

CALIFORNIA HORSE RACING BOARD  
1010 HURLEY WAY, SUITE 300  
SACRAMENTO, CA 95825  
(916) 263-6000  
FAX (916) 263-6042



## PARI-MUTUEL/ADW AND SIMULCAST COMMITTEE MEETING

of the California Horse Racing Board will be held on Wednesday, September 19, 2012, commencing at **3:30 p.m.**, in the Conference Center Board Room at the Sheraton Fairplex Conference Center, 601 West McKinley Avenue, Pomona, California. Non-committee Board members attending the committee meeting may not participate in the public discussion, official committee vote, or committee closed session.

### AGENDA

#### Agenda Items

1. Discussion and action regarding **the allocation and distribution for fiscal year 2012-2013 of advance deposit wagering harness funds generated pursuant to Business and Professions Code section 19604(f)(5)(C).**
2. **General Business:** Communications, reports, requests for future actions of the Committee.

Additional information regarding this meeting may be obtained from Mike Marten at the CHRB Office at Los Alamitos Race Course, 4961 E. Katella Avenue, Los Alamitos, CA, 90720; telephone (714) 820-2748; cell (714) 240-1870; fax (714) 821-6232. A copy of this notice can be located on the CHRB website at [www.chrb.ca.gov](http://www.chrb.ca.gov). \*Information for requesting disability related accommodation for persons with a disability who requires aids or services in order to participate in this public meeting, should contact Mike Marten.

#### PARI-MUTUEL/ADW AND SIMULCAST COMMITTEE

Commissioner Jesse H. Choper, Chairman  
Kirk E. Breed, Executive Director



CALIFORNIA HORSE RACING BOARD  
ALLOCATION AND DISTRIBUTION FOR FISCAL YEAR 2012-2013 OF ADVANCED  
DEPOSIT WAGERING HARNESS FUNDS GENERATED PURSUANT TO BUSINESS AND  
PROFESSIONS CODE SECTION 19604(f)(5)(C)

Pari-mutuel/ADW and Simulcast Committee Meeting  
September 19, 2012

## BACKGROUND

On May 10, 2012, Los Alamitos Quarter Horse Association requested the California Horse Racing Board to instruct the California Horse Racing Information Systems, Inc. (also known as Comprehensive Horse Racing Information Management Systems, Inc.) to allocate all funds generated pursuant to Business and Professions Code section 19604(f)(5)(C) to the licensed quarter horse meet, as of July 1, 2012. In impetus for the request was the anticipated cessation of harness racing at Cal Expo after June 30, 2012.

## ANALYSIS

Business and Professions Code section 19604(f)(5)(C) provides that “with respect to wagers on out-of-state and out-of-country thoroughbred races conducted after 6 p.m., Pacific time, 50 percent of the amount remaining shall be distributed as commissions to thoroughbred associations and racing fairs, as thoroughbred and fair purses, and as an incentive awards in accordance with subparagraph (A), and the remaining 50 percent, together with the total amount remaining from advance deposit wagering originating from California out-of-state and out-of-country harness and quarter horse races conducted after 6 p.m., Pacific time, **shall be distributed** as commissions **on a pro rata basis** to the applicable licensed quarter horse association and the applicable licensed harness association, **based upon the amount handled in state**, both on-and off-track, **on each breed’s own live races in the previous year by that association or its predecessor association**. One-half of the amount thereby received by each association shall be retained as a commission, and the other half of the money received shall be distributed as purses to the horsemen participating in its current or next scheduled licensed racing meeting.” (Emphasis added)

In essence, the allocation of monies between a licensed quarter horse association and a licensed harness association from races conducted after 6 p.m. is to be based upon the amount of handle for each breed’s own live races. The amount of live race handle for each breed from fiscal year 2011-2012 will dictate how the monies are to be allocated for fiscal year 2012-2013.

The statute contemplates the existence of both a licensed quarter horse association and a licensed harness association. The statute is silent as to what should occur if either association no longer exists.

Addressing the future allocation of monies between a licensed harness association and a licensed quarter horse association, if there is no licensed harness association in fiscal year 2012-2013, 100 percent will be allocated to the quarter horse association in fiscal year 2013-2014.

