suffolk Downs had officially closed all racetrack operations as of October 2014, the number of W2 employees for 3 days of live racing in 2015 seems high considering the track only had 183 W2 employees in 2014 during a full race season. Plainridge on the other hand experienced a drop in W2 employment from 2014 as racetrack operations merged with the Plainridge casino when the category II facility opened in July 2015. A majority of the 127 employees performing racetrack functions in 2014 such as housekeeping, finance, and food and beverage were absorbed by Penn National Gaming. The 52 W2 employees at Plainridge represent permanent, year-end employment.

Using the revised numbers presented by the Horse Racing Division, the current distribution of employment in Massachusetts is **62%** for Standardbreds and **38%** for Thoroughbreds.

2015 Employees		
Employees	Standardbred	Thoroughbred*
W2	52	131
1099	409	151
Total	461	282
% Share	62%	38%

Source: Horse Racing Division Revised Memo to Mass Gaming Commission
*The original numbers provided to Commission were 36 W2s and 12 1099's.

i. Capital Expenditures to Racing Facilities

In 2015, Plainridge invested at least \$15 million in capital expenditures to enhance horse racing facilities. The following is a non-exhaustive list of capital improvements to race track operations at Plainridge.

- International Sound
 - Judges Interactive Video Replay System
 - Timing & Photo Finish
 - HDTV Broadcast
- 1st Floor Live Racing Complete Renovation
 - 88 – 40” HDTV’s Centrally Controlled

- “Trackside” Food Outlet
- 2nd Floor Simulcast Theater Complete Renovation
 - 10 – 75” HDTV’s Centrally Controlled
 - 150 Individual Carrels each with 22” HDTV
 - 6 VIP Rooms 48 – 40” HDTV’s
 - “Mountain Skipper” Food Outlet
- Racing Apron
 - Complete Renovation with 100 Fixed Seats
 - New Winners Circle
- Racing / Regulatory Administration Building
 - MGC Racing Division Administration & Licensing
 - State Police Racing Unit
 - Stewards and Judges Office
 - Racing Secretary’s Office
 - 2,240 sq. ft.
 - \$1,000,000 estimated cost
- Website
 - Plainridge Park Casino / Racing Tab
 - Live and Simulcast Schedules
 - Horsemen Information Page
 - Live Race Day Streaming Video in High Definition

j. Impact of Live Racing on Gross Terminal (Slot Machine) Revenue

The impact of live racing on gross terminal revenue cannot be estimated due to the lack of available data from gaming facilities on daily slot machine revenue.

k. Occupational Licensees

Many of the employment positions for both horse racing segments require licensure by the Massachusetts Gaming Commission. The license categories differ according to employment by each segment, with fees associated by license type. However, it is important to note that these numbers do not reflect the number of persons employed by each segment. The total number of occupational licenses awarded has declined in 2015 for both segments though Standardbreds were awarded nearly double the amount of Thoroughbreds.

Occupational Licenses by Industry		
	Standardbred	Thoroughbred
2014	1,120	1,413
2015	1,060	548

Source: Mass Gaming Commission Annual Report

The following table displays the total occupational licenses awarded in 2015 itemized by type. It is important to note that the Massachusetts Gaming Commission does not include all occupational licenses in the year-end totals listed above.

2015 Occupational Licenses		
	Standardbred	Thoroughbred
Assistant Trainer	-	15
Authorized Agent	-	1
Blacksmith	1	3
Correction 2014	-	4
Correction 2015	2	9
Driver	142	-
Duplicate	2	-
Exercise Rider	-	4
Jockey	-	39
Owner	404	174
Pari Mutuel	49	41
Pari Mutuel Raynham	16	-
Partnership	-	18
Pony Person	-	2
Racing Official	14	19
Reimbursement	3	1
Security	2	-
Stable Employee	117	48
Stable Name	39	61
Temp Owner	62	1
Track Employee	23	1
Trainer	175	81
Valet	-	7
Vendor 2014	-	9
Vendor 2015	25	17
Vendor Security	-	14
Veterinarian	5	1
Total	1081	570

Source: Massachusetts Gaming Commission, Horse Racing Division

1. Resident Stallions, Mares, and Foals

The data presented on the number of resident stallions, mares and foals was only available for horses registered through each industry's breeders association. Thoroughbred statistics from the Jockey Club's annual Fact Book indicated a sharp decline in the number of breeding horses in the Commonwealth for 2015 with only 7 registered foals for the year. It is important to note that this data may not be wholly representative of the industry as many breeders may have chosen not to register for the year given the limited racing season. The Massachusetts Department of Agriculture Resources (DAR) noted differing statistics than those compiled in the table below,

again based upon the number of registrants. The DAR had 9 registered stallions of which only 4 were bred to mares (8) in 2015, resulting in 4 registered foals.

In comparison, the Standardbred Owners of Massachusetts (SOM), the official breeding association for the Commonwealth, reported significantly higher breeding statistics for both 2014 and 2015 than Thoroughbreds. The total number of registered mares was more than double the number reported by the Jockey Club in 2014 and more than eleven times the amount in 2015. However, the number for registered stallions was quite low for Standardbreds over the past few years, dropping down to only one for 2015.

The SOM also reports the number of foals in a given year by using the number of registered yearlings from the following year. For example, in 2015 SOM received 36 registrations for yearlings therefore the number of foals in 2014 is 36. Although this number is accurate, the actual number of foals may have been larger as some do not live through their infancy. While the total number of foals is not yet available for 2015 given the late registration period, to date 48 mass-bred foals have registered with SOM indicating that the Standardbred breeding program is rapidly expanding in the state.

Registered Breeding Horses			
		Standardbred	Thoroughbred
2014	Stallions	2	7
	Mares	44	21
	Foals	36	26
2015	Stallions	1	2
	Mares	56	5
	Foals	48*	7

Source: Jockey Club 2016 Massachusetts Fact Book Report;
Standardbred Owners Massachusetts Inc. Breeding Statistics

*Note: Yearlings registered as of 5/18/2016, actual year total may be greater

m. Registered Breeders

The Standardbreds have registered 68 breeders with the Standardbred Owners of Massachusetts for 2015, 12 more than in 2014. The increasing number indicates that the demand for Massachusetts Standardbred horses is improving. Data was not publicly available for the Thoroughbred industry.

Registered Massachusetts Breeders		
	Standardbred	Thoroughbred
2014	56	N/A
2015	68	N/A
2016	72	N/A

Source: Standardbred Owners Massachusetts Inc. Breeding Statistics

n. Mass- bred Horses Sold at Auction

As noted previously, the Standardbred breeding industry has been improving over the past few years as demand for Mass-bred horses increases. The Standardbred Owners of Massachusetts (SOM) compiled a list of the eligible yearlings, two-year olds and three-year olds that were sold at major public auctions from 2014-2015. The Mass-bred horses were sold through one of three major auctions, the Standardbred Yearling Sale in Pennsylvania, Lexington Selected Yearling Sale in Kentucky and Morrisville Yearling Sale New York.

Ten of the eleven horses sold at auction through the two year period were foaled in either 2013 or 2014. Sale prices for the 11 Mass-bred horses totaled **\$656,500**, for an average of \$59,682 per horse over the two year period. The Perfect Lindy which sold for \$320,000, was the sixth most expensive yearling sold at auction in 2014.⁴ The following table shows statistics for the Mass-bred Standardbred horses sold at public auction.

Massachusetts Bred Standardbred Horses Sold (Public Auction)						
Yearling	Name	Sex	Sire	Dam	Auction	Price
2014	The Perfect Lindy	C	Credit Winner	Highscore Kemp	2014 LEX	\$320,000
2014	Lindy's Possessed	C	Muscles Yankee	Possessed by Lindy	2014 LEX	\$27,000
2014	Sexy Crazy Lindy	F	Crazed	Alcarine	2014 HSBY	\$24,000
2014	Overpowering Lindy	F	Muscles Yankee	Gift Card	2014 HSBY	\$7,000
Average						\$94,500
2014 Total		4				\$378,000
2013	Lindy On The Rocks	F	Lucky Chucky	Rum Boogie	2015 LEX	\$65,000
2014	Tartufo Lindy	C	Conway Hall	Peace A Pie	2015 LEX	\$90,000
2015	Paranormal Lindy	C	Chapter Seven	Possessed By Lindy	2015 LEX	\$50,000
2014	Ideally Lindy	C	American Ideal	Sunshine Sister	2015 HSBY	\$4,500
2014	Anastasia Shade	F	Somebeachsomewhere	Shady Sabrina	2015 HSBY	\$25,000
2015	Lindy The Second	C	Credit Winner	Lindy's Heiress	2015 HSBY	\$16,000
2014	Royal Apple	F	RC Royalty	Sparkling Cider	2015 MORR	\$28,000
Average						\$39,786
2015 Total		7				\$278,500
Average						\$59,682
Total		11				\$656,500

Source: Standardbred Owners of Massachusetts

No records were found of Mass-bred Thoroughbred horses that were sold at auction over the past three years through leading Thoroughbred auction houses, Fasig-Tipton and Keeneland Inc.

⁴ United States Trotting Association. "The Trotting and Pacing Guide" 2014, pg 212.
http://www.ustrotting.com/tracksideside/tpg/pdf/2015/TP2015_203-216_BreedingSales.pdf

CONCLUSION

The Standardbred segment contributes the large majority of economic impacts to the Commonwealth despite having only received 25% of the RHDF in 2015. On that basis, and to redress 2015's imbalance, Standardbreds would receive on the order of 75% for 2016. Based on the Thoroughbred's unexpended fund balance of \$11.6 million, contrasted with \$7.35 million in purses forecast for 2016, it could be argued that the Thoroughbred segment does not require any purse supplements for 2016. Massachusetts is atypical in its process of distributing casino revenue funding between the two horse racing segments. Pennsylvania for example distributes casino funds evenly between Standardbreds and Thoroughbreds. The RHDF for 2016 is estimated to total \$14 million, with \$11.5 million in purse supplements. Fifty percent of \$11.5 million would cover the vast majority of purses forecasted for Thoroughbred's 2016 meets.

DISCLAIMER

Certain information included in this report contains forward-looking estimates, projections and/or statements. The Innovation Group has based these projections, estimates and/or statements on our current expectations about future events. These forward-looking items include statements that reflect our existing beliefs and knowledge regarding the operating environment, existing trends, existing plans, objectives, goals, expectations, anticipations, results of operations, future performance and business plans.

Further, statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "project," or other words or expressions of similar meaning have been utilized. These statements reflect our judgment on the date they are made and we undertake no duty to update such statements in the future.

Although we believe that the expectations in these reports are reasonable, any or all of the estimates or projections in this report may prove to be incorrect. To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties and unanticipated events and circumstances, which may occur. Consequently, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such, The Innovation Group accepts no liability in relation to the estimates provided herein.

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FRANK J. FRISOLI

WENDY R. STANDER

May 27, 2016

Massachusetts Gaming Commission
101 Federal Street 12th floor
Boston, MA 02110
Attn: Ellen M Cassidy, Executive Assistant

Dear Ellen:

As directed by Chairman Stephen Reilly, Jr. of the Horse Racing Committee, I am enclosing for filing:

**MEMORANDUM BY FRANK J. FRISOLI TO THE HORSE RACING
COMMITTEE OF THE MASSACHUSETTS GAMING COMMISSION ON
REQUEST TO REDUCE ALLOCATION TO THOROUGHBRED PURSES**

I am also enclosing four additional copies for distribution to the other HRC members.

Very truly yours


Frank J. Frisoli, Esq.

**MEMORANDUM BY FRANK J. FRISOLI TO THE HORSE RACING COMMITTEE
OF THE MASSACHUSETTS GAMING COMMISSION ON REQUEST TO REDUCE
ALLOCATION TO THOROUGHBRED PURSES**

BACKGROUND

On October 24, 2014 the Horse Racing Committee (HRC) of the Massachusetts Gaming Commission (MGC) issued its final report (Exhibit 1) recommending by a 3 to 2 vote that 75% of the Race Horse Development Fund (RHDF) be allocated to the thoroughbred racing industry and 25% to the standardbred racing industry. The recommendation was accepted by the MGC and the funds of the RHDF have been so allocated. The standardbred racing industry has now requested that its allocation be increased by decreasing the allocation to the thoroughbred racing industry.

The HRC report was issued following review and consideration of pertinent data and facts over a period extending from August 10, 2012 through the date of the Report. During this period of more than two years, the HRC had numerous meetings, sought, received and evaluated considerable data, and carefully considered the statutory criteria set forth in Massachusetts General Laws Chapter 23K, Section 60. The HRC (by vote of 4 to 1) retained the services of Dr. Margaret A. Ray, Professor of Economics, University of Mary Washington to provide an economic analysis to aid the HRC in determining an appropriate distribution of the RHDF. The appointee to the HRC of the thoroughbred racing industry (Frank J. Frisoli) was the only vote against retaining the services of Dr. Ray. Yet when her report issued concluding that 85% to 90% of the funds should be allocated to the thoroughbred racing industry, the 4 members of the HRC who had voted to retain her services largely ignored her analysis and recommendations.

At the time of the HRC report in October 2014, the MGC was considering competing applications for the Boston Region Casino license for locations in Everett Massachusetts and

Revere Massachusetts. The Revere location was owned by Suffolk Downs that had been conducting live thoroughbred racing at that site. Suffolk Downs had publicly announced it would terminate thoroughbred racing activities if the Casino license were not awarded to the Revere location. This fact was addressed by the HRC during its deliberations and its report in recommendation 5 provided that that the MGC should draft regulations providing that the allocated amount for a breed that is no longer racing due to lack of racing facilities should be *“held in an escrow account for three fiscal years to allow for and encourage the development of new facilities to ensure the continued racing of that breed”*

When the MGC awarded the Casino license to Everett, Suffolk Downs immediately announced it would no longer be conducting thoroughbred racing and would proceed to develop its property. As the development process has lagged, Suffolk Downs has, with legislative approval, conducted simulcasting with the obligation to race only 1 day. Negotiations between Suffolk Downs and the New England Horsemen’s Benevolent and Protective Association Inc. (NEHBPA)¹ for the possible lease of Suffolk Downs by the NEHBPA to conduct a live meet in 2015 failed although the parties did reach agreement resulting in three one day racing festivals of live thoroughbred racing that were held at Suffolk Downs in 2015. For 2016, three similar festivals of two days each are scheduled.

In its request for reallocation of the RHDF, the Standardbred racing industry cited the present lack of live thoroughbred racing and the increase in the number of standardbred racing industry dates in accordance with the statute requiring the increase. Its request for reallocation is

¹ The NEHBPA has been the local representative of Massachusetts thoroughbred owners and trainers for more than 7 decades and has represented them in all thoroughbred purse contracts for race meets conducted in Massachusetts.

based on an alleged increased need for purses and a perceived decreased need of the thoroughbred racing industry. Since state law required the number of standardbred racing dates to increase if Plainridge was awarded (as it was) the slot parlor license by the MGC, the basis of the reallocation request was considered by the HRC in October 2014 when it rejected the report of its expert consultant Dr. Ray and awarded 25% of the RHDF to the standardbred racing industry. Although Massachusetts General Laws Chapter 23K, Section 60 sets forth five statutory criteria, the standardbred industry requests asks the HRC to disregard the statute and change the allocation based on consideration of only 1 of the 5 criteria.

REPORT OF DR. MARGARET A. RAY, PROFESSOR OF ECONOMICS

The 25 page Report of Dr. Margaret A. Ray is attached hereto as Exhibit 2. The Report contains a comprehensive analysis of the statutory criteria set forth in Massachusetts General Laws Chapter 23K, Section 60. As it notes on page 3:

“The two breeds differ with respect to the demand for their product and the location, labor intensiveness and managerial structure of their breeding and training businesses. These differences are relevant for predicting the expected impact of the distribution of the Race Horse Development Fund... The thoroughbred segment of the industry has larger scale operations with more division of labor and less direct racehorse owner involvement. Because of the way thoroughbred operations are organized, they are more likely to experience economies of scale. There is also a significant difference in the demand for each breed’s racing product. There is more betting on thoroughbred races, both nationally and in Massachusetts, as evidenced by the variety of handle data. Thoroughbred handle in the United States was roughly 6 ½ times larger than standardbred handle in 2013.”

In fact, as noted in the discussion on pages 13-15 of the report, in Massachusetts Thoroughbreds account for 87% of the actual handle on live races and 90% of the simulcasting handle. Thoroughbreds generate 66% of the Pari-mutual revenue paid to Massachusetts and nearly 84% of the real estate taxes and sales taxes paid by the two industries. As Dr. Ray notes, *“While simulcast handle is not included in the criteria listed in the legislation creating the Race Horse Development Fund, it is much larger than live handle and also generates economic activity in the commonwealth”*.

Dr. Ray correctly states that the thoroughbred racing industry has a larger economic impact on the Massachusetts economy, receiving 79% of the purses while generating 87% of the live handle and 90% of the much larger simulcast handle. Dr. Ray’s report concludes the market signals represented by the data indicate a much greater likelihood that purse money allocated to thoroughbred racing will stimulate economic activity, develop an in-state breeding and training industry, and improve quality of life in the commonwealth. She recommends, *“The percent of the Race Horse Development Fund that is allocated to thoroughbred racing should be increased above 79% (its current percentage of total annual purses in Massachusetts). An allocation of 85-90% is in line with the percent of handle generated by thoroughbred racing and the increased benefits from purse allocations to thoroughbred discussed above. The higher the percentage allocated to the thoroughbred segment, the more likely the purse structure and industry will become competitive and sustainable.”*

One of the issues considered by Dr. Ray was the return on investment of the Race Horse Development Fund. Essentially she concludes that investment in the thoroughbred industry gives the state a greater return than investment in the standardbred industry. Prior studies done to advance the legislation that established the RHDF indicated that the Massachusetts economy

received a benefit between \$2 to \$3 for every \$1 invested in thoroughbred racing. So the legislature created the RHDF with the expectation that both the thoroughbred and standardbred industries would benefit and flourish from the higher purses that resulted, jobs would be preserved and created, and open space would be preserved by the trickle down to the farms that survive by selling hay, grain and other products to both industries and/or earn revenue from the breeding or care of horses. The HRC was commissioned to determine how to divide the RHDF to maximize the benefit to the State of Massachusetts. Dr. Ray's report addresses the allocation that will give Massachusetts the most "bang for the buck".

At the time of her report in 2014, Suffolk Downs was about to commence a live race meet of 65 days. When that meet concluded, the MGC awarded the Boston area casino license to the Everett location and Suffolk Downs ceased live thoroughbred racing except for the few racing festivals it has been conducting as it proceeds with plans to develop the site.

In 2014, thoroughbred purses were 79% of the total purses paid in Massachusetts to the thoroughbred and standardbred industries. Despite the comprehensive analysis by Dr. Ray and her recommendation that that the allocation to thoroughbreds be *increased* above its 79% to an allocation of 85-90%, the HRC voted to *decrease* the allocation to thoroughbreds to 75% and increase the allocation to standardbred to 25%, essentially disregarding the report of the expert hired by vote of 4 of the 5 committee members. Based on the findings of Dr. Ray, the allocation voted by the HRC in October, 2014, did not maximize the benefit to the State of Massachusetts of its investment in the RHDF.

PRIOR HRC CONSIDERATION OF FIVE CRITERIA ESTABLISHED BY MASSACHUSETTS GENERAL LAWS CHAPTER 23K, SECTION 60 (b)

The HRC was created by Massachusetts General Laws Chapter 23K, Section 60. The intent of the statute was to provide funding to both the thoroughbred racing industry and the standardbred racing industry that would cause both industries to thrive and thereby improve the Massachusetts economy and preserve jobs and open space. The HRC was created to review pertinent data and make recommendations to the MGC as to the allocation of RHDF between the two industries. Under the statute, the HRC is to determine the allocation that will be most beneficial to the Commonwealth, causing both thoroughbred racing and standardbred racing to be sustainable industries that contribute to the Massachusetts economy and benefit the local farm and breeding industries. One of the purposes of the legislation was to help create jobs, preserve open space and benefit local farms.

Section 60 (b) sets forth five criteria to be considered by the HRC in making its recommendation to the MGC as to allocating the RHDF between the thoroughbred racing industry and the standardbred racing industry. The present allocation of the RHDF resulted from consideration by the HRC of data relative to each of these five factors. A detailed discussion and analysis of the data was set forth in the following reports provided to and considered by the HRC and a copy of each report is attached hereto. The discussion in these reports continues to be pertinent to the recent request of the standardbred industry to increase its allocation by decreasing the allocation to the thoroughbred industry. As two members of the present HRC are newly appointed and unfamiliar with the issues, these reports are provided to facilitate the understanding of the complex issues requiring consideration.

Exhibit 3 Memorandum to the Horse Racing Committee of the Massachusetts Gaming Commission on Relative Needs for Increased Purses

Exhibit 4 Memorandum on Purse paid in Massachusetts and other states comparable to local races regularly conducted

Exhibit 5 Supplemental Memorandum to Horse Racing Committee of the Massachusetts Gaming Commission on Relative Needs for Increased Purses

Exhibit 6 Weighting of Criteria and Proposed Allocation of Horse Racing Development Fund submitted by Committeeperson Frank J. Frisoli

Exhibit 4 is especially pertinent to the recent request of the standardbred industry for an increased allocation because it analyzes standardbred purse structure at Plainridge in relation to purse structure at standardbred tracks in other states *for standardbred horses of comparable value*. That memorandum explains that the size of purses is a function of the value of the horses that compete for the purse. An argument by the thoroughbred industry that local purses should be increased to the level paid for major races in the United States such as the Kentucky Derby and Preakness Stake (recently run for a Purse of 1.5 million dollars) would be devoid of merit. In a similar vein, the issue with respect to local standardbred purses is whether the local purses are competitive with purses in other states *for standardbred horses of comparable value*. As set forth in Exhibit 4, prior to the recent influx of RHDF that increased purses at Plainridge, Plainridge purses were at the midpoint of the standardbred tracks that conducted racing for standardbred horses of comparable value. Supplementing the Plainridge purses of 2014 (prior to distribution of any funds from the RHDF) by \$300 per race would cause Plainridge to vault to the top as to purses paid for the standardbred races of comparable value in other states. It was estimated that only \$270,000 of distributions from the RHDF would be needed to effectuate the change from midpoint to the top of standardbred purses for comparable level racing. As that memorandum notes, Standardbred purses are considerably lower than thoroughbred purses

across the United States because thoroughbreds cost considerably more to breed,² considerably more to train, race far less often and have much shorter racing careers.

PRESENT EFFECT OF RHDF ON PLAINRIDGE PURSES

The Memorandum from Jennifer Durenberger, Director of Racing, MGC dated January 2, 2014. (Exhibit 7) addressed the “relative needs” criteria set forth in Massachusetts General Laws Chapter 23K, Section 60 (b). As she noted, “Monies from the RHDF are meant to *supplement* other statutory contributions to purse accounts...” . Her memorandum sets forth Purse money earned and Purse money paid at Plainridge from 2009 thorough 2011.

In 2011, Plainridge paid \$2,275,803 in purses (Exhibit 7). In 2014 Plainridge paid \$2,468,042 in total purses with an average purse of 3,353 (Exhibit 8 from US Trotting Association). In 2015 Plainridge paid \$4,210,636 in total purses with an average purse of 4,437 (Exhibit 9 supplied by MGC staff secured from the US Trotting Association)³. Of the \$4,210,636 in total purses paid at Plainridge in 2015, \$ 3,193,098 were funds from the RHDF. As a result of the RHDF distributions, in 2015 Plainridge purses increased by \$1,742,594 (70.6%) and the average purse increased by \$1,084 (32.33%).

² Thoroughbreds are bred through natural mating where the mare is usually transported to the site of the stallion. Since all thoroughbreds are deemed a year older on each January 1, Stallions have a limited number of mating opportunities. In contrast, the standardbred horse breeding is by Fed Ex.. The male semen is shipped to breeding farm of the mare and injected.

³ Statistics from the MGC as to purses paid at Plainridge in 2014 and 2015 vary slightly from statistics from the US Trotting Association. The analysis provided in this report uses US Trotting Association data. The conclusions would not materially differ if the MGC data was used.

In a 2014 report by Peter Goldberg, the Standardbred representative of the HRC, submitted on Relative Needs prior to the vote of the HRC that resulted in the present 75/25 allocation, an analysis was made of the Plainridge Purses through 2012 to Northeast Harness Tracks with expanded gaming. That analysis unfairly compared Plainridge to the elite Standardbred tracks. Yonkers Raceway, The Meadows, Saratoga Raceway⁴, Monticello Raceway, Vernon Downs, Buffalo Raceway, and Batavia Downs all conduct high-level standardbred races for standardbred horses generally having a value of some large multiple of the value of the horses that generally compete at Plainridge. This comparison would be similar to equating the thoroughbreds that have raced at Suffolk Downs to the thoroughbreds that regularly compete at Churchill (Home of the Kentucky Derby), Saratoga (that cards the most graded Stakes of any thoroughbred track in the United States) or Pimlico (that just ran the Preakness).

The purse comparison in Exhibit 4 has an exhibit comparing the purse per claiming price of the standardbred races. Claiming races are races where the entrants are offered for sale at the claiming price of the race. In a \$4000 claiming race, other owners may purchase any entrant for the claiming price of \$4,000. So generally speaking, the horses that compete in a claiming race have an approximate value of the claiming price as if a horse worth \$10,000 is entered in a \$4,000 claiming race, while the owner is likely to win the race and collect the winner's share of the purse, the horse is likely to be sold for less than its value.