#### RECOMMENDATION

This item is presented for discussion and action by the Committee.



QUARTER HORSE RACING ASSOCIATION

May 10, 2012

Mr. Kirk Breed, Executive Director  
California Horse Racing Board  
1010 Hurley Way, Suite 300  
Sacramento, Ca 95825

Dear Mr. Breed

Item 12 of the April 26, 2012 meeting of the Board was discussion and action on the allocation of future harness racing dates. Representatives of Cal Expo and the harness horsemen provided an update on continuing efforts to find an operator for the harness meet at Cal Expo, indicating that no deal has been made. The Board took no action on the allocation of harness dates for the latter half of this year.

At the conclusion of the current Cal Expo harness meet, June 30, 2012, there will no longer be a licensed harness association.

This affects the allocation of ADW commissions and purses. Section 19604(f)(5)(C) discusses California wagers on out-of-state and out-of-country races conducted after 6:00pm. It provides that 50% of the amount available for purses and commissions from thoroughbred races and 100% of the amount available for purses and commissions from out-of-state and out-of-country harness and quarter horse races shall be allocated between the applicable licensed quarter horse association and the applicable licensed harness association on a specified pro rata basis.

Accordingly, we respectfully request the Board to inform Chrims that as of July 1, 2012 there is no licensed harness association and to instruct Chrims to comply with the afore-referenced section of the Horse Racing Law and allocate the entire amount to the licensed quarter horse meet.

Please contact me if you have any questions or comments.

Yours truly,

A handwritten signature in black ink, appearing to read "Richard M. English". The signature is written in a cursive, flowing style.

Richard M. English





QUARTER HORSE RACING ASSOCIATION

June 14, 2012

Mr. Kirk Breed, Executive Director  
California Horse Racing Board  
1010 Hurley Way, Suite 300  
Sacramento, Ca 95825

Dear Mr. Breed

Item 12 of the April 26, 2012 meeting of the Board was discussion and action on the allocation of future harness racing dates. Representatives of Cal Expo and the harness horsemen provided an update on continuing efforts to find an operator for the harness meet at Cal Expo, indicating that no deal has been made. The Board took no action on the allocation of harness dates for the latter half of this year.

At the conclusion of the current Cal Expo harness meet, June 30, 2012, there will no longer be a licensed harness association.

This affects the allocation of ADW commissions and purses. Section 19604(f)(5)(C) discusses California wagers on out-of-state and out-of-country races conducted after 6:00pm. It provides that 50% of the amount available for purses and commissions from thoroughbred races and 100% of the amount available for purses and commissions from out-of-state and out-of-country harness and quarter horse races shall be allocated between the applicable licensed quarter horse association and the applicable licensed harness association on a specified pro rata basis.

Accordingly, we respectfully request the Board to inform Chrims that as of July 1, 2012 there is no licensed harness association and to instruct Chrims to comply with the afore-referenced section of the Horse Racing Law and allocate the entire amount to the licensed quarter horse meet.

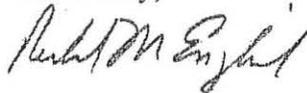
In addition to the legal arguments I would ask the Board to consider the business effects on the industry as a whole from the cessation of harness racing. As Vice-Chairman Israel noted "This is not just a harness and a Cal-Expo issue. This has an adverse financial impact on horse racing because of shared costs that will no longer be shared." The annual additional cost to Los Alamitos of operating the satellites alone will be approximately \$1,715,000. If the law is followed, we would recover approximately

\$1,400,000 from the increased share in ADW revenues. We would still suffer a net loss in excess of \$300,000.

Our request is not intended to make a quick profit; but rather to partially offset the significant losses we will incur.

Please contact me if you have any questions or comments.

Yours truly,

A handwritten signature in cursive script that reads "Richard M. English".

Richard M. English

**From:** Miller, Robert  
**Sent:** Thursday, June 28, 2012 8:28 PM  
**To:** 'Rick English'; 'Rick Baedeker'  
**Cc:** Breed, Kirk; Wagner, Jacqueline; Coburn, Harold  
**Subject:** Re: Business and Professions Code section 19604(f)(5)(C)

Dear Messrs English and Baedeker:

Thank you for speaking with me today regarding Mr. English's letters of May 10<sup>th</sup> and June 14<sup>th</sup> regarding Business and Professions Code section 19604(f)(5)(C). The staff of the California Horse Racing Board understands the Los Alamitos Quarter Horse Racing Association (Los Alamitos) interprets the Business and Professions Code section to provide for entire amount generated by the section should be allocated to Los Alamitos as there is no licensed harness racing association in existence after June 30, 2012. Further, Mr. English requests staff to direct CHRIMS to comply with the Los Alamitos interpretation of the statute.

The problem for staff of such a request is the language in the cited Code section which states "shall be distributed as commissions on a pro rata basis to the applicable licensed quarter horse association and the applicable licensed harness association, based upon the amount handled in state, both on- and off-track, **on each breed's own live races in the previous year** by that association, or its predecessor association." (Emphasis added.) The correspondence from Mr. English does not discuss the import of the highlighted portion in the quoted section.

To accede to the Los Alamitos request would have out-of-state and out-of-country harness wagering proceeds given to the quarter horse association. Such an outcome does not readily appear from an unbiased reading of the statute. Rather, the intent of the statute would be for the quarter horse association to receive proceeds from quarter horse racing and not harness racing. Also, the formula for dividing the proceeds is based upon the "previous year." Neither letter from Mr. English discusses what would happen should successor harness association by licensed by the California Horse Racing Board in the near future.

Unless Los Alamitos can provide a more definitive interpretation of Business and Professions Code section 19604(f)(5)(C) as to entitlement of harness racing proceeds, staff cannot recommend that CHRIMS be directed to allocate the monies to Los Alamitos at this time.

Please be advised I will not be in the office next week, however, Assistant Executive Director Jacqueline Wagner will be available on and after Monday, July 2<sup>nd</sup> to discuss the Los Alamitos request.

Cordially, Robert B. Miller, Counsel,  
California Horse Racing Board





QUARTER HORSE RACING ASSOCIATION

July 6, 2012

Mr. Robert B. Miller  
California Horse Racing Board  
1010 Hurley Way, Suite 300  
Sacramento, CA 95825

Dear Mr. Miller

I am writing in response to your email of June 28<sup>th</sup> requesting a more definitive interpretation of a section of the Business and Professions Code.

Section 19604(f)(5) defines the distribution of net market access fees on wagers originating in California. Subsection (C) deals specifically with wagers made after 6p.m. Pacific time. This subsection defines the beneficiaries of the distribution. It defines the formula for allocating the proceeds. It defines the wagers included in the allocation.

Beneficiaries – “the applicable licensed quarter horse association and the applicable licensed harness association”

Formula – “based on the amount handled in state, both on- and off-track, on each breed’s own live races in the previous year by that association, or its predecessor association.”

Wagers – “the remaining 50% of thoroughbred wagers, together with the **total** amount from advanced deposit wagering originating from California out-of-state and out-of-country harness and quarter horse races conducted after 6 p.m. Pacific time.”

My letters of May 10<sup>th</sup> and June 14<sup>th</sup> speak to the beneficiaries. *There is no applicable licensed harness operator.* Cal Expo harness has stated, on numerous occasions, that June of 2012 was the end of their harness operations. No one has applied for a license to be a harness association. Until a harness association is licensed, if ever, Los Alamitos should receive 100% of the ADW funds. As noted in my letter of June 14<sup>th</sup>, Los Alamitos will be solely responsible for the costs of operating the satellite system and will incur significant losses. These funds will partially offset the losses.

In the third paragraph you note my request would have out-of-state and out-of-country harness wagering proceeds be given to the quarter horse association. You state such an outcome does not readily appear from an unbiased reading of the statute. You state the intent of the statute would be for the quarter horse association to receive proceeds from quarter horse racing and not harness racing. Your interpretation is surprising. The statute specifically provides the quarter horse and harness associations share the total out-of-state and out-of-country harness and quarter horse proceeds. That's how it's been done since the advent of Account Deposit Wagering.