As the purse comparison in Exhibit 4 evidences, Plainridge should be compared with Bangor, Freehold, Maywood, Monticello, Northville, and Scarborough. In 2015, with the 70%

⁴ There are two racetracks in Saratoga, New York. The track "Saratoga" conducts a six week meet from the end of July to Labor Day for elite thoroughbred horses with major Graded Stakes such as the Travers. Saratoga Raceway conducts reasonably high quality standardbred racing.

funding increase provided by the RHDF, the average purse at Plainridge exceeded the average purse at Bangor, Maywood, Monticello, and Scarborough. The first page of Exhibit 9 setting forth purses paid in 2015 at Standardbred tracks was compiled from data supplied by staff of the MGC secured from the US Trotting Association (pages 2-4 of Exhibit 9). The first page of Exhibit 9 details total purses paid, number of racing days and average purses at standardbred tracks in 2015 as set forth in data secured from the US Trotting Association.

Average purse reflects the value of the horses competing. Faster horses run for larger purses. As the value of the entrants increases, the purse increases. The RHDF has made Plainridge competitive with the tracks that have higher average purses and better than competitive to the tracks that conduct racing comparable to Plainridge. Scarborough pays a purse of \$3000 for \$4,000 claiming horses and offers few races where the purse is greater than \$3,000. Plainridge Purse structure in May 2016 is as follows:

Claiming Price	Purse
\$4,000	3,200
6,000	4,500
8,000	5,800
10,000	7,200
15,000	8,500
20,000	10,000
Open*	10,000

*Open races can have horse of any value

The average total purses paid per day at Plainridge in 2015 were \$40,101 with an average purse of \$4,437. In 2015 Vernon paid \$87,162 (more than double Plainridge) with an average

purse of \$7,980. Yet in 2015, Vernon paid a purse of \$3,300 for the few \$4,000 claiming races run at Vernon. Plainridge pays a purse of \$3,200 to \$4,000 claimers. The difference between the two tracks is that Vernon has better horses and runs many races for them. Plainridge runs races for the horses that are stabled at Plainridge. At least 75% of the races run at Plainridge are for standardbreds that previously competed at Plainridge. Most of the Plainridge horses are of relatively low value. There are not enough horses of high value at Plainridge to run the higher level races more frequently. Because the majority of races run at Plainridge are for lower value horses, its average purse and average total purses per day are considerably lower than the better tracks populated by more valuable horses. Saratoga Raceway in 2015 paid daily purses of \$106,547 and average purses of \$8,971. Yet \$6,000 claimers at Saratoga Raceway compete for the same \$4,500 purse paid at Plainridge this month to \$6,000 claimers. Saratoga Raceway paid a purse of \$11,000 in open races. Plainridge is paying a purse of \$10,000 in open races. The purses presently at Plainridge are only slightly lower (if at all lower) for the same level of competition as the purses now paid at the better tracks such as Buffalo, Harrington, Monticello, Rosecroft, Saratoga Raceway and Vernon. The influx of funds from the RHDF has accomplished the objective of making Plainridge competitive with even the tracks that attract and run more valuable standardbreds when level of competition is considered. The difference between Plainridge and the better tracks is now that Plainridge has few horses that have a value of more than \$6,000 while the better tracks have few horses that have a value of \$6,000 or less.

INCREASE IN STANDARDBRED DAYS OF RACING

The number of days of standardbred racing at Plainridge in Massachusetts has been steadily increasing over the past few years and will increase to 115 days for 2016. In 2013

Plainridge raced 92 days. While in 2014, the number of racing days at Plainridge decreased to 80 days, in 2015 the number of days increased to 105. In 2016, 115 days of racing are scheduled as required by statute. The increase in number of days has a greater impact on standardbreds in terms of opportunity to earn purses than it would have on thoroughbreds. Very few thoroughbreds race at least 20 times in a calendar year and most thoroughbreds have a gap of three or more weeks between starts. In contrast, once a standardbred is ready to race, the horse races on a weekly basis in a field of not more than 8 starters. So 20 additional days is probably three additional starts for a standardbred. Standardbreds are much more likely to race an entire season without injury as they race with a gait and pull a cart having no weight on their back. So even if average purse slightly decreases, each standardbred has greater earning opportunity.

Careful consideration of data indicates that despite the increase in race dates, in 2016 Plainridge should be expected to maintain if not increase the level of purses paid in 2015. The numbers indicate that more than a million dollars of purse funding disappeared in 2015. In 2014 with no funding from the RHDF, Plainridge paid total purses of \$2,581,552. For 2015, commencing in July, 2015, Plainridge began receiving payments from the RHDF that totaled \$3,193,098 paid during 2015. The 2014 purse agreement (Exhibit 11) of Plainridge Horsemen that extends through 2018 with the new track owner Penn National provides that purses were funded with only a portion of customary statutory sources. The purse funding provisions are identical to the purse funding provisions of the contract between Plainridge Horsemen and Ourway Realty LLC that was signed on October 31, 2006 and extended through 2013.

It appears that the Standardbred Horsemen at Plainridge have been contracting with the Plainridge track owners for more than a decade to race for purses far less than would result from collectively bargaining for a fair share of revenue. The NRHBPA contract for the 2014 racing

season at Suffolk Downs of 65 racing days provided that 50% of the revenue from available sources was paid to the Horsemen. Across the United States, most thoroughbred tracks share the revenue 50/50 with horsemen. Revenue sources include the revenue from wagering on site, the export of the live signal, the import of live signals from other tracks (simulcasting), rights payments from other locations, and revenue from Advanced Deposit Wagering (ADW) of the track and ADW payments from the internet wagering. While the thoroughbred horsemen have bargained for 50% of this revenue, the standardbred horsemen appear to have accepted less than the statutory minimums required to be paid to purse and receive nothing from the other sources. Rather than seeking to maximize available purse revenue, the standardbred horsemen seek to increase the standardbred allocation from the RHDF and reduce the thoroughbred allocation.

In 2016, there will be 10 more days of racing than in 2015. At daily purse distributions of \$40,101, only \$400,000 is required to maintain present purse structure. As addressed above, present purses are already competitive.

DISCREPANCY IN PLAINRIDGE PURSE FUNDING

In 2015, total purses at Plainridge increased from the 2014 level by only \$1,629,084 despite the purse contribution of \$3,193,098 from the RHDF. This is a difference of \$1,564,014 from the amount of purse that would result from adding the RHDF to the 2014 statutory funding. Before the HRC considers changing the present allocation of the RHDF, it should review Plainridge purse funding since at least 2013 and determine why the distribution of \$3,193,098 from the RHDF caused the Plainridge Purses in 2015 to increase by only \$1,629,084 from the purses paid in 2014.

The Standardbred industry submitted its request for reallocation without any detail justifying the need for more purse funds. At a minimum it should be required to quantify its request. The HRC should carefully review anticipated revenue from the statutory sources that produced \$1.9 million of purse funds in 2013 and \$2,581,552 of purse funds in 2014 prior to RHDF distributions. The RHDF is intended to supplement, not supplant, other sources of purse funding. The request for reallocation by the standardbred industry should be denied without prejudice and reconsidered when it quantifies its request and provides an analysis of other sources of purse funding, explains why 2015 distributions of \$ 3,193,098 from the RHDF only increased 2015 purses by \$1,742,594 from the 2014 purse level.

The purse increase from 2014 to 2015 that totaled only 55% of the RHDF distributions is even more troubling when an alleged loan from the track operator Penn National is considered. Purportedly Penn National “loaned” funds for purses in 2015 and/or 2014 to subsidize higher level purses until RHDF became available. If this loan was not fully repaid in 2015, then it would appear that the source of funds available to pay the 2014 purses of 2.581 million virtually disappeared in 2015.

The Plainridge purse agreement for 2014 between the standardbred horsemen and SGR (Exhibit 11), a subsidiary of Penn National that owns and controls Plainridge (including the slot parlor), addresses statutory funding of purses. The agreement addresses ADW revenue sources (paid by Xpressbet, Twinspires and TVG) in Item 9 where the Horsemen grant approval for account wagering. Yet in item 5 that addresses revenue sources, none of the ADW revenue is required to be paid to purses. Thoroughbred ADW revenue in 2014 exceeded 3.3 million dollars. The standardbred ADW revenue is less since payments are based on wagers by Massachusetts sources on standardbred racing. The Plainridge purse agreement does not address any specific

purse levels required to be paid other than a daily guaranty. It provides that if purses are paid in excess of the statutory receipts, the overpayment can be deducted from the purse account “ *to the extent permissible by law*”. The Plainridge purse agreement for the years preceding the 2014 were with a prior owner of Plainridge (Exhibit 12) and did not provide for a "loan" or payback. Since the 2014 contract was made at a time it was known that RHDF would be available for purses in the near future, there is a significant probability that revenue sources traditionally available for purses were permitted by the standardbred horsemen to be retained by Penn National in the belief that if Penn National got the slot license (as it did) RHDF would replace the purse revenue Penn National retained. In effect Penn Natural appears to have been gifted all the ADW revenue (and perhaps a portion of the statutory purse revenue) by the standardbred horsemen probably based on a belief that the HRDF would provide adequate purse funding. Even worse, it appears that Penn National then used the gifted revenue to pay purses with the expectation it would have the gift repaid from the RHDF. Clearly although the Massachusetts statute provides for the horsemen to bargain with the racetrack as to purse revenue within a range set by statute, the standardbred horsemen, with the knowledge that RHDF distributions were coming, accepted the statutory minimum (or less) and let Penn National retain all other revenue including ADW revenue and rights payments.

As addressed above, the numbers indicate that more than a million dollars of purse funding disappeared in 2015. From 2007 though 2011, Plainridge purses pre RHDF ranged from 2.275 million to 3.1 million.(Exhibit 7). In 2014 with no funding from the RHDF, Plainridge paid total purses of \$2,581,552. Commencing in July, 2015, Plainridge began receiving payments from the RHDF that totaled \$3,193,098 for 2015. The 2014 purse agreement of Plainridge with the new track owner Penn National reflected that purses were funded with from

statutory sources, possibly supplemented by a loan from Penn National. It is unclear if the statutory source payments were comparable to the statutory source payments payable in prior years. In 2015, total purses increased from the 2014 level by only \$1,629,084 despite the purse contribution of \$3,193,098 from the RHDF. This is a reduction of \$1,564,014 from the amount of purse that would result from adding the RHDF distributions to the 2014 funding.

The legislation creating the RHDF was not intended to benefit Penn National. The statute creating the RHDF did not authorize distributions from the fund to repay Penn National to the extent it did augment purses in 2014 in order to promote its application for the slots license it received. It does not appear RHDF distributions can be legally used to repay purse payments made by Penn National prior to the distribution of funds from the RHDF. The purse funding Penn National advanced to continue racing at Plainridge while it successfully sought and received the slot license, was its investment in racing made to enhance its efforts to secure the slot license. The legislation establishing the RHDF requires distributions from the fund to be made in accordance with the statute. The statute does not appear to permit Penn National to take money from the RHDF distributions to "payback" the investment it made to secure the slot license. Since the present standardbred purse contract requires payback from the purse account "*to the extent permissible by law*", if the enabling legislation does not permit use of RHDF to payback the investment of Penn National, then Plainridge clearly has adequate funds to sustain its purse structure, even with 10 additional days of racing in 2016. From discussions with third party sources it appears that the present alleged inadequate purse funding for 2016 at Plainridge results from the "payback" to Penn National from funds required by law to be paid to purses.

For purses at Plainridge to increase in 2015 by only \$1,742,594 from the 2014 after receipt of distributions of \$ 3,193,098 in 2015 from the RHDF, the statutory funding of purses

for 2015 would be only \$1,017,538 (the difference between the \$4,210,636 in total purses paid at Plainridge in 2015 and the \$ 3,193,098 of funds from the RHDF). In light of the fact that in 2011, Plainridge paid \$2,275,803 in purses (and paid more in prior years) presumably from statutory sources it is hard to believe that the total purse revenue from statutory sources in 2015 was only \$1,017,538. The HRC needs to investigate what statutory funding is available to fund purses at Plainridge and the projected RHDF allocations for 2016 to Plainridge before it considers reallocation of the present split. The HRC should verify that RHDF distributions are being used to supplement traditional sources of purse funding rather than repay Penn National for its investment made to secure the slot license. To the extent Penn National has taken RHDF to repay its "loan", Penn National should be required to immediately deposit such amounts to the Plainridge purse account. The statute is intended to help the thoroughbred and standardbred industries, not make Penn National richer. The Standardbred request should be denied with leave to resubmit it with appropriate detail that addresses all prior and present sources of purse funding. An audit should be conducted of the funding of Plainridge purses since January 1, 2014 before the HRC considers increasing the present allocation to the standardbred industry. The RHDF is intended to supplement and not supplant other purse funding.

THOROUGHBRED RACING FESTIVAL IN 2015

In response to general comments from the Standardbred industry to the effect that the purses paid from the RHDF to thoroughbred owners at the 2015 was not benefiting local horsemen and largely is all going "out of town" attached hereto as Exhibit 10 is a letter contained in the Commissioners packet of May 12, 2016 made available by the MGC. While the Umbrello letter principally advances objections to regulations proposed by the MGC, the second page of

that letter refutes assertions that have been made relative to purses paid for the 2015 three days of thoroughbred racing festivals. As Mr. Umbrello notes, over 75% of the purses paid for those three days of thoroughbred racing were paid to local owners trainers and thoroughbreds that had raced at Suffolk Downs during its 2014 meet. Included in the Commissioners packet of May 12, 2016 were the thoroughbred race charts submitted by Mr. Umbrello that documented the assertion.

Comments that the thoroughbred purse funds from the RHDF were all going "out of town" is especially hypocritical when advanced by the standardbred industry. A cursory glance at the leaders at Plainridge included a large number of parties with out of state addresses. The leaders included Philip Sowers of West Gardiner, NY, Heidi Gibbs of Albion, ME, Elizabeth Carotenuto of NJ, Shawn Gray of Hamburg, NY (formerly of West Gardiner, ME), Heidi Rohr of Montgomery, NY and Gretchen Athearn of Cumberland Center, ME. So if the RHDF purse funding is all going "out of town", the standardbred industry is largely responsible. One major objective of the RHDF is to invest in the local standardbred and thoroughbred industries with the expectation that for every dollar invested, some multiple of the investment is churned back into the local economy. Studies verifying this is the case were presented to the Massachusetts legislature and were a factor that resulted in the creation of the RHDF.

THE FUTURE OF THOROUGHBRED RACING IN MASSACHUSETTS

During and after its unsuccessful attempts to lease Suffolk Downs for 2015, the NEHBPA that represents Massachusetts thoroughbred horsemen began to plan for the future with the realization that it lacked an adequate facility at which thoroughbred racing could be

conducted. Suffolk Downs was about to be redeveloped. Its ownership generally refused to address with the NEHBPA the possibility of selling the racetrack portion of the site or developing the property in a manner that would permit thoroughbred racing to continue. The different locations at which the so called County "Fair" racing had been conducted were all too small and inadequate to sustain thoroughbred racing. In the not so recent past, thoroughbred racing had been conducted at county fairs in Berkshire (Adams), Brockton, Great Barrington, Marshfield, North Hampton and Weymouth with the NEHBPA in each instance representing the horsemen. Racing was discontinued at each of these locations due to a myriad of factors including the far greater risk of injury to both jockeys and horses that is posed by the sharp turns and narrow width of the tracks.

So the focus of the NEHBPA has turned towards finding a site suitable to build a thoroughbred racetrack and funding the venture. In New York, the non profit New York Racing Association (NYRA) was created by the state to own and operate Aqueduct, Belmont and Saratoga thoroughbred racetracks. The NEHBPA has pursued and expanded that concept to the point where the vision of 2 years ago is now a clear possibility and may become a reality. Information on the Horse Park development was recently provided to the HRC. Widespread support for the project has been developed. Although legislation was drafted in 2015, at the suggestion of legislative leaders, it has not yet been filed. The feasibility study commissioned is scheduled to be completed within weeks if not days. The legislation will be filed upon completion of the feasibility study. From the preliminary results of the feasibility study, it is clear that the Horse Park, when constructed and operational, will be self sustainable from the revenue it will generate independent of thoroughbred racing. The enabling legislation to be filed will authorize the use of a portion of the RHDF otherwise allocated to the thoroughbred racing

industry to be used to amortize the debt created from construction. Several land sites are under consideration for the facility and it appears the land at several of the proposed sites may be donated if selected. The NEHBPA, in light of the widespread support already secured, is optimistic that the concept will soon become a reality. The funds presently allocated from the RHDF to the thoroughbred racing industry are essential to advancing the Horse Park project. The Horse Park project now appears to represent the sole opportunity to continue thoroughbred racing in Massachusetts. Without it, it is extremely unlikely that any entity will construct and develop a racetrack in Massachusetts. The economics establish that available revenue, even with RHDF supplement, is not sufficient to pay the costs of conducting live racing if a reasonable amount is allocated to the cost of renting or owning the facility.

In the interim, the NEHBPA has worked with Suffolk Downs to conduct the racing festivals which accomplish the dual purpose of sustaining interest in thoroughbred racing and allowing local horsemen at least a limited opportunity to race. Since the legislation creating the RHDF was intended to help both the thoroughbred racing industry and the standardbred racing industry survive and become sustainable, reallocation of funds presently allocated to the thoroughbred industry that are essential for the survival of that industry should not be diverted to the standardbred industry which has become competitive and is prospering. The funds should continued to be escrowed as the Horse Park legislation is filed and considered by the legislature.

SUMMARY

The HRC, in its 2014 report following two years of careful review of facts, in recommendation 5 provided that that the MGC should draft regulations providing that the allocated amount for a

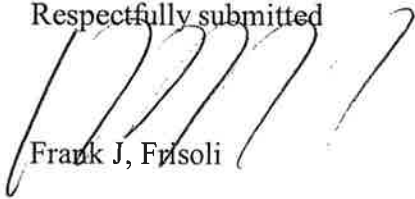
breed that is no longer racing due to lack of racing facilities should be *“held in an escrow account for three fiscal years to allow for and encourage the development of new facilities to ensure the continued racing of that breed”*

The issues now raised by the request for reallocation by the standardbred industry were considered by the 2014 HRC in its report produced after two years of study and discussion. That prior committee was certainly more familiar with the relevant issues and considerations than at least two new members of the present HRC that have been recently appointed. On its face, the request of the standardbred industry for the HRC to ignore the two years of work of the prior committee and vote on reallocation of the split within a few weeks of the appointment of two new members is unreasonable. Moreover the request is made without any financial detail of the alleged need by the standardbred industry for additional funds and without any explanation of the actions undertaken to maximize revenue available for purses from other sources . Furthermore, as addressed above, there is a clear issue as to whether some of the distributions from the RHDF have been illegally used to repay the investment made by Penn National when it sought to promote its application for the slot license it did receive. Until an audit is completed of Plainridge purse revenue for 2014 to date, the HRC should not consider any reallocation of the present split. As addressed above in great detail, standardbred racing at Plainridge is now nationally competitive and adequately funded.

The statute requires this committee to consider at least five criteria in making its recommendation. This committee is being asked to act based solely on an unsubstantiated alleged need because standardbred racing will increase by 10 days in 2016 from the number of days raced in 2015. As addressed above, only \$400,000 is required to fund the purses for 10 additional days. And as addressed above, the purses at Plainridge, despite the unexplained loss

.of 1.5 million of revenue available for purses in prior years, are competitive with purses for the value of the standardbreds that compete at Plainridge. RHDF allocations to standardbred racing have caused that industry to flourish and become competitive with virtually all other standardbred racetracks. The present allocation to the thoroughbred industry should be preserved while the attempt to save the thoroughbred industry through the Horse Park legislation is being considered by the legislature. The Standardbred request should be denied with leave to resubmit it with appropriate detail that addresses all prior and present sources of purse funding. The RHDF is intended to supplement and not supplant other purse funding and to advance both industries. As thoroughbred racing in Massachusetts needs to be revived while standardbred racing is prospering, the escrow and present allocations should be maintained..

Respectfully submitted

A handwritten signature in black ink, appearing to read 'Frank J. Frisoli', written over the typed name.

Frank J. Frisoli

Member HRC appointed by the thoroughbred racing industry

EXHIBITS

1. Horse Racing Committee Decision and Report of the Committee October 24, 2015
2. Commonwealth of Massachusetts Race Horse Development Fund, Report to the Massachusetts Gaming Commission Horse Racing Committee by Dr. Margaret A. Ray May 8, 2014
3. Memorandum to the Horse Racing Committee of the Massachusetts Gaming Commission on Relative Needs for Increased Purses
4. Memorandum on Purse paid in Massachusetts and other states comparable to local races regularly conducted
5. Supplemental Memorandum to Horse Racing Committee of the Massachusetts Gaming Commission on Relative Needs for Increased Purses
6. Weighting of Criteria and Proposed Allocation of Horse Racing Development Fund submitted by Committeeperson Frank J. Frisoli
7. Memorandum from Jennifer Durenberger, Director of Racing, MGC dated January 2, 2014.
8. The Tracks from US Trotting Association, Plainridge Racecourse
9. Purses paid in 2015 at Standardbred tracks supplied by staff of the MGC
10. Letter of Paul Umbrello to MGC addressing, inter alia, distribution of purse earnings during the 2015 three days of racing festival at Suffolk Downs
11. Agreement between Harness Horsemen's Association of New England and Springfield Gaming and Redevelopment LLC (2014 Plainridge Purse Agreement)
12. Agreement between Harness Horsemen's Association of New England and Ordway Realty LLC from October 2006 through at least December 2012 (and apparently applicable to 2013) as supplied by the MGC (2006-2013 Plainridge Purse Agreement)

EXHIBIT 1

COMMONWEALTH OF MASSACHUSETTS HORSE RACING COMMITTEE

DECISION AND REPORT OF THE COMMITTEE

Massachusetts General Laws, chapter 23K, section 60, establishes a Horse Racing Committee ("Committee") charged with evaluating the state of the horse racing industry in the Commonwealth and making a recommendation to the Legislature and the Massachusetts Gaming Commission on the distribution of funds from the newly established Racehorse Development Fund¹. The funds are to be distributed between the thoroughbred and standardbred racing industries in the Commonwealth. These two segments of the Commonwealth's racing industry, while similar in many aspects, experience many differences including, but not limited to, breeding and training practices, farm size and locations, and their respective economic impacts on the Commonwealth.

The Racehorse Development Fund was established to support the racing industry in the Commonwealth. The monies in the development fund are derived from gaming and simulcasting activities within the Commonwealth. Pursuant to G.L. c.23K, §60(c), the funds are to be divided between the thoroughbred and standardbred accounts, with 80% of the funds distributed into purse accounts, 16% of the funds distributed to support breeding programs, and 4% of the funds are to be used to fund health and pension benefits for the members of the horsemen's organizations.

The Horse Racing Committee consists of the following five members: the Chairwoman, Dr. Deborah Kochevar, as the designee of the Governor; Francis Orlando as the designee of the Treasurer; Commissioner Gayle Cameron, as the designee of the Gaming Commission; Attorney Frank Frisoli, appointed by the New England Horsemen's Benevolent & Protective Association and the Massachusetts Thoroughbred Breeding Program; and Attorney Peter Goldberg, appointed by the Harness Horseman's Association of New England and the Massachusetts Standardbred Breeding Program. The Committee held its first meeting on August 10th, 2012 under the direction of Chairman John Sherman, the initial designee of the Governor. Chairman Sherman chaired the Committee until December of 2012 when he resigned from the position. The Committee met 3 times between August and December 2012. No meetings were held from December 2012 until April of 2013, when Dr. Deborah Kochevar was appointed as the new Chairwoman of the committee. Since that date, the Committee has met approximately once per month and extensively evaluated and discussed the statutory criteria set forth in section 60, namely, (1) the average purses awarded at thoroughbred and standardbred racing facilities; (2) the total employment numbers, both direct and indirect, attributable to each horse racing industry; (3) the relative needs of each horse racing industry for increased purses; (4) the amount of the live racing handle generated by each horse racing industry; and (5) the number of breeding and training farms of each industry that are located in the commonwealth². The statute does not

¹ Established in M.G.L. c.23K, §60(a), the Racehorse Development Fund is administered by the Massachusetts Gaming Commission.

² M.G.L. c.23K, §60(b).

limit the Committee to the five criteria listed but due to the broadness of the criteria the Committee did not find it necessary to add additional, separate factors for consideration.

With the assistance of students from Cummings School of Veterinary at Tufts University and the University of Massachusetts, Amherst, the Committee conducted a statewide survey on the breeding and training farms in the state of Massachusetts. The survey was conducted by contacting, and subsequently visiting, a list of farms in the Commonwealth provided by the Committee member representatives of the thoroughbred and standardbred industries. Due to various challenges, the final farm survey portrayed that the students were only able to make contact and collect data from 71 farms from the list of 145. The sample was not homogenous and did not provide the Committee with more accurate or informative information as that collected and provided by the Massachusetts Gaming Commission.

In March of 2014 the Committee hired Dr. Margaret A Ray, of the University of Mary Washington, as an industry expert to review the statistical data from Massachusetts pertaining to both thoroughbred and standardbred horses and racing and to provide the committee with an economic analysis to aid in determining the appropriate distribution of the funds. The Committee provided Dr. Ray with numerous committee-approved reports and statistics for her analysis. Dr. Ray's report relied solely upon data provided to her by the Committee. The Committee did not provide Dr. Ray with any recommendations on the appropriate weight to be given to each statutory criterion. Dr. Ray, in reviewing all the materials provided to her, prepared a report for the Committee with an economic analysis of the industry in Massachusetts and her recommendation was that 85-90% of the Race Horse Development Fund be allocated to the thoroughbred industry with the balance to the standardbred industry.

The Committee carefully reviewed and discussed numerous reports and memos provided by each industry, by the Massachusetts Gaming Commission, and by Dr. Ray. The Committee also solicited and considered public comment on the weight that should be given to each factor and the final percentage split.

Accordingly, the Committee makes the following findings and recommendations:

- 1) In order to best aid each industry, and to yield the greatest return to the Commonwealth, the Committee, upon a 3-2 vote, recommends the following split: 75% of the fund to be distributed to the thoroughbred racing industry and 25% to be distributed to the standardbred racing industry.
- 2) This recommended split is to be reassessed on an annual basis. The Committee will meet in October of each calendar year to review the distribution of the Race Horse Development Fund. If the Committee finds it necessary to meet additional times throughout the year it may do so upon request of at least three members of the Committee to the Chair that a meeting be called.
- 3) In reviewing the split at each annual meeting, the Committee will assess the following benchmarks in order to assess the split with regards to the health of the industry:

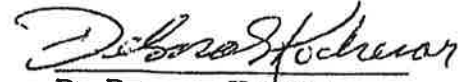
The statutory criteria:

1. The average purses awarded at thoroughbred and standardbred racing facilities;
 2. The total employment numbers, both direct and indirect, attributable to each horse racing industry;
 3. The relative needs of each horse racing industry for increased purses;
 4. The amount of the live racing handle generated by each horse racing industry;
 5. The number of breeding and training farms of each industry that are located in the Commonwealth; and
 6. Such other criteria as determined by the Committee and consistent with the statute, including but not limited to:
 - A. Pool size;
 - B. Field size;
 - C. Number of live race days and total races;
 - D. Number of Mass-bred starters ;
 - E. Number of Mass-bred starts;
 - F. Amount of Mass-bred purses earned;
 - G. Number of restricted Mass-bred races;
 - H. Number of W2 and 1099 employees;
 - I. Capital expenditures to racing facilities;
 - J. Gross terminal revenue on live race days vs. non-live race days at the Category 2 Gaming Facilities;
 - K. Number and types of occupational licensees;
 - L. Number of stallions, mares, and foals residing in Mass;
 - M. Number of breeders registered with relevant breed organizations;
 - N. Number and average sale price of MA- bred horses sold at public auction;
 - O. Such other criteria consistent with the statute.
- 4) The committee will provide an annual report assessing the above data with an annual recommendation of the percentage split of the Race Horse Development Fund to the legislature and the Massachusetts Gaming Commission.
- 5) The Committee further recommends the Gaming Commission draft the necessary regulations to address the use of the funds in the Race Horse Development Fund in the situation where one of the breeds is no longer racing due to lack of racing facilities. The Committee recommends that such regulations should provide for the allocated amount for that breed to continue to be collected and held in an escrow account for three fiscal years to allow for and encourage the development of new facilities to ensure the continued racing of that breed.³

³ MGC staff evaluated several other jurisdictions and found that most provided separate funds for each breed with specific allocations to each fund. Most jurisdictions do not appear to allow the funds from one breed to be redistributed to a different breed of racing if that breed were to cease racing for any period of time.

However, a similar escrow system does exist in Michigan. *See*, M.C.L.A. 413.319a. The Michigan statute allows for escrowing of development funds in the event that a thoroughbred track license is surrendered, revoked, escrowed, or if a track closes, until a new track is licensed and obtains the written direction from the certified horseman's association for the depository of the escrowed accounts into the purse accounts. It should be noted, however, that Michigan's statute also provides for a specified allocation of the funds to each breed. Nothing in the Michigan statute allows the funds allocated to one breed to be redistributed and placed in the purse accounts for a different breed of racing even in the absence of an escrow provision.

RESPECTFULLY SUBMITTED,
HORSE RACING COMMITTEE
BY:



DR. DEBORAH KOHEVAR,
CHAIRWOMAN

DATE: 24 Oct. 2014

EXHIBIT 2

Commonwealth of Massachusetts Race Horse Development Fund

Report to the Massachusetts Gaming Commission
Horse Racing Committee

Prepared by

Dr. Margaret A. Ray
Professor of Economics
University of Mary Washington

May 8, 2014

This report presents an economic analysis performed to aid the Horse Racing Committee in determining an appropriate distribution of the Race Horse Development Fund based on the criteria provided in M.G.L. c.23K, Section 60(b).

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Executive Summary

- The racing industry in Massachusetts consists of two segments; thoroughbred and standardbred. While breeding, racing, and training horses for these two segments have much in common, there are also important differences. In particular, thoroughbred horses participate in flat races and standardbred horses participate in harness races, which leads to differences in racehorse characteristics and training, farm size and location, and labor intensiveness and managerial structure of breeding and training businesses.
- Allocation of purse supplements typically consider 3 general goals; economic impact, sustainability of the industry, and quality of life in the community. The 5 criteria identified by M.G.L. c.194 of the Acts of 2011, section 60 relate to these 3 general goals.
- This study analyzes the criteria outlined in the legislation creating the Race Horse Development Fund using the following data; **purses** (total annual purses, average daily purses, and average purse per race), **employment** (W2's and 1099's, occupational licenses, direct employment), **relative need** (regional and national purses, purse money added, field size), **handle** (live racing handle), **number of breeding and training farms** (number of farms, breeding stick, size of farms).
- The thoroughbred segment of the industry generates a significantly higher economic impact, is considerably more likely to become sustainable, and provides a much more highly valued entertainment product.
- The standardbred segment of the racing industry provides a benefit with respect to differentiating the racing industry's entertainment product. The regional popularity of harness racing provides the potential for successful marketing of small, high quality race meets. In addition, standardbred farms expand the distribution of greenspace across the commonwealth.
- Using the current distribution of purses as a baseline, employment, sustainability, handle, and farm data are used to determine the recommended distribution of the Race Horse Development Fund. The analysis indicates allocating a disproportionate share of the funds to the thoroughbred segment of the industry best meets the desired goals represented in the criteria outlined in the legislation.
- In addition to the distribution of the fund, this report includes recommendations related to determining optimal the number of race days, allocating purse supplements among race types, and using evaluation metrics to evaluate the long-term success of the fund.

II. Overview

This report presents an analysis of the Massachusetts horse racing industry and recommendations regarding the allocation of the Commonwealth of Massachusetts Race Horse Development Fund as requested in the consulting agreement between the Massachusetts Gaming Commission and Dr. Margaret A. Ray. Section III of this report outlines the evaluation criteria and data used as the basis for this report. Section IV presents an analysis of the relevant data and information and Section V summarizes the conclusions of the analysis. Finally, recommendations to the Horse Racing Committee based on the analysis provided are included in Section VI.

The horse racing industry in the commonwealth of Massachusetts consists of two different types of racing; thoroughbred and standardbred. While the breeding, training, and racing of thoroughbred horses and standardbred horses have much in common, there are distinct and important differences between the two segments of the industry. Much of the capital required to breed, raise, and train race horses is the same for both breeds. For example, stallion services, brood mares, veterinary and farrier services, horse feed and hay, pasture, and equipment (barns, trucks, horse trailers, etc.) needs are the same in both segments of the industry. However, an obvious difference between the two breeds is that thoroughbred horses participate in flat races and standardbred horses participate in harness races. This leads to differences in the breeding and characteristics of the horses and the specific race training the horses receive. Perhaps more importantly from an economic perspective, the two breeds differ with respect to the demand for their product and the location, labor intensiveness and managerial structure of their breeding and training businesses. These differences are relevant for predicting the expected impact of the distribution of the Race Horse Development Fund.

Because thoroughbred and standardbred racing and racehorses are different, and also because of the way that the two racing disciplines developed historically, breeding and training operations are organized and managed differently. The standardbred segment of the industry is made up of smaller operations that are more widely dispersed around tracks with more direct racehorse owner involvement. Part-time employment in the industry tends to be more common in standardbred racing. The thoroughbred segment of the industry has larger scale operations with more division of labor and less direct racehorse owner involvement. Because of the way thoroughbred operations are organized, they are more likely to experience economies of scale.

There is also a significant difference in the demand for each breed's racing product. There is more betting on thoroughbred races, both nationally and in Massachusetts, as evidenced by a variety of handle data. Thoroughbred handle in the United States was roughly 6 ½ times larger than standardbred handle in 2013. Both segments of the national racing industry experienced an

increase in both handle (thoroughbred 1%, standardbred 6%) and purses (thoroughbred 6%, standardbred 4%) in 2013¹. The market for thoroughbred racing (both live and simulcast) is much larger and more national in scope, with 29 major thoroughbred tracks spread across the country. The market for standardbred racing is smaller and more concentrated, with 16 major tracks located in the eastern half of the United States. Thus, the thoroughbred segment of the Massachusetts racing industry is part of a larger national industry while the standardbred segment is located in the historical and regional center of its national industry.

The Massachusetts Gaming Commission has been charged with dividing the Race Horse Development Fund between these similar yet different segments of the Massachusetts racing industry based on criteria provided by the legislation that created the fund and any other criteria identified by its Race Horse Committee.

III. Evaluation Criteria and Data

In recent years, many jurisdictions across the United States have been faced with decisions regarding the support of their racing industry. The expansion of the gaming industry in the United States has generated increased revenue for purse supplements, and created the need to allocate those supplements. While each jurisdiction's situation is somewhat different and each has slightly different goals for the allocation of its purse supplements, these allocation decisions have generally considered three important criteria; generating the largest economic impact (e.g. creating employment and tourism), developing a sustainable racing industry, and enhancing quality of life (e.g. creating entertainment value and greenspace for citizens). It is clear that these three criteria are interrelated. For example, a strong racing industry increases entertainment value and tourism which increases employment. The criteria outlined in the legislation that created the Race Horse Development Fund relate directly to these three interrelated criteria.

The evaluation criteria for this analysis come from M.G. L. c.194 of the Acts of 2011, section 60 which provides for the distribution of the Race Horse Development Fund between thoroughbred and standardbred racing facilities based on 5 criteria. The legislation does not limit the committee to the five stipulated criteria, however the Horse Racing Committee has provided no additional criteria for determining the distribution for this report. Therefore, this analysis relies primarily on the 5 criteria from section 60;

- (i) The average purses awarded at thoroughbred and standardbred racing facilities
- (ii) The total employment numbers, both direct and indirect, attributable to each horse racing industry

¹ Bloodhorse.com

- (iii) The relative needs of each horse racing industry for increased purses
- (iv) The amount of live racing handle generated by each horse racing industry
- (v) The number of breeding and training farms of each industry that are located in the commonwealth

Each criterion is discussed separately below. In order to implement an analysis based on these criteria, it is first necessary to determine the specific meaning of each based on the intent of the legislation. These criteria differ greatly with respect to the difficulty of determining their meaning and intent. This analysis relies on the information provided by the Horse Racing Committee and prior experience with industry analysis to define the meaning of each criterion and identify the appropriate data to measure it. It seems clear that criteria (ii) and (v) relate to maximizing the economic impact of the Race Horse Development Fund on the Massachusetts economy while criteria (i) and (iv) relate to supply and demand in the market for live horse racing. Criterion (iii) is perhaps the most difficult to define and quantify as it relates to a standard of equity that is not clearly defined. In addition, it is clear from the outset that these criteria are often directly related and sometimes in direct opposition. As will become clear in the discussion below, the five criteria are closely interrelated.

The Horse Racing Committee did not indicate any difference in the importance assigned to each of the five criteria. Therefore, each criterion is assumed to have an equal weight in the determination of the distribution of the Race Horse Development Fund. The Horse Racing Committee may also want to consider additional relevant information and data referenced in this report. These are included under part (vi), "Additional information and data."

(i) The average purses awarded at thoroughbred and standardbred racing facilities

The average purse criterion considers the existing purses awarded. Both the current average purse sizes and their comparison to regional and national averages are relevant to this criterion. However, the comparison to other jurisdictions is considered under criterion (iii), below.

Average purses help to determine the quality of racing and are therefore closely related to the entertainment value and handle generated by a racetrack. They are also a major determinant of the revenue generated by racehorse breeding and training and are therefore related to the economic impact created by the racing industry. It is clear that the size of the crop of racehorse foals is directly related to the size of the purses in a region.

The data used to evaluate the average purses generated at thoroughbred and standardbred racing facilities are;

- Total annual purses
- Average daily Purse

- Average purse per race

(ii) The total employment numbers, both direct and indirect, attributable to each horse racing industry

The economic impact of the racing industry is felt most directly through its effect on local employment. Racetracks and horseracing-related activities provide jobs in local communities. The indirect employment attributable to the industry refers to the multiplier effect of direct employment in the economy. For example, if a racetrack hires an employee, that employee spends his or her income in the region for rent, groceries, etc. The economic activity created by the racetrack employee results in additional hiring in other industries, e.g. apartment managers and grocery clerks. While the indirect and induced employment effects are an important part of the regional economic development associated with horse racing, for this criterion the multiplier effect of employment associated with thoroughbred racing is assumed to be the same as that of standardbred racing. That is, thoroughbred and standardbred racing activities are assumed to have the same regional employment multiplier. Direct employment related to racing at a standardbred track will have the same indirect and induced effect on employment in the regional economy as employment related to racing at a thoroughbred track. Therefore, under this criterion the analysis will focus on the direct employment created by racetracks and horseracing-related activities with the understanding that any difference in indirect or induced employment is due to the differences in direct employment captured in the analysis.

Differences in the number of breeding and training farms located in the commonwealth and the potential for racetracks to generate employment by drawing visitors from outside the region may affect the indirect effects of future increases in industry employment created by the Race Horse Development Fund (i.e. the size of the employment multiplier for thoroughbred versus standardbred). These potential differences are considered below under criteria (iv) and (v).

The data used to evaluate the total employment attributable to each segment of the horse racing industry are;

- W-2's and 1099's to Massachusetts residents
- Occupational licenses
- Direct employment estimates

(iii) The relative needs of each horse racing industry for increased purses

The Horse Racing Committee provided information related to determining the meaning of the “relative needs” criterion that cited comparison of purses to neighboring jurisdictions, differences in thoroughbred and standardbred racing nationally, and the ability to generate taxable economic activity. Based on the information provided, relative need is interpreted as the need for purse supplements in order to maximize the probability that the purse structure is sustainable. The distribution of the funds, therefore, should consider any difference between the current purse structure and the estimated minimum sustainable purse structure, as determined by comparisons with other jurisdictions. Sustainability requires a purse structure that assures an average field size large enough to generate acceptable live racing handle and develop and maintain associated breeding and training facilities within the commonwealth.

The data used to evaluate the relative needs of each segment of the horse racing industry are;

- Regional purses
- National purses
- Purse money added by operators
- Field size

(iv) The amount of live racing handle generated by each horse racing industry

The amount of live racing handle generated is a clear and objective criterion easily measured using available data collected and provided by the Massachusetts Gaming Commission. Live racing handle is a measure of the entertainment benefit residents of Massachusetts receive from live racing as well as the additional purse money and revenue generated by a racetrack. In addition, when handle increases as a result of bettors from outside the commonwealth traveling to Massachusetts racetracks, the indirect and induced employment numbers in criteria (ii) are increased (i.e. the employment multiplier is larger). High quality racing can attract tourists, leading to increases in income and employment in the region.

However, it is important to note that the live racing handle will be affected by changes in purses as a result of the allocation of the Race Horse Development Fund. Therefore, in addition to considering the current live racing handle, this analysis considers the likely effect of the distribution of the fund on future live racing handle.

This report looks at live racing handle generated by each segment of the horse racing industry;

- Live racing handle

(v) The number of breeding and training farms of each industry that are located in the commonwealth

Breeding and training farms generate economic activity and, along with racetracks, are responsible for the direct economic impact of the horseracing industry on the Massachusetts' economy. The economic impact of breeding and training farms comes from the employment and income created in the region through the operation of the farms, including horse trainers, veterinarians, farriers, exercise riders, stable hands, etc. The direct employment effect of horse farms is considered under the employment criterion (ii), above. Beyond its relationship to the current employment attributable to the racing industry, the number of breeding and training farms in Massachusetts is relevant to this analysis because it is related to the probability that any expansion of the industry resulting from the Race Horse Development Fund will be located in the region as well as to the geographic distribution of the benefits from fund payments across the Commonwealth. Farms supporting racehorses are also the source of greenspace, which provides environmental and aesthetic benefits.

The Race Horse Development Fund is intended to develop the racing industry in the commonwealth. However, it is important to consider that any changes in the Massachusetts racing industry will affect not only industry participants inside Massachusetts but also breeders and trainers outside the commonwealth. When purse money is won by horses bred and trained outside Massachusetts, the economic impact will be felt in other states. Therefore, the number and distribution of breeding and training farms in Massachusetts is an important determinant of the size and distribution of the economic impact on the commonwealth.

The data used to evaluate the number of breeding and training farms of each industry located in the commonwealth are;

- Number of breeding and training farms
- Breeding stock
- Average size of breeding and training farms

vi. Additional information and data

Additional data/information the Horse Racing Committee may wish to consider include revenue generated for the commonwealth, simulcast handle, and the financial health of existing racetracks.

- Revenue generated for the commonwealth
- Simulcast handle

- Financial Health of Racing Associations²

IV. Analysis

The data used for each criterion are presented below. A variety of sources for data on the Massachusetts racing industry were provided for this analysis. The data reported by the various sources were not always exactly the same, though they were generally very similar. It should be noted that the data and information provided for the thoroughbred segment of the industry was more comprehensive and reliable. In part this reflects the general availability of data and information nationally. The data were selected to assure that comparable numbers for the two segments of the industry were available. There is no reason to believe that data availability significantly affected the conclusions or recommendations of this report. In addition, this analysis focuses on the objective data and information and does not consider subjective assertions included as part of the information provided. The specific data used for the analysis related to each criterion is presented here and sources are reported in the footnotes.

- (i) The average purses awarded at thoroughbred and standardbred racing facilities

Total Annual Purse (2013)³

Standardbred: 2,513,101 (21%)
Thoroughbred: 9,362,966 (79%)

Average Purse Per Race (2012)

Standardbred: 2,312⁴
Thoroughbred: 11,847⁵

Average Daily Purse Awarded (2012)⁶

Thoroughbred: 114,000

² Page 14 of Review of Massachusetts State Racing Commission and Industry

³ Massachusetts Gaming Commission memo

⁴ From the Standardbred Industry Report to the Horse Racing Committee: in 2012 "nearly 1000 standardbred races" per year, \$2,311,988 total purse expense at Plainridge Racecourse.

⁵ Exhibit 4, New England Horsemen's Benevolent and Protective Association and Massachusetts Thoroughbred Breeders' Association Position Paper.

⁶ Massachusetts Gaming Commission, approximate

Standardbred: 30,000

In 2013, total annual purses and average daily purses were divided 21%/79% between standardbred and thoroughbred races. These percentages reflect the existing purse distribution and can therefore be considered the “starting point” (or baseline) for determining the appropriate division of the Race Horse Development Fund between the two segments of the racing industry. That is, allocation of the Race Horse Development Fund can maintain the current distribution or be viewed as a change from the existing distribution. While the data show that a significantly higher percentage of purses are currently allocated to the thoroughbred industry, the appropriateness of that distribution must be evaluated in the context the additional criteria and data discussed below.

(ii) The total employment, both direct and indirect, attributable to each horse racing industry

W2 and 1099 Forms Provided Total and to Massachusetts Residents⁷

	<u>W2</u>		<u>1099</u>	
	Total	MA	Total	MA
Plainridge	141	97	370	148
Suffolk	200	170	514	268

Occupational licenses⁸

Standardbred: 983

Thoroughbred: 2135

Direct Employment

Standardbred: 446⁹

Thoroughbred: 1,133¹⁰

Data provided regarding tax forms issued by Plainridge Racecourse and Suffolk Downs show that Suffolk Downs accounted for approximately 60% of each type of tax form issued by the two racetracks. Roughly 60% of all forms from both racetracks were issued to Massachusetts residents.

⁷ Massachusetts Gaming Commission

⁸ Massachusetts Gaming Commission Memo

⁹ Goldberg and Weigand

¹⁰ Christiansen Capital Advisors

The employment data show that the thoroughbred segment of the racing industry accounts for a significantly larger percentage of total employment as measured by occupational licenses and direct employment estimates. Thoroughbred racing is responsible for 68% of occupational licenses, and 72% of estimated direct employment. The differences in the percentages reflect the differences in the two segments of the racing industry discussed in the Overview section. The size and structure of the thoroughbred industry leads to more occupational licenses and more direct employment. It is interesting to note that the percentage distribution of employment data does not mirror the distribution of handle at the two tracks (thoroughbred racing generates 87% of live handle and 90% of simulcast handle).

(iii) The relative needs of each horse racing industry for increased purses

United States Total Purse 2012

Standardbred: 405,567,739¹¹ (24%)
 Thoroughbred: 1,255,000,000¹² (76%)

Thoroughbred Average Purse per Race 2010¹³

New Jersey	59,000
Kentucky	46,000
New York	33,000
Pennsylvania	27,000
Delaware	24,000
East Coast Average	27,988

Standardbred Average Purse per Race 2010¹⁵

Kentucky	20,000
Pennsylvania/New Jersey	15,000
New York	11,000
East Coast Average	9,235¹⁴

Added Purse Money (2011)¹⁵

Standardbred: -12,016
 Thoroughbred: 1,739,100

¹¹ The Daily Racing Form

¹² Mitchell

¹³ Horse Racing Industry Transition Panel

¹⁴ 2009

¹⁵ Massachusetts Gaming Commission

Average Field Size¹⁶

Standardbred: 7.07

Thoroughbred: 7.24

The purse distribution between thoroughbred and standardbred segments of the racing industry in Massachusetts is similar to the total purse distribution between the two segments nationwide. However, the racing industry in Massachusetts is very different from the national industry, particularly with regard to size. Both the standardbred and thoroughbred segments of the Massachusetts racing industry compete almost exclusively with other East Coast racetracks for horses and handle. So, while comparisons with national data can be instructive, other East Coast racetracks provide a more useful comparison. Both of the racetracks in Massachusetts experience most of their direct competition from racetracks in nearby Pennsylvania and New York. In addition, the thoroughbred segment of the industry experiences direct competition from thoroughbred racing in Delaware.

The average purse values for Pennsylvania and New York compare differently to the East Coast average purse value for the thoroughbred and standardbred racing segments. The average purse values for competing states are close to the East Coast averages for thoroughbred racing, but the average purse values for competing states in the standardbred segment of the industry are much higher than the East Coast average. These numbers reflect the difference in the national distribution of the two segments of the racing industry discussed in the Overview section of this report. The comparison to competing East Coast tracks shows that the smaller standardbred segment of the Massachusetts industry operating alongside a much stronger racing industry in nearby states than the thoroughbred segment of the industry. The thoroughbred segment of the Massachusetts racing industry is in a much better position to attempt to compete with nearby states for horses and handle.

The average thoroughbred purse per race in Massachusetts is approximately 20% of the highest thoroughbred average purse per race and 42% of the East Coast thoroughbred average purse per race. The average standardbred purse per race in Massachusetts is approximately 12% of the highest standardbred average purse per race and 25% of the East Coast standardbred average purse per race.

The added purse money data shows an important and dramatic difference between the two segments of the racing industry. In 2011, Suffolk Downs contributed substantial amount to supplement purses at the track while Plainridge Racecourse failed to distribute all of the purse money that was earned. The additional purse money paid by the thoroughbred racetrack is a market signal that the economic conditions in the thoroughbred segment of the industry warrant increased purses.

¹⁶ Racing Division Calculation

Finally, average field size is an important determinant of handle and has a significant and positive effect on industry performance¹⁷. The current average field size is similar for the two segments of the industry. Maintaining an acceptable field size is important for industry sustainability.

- (iv) The amount of live racing handle generated by each horse racing industry

Live Racing Handle (2012)

Standardbred: 1,358,788¹⁸ (13%)

Thoroughbred: 6,478,074¹⁹ (87%)

Actual Handle on Live Races (2013)²⁰

Standardbred: 11,167,679 (13%)

Thoroughbred: 75,680,747 (87%)

The data on live racing handle shows that thoroughbred racing accounts for 87% of live racing handle in the commonwealth. Higher handles lead to higher purses and more revenue for racetracks. Increases in live racing handle that result from increased tourism (bettors from outside the region coming to regional racetracks to bet) have a positive economic impact on the regional economy in the form of increased employment and income. Thoroughbred racing generated a significantly larger percentage of total handle in Massachusetts (and the difference is larger than the difference in purses paid to the two segments of the industry).

- (v) The number of breeding and training farms of each industry that are located in the commonwealth

Number of Farms in Massachusetts (2013)

Standardbred: 62²¹

Thoroughbred: 133²²

¹⁷ Ray

¹⁸ Massachusetts Gaming Commission, estimate

¹⁹ Christiansen Capital Advisors

²⁰ Massachusetts Gaming Commission

²¹ Goldberg and Weigand, "There are 78 training and breeding facilities in Massachusetts"

²² Thoroughbred breeding and affiliated farms, from Christian and Capital Advisors citing Salem State University 2013 MA Equine Study

*Massachusetts Racehorse Breeding Stock*²³

Thoroughbred

Foals born and registered in MA (2012)	40
Mares bred to MA stallions (2013)	45
Active Stallions	19

Standardbred

Yearlings (2013)	49
Resident Broodmares (2012)	59
Active Stallions	0

Average Size of Farms

Standardbred: 12 less than 5 acres, 50 greater than 5 acres

Thoroughbred: Average size of 50 acres

There are more than twice as many thoroughbred horse farms as standardbred horse farms in Massachusetts and the thoroughbred farms tend to be larger. However, standardbred horse farms are more dispersed throughout the commonwealth. According to the Standardbred Report to the Horse Racing Committee, "Between the 580 active standardbred racehorses and the 170 registered standardbreds in the Massachusetts Standardbred Breeding Program this year, there are a total of 750 standardbreds currently active in the standardbred harness racing industry in Massachusetts." Plainridge Racecourse stables about 150 standardbred racehorses while approximately 750 horses from outside the state are stabled at Suffolk Downs.

Data on breeding stock show that, while the overall Massachusetts racehorse breeding industry is small. However, the small numbers indicate that each segment of the breeding industry has a

²³ Data provided by Massachusetts Gaming Commission, May 10 email

distinct advantage as far as economic impact on the commonwealth. The thoroughbred segment has more standing stallions while the standardbred segment has more resident broodmares.