You comment that my previous letters didn't discuss what would happen should a successor harness operator be licensed in the near future. The statute speaks to that. If and when a harness operator is licensed, that operator would become a beneficiary. If it were to happen in 2012, the new operator's share would be based on 2011 handle, just as it had been for Cal Expo. If it were to happen in 2013, it would be based on 2012 handles. The following example is based on the following assumptions:

The 2011 allocation between quarter horses and harness is 70% - 30%

Cal Expo ceased operations June 30, 2012

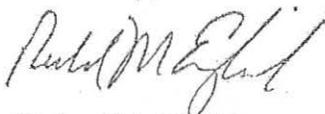
New operator is licensed for a meet to run from November 1<sup>st</sup> to May 31, 2013

The final 2012 ratio between quarter horses and harness will be 75% - 25%

	Allocation	
	<u>quarter horses</u>	<u>harness</u>
January 2012 – June 2012	70%	30%
July 2012 – October 2012	100%	--
November – December 2012	70%	30%
January 2013 – May 2013	75%	25%

I hope my comments are helpful and I look forward to discussing any questions or comments you might have.

Yours truly,



Richard M. English



CHRIMS Inc.

Comprehensive Horse Racing Information Management System, Inc.  
7950 Dublin Blvd., Suite 216 Dublin, California 94568  
Phone: (925) 307-7020 fax: (925) 803-8168  
<http://www.chrim.com>

Date: July 25, 2012  
To: TVG  
From: Shuran Wright  
Subject: ADW Harness allocation

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Cal Expo is no longer operating the Harness racing at their facility after June 16, 2012. The ADW law splits the night meet imported races wagered on by California residents between Los Alamitos Quarter Horse and Cal Expo Harness. Now that Cal Expo Harness is no longer running it is unclear who should get the monies distributed to Cal Expo Harness. We have requested clarification from the California Horse Racing Board, but have not received an answer at this time. In the interim until we receive an answer these funds will be held in escrow.

CHRIMS as of July 1, 2012 will calculate and distribute these fund previously distributed to SCOTWINC. Our reports will reflect this change. Please remit the amounts previously sent to Cal Expo Harness to:

SCOTWINC  
7950 Dublin Blvd. Suite 216  
Dublin, CA 94568

As soon as the CHRB clarifies this issue we will notify you immediately.

Thank You,

CALIFORNIA HORSE RACING BOARD  
1010 HURLEY WAY, SUITE 300  
SACRAMENTO, CA 95825  
(916) 263-6000  
FAX (916) 263-6042  
SENT VIA EMAIL AND REGULAR MAIL



July 26, 2012

Mr. Mark Thurman  
California Horse Racing Information Management Systems, Inc.  
7950 Dublin Boulevard, Suite 216  
Dublin, California 94568

Re: Advance Deposit Wagering Harness/Quarter Horse Allocations  
Business and Professions Code section 19604(f)(5)(C)

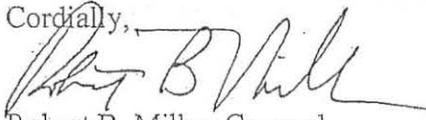
Dear Mr. Thurman:

Please be advised the staff of the California Horse Racing Board is in receipt of the July 25, 2012 Memorandum, authored by Shuran Wright regarding Advance Deposit Wagering (ADW) Harness/Quarter Horse allocations. The matter of allocating funds generated pursuant to Business and Professions Code section 19604(f)(5)(C) will be placed on the noticed Agenda for the August, 2012 Meeting of the California Horse Racing Board. The issue of how these funds are to be allocated in light of the cessation of harness racing at Cal Expo will be decided by the Board. Please be prepared to address the issue to the Board at that time.

By a copy of this letter, representatives of Los Alamitos Quarter Horse Racing Association and the California Exposition and State Fair are being requested to submit written comments concerning the issue of ADW Harness/Quarter Horse allocations by August 8, 2012.