The thoroughbred segment of the breeding industry stands 19 stallions while there are no active standardbred stallions. Standing stallions have the potential to expand the Massachusetts economy by generating income in the state from outside the state. Massachusetts thoroughbred breeders have been breeding to stallions in the commonwealth while standardbred breeders have been almost exclusively breeding their mares to stallions outside the commonwealth.

The standardbred segment of the industry has developed a resident broodmare program that is reflected in the number of resident broodmares in the commonwealth. This creates an economic benefit because economic activity associated with broodmares and foaling remains in the commonwealth when broodmares reside in Massachusetts.

The size and distribution of horse farms affects the economic impact and greenspace created as a result of horseracing in the commonwealth. Maps of the location of breeding and training farms show standardbred farms dispersed more widely across the commonwealth.

vi. Additional information and data

Revenues Paid to Commonwealth²⁴

	<u>Thoroughbred</u>	<u>Standardbred</u>
Pari-mutual revenue paid to Commonwealth (minus fines, penalties, and misc.)	1,168,287	593,880
Real Estate and Sales taxes paid	1,468,981	282,223

Simulcast Handle (2011)²⁵

Standardbred: 19,723,068 (10%)
 Thoroughbred: 172,394,416 (90%)

Horse racing Committee members might also want to consider the significant difference in the size of pari-mutual revenue and taxes paid by the two segments of the racing industry. Revenue from thoroughbred racing is almost double that from standardbred racing and taxes reported for thoroughbred racing are six times those for standardbred racing. In addition, data for simulcast

²⁴ Massachusetts Gaming Commission

²⁵ Massachusetts State Racing Commission – Annual Reports

handle shows an even greater disparity between the thoroughbred and standardbred segments of the industry. While simulcast handle is not included in the criteria listed in the legislation creating the Race Horse Development Fund, it is much larger than live handle and also generates economic activity in the commonwealth.

Finally, the financial health of the racing associations (racetracks) is included on page 14 of the Review of Massachusetts State Racing Commission and Industry provided to the Massachusetts Gaming Commission. The financial health of the tracks and their intentions with respect to continued operation are an indication of the economic viability of unsubsidized racing. Market signals should be considered in decision making, especially when there is a desire for sustainability and the possibility of reduced subsidies in the future.

V. Conclusions

This report describes an objective analysis of the racing industry in Massachusetts for the purpose of advising the Horse Racing Committee regarding the allocation of the Race Horse Development Fund to best meet the goals of the commonwealth based on the criteria outlined in section 60. The analysis included in this report is based on the data and information provided by the Massachusetts Gaming Commission, other data and sources cited in this study, and considerable experience with economic analysis of the racing industry nationally and in other jurisdictions. However, several issues complicate the analysis and conclusions. As discussed above, the meanings of the five criteria are open to interpretation and each can be measured using a variety of different data. In addition, the five criteria and the effect of purse distributions on them are highly interrelated. Finally, the legislation does not limit the Horse Racing Committee to considering only the five criteria included in section 60. Therefore, while the analysis and conclusions of this report provide objective information for the committee, committee members must ultimately determine the extent to which these recommendations coincide with its charge.

The analysis above provides insight into the relationship between the two segments of the racing industry and the three general goals described above and addressed by the five criteria included in Section 60; generating the largest economic impact (e.g. creating employment and tourism), developing a sustainable racing industry, and enhancing quality of life (e.g. creating entertainment value and greenspace for citizens).

Economic Impact

Data related to breeding and training farms and breeding stock indicate the economic impact of thoroughbred racing is much larger. In addition, the effects of increased purses in the future are

more likely to remain in the commonwealth and potentially generate increased income from outside Massachusetts through increased tourism and sales of stallion services. The thoroughbred racing industry has a larger current impact on the Massachusetts economy. It receives 79% of purse money and generates 87% of the live handle (and 90% of the much larger simulcast handle). In addition, as a result of its industry structure and national demand, thoroughbred racing is more likely to generate employment (e.g. occupational licenses) and income (e.g. tourism) in the commonwealth as a result of increased purse money. Finally, the existing breeding industry in the thoroughbred racing segment, while small, provides an existing framework for expanding breeding and training within the commonwealth in a way that benefits the industry and state economy. However, because of its location in the geographic center of the national standardbred racing industry, standardbred racing provides a unique entertainment option and the potential for expanded training and tourism in Massachusetts through a targeted allocation of increased purse money discussed in the recommendations section.

Sustainable Racing Industry

In “State of the Industry: Thoroughbred Economy in 2007-‘08” Don Clippinger notes that “...2007 may be viewed in retrospect as the year in which the direct link between purses and handle was broken...” He discusses the impact of the creation of “racinos” and the use of revenue from other forms of gaming to fund purses on the Thoroughbred industry. He goes on to point out that “...the reliance on non pari-mutuel sources (for purses) diminishes the importance of the money bet on the horses and the attention that should be accorded to the trends in pari-mutuel wagering.” His point is that, when other forms of gaming fund purses, the racing industry is assured of increased revenues, regardless of its performance. When purses were funded through handle, the racing industry had a strong incentive to provide high quality racing as valued by the market. Higher handle translated into higher purses and raising handle was the only way to increase industry revenues. When purses are funded from gaming revenues, the industry has no incentive to provide high quality racing desired by spectators and bettors. Clippinger notes, “Formerly weak jurisdictions have become economic powerhouses in terms of the purses they offer, but they have not necessarily become powerhouse racing venues – just rich ones.” The issues discussed in Clippinger’s article apply very directly to decisions about the allocation of purse supplements. If purses depend solely on gaming revenues, and not racing handle, the racing industry has no incentive to respond to market forces. The quality and quantity of racing will have no impact on the purses won by producers in the industry and the large and steady stream of purse money will protect average and below average producers from market forces. Market forces provide incentives for the industry to improve, develop, and become sustainable.

A goal of any purse supplements should be to maximize the probability that the resulting purse structure and industry activity is sustainable. Sustainability requires a purse structure that assures an average field size large enough to generate acceptable live racing handle and develop and maintain associated breeding and training facilities within the commonwealth. In addition, it is necessary to consider sustainability in the context of potential changes in the future. That is, what is the likelihood that expansions in the industry that result from increased purse supplements could

continue if there were, for example, a macroeconomic downturn or a reduction of purse supplements in the future? The thoroughbred segment of the industry is much better positioned to become competitive in its regional market as a result of purse supplements. Market signals, like handle and capital investment, are the best indicators of the ability of the activity to continue in the absence of subsidies and the thoroughbred segment of the industry shows greater strength in these areas. The standardbred industry appears able to continue operating at its current or a moderately increased size with some added purse supplements. However, it does not appear economically feasible to attempt to subsidize the standardbred racing segment at the levels that would be required to become competitive in its regional market. And any industry expansion due to purse supplementation would likely benefit the racing and breeding industry in other states in the region and would largely disappear in the event of future reductions in purses (i.e. significant sustainable expansion of standardbred racing in Massachusetts does not appear viable). However, moderate expansion, particularly if targeted to take advantage of the unique entertainment value and geographic location of the standardbred industry could be both beneficial to the commonwealth and sustainable.

Quality of Life

The entertainment value of racing is measured in part by the size of handle bet on races. Research shows that thoroughbred races generate significantly more handle than harness races, all other things equal.²⁶ However, racing also provides additional entertainment value from simply enjoying watching the races and participating in associated social activities. Harness racing is different than flat racing and has a long history in the region. Having both types of racing in the commonwealth allows for product differentiation that benefits consumers. So, while market signals indicate a strong preference for thoroughbred racing, Massachusetts provides an ideal location to develop and market a high quality harness racing product that supports the improvement and expansion of existing in-state training facilities. The conclusion that high quality racing can increase the profile of the racing industry, thereby increasing demand, is supported by the conclusions of the Plan for the Future of the Ontario Horse Racing and Breeding Industry.²⁷ Development of a competitive thoroughbred racing segment and a smaller, high-quality standardbred racing segment would also improve the quality of life in the commonwealth by expanding the amount and distribution of greenspace.

V. Recommendations

As suggested by the Massachusetts Gaming Commission Division of Racing in its 12 February, 2014 memo to the Horse Racing Committee, this report makes recommendations regarding the distribution of funds from the Race Horse Development Fund, the number of live racing days

²⁶ Ray

²⁷ Ontario Horse Racing Industry Association

required, and the use of data and metrics to evaluate the effectiveness of the Race Horse Development Fund distributions over time. It is important to note that a recommendation that merely provides a split of the funds between thoroughbred racing and standardbred racing, without addressing how those purses are distributed within the industry (e.g. the number of race days and purse structure) risks diminishing the potential effectiveness of the funds for achieving the desired goals. The recommendations below provide a starting point for the Horse racing Committee's determination of their final recommendation as to the distribution of the Race Horse Development Fund between thoroughbred and standardbred racing facilities and suggestions for including expanded recommendations regarding the distribution of purses in Massachusetts. Whatever the final decision regarding the division of the purse supplements, it should be noted that certainty and predictability regarding the decision are important for realizing the full, long-term economic benefit from increased purse supplementation.

Distribution of funds

Considerable experience researching the racing industry, evaluation of national, regional, and Massachusetts data related to racing, review of the materials provided by the Massachusetts Gaming Commission, analysis of the 5 criteria outlined in Section 60 Meeting criteria all point to a distribution of the Race Horse Development Fund that increases the percentage allocated to the thoroughbred racing segment of the industry. The conclusions summarized in the preceding section support the recommendation to allocate a disproportionate percentage to the thoroughbred segment of the industry in order to best achieve the goals addressed by the five criteria and maximize the likelihood of a sustainable purse structure and industry. The market signals represented by the data indicate a much greater likelihood that purse money allocated to thoroughbred racing will stimulate economic activity, develop an in-state breeding and training industry, and improve quality of life in the commonwealth. However, the allocation of a portion of purse supplements from the Race Horse Development Fund to supplement a small, high-quality standardbred race meet will augment the benefits from an expanded thoroughbred segment and provide the greatest overall benefit from the distribution of the fund. As noted in the Ontario Plan²⁸, high-stakes harness races can raise the profile of harness racing and support a smaller, but sustainable and high-quality standardbred segment of the racing industry.

The percent of the Race Horse Development Fund that is allocated to thoroughbred racing should be increased above 79% (its current percentage of total annual purses in Massachusetts). An allocation of 85 – 90% is in line with *the percent of handle generated by thoroughbred racing* and the increased benefits from purse allocations to thoroughbred discussed above. The higher the percentage allocated to the thoroughbred segment, the more likely the purse structure and industry will become competitive and sustainable.

Number of racing days

²⁸ Ontario Horse Racing Industry Association

Improvements in regional competitiveness and quality of racing in the commonwealth depend not only on the division of purse supplements between the two segments of the industry, but also the details of the purse structure. The recommendation regarding the distribution of purse supplements will be most effective if it is accompanied by a recommendation regarding racing days and race types. Purse supplements will most effectively achieve the goals associated with the criteria in Section 60 if the number of race days is tied to the level of purse supplements to assure the optimal average daily purse. The average purses in the states designated as being in direct competition with Massachusetts racing serve as a guide for establishing an acceptable minimum average daily purse. Requiring a number of race days that reduces the average daily purse to a level that does not support the goals of improved competitiveness and race quality will reduce the desired impact of the purse supplements. Clearly a reduction in race days should be considered.

In addition to the average daily purse, race characteristics have an impact on how well purse supplements will achieve the desired goals. Research has shown that certain race characteristics lead to higher race handle²⁹ and recommendations regarding general race characteristics could be provided along with purse supplements. The existing research will be generally applicable to the Massachusetts racing industry, though a specific study of Massachusetts handle would not be difficult to conduct. In particular, the distribution of the Race Horse Development Fund should come with guidance for tracks to carefully consider increases in the types of races that generate increased handle as well as the number of races and amount of purse money offered for horses with ties to the Massachusetts economy (breeding, training, ownership). Of course, the characteristics of the races that can be offered depend on the supply of horses available. But gradual shifts in race characteristics and signals regarding the characteristics of races in the future provide incentives that can change the supply of horses, quality of racing, and handle in the future. Changes in race characteristics associated with the distribution of purses within the commonwealth can result in increased economic impact on the Massachusetts economy and the Horse Racing Committee should consider using its recommendation to create incentives to offer the desired types of races.

Goals for average daily purses and race characteristics associated with the distribution of the Race Horse Development Fund suggest the creation of a smaller, high quality harness race meet. The Massachusetts Sire Stakes races provide an existing model and framework for allocating additional purse supplements to meet the desired goals. A recommendation to target increased purse supplements from the Race Horse Development Fund to support this existing race series for Massachusetts bred horses as well as additional high stakes races not limited to Massachusetts bred horses is a way to best address the goals of the fund related to the five criteria.

Use of evaluation metrics

²⁹ Ray

To assure that purse supplements create economic impact, develop the racing industry, and improve quality of life, recommendations must include a plan to monitor the impact of the purse supplement distribution as well as the effects other relevant changes (e.g. legislative, market, or macroeconomic changes) on the racing industry. The evaluation of the impact of the Race Horse Development Fund should include criteria that measure both short-run and long-run effects on the racing industry and Massachusetts economy. Consistent monitoring and evaluation of the racing industry will allow for adjustments in the allocation of the Race Horse Development Fund over time when necessary to maintain an optimal allocation.

The structure of the racing industry is such that it requires a minimum 5 year decision-making window. That is, it takes a minimum of approximately 5 years for a decision to make a capital investment to produce a racehorse to result in a horse that is ready to start in a race. Therefore, it is not possible to begin to measure the full effects of additional purse supplements on the economy or industry for at least 5 years. And the length of time it will take to see the long-run effects of increased purse supplements depends in part on investors' perceptions of the certainty and stability of the purse supplements. A high degree of certainty and expected stability are necessary before the incentives provided by increased purse supplements lead investors to make the corresponding initial capital investments. So, allocation of the Race Horse Development Fund will lead to some changes in the decisions of owners and trainers that will be seen in the short-run, but changes that affect the racing industry through increases in breeding activity will only be seen in the long-run and will only occur if the changes to the purse structure are seen as certain and predictable.

Evaluation metrics can be used to evaluate the success of the two segments of the racing industry in meeting the desired goals for economic impact (Economic), development of the racing industry (Industry) and providing entertainment value (Entertainment). An established set of metrics will provide valuable, objective information to guide future decision making regarding the allocation of purse supplements. The information provided by an established set of metrics can help decision makers most effectively target resources to achieve desired goals. However, changes to the allocation should be made slowly and only in response to changes in the evaluation metrics.

It should be noted that, while the set of metrics outlined in this recommendation will be extremely useful and objective, it is not an exhaustive list of relevant information. That being said, it is suggested that racing officials define and collect data representing the following metrics and compare it to established benchmarks for use in decision making regarding the racing program:

- o Attendance
- o Handle revenue
- o Massachusetts bred and Massachusetts owned racing earnings (in-state and out of state).
- o Field size
- o Sale of Massachusetts bred horses (price and quantity)
- o Number of Massachusetts bred horses (foaled and raced)

The metrics presented in the table below constitute an efficient approach to evaluating the success of the purse supplements. That is, they include a limited number of straightforward, clearly defined measures that allow decision-makers to identify changes in the most important effects of purse supplements over time. All of the metrics included provide valuable information about the extent to which the racing industry is achieving its economic goals. In the table, each metric is tied to one of the three major goals, but this report has discussed the extent to which the data and the goals are interrelated.

Table 1: Recommended Metrics

Metric	Definition	Primary Goal
Attendance	Direct attendance numbers, number of pari-mutuel tickets sold on-track and live handle total	Entertainment
Average field size	Average number of starters	Entertainment
Revenue from Simulcast Handle	Revenue generated from simulcast handle	Entertainment
Revenue from Live Handle	Revenue generated from live racing handle	Economic/Entertainment
Number of MA bred horses foaled and raced	Number of MA registered foals Total number of MA bred starters	Economic
MA bred earnings	Total earnings of MA bred horses in non-MA bred races (open company)	Industry
MA Owned Earnings	Total Earnings from MA owned horses	Industry

1) Attendance

Increases in attendance indicate an increase in the entertainment value of racing. Attendance is the most general indicator of the quality of entertainment. That is, it measures the number of people who want to watch racing, whether they bet on racing or not. Higher attendance at race meets indicates a greater entertainment value for patrons as well as increased tourism expenditures in the commonwealth. Attendance can be measured directly or it can be measured indirectly by the number of pari-mutuel tickets sold on track. In addition, the handle and revenue from handle provide additional indirect measurement of attendance

2) Average Field size

Average field size clearly has a positive impact on handle. However, in addition to increasing the appeal of a race to bettors, field size increases entertainment value for non-bettors. It is also an important signal of available horses for race meets. A decrease in field size is an early signal that there may be a problem with filling races in the future if the supply of racehorses is declining.

3) Revenue from Handle

Increases in revenue from handle (including both live and simulcast) indicate an increase in the market demand for racing.

4) Number of Massachusetts Bred Horses

Increases in the number of Massachusetts bred horses foaled and raced in Massachusetts is a direct measure of the size of the racing industry and its economic impact on the state.

5) Massachusetts Bred Earnings

Increases in Massachusetts bred earnings indicates that the quality of Massachusetts bred horses is high. If Massachusetts bred horses can compete and win, both in and out of the state, it indicates strength in the Massachusetts breeding industry. For this measure, earnings of Massachusetts bred horses in Massachusetts bred races are not included, since all earnings from those races necessarily go to Massachusetts bred horses. However, earnings of Massachusetts bred horses in races not limited to Massachusetts bred are a clear indication of the strength and success of the Massachusetts breeding industry.

6) Massachusetts Owned Earnings

Increases in the earning of Massachusetts owners, from racing both in state and out of state, indicates higher quality horses and strength in the Massachusetts racing industry. For example, if a Massachusetts resident earns purse monies out of state and brings those earnings into the state to reinvestment in the industry the industry will grow.

In addition to establishing the set of metrics a set of benchmarks is needed to operationalize their use. Racing officials should identify the initial value for each metric before the initial allocation of the Race Horse Development Fund to use as a starting point for evaluation. In addition, comparable regional and national data should be identified and collected for comparison. The metrics should be collected and evaluated each year to document positive trends or identify lack of progress toward goals. It is important that no individual metric should dominate decision making and that the overall trends of the majority of the metrics should be evaluated in the context of macroeconomic conditions and industry-wide trends. For example, if national handle data shows a decline, then Massachusetts racing should be considered successful if its revenue from handle increases, stays the same, or falls by a smaller percentage than national handle. Finally, evaluators should note that it is not realistic to expect a consistent upward trend in the metrics over time.

Using a careful, consistent and transparent set of metrics, well understood by all stakeholders will create stability, certainty, and market incentives to create change and take actions to meet the desired goals for the Race Horse Development Fund.

VII. References

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EXHIBIT 3

**MEMORANDUM TO THE HORSE RACING COMMITTEE OF THE MASSACHUSETTS GAMING
COMMISSION ON RELATIVE NEEDS FOR INCREASED PURSES**

OVERVIEW

Purses in Massachusetts for both Thoroughbred (TB) and Standardbred (SB) racing have been near the bottom of purses offered at other East Coast racetracks. Exhibit A sets forth the average purses of TB east coast racetracks for the years 2008, 2009, and 2010 as compiled by the Thoroughbred Times. Comparable information for more recent years has not been located.

Purses for Massachusetts TB have remained relatively static since 2010. As other states have increased purses, Massachusetts TB purses continue to rank at the bottom of east coast tracks with the dollar disparity increasing. Based on the data set forth in Exhibit A, the Massachusetts purses were 39% of the average purses in 2008, declined to 32% of average in 2009, and fell to 25% of average in 2010.

Exhibit B reflects SB purses for 2009. Comparable information for other years has not been located. In 2009 SB purses in Massachusetts were 30% of average purses. Plainridge Raceway ranked 21st of the 24 tracks listed. In comparison, Suffolk Downs in 2009 ranked last of the 20 tracks listed with purses of 32% of the average. These statistics demonstrate that both breeds are in dire need for significant purse increases.

RELATIVE RANKING OF PURSES FOR EACH BREED

In 2009, the 10th (of 20) ranked track for TB purses was Pimlico with an average purse of 29,393. Suffolk Downs had an average purse of 34% of this midpoint ranked track. In 2009, the 12th (of 24) ranked SB tracks was Saratoga Harness with an average purse of 7198. Plainridge Raceway had an average purse of 39% of the midpoint ranked SB track. This indicates that although both breeds need enhanced purses, relatively speaking the SB purses are a little closer to the midpoint and that industry's need for purses is less than the need of the TB industry.

In 2009, the relative amount of revenue needed to improve ranking in average purses was far less for the SB Plainridge Raceway than the TB Suffolk Downs. The disparity from the midpoint track for SB was \$4,412 in average purse while the corresponding disparity from the midpoint track for TB was 19,460. In 2010, the disparity from the midpoint track for TB increased to 20,106. 2010 information for SB tracks has not been located. Of the total 2009 disparity of TB and SB tracks from midpoint of 23,872, SB was 18.5% of the total and TB was 81.5%. This suggests that funds available to enhance purses should be allocated 81.5% to TB in order to proportionately benefit both industries in light of the fact that both industries have a significant need for additional purse funding.

Further supporting the fact that local purse structure in the SB industry is, relatively speaking, better than that of the TB industry in Massachusetts is the disparity in absolute dollars. The average SB purse at Plainridge Raceway in 2009 was \$4,412 less than the midpoint ranked track. The average TB purse at Suffolk Downs in 2009 was \$19,460 less than the midpoint ranked track. The costs of owning and maintaining racing horses is paid in dollars. The revenue deficiency for TB in 2009 was 441% higher than the purse deficiency for SB in Massachusetts.

BREED COMPARISON

The SB industry is very different from the TB industry in terms of capital commitment required and opportunity to earn purses. Generally speaking, Standardbreds cost less to acquire, cost less to maintain, race longer and more frequently, and have more opportunities to earn purses than Thoroughbreds of comparable value. Thoroughbreds carry Jockeys on their back when racing (and usually when training) increasing the strain on their legs (and body) when racing or training. Thoroughbreds run full speed for relatively long distances when they race. In contrast, Standardbreds pull a cart containing a driver. The cart is on wheels so the weight of the driver is borne by the wheels of the cart. The strain is more evenly distributed through the body of the Standardbred by means of a harness so the impact when the hooves hit the ground is not as severe. More importantly, Standardbreds are required to maintain a particular gait that is slower than an all out run and less taxing on the animal. So Standardbreds are somewhat more durable than Thoroughbreds and somewhat less susceptible to injury.

These facts are clearly evidenced by the disparity in average purses across the board between the breeds. In 2009, the average purse of the top TB track was 275% of the average purse of the top SB track. More significantly, the average purse of the midpoint TB track was 408% of the average purse of the midpoint SB track. This ratio of more than 4 to 1 suggests that the costs vs. earnings opportunities of Thoroughbreds are 4 times greater than that of Standardbreds.

The following comparison of the two breeds for Massachusetts racing is believed to be relatively accurate and not disputed based on a recent joint meeting of representatives of the two breeds.

Thoroughbreds		Standardbreds
4,000 to 15,000	Range of Value	3,000 to 15,000
8 to 12	Starters per race	8 to 9
60/20/10/5/3	% Purse distribution top 5	50/25/12/8/5
10	average starts per calendar year	20
2 to 6	number of years raced	2-7
	Acquisition cost	
	Training costs before first start	
	Comparable training cost	
80 days	Length of meet in 2013	92 days
100	Statutory minimum days	100
	Races per day	
YES	Purses enhanced by local track	No

The representatives of the industries disagreed on the matters set forth above for which comparison information is not provided. The racing day for both thoroughbreds and standardbreds was generally 9 races per day. Generally speaking, the acquisition cost of thoroughbreds is a multiple of Standardbred acquisition cost as thoroughbreds tend to quickly lose value as they age and suffer injury that impairs competitive ability. The acquisition cost of many of the Thoroughbreds at Suffolk Downs was significantly greater than the range of present value set forth above. The purses for races restricted to three year old thoroughbreds are usually the largest purses for which most of the entrants ever compete. It generally costs at least \$40,000 to maintain a thoroughbred from birth to date of first race. Thereafter, training and care is generally at least 20% higher for thoroughbreds than standardbreds. As set forth above, thoroughbreds do not last as long as standardbreds and have far less opportunity to earn purses.

Standardbreds in Massachusetts have more racing opportunities, smaller fields, a longer racing season, and are generally able to continue to race as they age. Although the SB purses are less than TB purses, relatively speaking, the Standardbreds are doing better in Massachusetts than the Thoroughbreds.

For the past decade, Suffolk Downs has paid TB purses far in excess of revenue earned for TB purses. This supplement by Suffolk Downs cannot be anticipated for 2014 and future years as despite a meet scheduled to commence the first week of May, 2014, there is no purse contract between Suffolk Downs and the NEHBPA as of the present time. While the parties to that dispute agree that the purse levels of the 2013 meet must be at least maintained at the same level in 2014 to attract sufficient horses to conduct a meet, there is an anticipated shortfall of 4.5 million dollars between purse revenue required for the statutory meet and the anticipated earned purses. As of February 7, 2014, Suffolk Downs continued to refuse to fund the shortfall.

Further the average purse paid for thoroughbreds in 2013 was computed based on a meet of 80 days in 2013. If the total amount of purses paid in 2013 were paid over a meet of 100 days, the average purse would be 20% lower. The applicable statute requires 100 days of racing for each breed. Standardbreds ran 91 days without a purse supplement from Plainridge. Notwithstanding the statutory requirement of 100 racing days per year, in 2011, 2012, and 2013 Thoroughbreds raced only 80 days in Massachusetts. In 2013, only 722 thoroughbred races were run of which 8 were funded by the Massachusetts breeders. To compare 2013 for the two breeds, an adjustment reducing TB purses paid by 12% is needed to account for the disparity in racing days and an additional reduction of 20% is needed to account for the subsidy by Suffolk Downs that is no longer available.

The validity of these facts is evidenced by the disparity in purses between the breeds across the east coast (and across the United States). Thoroughbred purses are more than 4 times higher than Standardbred purses for horses of comparable value because the higher purse level is required to attract the capital to maintain the industry. The fact that the number of thoroughbred foals annually has been decreasing each year establishes that the higher purses have been insufficient to maintain the thoroughbred breeding industry.

THE FALLACY OF DETERMINING NUMBER OF RACING DAYS BY THE AMOUNT OF AVAILABLE REVENUE

Suffolk Downs has been advocating for years that the amount of purse revenue available should determine the number of racing days in Massachusetts. In 2013, purses paid in Massachusetts at Suffolk Downs averaged approximately \$106,250 per day over a shortened meet of 80 days. For 2014, Suffolk Downs projects earned purse to be in the range of only 6.5 million. This revenue would fund approximately 56 racing days with purses, NEHBPA administration, and benefits maintained at the 2013 level.

The Massachusetts legislature has addressed the issue of racing days and determined to mandate a minimum of 100 days for 2014, eventually expanded to 125 days when gaming is fully implemented in Massachusetts. This determination was made after intensive lobbying by the horsemen and farm industry representatives that was countered by racetrack operators. From the perspective of the racetrack operators, fewer live race days means larger profits. Although live racing does generate more revenue, the costs of live racing are considerably higher than simulcasting and are not covered by the additional revenue. So the racetrack operators would like to have just enough live racing to maintain public interest levels in wagering and would prefer to compress the length of the meet as much as possible. Suffolk Downs has suggested to the NEHBPA that a meet of 20 racing days with purses twice the present purse level should be considered. Unfortunately shortening the local live meet reduces the funds available for Massachusetts purses since a much higher percentage of revenue from local races from both on track and off track wagering is paid to purses than the percentage paid from simulcasting of races from other states. This results from the fact that the host track controls the signal and devotes a portion of revenue generated to purses at the host track. The guest track retains only a small percentage of the wagers it transmits to the host track.

Another problem with a shortened length of meet is geographic and the effect on the local industries. Boston is a considerable distance from other TB racetracks making shipping and racing at other tracks not feasible. A meet of adequate length is needed to afford sufficient opportunity for Massachusetts horsemen to race and earn purses sufficient to stay in business. A short meet with large purses will cause an influx of out of state shippers to come, race, and leave, thereby devastating the Massachusetts breeders, farmers, and local horseman. It is these local groups who put their earnings back into the local economy. Studies have shown that infusing funds into local purses earned by local horsemen result in local economic benefit that is a multiple of the funds invested. A short meet will eliminate much of the local benefit and fail to accomplish the objective of job and farm preservation that the legislature sought to achieve and maintain by mandating a minimum of 100 days.

A short meet will reduce purse revenue and fail to foster and maintain the interest of Massachusetts residents in local horse racing. The present race meet extending for approximately six months affords ample opportunity for Massachusetts residents to become familiar with local trainers, horses, and jockeys. During the months when live racing is not conducted, local wagering via simulcasting is concentrated to a greater degree than would otherwise be anticipated on venues for which some of the local horsemen have migrated for the winter months. Although the quality of racing at Tampa Bay Downs in Florida is significantly inferior to racing in New York, Miami and Southern California, revenue wagered on Tampa Bay races is substantial because a number of local horsemen, horses and jockeys winter at that location. The following generated enhances the local thoroughbred industry. A much larger percentage of money wagered on races run in Massachusetts, whether wagered on or off site, is paid to purses. This results from the fact that the majority of revenue from simulcasting is retained by the host track. Reduction of racing days will reduce the funds generated from wagering that accrue to purses.

Lastly, and most important, is the issue of the Massachusetts Gaming Commission acting in a manner inconsistent with the legislative act and substituting its judgment for the wisdom of the legislature. The Massachusetts Gaming Commission has an obligation to apply and interpret the law as legislated. It should not act contrary to express provisions of statute. The allocation of funds of the Horse Racing Development Fund between breeds must be done in a manner consistent with legislated policy and in a manner intended to accomplish legislated objectives. The allocation of funds must be made in a manner that furthers the policy established of maintaining at least 100 racing days for each breed, with additional days added as gaming becomes implemented in order to support Massachusetts breeding. The inclusion of this

EXHIBIT A

Average Purse Per Race East Coast Thoroughbred Racetracks, compiled by The Thoroughbred Times								
State	Thoroughbred Racetrack	2008 Ave. All Purse/Purse/Race	State	Thoroughbred Racetrack	2009 Ave. All Purse/Purse/Race	State	Thoroughbred Racetrack	2010 Ave. All Purse/Purse/Race
New York	Saratoga	77,000	Kentucky	Keenland	74,120	New York	Saratoga	na
Kentucky	Keenland	68,000	New York	Saratoga	71,911	New Jersey	Meadowlands	na
New York	Belmont	51,887	New York	Belmont	53,799	New Jersey	Monmouth	65,112
Kentucky	Churchill Downs	50,404	New York	Aqueduct	40,513	Kentucky	Keenland	61,681
New York	Aqueduct	40,000	Kentucky	Churchill Downs	37,951	Kentucky	Churchill Downs	59,936
Florida	Gulfstream Park	34,000	New Jersey	Monmouth	36,835	New York	Belmont	38,627
New Jersey	Monmouth	33,504	Florida	Gulfstream Park	36,439	Florida	Gulfstream Park	34,132
New Jersey	Meadowlands	31,000	Pennsylvania	Philadelphia Park	30,559	New York	Aqueduct	31,719
Maryland	Pimlico	29,393	New Jersey	Meadowlands	30,380	Maryland	Pimlico	27,761
Pennsylvania	Philadelphia Park	25,643	Maryland	Pimlico	29,393	Pennsylvania	Philadelphia Park	27,184
Delaware	Delaware Park	24,756	Delaware	Delaware Park	27,302	Delaware	Delaware Park	23,922
Maryland	Laurel	20,000	West Virginia	Charles Town	20,287	Pennsylvania	Penn National	19,879
West Virginia	Charles Town	18,910	Maryland	Laurel	20,087	West Virginia	Charles Town	18,450
Florida	Calder	18,069	Pennsylvania	Penn National	19,772	Maryland	Laurel	18,237
Pennsylvania	Penn National	16,504	Florida	Calder	18,958	Florida	Calder	17,395
Florida	Tampa Bay Downs	16,000	Florida	Tampa Bay Downs	14,800	Florida	Tampa Bay Downs	14,737
New York	Finger Lakes	12,854	New York	Finger Lakes	13,581	Kentucky	Turfway Park	13,305
West Virginia	Mountaineer	12,606	West Virginia	Mountaineer	13,534	New York	Finger Lakes	13,096
Kentucky	Turfway Park	12,000	Kentucky	Turfway Park	11,511	West Virginia	Mountaineer	11,535
Massachusetts	Suffolk Downs	11,635	Massachusetts	Suffolk Downs	9,233	Massachusetts	Suffolk Downs	7,078
	Average All Purse	30,211		Average All Purse	30,583		Average All Purse	na

EXHIBIT B

State	Harness Racetrack	2008 Ave. All Purses/Purse/Race	State	Harness Racetrack	2009 Ave. All Purses/Purse/Race	State	Harness Racetrack	2010 Ave. All Purses/Purse/Race
New Jersey	The Meadowlands		New Jersey	The Meadowlands	26,876	New Jersey	The Meadowlands	na
Kentucky	The Red Mile		Kentucky	The Red Mile	24,393	Kentucky	The Red Mile	na
New York	Yonkers Raceway		New York	Yonkers Raceway	20,115	New York	Yonkers Raceway	na
Pennsylvania	Harrah's Chester		Pennsylvania	Harrah's Chester	18,727	Pennsylvania	Harrah's Chester	na
Pennsylvania	The Meadows		Pennsylvania	The Meadows	14,252	Pennsylvania	The Meadows	na
Delaware	Dover Downs		Delaware	Dover Downs	13,384	Delaware	Dover Downs	na
Pennsylvania	Mohegan Sun Pocono		Pennsylvania	Mohegan Sun Pocono	13,372	Pennsylvania	Mohegan Sun Pocono	na
New York	Tioga Downs		New York	Tioga Downs	11,208	New York	Tioga Downs	na
Maryland	Rosecroft		Maryland	Rosecroft	10,864	Maryland	Rosecroft	na
Delaware	Harrington Raceway		Delaware	Harrington Raceway	9,005	Delaware	Harrington Raceway	na
New York	Vernon Downs		New York	Vernon Downs	8,219	New York	Vernon Downs	na
New York	Saratoga Harness		New York	Saratoga Harness	7,198	New York	Saratoga Harness	na
New Jersey	Freehold Raceway		New Jersey	Freehold Raceway	5,634	New Jersey	Freehold Raceway	na
New York	Buffalo Raceway		New York	Buffalo Raceway	5,411	New York	Buffalo Raceway	na
New York	Batavia Raceway		New York	Batavia Raceway	5,315	New York	Batavia Raceway	na
Virginia	Colonial Downs		Virginia	Colonial Downs	4,483	Virginia	Colonial Downs	na
New Hampshire	Rockingham Park		New Hampshire	Rockingham Park	4,152	New Hampshire	Rockingham Park	na
New York	Monticello		New York	Monticello	4,099	New York	Monticello	na
Maine	Scarboro Downs		Maine	Scarboro Downs	3,553	Maine	Scarboro Downs	na
Maine	Bangor Raceway		Maine	Bangor Raceway	3,079	Maine	Bangor Raceway	na
Massachusetts	Plainridge Raceway		Massachusetts	Plainridge Raceway	2,736	Massachusetts	Plainridge Raceway	na
Maryland	Ocean Downs		Maryland	Ocean Downs	2,520	Maryland	Ocean Downs	na
Kentucky	Player's Bluegrass		Kentucky	Player's Bluegrass	1,541	Kentucky	Player's Bluegrass	na
Kentucky	Thunder Ridge		Kentucky	Thunder Ridge	1,452	Kentucky	Thunder Ridge	na
	Average All Purses	na		Average All Purses	9,235		Average All Purses	na

EXHIBIT 4

MEMORANDUM ON PURSES PAID IN MASSACHUSETTS AND OTHER STATES FOR RACES COMPARABLE TO LOCAL RACES REGULARLY CONDUCTED

This memorandum provides data and analysis as to thoroughbred and standardbred purses paid in Massachusetts and at other thoroughbred and standardbred racetracks. The information provided is relevant to determining the relative need to increase thoroughbred and standardbred purses paid in Massachusetts

PURSE ANALYSIS AND COMPARISON

The amount of the purse for both Thoroughbred and Standardbred races vary depending upon the value of the horses competing in the race. The more valuable horses of each breed race for higher purses. Both breeds have claiming races and non-claiming races. The Purse of a race is the total prize money awarded to the horses that compete in the race. Generally the first five finishers share the purse. For thoroughbreds, the winner earns 60% of the purse, with 20% for second, 10% for third, 5% for fourth, 3% for fifth and 2% paid to the Horsemen's Association. For Standardbreds, the winner gets 50%, but the others get a higher percentage. For both breeds, a portion of the earnings of the first three finishers is paid in commissions. Thoroughbred owners pay commissions of 10% of earnings to the jockey and 10% to the trainer, so the owner of the winner retains only 48% of the purse. For standardbreds, a 5% commission is paid to the trainer and 5% to the driver so the owner retains 45% of the purse.

In a claiming race, another owner can purchase any of the horses entered by entering a claim for the horse prior to the race. The concept is intended to preserve parity of competition as entering a horse worth \$10,000 in a \$5,000 claiming race is likely to result in winning the race but selling the horse for 50% of its value. So generally speaking for both breeds, a race having a claiming price of \$5,000 has horses entered whose value is not more than \$5,000. If the value of an entrant is considerably less than the claiming price, the entrant can run but will have little chance of winning and earning prize money.

In the non-claiming races (sometimes called allowance races), competition is restricted by conditions that must be met to enter. Conditions can be based on lifetime non-achievements such as non-winners of a race (called Maidens), age (two year olds), lifetime earnings or earnings within a recent time period (non-

winner of \$10,000 lifetime or non-winner of \$5,000 in the past 90 days) or combinations of such restrictions.

In April, 2014, 7 claiming races were run at Plainridge and 33 non-claiming races were run. Claiming races for a \$5,000 claiming price had a purse ranging from \$3,200 to \$3,700. Claiming races for a \$3,000 claiming price had a purse of \$2,500 or \$3,000. As some of the races had a purse of only \$2,000, the value of the entrants in those races would appear to be less than \$3,000. Of the 40 races, 21 had a purse of \$3,000 or less and of these 21 races, 10 had a purse no more than the \$2500 purse for \$3,000 claimers. So 52.5% of the standardbreds competing had a value of not more than \$4,000, and 25% of the standardbreds competing were worth no more than \$3,000 (and perhaps significantly less than \$3,000). 11 other races had a purse ranging from \$3,200 to \$3,700 (\$5,000 claiming level purses). 80% of the races were for standardbreds having a value of no more than \$5,000. Of the other 8 races, the purse ranged from \$4,000 to \$6,000. Judging from purses paid for claiming races at the non major standardbred tracks (as later addressed herein), the value of the standardbreds entered in these other 8 races did not exceed \$8,000. Based on races run in April and purses paid in those races, the horse population at Plainridge appears to be constituted 25% by standardbreds worth no more than \$3,000, 53% by standardbreds worth no more than \$4,000, and 80% by standardbreds worth no more than \$5,000. The other 20% of the standardbred horses at Plainridge would appear to have a value of more than \$5,000 but no more than \$8,000.

When compared to the purses paid at other standardbred tracks in April, 2014 for races of horses having a value of not more than \$5,000, the purses at Plainridge in April were competitive with the majority of the standardbred tracks. The US Trotting Association website has an entry link for each day to the entries at each track. The chart as to purses paid at standardbred racetracks included with this memorandum was compiled from reviewing the purses of claiming races run at standardbred tracks in April, 2014. The lowest and highest purses paid at each track in April, 2014 are noted as the Purse Range. As is the case with Plainridge, the majority of standardbred races were not claiming races. But the purse value for the claiming races run provides a strong indication of the quality of racing conducted at the different tracks and the value of the standardbreds competing in those races. Tracks such as Harrah's, Hazel, Hoosier, Meadowlands, The Meadows, Mohegan Sun, and Yonkers generally have races for horses having a value considerably greater than \$5,000. Most of these tracks do not have races for horses worth less than

\$8,000. Judging from purse level, it is unlikely there are any horses competing at Plainridge that have a value of more than \$8,000. At the seven standardbred tracks that have high quality racing, when a claiming race of \$5,000 is run, the entrants are probably horses that had been racing for \$8,000 or more that had been somewhat unsuccessful at the higher levels. The value of those entrants "dropped" to the \$5,000 claiming value probably exceeds the value of most of the typical \$5,000 claimers at Plainridge. The purse for a \$5,000 claiming race at these major tracks is \$100-\$1200 higher than the \$3,700 paid at Plainridge for a \$5,000 claiming race.

In April, 2014, standardbred racing was conducted at 22 tracks in Eastern US. Seven of these tracks as listed above usually run races with purses of more than \$10,000 for standardbreds worth more than \$12,000. Of the remaining 14 tracks (other than Plainridge), Rosecroft had no claiming races less than \$8,000, 6 (Buffalo, Miami Valley, Northfield, Pompano, Scarborough and Vernon) paid higher purses than Plainridge for \$4,000 or \$5,000 claimers but 6 (Balmoral, Bangor, Freehold, Harrington, Maywood and Monticello) paid lower purses or, in a few instances, matched the Plainridge purse level for claimers of \$3,000 to \$5,000. Plainridge is presently at the midpoint of tracks that regularly conduct racing at the lower levels.

The difference in purses of the six minor tracks paying higher purses for claimers of \$3,000 to \$5,000 was for the most part not large, being \$300 per purse in half of the cases. So in terms of relative needs for increased purses, Plainridge is at the midpoint of the non major standardbred tracks in terms of purses paid and with a relatively small increase of \$300 per race would rank near the top as to purses paid to lower level standardbreds. If Plainridge runs 9 races per day for 100 days, it will cost only \$270,000 for the calendar year to increase each purse by \$300 thereby causing Plainridge to be near the top of non major standardbred racetracks in terms of purses for standardbreds having a value of not more than \$5,000. Increasing the purse at Plainridge for a \$5,000 claimer from \$3,700 to \$4,000 would cause the Plainridge purse for \$5,000 claimers to equal or exceed the purse paid by all of the other 13 non-major tracks except Buffalo. An increase of \$300 to the purse paid at Plainridge for \$4,000 claimers would cause the Plainridge purse to equal or exceed the purse paid to \$4,000 claimers by all of the other 13 non-major tracks except Scarborough and Miami Valley.

THOROUGHBRED PURSES

A comparison of the need for an increase in thoroughbred purse in Massachusetts to the need for an increase in standardbred purses is problematic because of the issue of comparing apples to oranges. The thoroughbreds at Suffolk Downs invariably have a significantly greater value than the standardbreds at Plainridge. It is not a matter of comparing \$5,000 claimers because the majority of the Plainridge Standardbreds appear to be worth no more than \$3,000 to \$4,000. In contrast, as the Suffolk Downs 2014 Purse Schedule (provided with this memorandum) demonstrates, the thoroughbreds range in value from \$4,000 to \$40,000 (although there are very few thoroughbreds worth more than \$20,000 at Suffolk Downs). As noted on this Purse Schedule (which is an exhibit to the recent contract between the NEHBPA and Suffolk Downs), purses to be paid in 2014 will average \$106,250 per day although there is likely to be only 60 days of racing. The races to be run will be a mix of the different categories, a requirement needed to achieve the daily average of \$106,250 on 9 races per day. Most of the races will be other than \$4,000 or \$5,000 claiming races. So the first difference of note when comparing relative needs is that the standardbreds in Massachusetts largely range in value from \$2,500 to \$5,000 (with most on the lower end of the range) while the value of most of the thoroughbreds in Massachusetts is far more than double the value of most of the standardbreds. Irrespective of the disagreement on the relative cost to care for a thoroughbred or standardbred, the capital investment in thoroughbreds in Massachusetts is a multiple of the investment in standardbreds in Massachusetts.

When reviewing purses at Suffolk Downs at present, the abbreviated schedule for 2014 and the lack of a purse subsidy from Sterling Suffolk Racecourse (SSRC) need to be considered. Simulcasting revenue in 2014 is appreciably lower than prior years because the enforcement by MDOR of state withholding on payoffs of wagers was modified to be based on the absolute dollars of winnings. In prior years there was no tax withheld on (or tax reporting of) large wagers paying off on odds of less than 600 to 1. Under MDOR regulations, state withholding is now required based on the dollar amount of winnings irrespective of odds. The result has been to drive the larger bettors to other venues such as the Internet, Rhode Island or New Hampshire locations. As a result, simulcast wagering in Massachusetts declined significantly with the state losing revenue and less revenue accruing for purses. The earned purses for 2014 are projected to be sufficient to sustain racing for about 60 days (6.5 million to September 1). In any event SSRC has already determined that it will

not overpay purses as it has in prior years and will probably close by September 1, 2014 in any event. So total 2014 purses available are likely to be considerably less than total 2013 purses. 8,356 million was paid in program purses in 2013. Revenue for 2014 program purses is projected at 6.5 million in 2014. The thoroughbred meet for 2014 is likely to be only 60 days, considerably shorter than 2013, resulting in fewer opportunities for thoroughbreds to earn purses funded at the sale level as 2013. This issue was appropriately addressed by Director of Racing Durenberger in her memo to the HRC Members dated January 2, 2014.

When comparing purses at Suffolk Downs to other tracks, it is inappropriate to consider purse levels at the major tracks such as Belmont and Saratoga. But a comparison to other eastern tracks that offer racing at the same levels as Suffolk Downs is appropriate although some of these tracks also conduct races at the levels considerably higher than the racing at Suffolk Downs. Tracks such as Delaware, Monmouth, Pimlico, Laurel, Charlestown, Calder, Parx, Gulfstream and Tampa all have regular racing at value levels comparable to Suffolk, although some of these tracks also have races for horses of considerably higher value. As noted in the comparison chart included with this memorandum, purses at Suffolk, particularly for the better horses at Suffolk, are significantly inferior to most of the other tracks having comparable racing.

SUMMARY

Any discussion of relative needs should make fair comparisons. The thought that a horse is a horse irrespective of breed ignores a number of material factors. Even if the cost of caring for and training a standardbred were the same as such costs for a thoroughbred (a point not conceded by the thoroughbred industry), the breeding of thoroughbreds is done naturally at considerably greater expense than the artificial insemination of standardbreds, the training period to get to the first race for a thoroughbred is considerably longer and more costly than that for standardbreds, and the sire fees are considerably higher. The two present foals owned by HRC member Frank Frisoli will require an investment of about \$50,000 each by the time they run their first race (not counting the cost of maintaining the mare that foaled them). Once a thoroughbred makes it to the races it races less frequently and has a much shorter racing career than a standardbred. The stress of running full speed with a jockey on its back (as opposed to trotting while pulling a

wheeled cart) operates to shorten the racing career of a thoroughbred. The majority of thoroughbreds last no more than three years in racing. In contrast it is not unusual for a standardbred to race for 6 years or more. Further, as evidenced by national statistics, standardbreds are able to race 2.5 to 3 times more frequently than a thoroughbred. Once a standardbred has trained sufficiently to race, it can race nearly every week unless injured.

Thoroughbreds on average race every 3 weeks once they make it to the races and many race fewer than 10 times per year. Standardbreds have far more opportunities to earn purses than thoroughbreds. This fact is evidenced by statistics that nationally the purses of standardbreds are in the range of 1/3 of the purses paid to thoroughbreds of comparable value. The purses paid \$8,000 standardbred claimers in April, 2014 at the 15 racetracks listed in the chart of standardbred purses averaged \$5,340 per purse. The average purse for \$8,000 claimers in April, 2014 at the 8 thoroughbred tracks listed in the chart provided was \$16,600, more than three times the average amount paid standardbreds of the same value. The difference would be even more pronounced in the major thoroughbred tracks were included in the chart of thoroughbred purses. The standardbred average purse for \$8,000 claimers cited above is considerably higher because the purses at 4 of the 7 major standardbred racetracks are included. If these major tracks are excluded from the computation, standardbred purses for \$8,000 claimers average only \$4,900 at the non major tracks, less than 30% of the average purse paid \$8,000 claimers at non major thoroughbred racetracks.

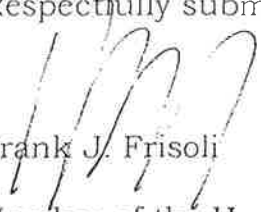
As evidenced by the chart of purses at Standardbred racetracks in April, 2014, the purses for standardbreds of comparable value to thoroughbreds is universally 25% to 40% of the purses paid to thoroughbreds. The charts of purses paid in April, 2014 for standardbreds and thoroughbreds having a value of \$5,000 or \$8,000 clearly evidence that the costs of owning and maintaining a thoroughbred are considerably higher than such costs of standardbreds. The suggestion that Plainridge purses are in need of a significant infusion of funding to make the purses competitive with thoroughbred purses is not supported by the facts and contrary to market conditions. The Plainridge purses for horses worth no more than \$4,000 are already competitive with the other tracks. Based on April, 2014 numbers, only 30% of the races at Plainridge are for horses of a value of at least \$5,000. The purse deficiency in absolute dollars for \$5,000 claimers to cause the purses to equal or exceed purses at other tracks for that claiming value is no more than \$800 per race. So a small infusion of capital will cause the Plainridge purses to be as large as

the purses for \$5,000 claimers at the tracks that regularly conduct racing at much higher levels.

In contrast, adding \$1,000 to a thoroughbred purse does not make the purse competitive. Suffolk purses for \$5,000 claimers are only 65% of the purses for \$5,000 claimers at Monmouth and Parx. The average purse for \$5000 claimers at thoroughbred racetracks is \$13,642, a deficit of \$2,643 per race from the \$11,000 purse paid at Suffolk. The purse deficiency for the higher levels of value is even more pronounced in absolute dollars. To bring the Suffolk purse for the lowest level allowance race (1X) to the level of Parx costs \$15,000 per race. \$23,000 per race is required to raise the 1X at Suffolk to the funding of that race at Monmouth.

Thoroughbred racing is the source of 90% of the wagering revenue in Massachusetts. Purse funding of thoroughbreds has a cash deficiency of more than 5 times that of Standardbred purses. In 2013, thoroughbred purses paid totaled 9.3 million¹ while standardbred purses totaled 2.5 million. Standardbred purses were about 21% of the total purses paid. Thoroughbred purses were about 79% of the total purses paid in 2013. For 2014, the standardbreds will be able to race 100 days while the thoroughbred meet will be shortened to 60 days and the program purse funding reduced to 6.5 million. An allocation of 90% of the purse pool to thoroughbreds and 10% to standardbreds will cause standardbred purses to equal or exceed purses at other tracks for standardbreds of comparable value while having considerably less impact, relatively speaking, on thoroughbred purses. Since both industries should be sustained as much as possible, 10% of the funding should be allocated to standardbreds and 90% to thoroughbreds.