Until the Board decides how the ADW harness funds are to be allocated, California Horse Racing Information Management Systems, Inc. and Southern California Off-Track Wagering, Inc., should continue to hold the funds previously sent to Cal Expo in escrow.

Cordially,

  
Robert B. Miller, Counsel  
California Horse Racing Board

cc: Keith Brackpool, Chairman, California Horse Racing Board  
David Israel, Vice Chairman, California Horse Racing Board  
Kirk E. Breed, Executive Director, California Horse Racing Board  
Jacqueline Wagner, Assistant Executive Director, California Horse Racing Board  
Harold Coburn, Manager, Policy and Regulations, California Horse Racing Board  
Richard English, Los Alamitos Race Course  
David Elliott, Director of Racing, California Exposition and State Fair  
Alan Horowitz, California Harness Horsemen's Association



# CAL EXPO

August 1, 2012

Members

California Horse Racing Board  
1010 Hurley Way, Suite 300  
Sacramento, CA 95825

Dear Members,

On behalf of the California Exposition & State Fair, we respectfully submit this letter as our response to the request of Los Alamitos to have all ADW funds generated during the harness racing break period directed to them.

Mr. English's letter was written prior to the allocation of harness racing dates for the fall meet. As you know, the harness racing dates at Cal Expo have been allocated and a license application from WAW (EWS) will be heard at the August 2012 CHRB meeting.

As a matter of historical precedent, Cal Expo, Sacramento Harness Racing Association, and Capitol Racing have all received the ADW distributions since 2002 during the harness racing break period. Los Alamitos has received ADW distributions since 2002 during breaks in their schedule of each year as well.

1. Los Alamitos continues to be the benefactor as host of increased imported simulcast races at night during the harness racing break period.
2. The commissions benefit to Los Alamitos during the harness racing break period in 2012 as host for additional simulcast import races are estimated to be approximately \$350,000.
3. All thoroughbred racing associations and fairs receive ADW distributions during breaks in their schedules also.

We sincerely appreciate your consideration to direct the 30% of nighttime ADW distributions that have historically been directed to Cal Expo during the harness racing break periods to continue to be directed to Cal Expo.

Respectfully,  
CALIFORNIA EXPOSITION & STATE FAIR

David Elliott,  
Assistant General Manager, Racing Events

cc: Cal Expo Board of Directors  
Norbert Bartosik  
Chris Schick  
Alan Horowitz





QUARTER HORSE RACING ASSOCIATION

August 15, 2012

Mr. Keith Brackpool  
 California Horse Racing Board  
 1010 Hurley Way, Suite 300  
 Sacramento, CA 95825

Re: ADW Harness/Quarter Horse Allocations  
 Business and Professions Code section 19604(f)(5)(C)

Dear Mr. Brackpool:

Mr. Miller has requested written comments concerning the application of this specific section of the code by August 17, 2012

Section 19604(f)(5) defines the distribution of net market access fees on wagers originating in California. Subsection (C) deals specifically with wagers made after 6p.m. Pacific time. This subsection defines the beneficiaries of the distribution. It defines the formula for allocating the proceeds. It defines the wagers included in the allocation.

Beneficiaries – “the applicable licensed quarter horse association and the applicable licensed harness association”

Formula – “ based on the amount handled in state, both on- and off-track, on each breed’s own live races in the previous year by that association, or its predecessor association.”

Wagers – “the remaining 50% of thoroughbred wagers, together with the **total** amount from advanced deposit wagering originating from California out-of-state and out-of-country harness **and** quarter horse races conducted after 6 p.m.Pacific time.”

There has not been a licensed harness operator since the conclusion of the Cal Expo harness meet in June 2012.

The search for an operator was discussed as item 11 of the April 26, 2012 meeting of the California Horse Racing Board. Representatives of Cal Expo and the harness horsemen provided an update on efforts to find an operator. The issue is discussed in pages 36 through 52 of the transcript of that meeting. During the discussion the horsemen's representative stated "Cal Expo has made it very clear, and I believe they have no intension of running a meet themselves. No operator has stepped up and asked for dates during this racing allocation." Mr. Elliott states "Contrary to testimony there has been no deal put forth by an operator." Cal Expo exited the harness industry without a future operator in place. The statute provides a method for a successor operator to participate in the ADW revenues upon licensing it does not provide a future income stream for an entity exiting the industry. A claim on future revenues could be an incentive to impede the entry of a new association.