Respectfully submitted



Frank J. Frisoli

Member of the Horse Racing Committee

¹ This amount includes program purses and amounts paid from the purse account for jockey and exercise rider insurance, benefit programs, and NEHBPA administration

PLAINRIDGE RACLCOURSE APRIL 2014 PURSES PAID

RACE	4/16	4/19	4/23	4/26	4/27
1	2500	2500(CP3000)	3000	6000	3000
2	2500	3200	3000	2500	3000
3	2000	3200	3000	3000(CP4000)	3000
4	2500	2500	3700(CP5000)	3700	2500
5	6000	2000	3700	3000(CP4000)	3000
6	4000	3200	4500	6000	3700
7	3200(CP5000)	2500(CP3000)	4500	3200	3000(CP3000)
8	3200		6000		
9	6000		3000		
10	3200				

STANDARD BRED RACETRACKS APRIL, 2014 US Trotting Association Entries Link

TRACK	PURSE RANGE	PURSE PER CLAIMING PRICE (highest amount paid)							
		CLAIMING PRICE	3000	4000	5000	6000	8000	10,000	12,000
Balmoral,IL	2900-10,000		2900				3600		
Bangor, Me	2300-4000	2700	3000		4000				
Buffalo,NY	2800-10,500		3200	4500	5000	5800	6600	7600	
Freehold,NJ	2400-6000			2500					
Harrah's PA	3500-17,000						8500	10,000	
Harrington,DE	3000-8600					3500	5500	7000	
Hazel,MI	4200-17,200		4200			6500	9800	10,300	
Hoosier,IL	4500-17,500				5500	7500	7500	9000	
Maywood,IL	2700-9000		2900						
Meadowlands,NJ	9000-22,500								
Meadows,PA	4100-18,000			4600		6200	7700	8300	
Miami Valley,OH	2500-9500		3500	4000	5000	6000	7500		
Mohegan Sun,PA	4500-21,000			4500		6000	8500		
Monticello,NY	2000-4200		2600	3300		4200	4800		
Northfield,OH	2800-11,000	3200	4000		5500	6500			
PLAINRIDGE,MA	2000-6000	3000	3000	3700					
Pompano, FL	3000-10000		3300			5000			
Rosecroft,MD	4100-6000					5000	6000		
Saratoga,NY	4000-18,000			4500		5500	7500	8000	
Scarborough,ME	3000-8000		3500			5000			
Vernon,NY	2500-8000			3800		3800			
Yonkers,NY	9000-28,000							10,000	

PURSE COMPARISONS EASTERN TRACKS

(Per current condition books available through Equibase)

CLAIMING VALUE	5000	8000	12,500	ALW1X
Calder	10,500	10,800	16,600	23,800
Charlestown	11,000	16,000		30,000
Delaware	13,500	15,000	17,000	39,000
Monmouth	17,000	20,000	23,000	42,000
Parx	17,000	20,000	21,000	34,000
Pimlico	15,000	22,000	23,000	42,000
SUFFOLK	11,000	13,000	15,500	19,000
Tampa	11,500	16,000	18,500	25,000

EXHIBIT A

Suffolk Downs 2014 Purse Schedule

(\$106,250 per day average)

Purse Conditions	Purse
Open Allowance	\$22,800
ALW 3x Optional Claiming (\$40,000)	\$21,000
ALW 2x Optional Claiming (\$16,000)	\$20,000
ALW 1x NW 2 Life Allowance	\$19,000
12.500 Open Claiming	\$15,500
10.000 Open Claiming	\$14,500
8.000 Open Claiming	\$13,000
6.250 Open Claiming	\$12,000
5.000 Open Claiming	\$11,000
4.000 Open Claiming	\$10,000
12.500 NW 3 Life	\$12,300
12.500 NW 2 Life	\$11,800
5.000 Lifetime Conditions	NW2-9,100 NW3-9,200
4.000 Beaten	NW2-9,100 NW3-9,200
Maiden - Allowance	\$18,000
Maiden - Claiming 12,500	\$11,200
Maiden - Claiming 5,000	\$9,000
Starter Allowance (\$5,000 or less)	\$13,000
Starter Allowance (\$12,500 or less)	\$15,000

The amounts set forth in this Exhibit A shall be subject to adjustment (upward or downward) based on projections of Available Purse Funding.

EXHIBIT 5

**SUPPLEMENTAL MEMORANDUM TO THE HORSE RACING COMMITTEE OF
THE MASSACHUSETTS GAMING COMMISSION ON RELATIVE NEEDS FOR
INCREASED PURSES**

This memorandum is provided as a supplement to the prior memorandum provided by Frank J. Frisoli to the Horse Racing Committee of the Massachusetts Gaming Commission on relative needs of the Thoroughbred industry and Standardbred industry in Massachusetts for increased purses. It is issued to address the response by committee member Peter M. Goldberg issued on behalf of the Standardbred industry.

For more than the past five years, purses in Massachusetts for both Thoroughbred (TB) and Standardbred (SB) racing have been near the bottom of purses offered at other East Coast racetracks. For 2014, while Standardbred purses are expected to approximate the purses funded in 2013, the funding of 2014 thoroughbred purses will be significantly reduced from the 2013 funding level.

	Plainridge	SSRC
2013 Statistics		
Race Days	92	81
Total Races	780	720
Total Purses	1,988,055	8,227,412
Daily Average	21,609	101,573
Average purse	2,549	11,427
2013 Dates	4/15/13 to 11/30/13	6/1/13 to 11/2/13
Starters	5308	5,214
Average starts/year/horse	16.7*	6.12**
Customary Day rate	\$30-\$40***	\$55

* Per International Federation of Horse Racing stats on trotters

**Jockey Club Fact Book

*** From interviews of Standardbred owners it appears that a high percentage of standardbreds are owned by the trainers. Day rates charged by public trainers vary with most in the range of \$30 to \$40 per day.

Standardbred owners also indicated that once a Standardbred is ready to race, it generally races once per week, health permitting. In contrast, once a thoroughbred is ready to race, it generally races once every 3 weeks. Standardbreds can race until age 14 and often do so. It is rare to see a thoroughbred racing past age 7.

For 2014 funding for Standardbred Purses is expected to be comparable to 2013 levels. In 2013 the Standardbred purses were funded by the amount of purses earned without any supplement

from Plainridge. In 2013 thoroughbred purses were augmented by a significant overpayment by SSRC. According to SSRC records, it overpaid 2013 thoroughbred purses by \$1,566,484.

For 2014, SSRC has already advised the NEHPBA that it will close racing operations if a gaming license is not awarded to Mohegan Sun. The 2014 thoroughbred meet at SSRC is scheduled to commence May 2, 2014 although the parties have been unable to reach agreement on a purse contract. If Mohegan Sun is not awarded a gaming license, the meet is expected to close by August 1 with no further thoroughbred racing at the site. If a license is awarded to Mohegan Sun, SSRC has advised it will close by September 1 and begin demolition of the barns.

SSRC has further indicated it will not supplement earned purses. SSRC projects that earned purses for 2014 will be somewhat less than earned purses of 2013 that totaled 7.4 million. SSRC is projecting earned purses for 2014 to be in the range of 6.8 million.

SIGNIFICANT INDUSTRY DIFFERENCES.

- Standardbred purses are paid 50% to the winner with 50% divided among other finishers. Thoroughbred purses are paid 60% to the winner with 40% divided among other finishers. This difference is irrelevant as to potential earnings of each breed because there is only one winner of each race and the reduced winning percentage of a Standardbred is offset by a greater opportunity to earn in races not won.
- The full program purse is paid to the Standardbred entrants. In 2013, \$464,864 of thoroughbred purse money was paid to the NEHPBA to support the organization and its activities, and an additional \$156,062 of purse funding was paid to purchase insurance for jockeys and exercise riders injured during the meet. The jockey's insurance payment is made from the program purses. Approximately 9% of 2014 purse funding will be used for the NEHPBA and Jockey insurance and only 91% paid to thoroughbred owners.
- Commissions in Standardbred races paid by the winner are 5% to the driver and 5% to the trainer. Commissions in thoroughbred races paid by the winner are 10% to the Jockey and 10% to the trainer. Thoroughbreds pay a higher commission cost to jockeys and trainers than standardbreds.
- Thoroughbreds require exercise riders to train. This is a significant daily expense. Standardbreds are exercised by the trainer without additional cost.
- Across the United States, purses for thoroughbreds are generally 3 to 4 times greater than purses for standardbreds of comparable value. This fact reflects the fewer opportunities of thoroughbreds to race and earn purses, the higher acquisition cost, and the higher cost of training and care.
- The average purse paid in 2013 to thoroughbreds at SSRC was 448% of the average purse paid to standardbreds at Plainridge. This statistic is consistent with the disparity across the United States between thoroughbred purses and Standardbred purses that results from much higher costs of acquisition and training of thoroughbreds.
- The amount of supplement needed to raise thoroughbred purses to the midpoint of East Coast tracks is at least 4.4 times greater than the supplement needed to raise Standardbred purses to the midpoint of East Coast tracks. As set forth in the prior memorandum, the 2009 disparity from midpoint for standardbreds was \$4412 in average purse while the disparity for thoroughbred was \$19,460 in average purse.

- A supplement of \$1,566,484 in 2014 is needed by the thoroughbred industry to maintain total purse funding at the same rate as 2013 in light of the refusal of Suffolk Downs to supplement a purse finding as it did in 2013..
- In 2014, standardbreds in Massachusetts will have a much greater opportunity to earn purses as the Standardbred meet is expected to extend 100 racing days from the middle of April to the end of November (approximately 32 weeks). The thoroughbred meet at SSRC will start on May 2 and may run 17 weeks to the end of August. The thoroughbred meet may be only 48 racing days although it could extend for as many as 65 racing days. The number of racing days for thoroughbreds will range between 48% and 65% of the number of days standardbreds will race in 2014. If the average thoroughbred runs once every 3 weeks, it could have as many as 5 starts at SSRC in 2014. In the 32 week Standardbred meet of 2014, a Standardbred could easily race more than 20 times. The number of racing opportunities for thoroughbreds in 2014, in light of the longer period between races and shorter meet, is no more than 25% of the racing opportunities for standardbreds in 2014.

When determining the relative needs of the thoroughbred and Standardbred industries, the fact that thoroughbred funding for 2014 will be appreciably less than the funding available for the prior year needs to be considered. Although present Standardbred purses are less than thoroughbred purses, the disparity is more than offset by the increased opportunities of standardbreds to earn purses, the lower acquisition costs of standardbreds (as previously addressed), the lower commission rates paid to trainers and drivers, and the fact that purses are not reduced by the significant organizational expenses and Jockey insurance fund cost of the thoroughbreds.

The allocation of funds of the Horse Racing Development Fund between breeds must also be done in a manner consistent with legislated policy and in a manner intended to accomplish legislated objectives. The allocation of funds must be made in a manner that furthers the policy established of maintaining at least 100 racing days for each breed, with additional days added as gaming becomes implemented in order to support Massachusetts breeding. The requirement of 100 racing days in the statute evidences that the legislature understood the importance of maintaining a racing season of sufficient length to sustain the local horseman, breeders and farms. The objective should be to develop and maintain viable industries as the legislature has sought to do rather than survival for one more year.

For the reasons previously addressed in my prior memorandum and this supplemental memorandum, allocating remaining funds available to enhance purses 81.5% to thoroughbreds and 18.5% to standardbreds is appropriate in order to proportionately benefit both industries.

Respectfully submitted


Frank J. Frisoli, Representative of Massachusetts Thoroughbred Horsemen and Breeders to the Horse Racing Committee of the Massachusetts Gaming Commission.

EXHIBIT 6

WEIGHTING OF CRITERIA AND PROPOSED ALLOCATION OF HORSE RACING DEVELOPMENT FUND SUBMITTED BY COMMITTEEPERSON FRANK J. FRISOLI.

Since the fall of 2012, the Horse Racing Committee of The Massachusetts Gaming Commission has been evaluating the statutory provisions relative to the allocation of the Horse Racing Development Fund between the thoroughbred industry and the standardbred industry. An independent report prepared by Dr. Margaret A. Ray was secured that addressed, reviewed and evaluated the statutory criteria and available data. The final report of Dr. Margaret A. Ray concluded:

“The market signals represented by the data indicate a much greater likelihood that purse money allocated to thoroughbred racing will stimulate economic activity, develop an in-state breeding and training industry, and improve quality of life in the Commonwealth. However, the allocation of a portion of purse supplements from the Race Horse Development fund to supplement a small, high quality, standardbred race meet will augment the benefits from an expanded thoroughbred segment and provide the greatest overall benefit from the distribution of the fund. As noted in the Ontario Plan, high-stakes harness races can raise the profile of harness racing and support a smaller, but sustainable and high quality standardbred segment of the racing industry.

The percent of the Race Horse Development Fund that is allocated to thoroughbred racing should be increased above 79% (its current percentage of total annual purses in Massachusetts). An allocation of 85-90% is in line with the percentage of handle generated by thoroughbred racing and the increased benefits from purse allocations to thoroughbred discussed above. The higher the percentage allocated to the thoroughbred segment, the more likely the purse structure and industry will become competitive and sustainable.”

The following evaluation and recommendation by committeeperson Frank J. Frisoli is submitted.

I WEIGHTING OF CRITERIA

A. THE AVERAGE PURSES AWARDED AT THOROUGHBRED AND STANDARDTBRED RACING FACILITIES

As set forth in the Report of Dr. Ray, 79% of annual purses were paid to thoroughbreds and 21% of the annual purses were paid to standardbreds. In weighting this criterion, it is important to note that the operators of Suffolk Downs racetrack deemed it important to supplement purses while the standardbred industry paid only earned purses. Furthermore, the thoroughbreds in Massachusetts for the past 2 years raced only 80 days, while the standardbreds raced nearly 100 days as required by statute. Since purses are funded in part by a portion of the wagering on live races, your racing days resulted in less wagering on live races and reduced the total amount of money generated for purses from wagering.

Furthermore, as set forth in the Memorandum on PURSES PAID IN MASSACHUSETTS AND OTHER STATES FOR RACES COMPARABLE TO LOCAL RACES REGULARLY CONDUCTED by committeeperson Frank J. Frisoli, standardbred purses were for the most part competitive to purses at the majority of other standardbred racetracks for standardbreds of comparable value and required only a small cash increase to equal or exceed the purses paid at all other tracks for standardbreds of comparable value. A very significant increase however is required to cause thoroughbred purses to equal or exceed the purses paid at all other tracks for thoroughbreds of comparable value.

PROPOSED WEIGHT OF CRITERIA: 12%

CONTRIBUTION TO FORMULA

THOROUGHBRED 79% x 12% = 9.5%

STANDARD BRED 21% x 12% = 2.5%

B. THE TOTAL EMPLOYMENT NUMBERS, BOTH DIRECT AND INDIRECT,
ATTRIBUTABLE TO EACH HORSE RACING INDUSTRY

As set forth in the report of Dr. Margaret A. Ray, of the total direct employment of 1579, 28% is from standardbreds and 72% is from thoroughbreds. The employment numbers are related to the quality of local racing as it is difficult for the Massachusetts tracks to attract more and higher quality horses due to the current level of purses. As discussed above, since standardbred purses are much more competitive and require only a small supplement to equal or exceed purses paid at all other tracks for standardbreds of comparable value, it is not reasonable to anticipate a significantly expanded standardbred population from increased purses. Further, as addressed below in the discussion on farms, because the standardbred breeding in Massachusetts results in standardbreds foaled in Massachusetts racing is many other states while the thoroughbreds foaled in Massachusetts for the most part race only in Massachusetts, enhanced thoroughbred purses are likely to have a far greater effect on Massachusetts breeding of thoroughbreds. These facts reduce the weight that should be given to present employment numbers.

PROPOSED WEIGHT OF CRITERIA: 8%

CONTRIBUTION TO FORMULA

THOROUGHBRED 72% x 8% = 5.8%

STANDARD BRED 28% x 8% = 2.2%

C. THE RELATIVE NEEDS OF EACH HORSE RACING INDUSTRY FOR
INCREASED PURSES

The findings of the report of Dr. Margaret A. Ray must be viewed in conjunction with the discussion on average purses awarded set forth above. The analysis of Dr. Ray compared average purses at the Massachusetts tracks to other East Coast tracks. The percentages set forth in her analysis are not reflective of the dollar amount needed by each industry to cause purses to be competitive. When considering relative needs, the appropriate analysis is the effect of the dollar amount of the allocation on the need of the industry. As noted in the memorandum on purses paid in Massachusetts, it would cost only \$270,000 in a calendar year to increase each standardbred purse by \$300 causing Plainridge purses to equal or exceed the purses paid to \$4000 claimers by virtually all of the other 13 non-major standardbred tracks. An increase of \$300 to a thoroughbred purse would be relatively inconsequential. Comparing the East Coast averages of thoroughbred and standardbred purses as set forth in the report of Dr. Ray, standardbred purses are 24% of the total US purses and also 24% of the combined total of thoroughbred and standardbred East Coast Average purses. When the analysis is focused to the level of competition at the local tracks, the disparity between the relative needs of thoroughbreds and standardbreds becomes more pronounced. As evidenced by the exhibits to the Memorandum

on Purses Paid, the dollar disparity in purses paid locally compared to other East Coast tracks is minimal for standardbreds but significant for thoroughbreds. While the standardbred representative to the HRC initially took issue with the accuracy of the data, after being afforded time to review the data, it was conceded to be accurate but challenged as not representative. Yet no rebuttal report has issued. At the bottom allowance level at Suffolk Downs, an increase of \$13,000 is required to cause the purse of that race to equal the average purse for bottom level allowance races at the 8 comparable East Coast tracks that average \$32,000 for bottom level allowance horses. About \$2,000 per race is required to cause the purse for \$5000 claimers at Suffolk Downs to equal the average purse for that level race at the 8 comparable East Coast tracks. The purse increase needed for \$8000 claimers to reach the average East Coast purse for that level is \$3,600. The purse increase needed for \$12,000 claimers to reach the average East Coast purse for that level is \$3,700. When comparing relative needs, an increase of \$5,000 to a thoroughbred purse should be compared to an increase of \$400 to a standardbred purse. Relative needs comparison indicates that 92% of the available supplement should be allocated to thoroughbreds and 8% to standardbreds.

PROPOSED WEIGHT OF CRITERIA: 28%

CONTRIBUTION TO FORMULA

THOROUGHbred 92% x 28% = 25.8%

STANDARDbred 8% x 28% = 2.2%

D. THE AMOUNT OF LIVE RACING HANDLE GENERATED BY EACH CLASS RACING INDUSTRY

As reflected in the report of Dr. Margaret A. Ray, thoroughbred racing accounts for 87% of live racing handle in Massachusetts. This is by far the most powerful factor to be considered, as it evidences public acceptance of each industry. There is no question that in Massachusetts, standardbreds race in relative obscurity, while thoroughbred racing has reasonable visibility. As addressed in prior reports of the thoroughbred industry, for years, thoroughbred-simulcasting revenue has been used to supplement purses of the Greyhound industry and the standardbred industry. In addition, as noted in the additional information and data of the report of Dr. Margaret A. Ray, there is a very significant difference in the size of pari-mutuel revenue and taxes paid by the 2 segments of the racing industry, with thoroughbreds contributing almost double the amount of revenue generated from standardbred racing.

PROPOSED WEIGHT OF CRITERIA: 50%

CONTRIBUTION TO FORMULA

THOROUGHbred 87% x 50% = 43.5%

STANDARDbred 13% x 50% = 6.5%

E. THE NUMBER OF BREEDING AND TRAINING FARMS OF EACH INDUSTRY THAT ARE LOCATED IN THE COMMONWEALTH

The data secured on breeding and training farms of each industry was unreliable at best. It seems clear that a number of farms that had one time had operated as a thoroughbred breeding and training facility were no longer in the thoroughbred business although the farm still existed. This

criteria should be the lowest weighted factor because it reflects the number of farms still engaged in breeding and training thoroughbreds and standardbreds and does not consider the number of farms available for thoroughbred racing and breeding operations if appropriate incentives are provided. Further, the thoroughbred farms are almost exclusively focused on breeding and training thoroughbreds then almost exclusively race in Massachusetts. The standardbred Farms however operate as regional centers and the standardbreds foaled and trained in Massachusetts regularly race in other states, reducing the economic benefit to Massachusetts. Because the data is incomplete, and because the significance of the data is questionable due to the large number of potential thoroughbred Farms, it is inappropriate to weigh this factor by any significant amount. Because of these factors minimal weight is given to the criteria and the contribution to the formula is assumed equal between the industries although by doing so it makes the criteria significantly more beneficial to the standard industry. It may be more appropriate to have the contribution to Formula favorable to thoroughbreds in light of Dr. Ray's observation that there are a large number of thoroughbred farms not presently utilized as such and the size of a thoroughbred farm is usually larger.

PROPOSED WEIGHT OF CRITERIA: 2%

CONTRIBUTION TO FORMULA

THOROUGHBRED 50% x 2% = 1.0%

STANDARD BRED 50% x 2% = 1.0%

II CONCLUSION AND RECOMMENDATION

As stated in the report of Dr. Margaret A. Ray:

"The thoroughbred racing industry has a larger current impact on the Massachusetts economy. It receives 79% of purse money and generates 87% of live handle (and 90% of the much larger simulcast handle). In addition, as a result of its industry structure and national demand, thoroughbred racing is more likely to generate employment (e.g. occupational licenses) and income (tourism) in the Commonwealth as a result of increased purse money. Finally, the existing breeding industry in the thoroughbred-racing segment, while small, provides an existing framework for expanding breeding and training within the Commonwealth in a way that benefits the industry and state economy."

For the reasons set forth above, and consistent with the conclusion in the report of Dr. Margaret A. Ray, an allocation of 86% of the Race Horse Development Fund should be made to thoroughbreds and 14% to standardbreds.

Respectfully submitted


Frank J. Frisoli, Representative of Massachusetts Thoroughbred Horsemen and Breeders to the Horse Racing Committee of the Massachusetts Gaming Commission.

EXHIBIT 7



Division of Racing

To: Members of the Horse Racing Committee

From: Jennifer Durenberger, Director of Racing

Date: 2 January, 2014

Re: "Relative needs" criterion found in c.23K §60(b)

Dear members of the Horse Racing Committee -

The Racing Division thanks you for the opportunity to weigh in on the "relative needs" criterion as it relates to the Race Horse Development Fund ("RHDF").

M.G.L. c.23K §60(b) states:

The horse racing committee shall make recommendations on how the funds received in subsection (a) shall be distributed between thoroughbred and standardbred racing facilities to support the thoroughbred and standardbred horse racing industries under this section. In making its recommendations, the committee shall consider certain criteria including, but not limited to: (i) the average purses awarded at thoroughbred and standardbred racing facilities; (ii) the total employment numbers, both direct and indirect, attributable to each horse racing industry; (iii) the relative needs of each horse racing industry for increased purses; (iv) the amount of the live racing handle generated by each horse racing industry; and (v) the number of breeding and training farms of each industry that are located in the commonwealth.

While the rest of the criteria the Committee is charged with considering are relatively straightforward and may be objectively measured, at least in theory, the "relative needs" criterion is accompanied by neither a plain meaning on its face nor any discernible generally-accepted trade or industry use.

Using the achievement of a sustainable purse structure for both industries as our lodestar, as the Racing Division has continued to do throughout this process, we offer the following:

Massachusetts Gaming Commission

84 State Street, 10th Floor, Boston, Massachusetts 02109 | TEL 617.979.8400 | FAX 617.725.0258 | www.massgaming.com

When the government-appointed Horse Racing Industry Transition Panel in Ontario issued its final report to the Minister of Agriculture, Food, and Rural Affairs in October, 2012, it made the following observations:

"Purses must be comparable to those in other jurisdictions to attract competitive fields, especially at the thoroughbred A level. While the panel recognizes that purse levels generally do not drive wagering, it is clear that high-stakes races like the Queen's Plate or the North America Cup do raise the profile of Ontario horse racing in the global gaming marketplace....

Given the intense international competition in the thoroughbred industry, the panel proposes to hold the average purse per day for this racing division closer to the current SARP-enhanced level.

In the standardbred C (Grassroots) category, the model has been modified slightly to increase the dates and purse to be offered. This quality of racing does not attract much wagering, but it is the most cost-effective level and generates the maximum taxable economic activity for public investment."¹

Mindful that the situations in Ontario and Massachusetts are not analogous, we do find these recommendations instructive for the Committee's charge. The panel makes three key points which we think properly inform the RHDF discussion, particularly within the framework of creating and maintaining a sustainable purse structure.

1. Purse levels by themselves do not drive wagering but *must be comparable* to those in other, typically neighboring, jurisdictions in order to attract competitive fields. Larger fields attract greater handle. But field size is typically a function of available purse money within a given geographic area. This is why we believe purse structure charts, which we have attached again at the end of this memo for ease of reference, are so important to the Committee's consideration.
2. Thoroughbred racing, particularly at the level that helps establish a regional footprint in the global gaming market, is highly competitive and does require higher purses overall to create and maintain that footprint. This is reflected not only in the Ontario Committee's report, but is also evidenced clearly in the purse structure charts.
3. Even though handle generated by standardbred racing is significantly less than that generated by Thoroughbred racing, from the public policy perspective, it generates a more cost-effective taxable economic activity. To this end, we suggest the Committee be mindful of this when examining the "amount of live racing handle generated" criterion.

¹ Horse Racing Industry Transition Panel – *Final Report to Minister of Agriculture, Food and Rural Affairs*, October, 2012.

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Massachusetts Gaming Commission

How, then, do we see the above discussion informing the "relative needs" discussion? The Racing Division is of the opinion that the "relative need" to be considered is the relative need for **purse supplements required to bring the overall purse structure in line with what the stakeholders agree is a sustainable figure.** Monies from the RHDF are meant to *supplement* other statutory contributions to purse accounts ("purse money earned"), including revenue derived from percentage-of-handle contributions, premiums, profit-sharing agreements from simulcasting, unclaimed wagers, etc. Future *purse money earned* can be derived with reasonable certainty by examining previous years' contributions and average variance.

Purse money earned	Plainridge Racecourse	Suffolk Downs
2007	(figures not available)	(figures not available)
2008	2,649,389	7,786,514
2009	2,541,739	7,761,240
2010	2,477,979	7,612,187
2011	2,287,819	7,089,548

However, when you compare this chart with the amount of purses *actually paid*, one of the other §60(b) criteria, you will immediately notice a gap.