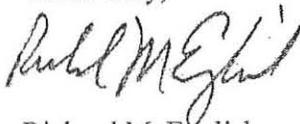
Accordingly, we respectfully request the Board to inform Chrims that as of July 1, 2012 there was no licensed harness association and to instruct Chrims to comply with the afore-referenced section of the Horse Racing Law and allocate the entire amount to the licensed quarter horse meet until such time as a harness operator is, in fact, licensed.

In addition to the legal arguments I would ask the Board to consider the business effects on the industry as a whole from the cessation of harness racing. As Vice-Chairman Israel noted at the April meeting "This is not just a harness and a Cal-Expo issue. This has an adverse financial impact on horse racing because of shared costs that will no longer be shared." The annual additional cost to Los Alamitos of operating the satellites alone will be approximately \$1,715,000. If the Board approves our request, we would recover approximately \$1,400,000 from the increased share in ADW revenues. We would still suffer a net loss in excess of \$300,000.

Our request is not intended to make a quick profit; but rather to partially offset the significant losses we will incur.

Please contact me if you have any questions or comments

Yours truly,



Richard M. English

## California Harness Horsemen's Association

P.O. Box 254767

Sacramento, CA 95865

(916) 263-7888; fax (916) 263-7887

September 6, 2012

Mr. Kirk Breed, Executive Director  
California Horse Racing Board  
1010 Hurley Way, Suite 300  
Sacramento, CA 95825

For September 19, 2012, Parimutuel Meeting: Response to Los Alamitos'  
Request to Receive ADW Funds Generated During Break Period for  
Harness Racing

Dear Mr. Breed:

The Board of Directors of the California Harness Horsemen's Association (CHHA) would like to respond to the two letters written by Mr. Rick English on behalf of Los Alamitos Quarterhorse Racing, dated May 10<sup>th</sup> and June 14<sup>th</sup>. Mr. English expresses the argument that the California Horse Racing Board (CHRB) should redirect ADW funds that are generated during the break between harness race meets at Cal Expo -- and previously distributed for harness purses and commissions -- to Los Alamitos. Our Board has discussed this matter and is vehemently opposed Mr. English's request.

Mr. David Neumeister, a prominent Director on the CHHA Board, has taken issue with the Mr. English's request and his points are presented below for consideration by the Parimutuel Committee of the CHRB that will hear this matter at its meeting on September 19<sup>th</sup>.

"As a threshold matter, the very premise of the May 10<sup>th</sup> and June 14<sup>th</sup> letters from Mr. English of Los Alamitos is false. His statement in both letters that "at the conclusion of the current Cal Expo harness meet, June 30, 2012, there will no longer be a licensed harness association" is not, and has never been true. As Mr. English states in both letters, as of those dates, with regard to "efforts to find an operator for the harness meet at Cal Expo," as negotiations were progressing within the California harness racing industry, "no deal has been made." That is a far cry from his assessment in his letter of June 14<sup>th</sup> that harness racing has ceased in California. In fact, as the commissioners well know, harness dates have been allocated at Cal Expo through next year and a new operator was licensed by the CHRB last month. Harness horses are already in

training on the main track at Cal Expo for our next meet there, which will start less than two months from now. From our point of view, Mr. English's outrageous request was rendered moot by the granting of licenses to Cal Expo and Watch and Wager/Golden Bear."

"If the Board should disagree with this assessment, the Los Alamitos argument as to why they are entitled to 100% of the ADW revenues at issue is completely without merit. B&P section 19604(f)(5) simply does not contemplate such a distribution. The preamble to that section of the statute states "with respect to wagers on each breed of racing, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed during the calendar period in the zone in which the wager originated. That amount shall be allocated to that racing association or fair as commissions, to horsemen participating in that racing meeting in the form of purses, and as incentive awards, in the same relative proportion as they were generated or earned during the prior calendar year at that racing association or fair on races conducted or imported by that racing association or fair after making all deductions required by applicable law." Simply put, Los Alamitos has not conducted a harness racing meet for years. As such, they are not authorized to any share of the revenues at issue here. Again, any entitlement to revenue under this statute is limited by the phrase, "with respect to each breed of racing."