Actual purse money paid	Plainridge Racecourse	Suffolk Downs
2007	3,135,254	12,193,373
2008	2,821,887	11,275,347
2009	2,399,960	9,407,483
2010	2,471,815	8,351,096
2011	2,275,803	8,828,656

That gap, present only on the Thoroughbred side (the Standardbred operator has actually slightly underpaid purses in recent years), represents money overpaid to purses out-of-pocket by the operator in an effort to maintain a modest purse structure which, as the accompanying chart illustrates, is still not competitive. Noting that the legislature mandated that the Committee consider actual purses *paid* but was silent as to purse money *earned*, it seems logical to us that the term "relative need" should encompass that gap.

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Massachusetts Gaming Commission

Nationwide Comparison of Purses Paid in 2008: Standardbred			
State	Gross Purses	Number of Races	Average Purse/Race
New York	\$ 93,109,611	10,663	\$ 8,732
Pennsylvania	\$ 93,087,590	6,332	\$ 14,701
Delaware	\$ 46,472,734	3,714	\$ 12,513
Illinois	\$ 29,246,481	3,753	\$ 7,793
Ohio	\$ 18,839,088	5,429	\$ 3,470
Indiana	\$ 16,462,395	1,919	\$ 8,579
Kentucky	\$ 13,899,756	695	\$ 20,000
Michigan	\$ 12,752,193	3,332	\$ 3,827
Florida	\$ 11,673,833	1,783	\$ 6,547
California	\$ 6,853,684	1,782	\$ 3,846
Maine	\$ 5,959,088	1,801	\$ 3,309
Maryland	\$ 3,280,499	968	\$ 3,389
Massachusetts	\$ 2,914,098	550	\$ 5,127
New Hampshire	\$ 2,820,023	550	\$ 5,127

Source: Malinowski, K. and Avenatti, R., *Impact of Slot Machines/Video Lottery Terminals (VLTs) on the Economy, Horse Racing and Breeding Industry, Agriculture and Open Space in States/Provinces where they Exist: Why is this Important for New Jersey?* Rutgers Equine Science Center, 2009.

New York	Saratoga	77,000
Kentucky	Kentland	68,000
New York	Belmont	51,887
Kentucky	Churchill Downs	50,404
New York	Aqueduct	40,000
Florida	Gulfstream Park	34,000
New Jersey	Monmouth	33,504
New Jersey	Meadowlands	31,000
Maryland	Pimlico	29,393
Pennsylvania	Philadelphia Park	25,643
Delaware	Delaware Park	24,756
Maryland	Laurel	20,000
West Virginia	Charles Town	11,910
Florida	Caldor	11,069
Pennsylvania	Penn National	16,504
Florida	Tampa Bay Downs	16,000
New York	Friger Lake	12,154
West Virginia	Mountaineer	12,606
Kentucky	Turfway Park	12,000
Massachusetts	Suffolk Downs	11,665
Maryland	Timonium (Fair)	11,000

Source: Thoroughbred Times, as reprinted in the NEHBA and MTBA Position Paper on the Distribution of Supplemental Resources from the Horse Racing Development Fund, 2013.

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Massachusetts Gaming Commission

84 State Street, 10th Floor, Boston, Massachusetts 02109 | TEL 617.979.8400 | FAX 617.725.0258 | www.massgaming.com

EXHIBIT 8

Harrah's Philadelphia Casino and Racetrack (Ph15/8)

Web: www.harrahspilly.com

Track located approximately eight miles south of the Philadelphia International Airport, in Chester, Pennsylvania.

Address: 777 Harrah's Blvd., Chester, PA 19013

Phone: (800) 480-8020

Fax: (484) 490-2230

Race Office Phone: (484) 490-2222

Sponsored by: Harrah's Philadelphia Casino and Racetrack

Dates: March 20-Dec. 13

Post Time: 12:40 p.m. Wednesday, Thursday, Friday and Sunday

Track Officials

Sr. Vice President & GM: Vince Donlevie
 Director of Racing:..... Barry Brown
 Racing Secretary:..... Joe Auger
 Operations/Mutuels: Joe Pulli

Track Facts

Track Opening: September 10, 2006
 Length of Homestretch:..... 434'
 Width of Homestretch:..... 70'
 Starters Behind the Gate:..... 8
 Hubrail: No
 "Open" Stretch: Yes

2014 Statistics

Gross Purses Paid: \$32,133,419
 Average Purses Paid:..... \$15,353

Record Business

Handle: \$480,117 September 9, 2007
 Attendance: 4,100 September 10, 2006

Leading Drivers

Wins: George Napolitano, Jr. 316
 Tim Tetrick 281
 Yannick Gingras..... 228
 UDR: Yannick Gingras..... .375
 Tim Tetrick349
 George Napolitano, Jr.339
 Purses: Tim Tetrick \$3,924,481
 George Napolitano, Jr. \$3,321,547
 Yannick Gingras..... \$3,230,934

Leading Trainers

Wins: Ron Burke 159
 Gil Garcia-Herrera 79
 Chris Oakes 44
 UTR: Ron Burke438
 Chris Oakes401
 Gil Garcia-Herrera377
 Purses: Ron Burke \$2,442,228
 Gil Garcia-Herrera \$809,635
 Jimmy Takter \$702,732

Plainridge Racecourse (PRC5/8)

Web: www.prcharness.com

Track located in Plainville, Massachusetts.
 Take I-495 to U.S. Rt. 1 South - Exit 14B.

Address: 301 Washington St., Plainville, MA 02762

Phone: (508) 643-2500

Fax: (508) 643-9082

Race Office Phone: (508) 643-2500, ext. 106 or 158

Race Office Fax: (508) 643-4528

Sponsored by: Penn National

Dates: TBA

Post Times: TBA

Track Officials

General Manager: Steve O'Toole
 Race Secretary:..... Paul Verrette
 Publicity Relations: Lenny Calderone
 Simulcast Director:..... Lenny Calderone

Track Facts

Track Opened: March 17, 1999
 Length of Homestretch:..... 600'
 Width of Homestretch:..... 80'
 Starters Behind the Gate:..... 9
 Hubrail: No
 "Open" Stretch: No

2014 Statistics

Gross Purses Paid: \$2,468,042
 Average Purses Paid:..... \$3,353

Record Business

Handle: \$914,781 July 7, 2003
 Attendance: Not Recorded

Leading Drivers

Wins: Jim Hardy 108
 Steve Nason 79
 Mike Eaton 73
 UDR: Chris Long420
 Jim Hardy371
 Mike Eaton341
 Purses: Jim Hardy \$309,388
 Mike Eaton \$226,589
 Steve Nason \$200,350

Leading Trainers

Wins: Jim Hardy 44
 Randy Bickmore..... 27
 Steve Nason 26
 UTR: Jim Hardy409
 Randy Bickmore..... .371
 Don Guidette, Jr.353
 Purses: Jim Hardy \$131,429
 Todd O'Dea \$91,545
 Randy Bickmore..... \$84,133

EXHIBIT 9

EXHIBIT 9 2015 Purses at Standardbred Tracks

Track	total purses	days	per day	Average purse
Balmoral	7,822,927	95	82,347	7,322
Bangor	1,727,380	52	33,219	3,614
Batavia	5,463,431	70	78,049	6,590
Buffalo	7,248,726	92	78,791	6,560
Dover	16,164,326	94	171,961	11,399
Freehold	5,684,863	109	52,155	4,706
Harrington	9,073,697	82	110,655	8,576
Hollywood	5,248,917	74	70,931	5,578
Maywood	3,109,658	74	42,022	3,820
Miami Valley	8,367,079	90	92,968	7,437
Monticello	9,284,641	200	46,423	4,292
Northville	4,483,218	71	63,144	5,153
Ocean	3,361,052	48	70,022	6,122
<i>Plainridge</i>	<i>4,210,636</i>	<i>105</i>	<i>40,101</i>	<i>4,437</i>
Rosecroft	4,173,315	55	78,878	6,304
Saratoga	18,112,972	170	106,547	8,971
Scarborough	3,834,798	102	37,596	4,209
Scioto	15,710,404	95	165,373	13,685
The Meadows	35,232,796	195	180,681	12,896
Tioga	6,654,309	62	107,328	10,365
Vernon	7,931,703	91	87,162	7,980
Yonkers	61,968,074	230	269,426	22,100

TRACK	Days	PURSES
BALMORAL PARK	95	\$7,822,927
BANGOR RACEWAY	52	\$1,727,380
BATAVIA DOWNS	70	\$5,463,431
BUFFALO RACEWAY	92	\$7,248,726
CAL-EXPO	59	\$2,391,090
DOVER DOWNS	94	\$16,164,326
FREEHOLD RACEWAY	109	\$5,684,863
Harrah's Philadelphia	150	\$30,079,137
HARRINGTON RACEWAY	82	\$9,073,697
HOLLYWOOD GAMING DAYTON RACEWAY	74	\$5,248,917
HOOSIER PARK	162	\$27,976,405
MAYWOOD PARK	74	\$3,109,658
MEADOWLANDS	85	\$26,529,156
MIAMI VALLING RACING	90	\$8,367,079
MOHEGAN SUN POCONO	139	\$33,295,950
MONTICELLO RACEWAY	200	\$9,284,641
NORTHFIELD PARK	216	\$20,847,389
NORTHVILLE DOWNS	71	\$4,483,218
OCEAN DOWNS	48	\$3,361,052
PLAINRIDGE RACECOURSE	105	\$4,210,636
PLAYERS BLUEGRASS DOWNS	15	\$195,322
POMPANO PARK	126	\$9,212,935
ROSECROFT RACEWAY	55	\$4,173,315
RUNNING ACES HARNESS PARK	53	\$2,515,958
SARATOGA HARNESS	170	\$18,112,972
SCARBOROUGH DOWNS	102	\$3,834,798
SCIOTO DOWNS	95	\$15,710,404
THE MEADOWS	195	\$35,232,796
THE RED MILE	33	\$7,892,498
THUNDER RIDGE RACING	21	\$187,790
TIOGA DOWNS	62	\$6,654,309
VERNON DOWNS	91	\$7,931,703
YONKERS RACEWAY	230	\$61,968,074

03/11/2017

Track Name	Abbrev.	State/Prov	Purses	Ave_Purse	Country
NORTHLANDS PARK RACEWAY	NP	AB	1043957	5043	CANADA
CENTURY DOWNS RACETRACK AND CASINO	CnD	AB	5051311	6093	CANADA
FRASER DOWNS	FrD	BC	3504415	5199	CANADA
CAL EXPO	CalX	CA	2391090	3491	UNITED STATES
DOVER DOWNS	DD	DE	16164326	11399	UNITED STATES
HARRINGTON RACEWAY	Har	DE	9073697	8576	UNITED STATES
POMPANO PARK	PPk	FL	9212935	7125	UNITED STATES
MAYWOOD PARK	May	IL	3109658	3820	UNITED STATES
BALMORAL PARK	BmlP	IL	7822927	7332	UNITED STATES
BALMORAL PARK	BmlP	IL	7822927	7332	UNITED STATES
HOOSIER PARK	HoP	IN	27974168	12862	UNITED STATES
THUNDER RIDGE RACING	TRR	KY	187790	1739	UNITED STATES
PLAYERS BLUEGRASS DOWNS	BgD	KY	195322	1934	UNITED STATES
THE RED MILE	Lex	KY	7892498	20715	UNITED STATES
PLAINRIDGE PARK	PRc	MA	4210636	4437	UNITED STATES
OCEAN DOWNS	OD	MD	3361052	6122	UNITED STATES
ROSECROFT RACEWAY	RcR	MD	4173315	6304	UNITED STATES
ROSECROFT RACEWAY	RcR	MD	4173315	6304	UNITED STATES
PRESQUE ISLE FAIRGROUNDS	Pres	ME	254449	4893	UNITED STATES
NO MAINE FAIR ASSOCIATION	Pres	ME	254449	4893	UNITED STATES
SCARBOROUGH DOWNS	Scar	ME	3834798	4209	UNITED STATES
BANGOR RACEWAY	Bang	ME	1727380	3614	UNITED STATES
NORTHVILLE DOWNS	Nor	MI	4483218	5153	UNITED STATES
Running Aces Casino & Racetrack	Aces	MN	2515958	5286	UNITED STATES
FREDERICTON	Frdtn	NB	75163	989	CANADA
EXHIBITION PARK	EPR	NB	19463	2433	CANADA
MEADOWLANDS	M	NJ	26529156	25028	UNITED STATES
FREEHOLD RACEWAY	Fhld	NJ	5684863	4706	UNITED STATES
ST JOHN'S RACING & ENTERTAINMENT CENTRE	StJns	NL	21060	324	CANADA

TRURO	Truro	NS	586852	1362	CANADA
INVERNESS RACEWAY	Invrn	NS	256003	1041	CANADA
BATAVIA DOWNS	Btva	NY	5463431	6590	UNITED STATES
VERNON DOWNS	VD	NY	7931703	7980	UNITED STATES
YONKERS RACEWAY	YR	NY	61968074	22100	UNITED STATES
TIOGA DOWNS	TgDn	NY	6654309	10365	UNITED STATES
BUFFALO RACEWAY	BR	NY	7248726	6560	UNITED STATES
MONTICELLO RACEWAY	MR	NY	9284641	4292	UNITED STATES
SARATOGA HARNESS	Stga	NY	18112972	8971	UNITED STATES
VERNON DOWNS	VD	NY	7931703	7980	UNITED STATES
LEBANON RACEWAY	Leb	OH	69929	4371	UNITED STATES
NORTHFIELD PARK	Nfld	OH	20847389	6444	UNITED STATES
HOLLYWOOD GAMING DAYTON RACEWAY	Dtn	OH	5248917	5578	UNITED STATES
SCIOTO DOWNS	ScD	OH	15710404	13685	UNITED STATES
MIAMI VALLEY RACEWAY	MVR	OH	8367079	7437	UNITED STATES
DRESDEN RACEWAY	Dres	ON	384776	3436	CANADA
FLAMBORO DOWNS	FlmD	ON	7258052	5133	CANADA
CLINTON RACEWAY	Clntn	ON	746840	4850	CANADA
HANOVER RACEWAY	Hnvr	ON	714254	4409	CANADA
MOHAWK RACEWAY	Moh	ON	28351686	21742	CANADA
HIAWATHA HORSE PARK	Sar	ON	619615	2937	CANADA
RIDEAU CARLETON	RidC	ON	4008986	4013	CANADA
MOHAWK RACEWAY	Moh	ON	28351686	21742	CANADA
GRAND RIVER RACEWAY	GRvr	ON	3691464	7252	CANADA
GEORGIAN DOWNS	GeoD	ON	3338523	8367	CANADA
WOODBINE RACEWAY	Wdb	ON	21513147	20050	CANADA
WESTERN FAIR RACEWAY	Lon	ON	6609195	5127	CANADA
LEAMINGTON RACEWAY	Leam	ON	370556	2470	CANADA
KAWARTHA DOWNS	KD	ON	658459	3106	CANADA
The Downs at Mohegan Sun Pocono	PcD	PA	33295950	17270	UNITED STATES
HARRAH'S PHILADELPHIA	Phl	PA	30079137	14337	UNITED STATES
THE MEADOWS	Mea	PA	35232796	12896	UNITED STATES
CHARLOTTETOWN DRIVING PARK	Chrtn	PE	1681518	1675	CANADA
SUMMERSIDE	Summ	PE	728332	1953	CANADA
HIPPODROME TROIS RIVIERES	TrRvs	QC	1919584	4728	CANADA
OAKRIDGE RACECOURSE	Oak	VA	533317	11851	UNITED STATES

EXHIBIT 10

Thank you commission my name is Paul Umbrello race horse owner and member of the NEHBPA

I'm here to discuss the changes to 205 CMR 149 regarding the RHDF and changes altering current law.

My first concern is with the changes in the definition of the language in which the Commission is opening the doors for any group or individual that can establish a business with the secretary of state, self-appoints a board, holds an election with ballots mailed to only a small percentage of licensed horsemen and all without accountability to the majority of the 826 horsemen who have raced in MA. How will you handle when let's say 6 groups establish themselves and try and negotiate multiple purses are you going to simply divide the Health and Welfare Funds equally by 6 and at what benefit and how much duplication in administering those benefits.

I also wanted to share that I know of multiple individuals that requested MTHA membership forms and bylaws with no replies. That concerns me that the MTHA is trying to control their own board and election process. Again why are we looking and need to make changes in the regulations so quickly even if a purse agreement is reached by the MTHA. I would expect other questions should be answered before any changes are implemented under some imaginary urgency to so radically alter current law and assume authority not granted by current law. The majority of these proposed regulations need legislative changes rather than using this process to circumvent current law.

Also to remind everyone that 80% of the RHDF is paid to horse owners for the purpose of providing incentives that encourage investors to breed and race in MA. Trainers work for the investor-owner, who is responsible to pay all costs incurred for services including training, veterinary, blacksmith, jockey, exercise riders, horse dentist, feed and farm costs.

In closing I also want to point out one other piece of factual information I'm submitting that I feel was erroneously reported to the MGC by others who are attempting to discredit the honor, character and integrity of the NEHBPA. As far as the 3 day festival last year The average percentage of local owners, trainers and horses racing in 2014 that also participated in the three day festival in 2015 is over 75% with purse earnings to those owners and trainers in excess of 1 million dollars In prior years of racing that is the equivalent of racing 10 days and if we double the racing days this year that is the equivalent of a 20 day meet for local owners and trainers

The NEHBPA wants nothing more than to restore all the jobs and create even new ones and I think we have shown and demonstrated that contrary to the negative comments towards the NEHBPA.

Thank you

Exhibit 11

AGREEMENT
Plainridge Racecourse
Harness Horsemen's Association of New England

This agreement (the "Agreement") is made by and between Springfield Gaming and Redevelopment, LLC, a wholly owned indirect subsidiary of Penn National Gaming, Inc. (hereinafter referred to as "SGR") a harness racetrack operator for the track in Norfolk County, Massachusetts located at 301 Washington Street, Plainville, and the Harness Horsemen's Association of New England (hereinafter referred to as "Horsemen" or "HHANE") as the organization authorized to represent the Horsemen racing at Plainridge Racecourse.

WHEREAS, The parties hereto have negotiated in good faith in order to agree upon terms as set forth the herein;

WHEREAS, The parties have entered into this Agreement to provide for live racing, purse accounts and other negotiated matters;

NOW THEREFORE, The parties agree as follows, for good and valuable consideration:

- 1) This Agreement shall only become effective upon the granting of a license to conduct harness racing to SGR by the Massachusetts Gaming Commission. This Agreement can be terminated within ten days after (a) the award of a Category 2 gaming license to any entity other than SGR, (b) if the Category 2 license award is postponed beyond March 31, 2014, or (c) upon a breach of the Agreement by either party not cured within 20 days after written notice (no cure period is required for material regulatory issues).
- 2) The Horsemen and SGR agree for the term of this Agreement to abide by the terms as set forth in this Agreement and in the SGR Racing Guide, as amended (attached as Exhibit A). The Horsemen further agree to vigorously and exclusively support SGR's Category 2 gaming application, including public presentations. To the extent third party, mutually agreed costs are incurred by Horsemen in connection with this support, SGR will be responsible for such costs.

Horsemen further agree to use best efforts to support required statutory changes to allow for the conduct of 80 live racing dates in calendar year 2014.

Under no circumstances shall the Horsemen, individually or collectively, directly or indirectly, strike, threaten to strike, boycott, threaten to boycott or cause any action detrimental to the orderly conduct of the live race meet or SGR's business.

- 3) (a) The Horsemen agree to enter and fill race cards, to race once entered abiding by policies set forth by SGR and to properly care for all race horses brought to, or stabled at Plainridge Racecourse. The Horsemen acknowledge the heavily regulated nature of SGR's business and agree that SGR, at its sole discretion, may accept or reject horses.

SA (WIK) [initials] [signature]

AGREEMENT

Plainridge Racecourse

Harness Horsemen's Association of New England

owners, trainers, drivers, grooms, entries or stall applications from anyone at anytime. The Horsemen agree to use at their own risk and take reasonable care of the stall space allotted to them, the paddock area, racetrack and grounds. The Horsemen acknowledge that no stalls may be issued by SGR to any Horsemen prior to the execution of a stall agreement.

(b) SGR agrees to use best efforts to ensure that up to 75% of the annual races conducted during the term of this Agreement will carry preferences for horsemen who have previously raced at Plainridge Racecourse. SGR and Horsemen acknowledge that they will mutually agree on the specific parameters of eligibility for horsemen under this provision.

4) SGR assumes no responsibility for Horsemen's equipment or property during training, racing or any other use of the racing premises.

5) (a) SGR agrees that during the course of the live racing season it shall provide the mandated purses at 4% (four percent) of guest handle in regards to all Interstate horse simulcasts per statute, a 3.5% (three and one half percent) of guest handle in regards to all interstate greyhound simulcasts per statute and all statutory requirements regarding percentage of live handle, in state host handle, pari-mutuel taxes, premiums and so-called "outs" monies. SGR further agrees to pay into the purse account $\frac{1}{2}$ of 1% on the first \$10,000,000 of interstate host handle, $\frac{1}{2}$ of 1% from \$10,000,000 to \$20,000,000 of Interstate host handle and 1% on Interstate host handle that exceeds \$20,000,000 per live racing season.

(b) For the term of this Agreement the average daily purse distribution from the purse account shall be a minimum of \$30,000 per live racing date. The purse account shall consist of all monies generated under Section 5(a) above, plus, any and all amounts generated or contributed to the purse account pursuant to any statutes or distributions related to Category 1 or Category 2 licensees or any other contributions made to the purse account from any other sources. For calendar year 2014 the purse distribution per day minimum shall be guaranteed for up to 80 live racing dates.

To the extent permissible by law, in the event the amounts generated for the purse account in Sections 5(a) and (b) above for any calendar year of this Agreement are less than the total amount distributed by SGR in any calendar year of this agreement (otherwise referred to as an "overpayment"), Horsemen agree that any overpayment amounts may be deducted from the purse account (or otherwise credited or repaid) until such overpayment is repaid.

6) SGR and the Horsemen agree any purse offered for over \$25,000.00 (twenty-five thousand dollars) other than the Beckwith Memorial, must have the consent of the Horsemen. Purses may be offered for more than \$25,000.00 (twenty-five thousand

SA (Signature) JH (Signature) RB (Signature) RO (Signature)

AGREEMENT

Plainridge Racecourse

Harness Horsemen's Association of New England

- (b) The Horsemen agree at all other times, pursuant to past practice, to pay for all costs related to the maintenance of the barns and maintenance of the track and related facilities at Plainridge Racecourse.
- (c) This Agreement shall remain in effect from January 1, 2014 until December 31, 2018, subject to the termination provisions above.
- (d) Under no circumstances other than criminal misconduct shall SGR be liable for any damages in connection with this Agreement that can be characterized as punitive, special, lost profits, consequential or the like.

11) In the event there is a dispute between the parties arising out of this Agreement and the amount in controversy is less than \$50,000, the parties agree to present that dispute to the Massachusetts Gaming Commission for resolution by way of a binding and expedited arbitration. If the Massachusetts Gaming Commission refuses to hear the matter or if the amount in controversy is \$50,000 or greater, either party can submit the dispute to binding arbitration under the Commercial Arbitration Rules of the American Arbitration Association. Notwithstanding the foregoing, if either party seeks equitable relief, that dispute may proceed directly to any court with jurisdiction.

BY: [Signature] V.P.
[Signature] DIRECTOR
[Signature] Clerk/Sec.
[Signature]
[Signature] TREASURER
Harness Horsemen's Association of New England

Name: Robert Schmeida
Title: Sac. T.H.
Date: 9/30/13
For: SPRINGFIELD GAMING AND REDEVELOPMENT, LLC

Exhibit 12

Frank Frisoli

From: "Porche, Cecelia (MGC)" <Cecelia.Porche@MassMail.State.MA.US>
Date: Wednesday, May 25, 2016 4:45 PM
To: <frank@frankfrisolilaw.com>
Cc: "Lightbown, Alexandra (MGC)" <alexandra.lightbown@state.ma.us>
Attach: Plainridge purse agreement 2007-8.pdf; plainridge purse amendment 1.pdf; Plainridge purse amendment 2.pdf; plainridge purse amendment 3.pdf; Plainridge purse amendment 4.pdf; Plainridge purse amendment 5.pdf; Plainridge purse amendment 6.pdf
Subject: Massachusetts Gaming Commisison - Request for Public Records - RESPONSE

Dear Mr. Frisoli:

Pursuant to your email dated May 24, 2016, for public records held by the Commission, attached please find the documents (Plainridge Purse Agreement and Amendments) responsive to your request. If you have any questions, please do not hesitate to contact me.


Best regards,
Cecelia Porché

Cecelia M. Porché
Paralegal, Legal Division
Massachusetts Gaming Commission
101 Federal Street 12th Floor
Boston, MA 02110
TEL 617-979-8478 | FAX 617-725-0258
www.massgaming.com

AGREEMENT

Plainridge Racecourse

Harness Horsemen's Association of New England



AGREEMENT made by and between *Ourway Realty, LLC d/b/a Plainridge Racecourse* (hereinafter referred to as "Plainridge Racecourse") a Harness Racetrack in Norfolk County, Massachusetts located at 301 Washington Street, Plainville, and the *Harness Horsemen's Association of New England or HHANE* (hereinafter referred to as "Horsemen") as the duly constituted organization representing the Horsemen racing at Plainridge Racecourse.

WHEREAS, The parties hereto have negotiated in good faith in order to agree upon terms as set forth herein;

WHEREAS, The parties have entered into this agreement to provide for live racing, purse accounts and other negotiated matters;

NOW, THEREFORE, the parties hereto hereby agree as follows for good and valuable consideration:

- 1) This agreement shall only be in effect subject to the granting of a license to conduct harness racing to Plainridge Racecourse by the Massachusetts State Racing Commission.
- 2) The Horsemen and Plainridge Racecourse agree for the duration of this agreement to abide by the terms as set forth in this agreement. Under no circumstances shall the Horsemen strike, threaten to strike, boycott or cause any action detrimental to the orderly conduct of the live race meet.
- 3) The Horsemen agree to enter and fill race cards, to race once entered abiding by policies set forth by Plainridge Racecourse and to properly care for all race horses brought to, or stabled at Plainridge Racecourse and at Plainridge Racecourse's own discretion Plainridge Racecourse may accept or reject horses, owners, trainers, drivers, grooms, entries or stall applications from anyone at anytime. The Horsemen agree to use at their own risk and take reasonable care of the stall space allotted to them, the paddock area, race track and grounds.
- 4) Plainridge Racecourse assumes no responsibility for Horsemen's equipment during training or racing. The Horsemen at its option may provide some relief in case of damaged equipment.
- 5) Plainridge Racecourse agrees that during the course of the live racing season it shall provide the mandated purses at 4% (four percent) of guest handle in regards to all interstate horse simulcasts per statute, at 3.5% (three and one half percent) of guest handle in regards to all interstate greyhound simulcasts per statute and all statutory requirements regarding percentage of live handle, in state host handle, pari-mutuel taxes, premiums and so-called "outs" monies. Plainridge Racecourse further agrees to pay into the purse account $\frac{1}{4}$ of 1% on the first \$10,000,000 of interstate host handle, $\frac{3}{4}$ of 1% from \$10,000,000 to \$20,000,000 of interstate host handle and 1% on interstate host handle that exceeds \$20,000,000 per live racing season.
- 6) Plainridge Racecourse and the Horsemen agree any purse offered for over \$25,000.⁰⁰ (twenty-five thousand dollars) other than the Beckwith Memorial, must have the consent of the Horsemen. Purses may be offered for more than \$25,000.⁰⁰ (twenty-five thousand dollars) when the additional expense is borne by other parties. Plainridge Racecourse agrees to a minimum purse of \$1,800 (eighteen hundred dollars).

Porche, Cecelia (MGC)

From: MGC Website <website@massgaming.com>
Sent: Monday, April 11, 2016 2:48 PM
To: MGCcomments (MGC)
Subject: Contact the Commissioner Form Submission

Name

Richard Polizzi

Email

rnpol@comcast.net

Phone

(781) 718-0638

Subject

Race horse development Fund split

Questions or Comments

Please honor the 3 year commitment for the Race Horse development Fund. There have been so many hardships to overcome. Thank you for hearing our concerns and support.

Richard Polizzi
Craig Stable

Porche, Cecelia (MGC)

From: Arlene <arlbrown@comcast.net>
Sent: Tuesday, April 12, 2016 10:04 AM
To: MGCcomments (MGC)
Subject: Race Horse Development Fund Split

Dear Commissioners ,

I am disappointed that the Commission is considering changing the split again. I was led to believe the the Thoroughbred share of the fund would be left in escrow for 3 years to allow us time to establish a new place to race our horses. Through no fault of our own are we in this position. But it makes it more and more difficult for us to regain a position if the money is continually taken away. If memory serves me, Standardbreds were given free simulcasting while we were still racing. A little support from them now would be appreciated.

Arlene Brown

Porche, Cecelia (MGC)

From: Arlene <arlbrown@comcast.net>
Sent: Thursday, April 14, 2016 2:19 PM
To: MGCcomments (MGC)
Subject: Race Horse Development Fund Split

Dear Racing Committee Members,

As chairman of the Massachusetts Thoroughbred Breeders Association (M.T.B.A.) I urge you to maintain the current "split" between the thoroughbred breed and the standardbred breed. The availability of these funds will be the life blood of attracting and maintaining a viable equine and racing program in Massachusetts.

Additionally, I request that you, under all circumstances, maintain the current formula used to determine the thoroughbred breeders portion of the race horse development fund. The breeders program is alive and growing. We are seeing renewed interest in breeding thoroughbreds and we are actively racing both in Massachusetts and in other states.

To reduce our portion of the race horse development fund at this crucial time of growth for the thoroughbred breeding program would be devastating.

I thank you for considering our position on this matter.

Sincerely,

George Brown
Chairman
Massachusetts Thoroughbred Breeders Association

Porche, Cecelia (MGC)

From: lionspring1 <lionspring1@verizon.net>
Sent: Sunday, April 24, 2016 6:18 PM
To: MGCcomments (MGC)
Subject: Split

Please leave the split as is. we were told we had three years to become a full track.

Sent from my Verizon 4G LTE Tablet
Lee loebelenz
Lionspring farm
Dover,ma 02030

Porche, Cecelia (MGC)

From: Billy <wfran133@charter.net>
Sent: Saturday, April 30, 2016 5:01 PM
To: MGCcomments (MGC)
Subject: Standardbred/ Thoroughbred split

Dear Chairman Reilly,

I am an owner, trainer and driver of standardbred horses and for thirty one years I taught school in Worcester. During my teaching career I emphasized many important things to my students and “fairness” was at the top of that list. The current split between the thoroughbreds and the standardbreds is anything but. In light of the significant changes in the Massachusetts horse racing industry, the split is not in line with the criteria set forth in the expanded gaming legislation of 2011. A close friend and lawyer once told me that cases are won and lost based on two very important things, THE LAW and THE FACTS. We, the standardbred industry in Massachusetts, have followed the letter of the law and have provided the facts to warrant a change in the current split between the standardbreds and thoroughbreds. The harness industry here in Massachusetts is moving forward and on the verge of a highly successful rebirth. We are growing as an industry and in doing so we are adding jobs all of which benefits the commonwealth.

In light of the afore mentioned and other significant changes we, respectfully request the Race Horse Committee give their full attention to this matter.

Thank you in advance for your anticipated cooperation.

Respectfully,
Bill Abdelnour
3 Ida Rd.
Worcester, MA 01`604

From the Law Office of Robert G. Scarano
1147 Main Street Suite 106 Tewksbury, MA 01876
Phone (978) 640-0163 Fax (978) 858-0901

FAX

This is page 1 of 4 pages

To: Stephen Reilly, Jr., and Members
Horse Racing Committee

From: Robert G. Scarano, Esq.

Date: 5/2/16

Fax Number: (617) 643-9624 and (617) 725-0258

RE: MassTHA
This correspondence will be sent by:

Fax Only Fax and Overnight Mail

This correspondence requires:

Immediate Response Response
 Acknowledgement of Receipt

If you do not receive all pages of this fax, please call me at the above number.

..... CONFIDENTIALLY NOTICE

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Robert G. Scarano
Attorney at Law

1147 Main Street, Suite 106, Tewksbury, Massachusetts 01876
Telephone (978) 640-0163 / (978) 640-1636 • Fax (978) 858-0901
E-mail: scaranoesq@comcast.net

May 2, 2016

Horse Racing Committee
Stephen M. Reilly Jr., Chairman
101 Federal Street, 12th floor
Boston, MA 02110

VIA: Facsimile (508) 643-9624, (617) 725-0258 and overnight mailing

Dear Committee Members,

The Massachusetts Thoroughbred Horsemen's Association ("MassTHA") wish to extend its congratulations to each new Committee members and welcome back returning members as you convene to discuss and deliberate the initial c. 23K race horse development fund purse allocation between Standardbred and Thoroughbred industries. Your task as a committee is crucial to the existing and future viability and sustainability of equine competition in the Commonwealth.

In the opinion of the horsemen represented by the MassTHA, such an important undertaking, deliberation and final decision, if any, should proceed with an overabundance of information and due diligence by the Committee in light of historical needs and contributions rather than opportunity based upon a temporary lull in thoroughbred racing occasioned by facility and organizational changes.

Respectfully, Committee consideration and application of statutory criteria should not be overshadowed by unsupported or opportunistic plea, nor assumption, that a temporary reduction in thoroughbred racing days supports reallocation as proposed.

As you may be aware the MassTHA has entered into a purse agreement conducted under the regular contractual process with the Middleborough Agricultural Society to race at the Brockton Fair Grounds in 2016 with a realistic possibility of establishing a first class race track facility at the former Raynham / Taunton Greyhound location in 2017.

The establishment of such a facility would be a sea change to the Massachusetts thoroughbred industry and negate necessity to re-allocate the current well-reasoned 2014 allocation decision of this Committee.

Accordingly, the MassTHA has attached its corporate resolution formally opposing a change to the current allocation between Standardbreds and Thoroughbred industries.

The MassTHA respectfully requests formal consideration and decision be tabled until such time as the Committee is in possession of information and study to make an informed decision on the proposition before it.

Sincerely,



Robert G. Scarano, Esq.
Corporate Counsel

Cc: William Lagorio

Encl.

MASSACHUSETTS THOROUGHBRED HORSEMEN'S ASSOCIATION

Corporate Resolution

Resolution No. 3
Dated : May 2, 2016

At a meeting conducted May 2, 2016, with all voting members present, the Secretary, Janet Seifert, called the meeting to order at 10:00 a.m.

Officers present were: President: William Lagorio
Treasurer: Philip Corbett
Secretary: Janet Seifert

WHEREAS the MassTHA has entered into a Recognition and Purse Agreement for the years 2016-2017 with the Middleborough Agricultural Society.

AND

WHEREAS the Purse Agreement anticipates the conduct of Live Thoroughbred Racing at the Brockton Fairgrounds in 2016 and the transition to a new race track facility at the former Taunton/Raynham Greyhound Track.

AND

WHEREAS a Standardbred Proposal to re-allocate purse monies between Standardbred and Thoroughbred industries rests with the Horse Racing Committee established pursuant to Section 60 of c. 23K.

AND

WHEREAS the MassTHA has resolved and opposes the Standardbred Proposal as premature and unwarranted.

The corporation is authorized to direct Corporate Counsel prepare and deliver a correspondence of opposition and information to the Horse Racing Committee prior to the May 3, 2016 public meeting of said committee outlining the reasoning for said oppositions or to do anything in relation thereto to effectuate the purpose.

So voted and acknowledged this 2nd day of May, 2016.



William Lagorio, President

Porche, Cecelia (MGC)

From: MGC Website <website@massgaming.com>
Sent: Friday, May 13, 2016 4:52 PM
To: MGCcomments (MGC)
Subject: Contact the Commissioner Form Submission

Follow Up Flag: Follow up
Flag Status: Flagged

Name

PAUL vacca

Email

thencamealady@comcast.net

Phone

(508) 369-9475

Subject

Split of Horse development fund

Questions or Comments

It is my opinion that the Standardbreds deserve a LARGER share of the split.
As we raced all our races in MASS., the thoroughbreds raced in NEW YORK.
All the money WENT to NEW YORK. THIS WAS WRONG.

Porche, Cecelia (MGC)

From: Gmail <henryzola@gmail.com>
Sent: Monday, May 16, 2016 7:44 PM
To: MGCcomments (MGC)
Subject: Fwd: % Split of the racehorse development fund

Begin forwarded message:

From: Gmail <henryzola@gmail.com>
Subject: % Split of the racehorse development fund
Date: May 15, 2016 at 6:00:25 PM EDT
To: mgccomments@statema.us
Cc: Edward Nowak <nowak@slnadv.com>

With another successful season well under way at this time the standardbred racing industry in Massachusetts is proving to be a solid contributor to the states economy. Providing jobs and income opportunities by racing the required number of racing days and holding our Sire Stakes racing events within Massachusetts we continue to support the underlying principles of the States gaming Statute. It only makes good common sense that to direct more of the states gaming dollars back to the states economy a larger share of the racehorse development fund dollars should go to the standardbred racing component of the states racing industry. Increased funding to standardbred racing would fuel growth and contribute even more to Massachusetts economic well being. Thank you for your hard work, support and consideration in this matter.

Henry Zola
2660 Boston Rd
POBox 662
Wilbraham, Ma. 01095
Gmail
henryzola@gmail.com

Gmail
henryzola@gmail.com

Porche, Cecelia (MGC)

From: judith longbardi <njlongobardi@verizon.net>
Sent: Tuesday, May 17, 2016 11:03 PM
To: MGCcomments (MGC)
Subject: Race Horse Development Fund Split

May 18, 2016

Massachusetts Gaming Commission
101 Federal St., 12th Floor
Boston, MA 02110

Attn: Division of Racing

Re: Race Horse Development Fund Split

Dear Committee Members,

As an active standardbred breeder and farm owner in Massachusetts, I encourage you to change the current split of the Race Horse Development Fund to a more favorable allocation to the standardbred industry. Interest in breeding standardbreds in Massachusetts is growing and a larger allocation is needed and warranted as the industry becomes more competitive and creates substantial economic benefits to the Commonwealth.

Sincerely,

Nancy Longobardi
Norfolk, MA

Porche, Cecelia (MGC)

From: judith longbardi <njlongobardi@verizon.net>
Sent: Wednesday, May 18, 2016 9:00 AM
To: MGCcomments (MGC)
Subject: Race Horse Development Fund Split
Attachments: SOM RHDF split.pdf



STANDARD BRED OWNERS OF
MASSACHUSETTS, INC.
PO BOX 1862
PLAINVILLE, MA 02762

May 18, 2016

Massachusetts Gaming Commission
101 Federal St., 12th Floor
Boston, MA 02110

Attn: Division of Racing

Re: Race Horse Development Fund Split

Dear Members of the Horse Racing Committee,

The Standardbred Owners of Massachusetts, Inc. (SOM), encourages the committee to revisit and revise the current split of the Race Horse Development Fund (RHDF) between Standardbred and Thoroughbred Racing.

SOM represents the standardbred owners and breeders participating in the Massachusetts Standardbred Breeding Program. These owners and breeders significantly invest in the program annually. Standardbred breeding has increased dramatically in the past few years. Sixty-five broodmares registered in the program in 2016 represent a 47% increase from 2014. This increase is due to forward thinking breeders and the encouragement of the future of the program with the opening of the state's first gaming facility at Plainridge Park Casino and the contribution of funds by the Plainridge Park operation to the RHDF.

Thirty-two stakes races for Massachusetts Standardbreds are scheduled for this year and all of those races will be held in the Commonwealth thereby maximizing state revenues. The criteria by which the Race Horse Committee is to consider in recommending a split of the fund has dramatically changed in the past few years and the current split should reflect those dramatic changes. A greater share of the RHDF is needed for the continued growth of the Massachusetts Standardbred Breeding Program and for a reasonable return on investment by the standardbred owners and breeders.

Sincerely,

Ed Nowak

Ed Nowak
President

EN/njl

WWW.SOMINC.NET
508-528-1877
INFO@SOMINC.NET

Porche, Cecelia (MGC)

From: MGC Website <website@massgaming.com>
Sent: Wednesday, May 18, 2016 1:41 PM
To: MGCcomments (MGC)
Subject: Contact the Commissioner Form Submission

Follow Up Flag: Follow up
Flag Status: Flagged

Name

Matthew Clarke

Email

clarkeracingstable@gmail.com

Phone

(352) 875-4044

Subject

Horse Racing Committee, RHDF split, Thoroughbred/Harness

Questions or Comments

Mr Chairman, Commissioners,

As a longtime Massachusetts horseman, I am extremely concerned about the proposed revision of the split of RHDF funds between thoroughbred racing and harness racing.

Prior to your decision determining the percentages that are shared by the groups, you quite properly commissioned an opinion from a qualified expert to advise you on what percentages should be allocated to each industry. The result of that opinion based upon historical levels of purses, the differing levels of investment required to participate in each industry and the level of better handle was that 10% - 15% of the RHDF should be allocated to the harness industry. The decision to allocate 25% of the RHDF was accepted with good grace by the thoroughbred industry.

As you know, distributions to both industries only commenced in 2015.

The thoroughbred horsemen have endured tremendous and significant problems since your decision not to award the Region A Casino to the Suffolk Downs location and Sterling Suffolk Racecourse LLC subsequent decision to cease live racing with any significant number of days. The NEHBPA, who represent horsemen have made significant progress in their quest to get legislative support for the construction of a new multi use equestrian park and farming education facility. A soon to be released feasibility study will I believe endorse the benefits that such a facility will bring to the Commonwealth in terms of economic development which would be well received by equestrians from all disciplines.

Mr. Chairman, I was present at the meeting in late 2014 when you stated that you and your fellow Commissioners would do anything you could to assist the thoroughbred horsemen, including putting any unused funds into escrow for a period of three years.

I would respectfully request that no revision of the current split take place until the thoroughbred horsemen have the opportunity to release their feasibility study and present their bill to the legislature for their consideration. A reasonable postponement of any changes would not present any detriment to the harness horsemen and would in my opinion be both fair and equitable to all parties.

Yours most sincerely,

Matthew D. Clarke

Porche, Cecelia (MGC)

From: donnapereira212@aol.com
Sent: Wednesday, May 18, 2016 2:23 PM
To: MGCcomments (MGC)
Subject: Mass Thoroughbreds.

Good afternoon,

My name is Donna Pereira and I am a member of the Board of Directors for the MTBA as well as a Thoroughbred owner and have been a part of Briar Hill Farm since it began. I have watched good years for thoroughbreds in this state, as well as difficult years, and have witnessed the many years of hard work that George and Arlene Brown have put into the breeding and racing programs in this state. I feel that a promise is a promise- your commission voted to hold the monies in escrow for three years so the Thoroughbreds could get another track in this state. They did not choose to have their racetrack shut down! For an awful lot of years, the Thoroughbreds supported the Standardbreds in this state when they had very little income, and now they wish to undercut the Thoroughbreds by grabbing a larger split because our racetrack is shutting down. I am appalled to think this would even be considered! I am asking for a promise to be kept! I don't believe most of the breeding farms in this state would survive another setback. Breeding is just bouncing back with more foals being born this season and we need to keep this going. We need another racetrack and the Horse Park is a wonderful plan but won't happen without the funding. I know I don't want to see any more farms be split into housing developments or any more farm workers laid off.

I appreciate your time and consideration,
Donna Pereira

Porche, Cecelia (MGC)

From: Zizza,Anthony M. M.D. (BIDMC - Gerontology) <azizza@bidmc.harvard.edu>
Sent: Wednesday, May 18, 2016 2:36 PM
To: MGCcomments (MGC)
Subject: RHDF split

Mr Chairman & Commissioners,

As a thoroughbred owner and breeder in Massachusetts, I am writing to you to ask you to make no change in the current split of the RHDF.

As you know, at this time, the current split is more favorable to the standardbred industry than the expert consultants that were asked to review the issue had recommended. Their opinion was based on many factors including current purse structures, levels of wagering, cost of investment for those in the industry, etc. The thoroughbred industry gracefully accepted the final allocation. Since that time, the thoroughbred industry, through no fault of its own, has been suffering as we struggle to secure a permanent place to race. Our horsemen have been displaced since the commission decided not to award the Region A Casino to the Suffolk Downs location and Sterling Suffolk Racecourse LLC.

We have not been idle since that decision, but have been working tirelessly via the NEHBPA, who represent horsemen and have represented them for decades in Massachusetts, to secure legislative support for the construction of a new multi-use equestrian park which will be non profit and benefit not just thoroughbred racing but all equestrian disciplines. I, personally, have seen the excitement among people throughout New England for this park and have gather thousands of signatures in its support. There is nothing like it in the area and the need is great. I know this to be true as I am I involved in local and regional horse shows as a parent of an avid young rider. This model will reinvigorate racing and all equestrian disciplines.

Why not change the split now and re-evaluate it when the horse park becomes a reality? Well, you rightly realized some time ago that time and money would be required to get this effort off the ground and voted wisely to do whatever you could to save our industry including putting any unused funds into escrow for a period of three years. The horsemen have been using this timeline as a benchmark to make things happen with our horse park. Changing the rules in the middle of the game would not be fair especially when we are almost there. A soon to be released feasibility study will demonstrate the benefits that the equestrian park will bring to the Commonwealth in terms of economic development.

I, respectfully and ardently, request that no revision of the current split take place until the thoroughbred horsemen have the opportunity to release their feasibility study and present their bill to the legislature for their consideration. There is no urgency to change anything now especially when the harness industry is thriving. Please let's not kick the thoroughbred horsemen when we are down and just about to rise up to reinvigorate our industry.

I believe this approach is the most compassionate and fair way to move forward for both industries.

Sincerely,

Anthony Zizza

Anthony M. Zizza, M.D
Staff physician at BIDMC
Instructor in Medicine at Harvard Medical School

Porche, Cecelia (MGC)

From: Alan Lockhart <alockhart287@yahoo.com>
Sent: Wednesday, May 18, 2016 3:03 PM
To: MGCcomments (MGC)
Subject: RHDF

To Whom It May Concern,

I am a board member of the New England Horsemen's Benevolent and Protective Association (NEHBPA). I'm a third generation horsemen in the state of Massachusetts and was raised by my mother by thoroughbred racing. I try to be neutral to both the NEHBPA and MTHA because both groups do want the same thing and that is full time racing in the state of Massachusetts.

For starters, the membership forms that were recommended for both groups to get signatures to show their membership was not a good idea. The majority of owners and trainers that have pledged allegiance to the MTHA ran at Suffolk Downs in 2014 and previous years. Every time they had a starter in a race they paid HBPA dues, therefore in my opinion that would make them members of the HBPA. When things were going good and we had a light at the end of the tunnel (the casino) everyone had no issue with being a member of the HBPA and paying their fees. It feels as if the membership forms were recommended to both groups as a way to show a divide in the industry or create a larger divide than there already was. We did everything we possibly could to get expanded gaming passed in this state and now that it got passed we are stuck with nowhere to run. Five of the owners and trainers who are nominated for the general election in the MTHA were on the previous HBPA board. My question is why does the HBPA get so much heat from the other group when half of the previous board is now aligned with the MTHA? The day Wynn got the casino license over Suffolk Downs is when everything changed. The state hasn't helped the horsemen in the 29 years that I've been alive and they had their shot on that fateful day.

Chris Carney said that no one from the HBPA tried to make an agreement with him. From my knowledge that isn't the truth. There seems to be a history of neither the HBPA nor the Carney's not always agreeing. The HBPA just wants him to make the purse agreement with us which is in fact the law. We don't want to stop any meet there. Are there personal feelings getting in the way of a legal and professional agreement that could be reached? Regarding Brockton, the MTHA claimed with the Suffolk meet they needed over a month of training to get horses ready. If I remember correctly it was 90 days they said and that in itself is a fact in getting any horse ready to compete in races. Brockton from what I heard is planning to have the first day of races of July 2 and open for training 2-3 weeks before that date. That is far from the 90 days that is right for any horse coming off the farms and what they originally said they needed to get their horses ready to run. Suffolk wants to run 6 days and Brockton is talking about 15, possibly 30. Is 9-24 extra days really going to keep people in business? That logic doesn't make any sense to me.

The two groups have to unite as one for this industry to have any chance. As in any business there are many disagreements between sides. Both sides want the same thing and that is a racing meet that can help the industry prosper. We want to make a living and stay in the Commonwealth not transplant and move our businesses elsewhere.

Sincerely,

Alan J Lockhart

Porche, Cecelia (MGC)

From: Steve O'Toole <Steve.O'Toole@pngaming.com>
Sent: Wednesday, May 18, 2016 4:27 PM
To: MGCcomments (MGC)
Subject: Race Horse Development Fund Split
Attachments: PNG RHDF Split Letter.pdf

Please find attached a letter of support for a revisit and revision of the allocation of funds from the Race Horse Development Fund.

Thank you.

Steve O'Toole
Director of Racing



**PLAINRIDGE PARK
CASINO**

301 Washington Street
Plainville, MA 02762
Office 508-576-4480



PLAINRIDGE PARK
CASINO

May 18, 2016

Massachusetts Gaming Commission
101 Federal St., 12th Floor
Boston, MA 02110

Attn: Division of Racing

Re: Allocation of Race Horse Development Fund

Members of the Horse Racing Committee,

Plainridge Park Casino fully supports the request of the Harness Horsemen's Association of New England (HHANE) and the Standardbred Owners of Massachusetts (SOM), Inc. to revisit and revise the current split of the Race Horse Development Fund (RHDF) between Harness Horse Racing and Thoroughbred Racing.

The landscape of the horseracing industry in Massachusetts today is very different than when the Committee devised the initial fund allocation between the breeds in 2014. The criteria used to determine the existing split in the RHDF has changed dramatically and we encourage the Committee to institute a more equitable division of the fund.

The opening of the Commonwealth's first gaming facility, Plainridge Park Casino, and the infusion of funds into the RHDF have had a positive effect on Harness Racing and the Massachusetts Standardbred Breeding Program. Plainridge Park Casino and the harness racing industry have committed to more live racing dates and invested in their respective facilities and racing product, resulting in positive business trends in breeding, horse ownership, and wagering. These are the exact benchmarks that the RHDF was created to enhance, and a greater share of the RHDF may allow HHANE and SOM additional opportunities to further improve the industry.

Plainridge Park Casino and its corporate parent, Penn National Gaming, the largest operator of pari-mutuel facilities in North America, encourages the Committee to revise the allocation of the RHDF to increase the benefits to the harness racing industry in order to continue this positive momentum.

Sincerely,

Lance George
Vice President – General Manager
Plainridge Park Casino

Copy to: Chris McErlean, Penn National Gaming
Steve O'Toole, Plainridge Park Casino
Robert McHugh, President - HHANE
Edward Nowak, President - SOM

Porche, Cecelia (MGC)

From: MTBA <MTBA@comcast.net>
Sent: Wednesday, May 18, 2016 10:49 PM
To: MGCcomments (MGC)
Subject: Race Horse Development Fund Split

Dear Commissioners ,

I am concerned that the commission is considering changing the split already. I was led to believe the the thoroughbred share of the fund would be left in escrow for 3 years to allow us time to establish a new place to race our horses. Through no fault of our own are we in this position. But it makes it more and more difficult for us to regain a position if the money is continually taken away. We are making great strides in planning and preparation for a permanent state of the art facility here in Massachusetts. Please give us the time to realize that objective.

George F. Brown