"The subsection of the statute that Los Alamitos is asking the Board to alter further frustrates their efforts to claim all of the pertinent ADW revenues. Section 19604(f)(5)(C), with regard to the monies at issue here states: "the remaining 50 percent, together with the total amount remaining from advance deposit wagering originating from California out-of-state and out-of-country harness and quarter horse races conducted after 6 p.m., Pacific time, shall be distributed as commissions on a pro rata basis to the applicable licensed quarter horse association and the applicable licensed harness association, based upon the amount handled in state, both on-and-off track, on each breed's own live races in the previous year by that association, or its predecessor association..." Once again, Los Alamitos conducted no live harness racing this year or last. Furthermore, the statute's specific reference to a "predecessor association" clearly contemplates the present set of circumstances, where one harness racing association succeeds another."

"For a change, Cal Expo and CHHA are on the same page. Consequently, we agree with and incorporate herein by reference the points made by Mr. Elliott in his response of last month to the Los Alamitos request."

"Some practical considerations: As it now stands, Los Alamitos receives almost 70% of the total night ADW money as a result of the "pro rata"

formula mentioned above. That number will probably go up next year because of the long break our industry is experiencing this summer and fall. Having said that, both our association and our new operator have agreed that a shorter season is better for the industry, even with the disparity in ADW distribution caused by it, because the "dark money" built up when we are not racing will mean larger purses when we are. That entire business plan will be destroyed if this Los Alamitos request should be granted."

"Chrims estimates that close to two thirds of the night ADW revenue is derived from Californians wagering on major harness races across the country, well over four million dollars a year. It would be just plain wrong to now give Los Alamitos the extra thirty percent of the ADW funds they are not already receiving as a result of the existing pro rata formula."

"In his letter of June 14<sup>th</sup>, Mr. English estimates Los Alamitos will incur an additional 1.7 million dollars as a result of "the cessation of harness racing." Of course, if that were ever true, it no longer is, as a result of our new racing schedule. In fact, even with our long break, harness racing in California will only have 19 fewer overlapped dates this year than last. Furthermore, in the unlikely event that Mr. English is sincere about the damage Los Alamitos is experiencing as a result of more unoverlapped racing nights, despite the increased handle they enjoy on those nights, we can alleviate some of that suffering by dropping our unoverlapped Thursday night programs and race with them on Sundays, sharing the expenses of opening wagering facilities across the state. We breathlessly await the Los Alamitos response to this proposal."

"Finally, to add insult to injury, Los Alamitos routinely imports two Australian signals every racing night, damaging the live California harness product. This "outsourced" high takeout import product, brought in through a Canadian hub, benefits only the thoroughbreds and the quarter horses, to our detriment. We are not asking the Board to do anything about this, except to deny outright this incredibly selfish request made by Los Alamitos, as we struggle to rebuild our diminished but resilient sport in this great state."

Mr. Neumeister's points highlight the position of the CHHA Board of Directors. Your consideration to deny Mr. English's request is greatly appreciated. Thank you.

Sincerely,



Alan Horowitz  
Executive Director

## Statistical Information

Advent of ADW	First day with ADW wagering was January 25, 2002
Licensed Associations	See attachment A
Proposed Distributions	See attachment B
Disputed Amounts	See attachment C

## Attachment A

## Licensed Racing Associations

Harness	Racing Dates	
	From	To
Capitol Racing	10/20/2000	7/28/2001
	9/28/2001	7/27/2002
	9/27/2002	7/26/2003
	9/26/2003	7/31/2004
	9/24/2004	7/30/2005
Sacramento Harness	9/23/2005	3/1/2008
Cal Expo Harness	3/6/2008	8/2/2008
	9/18/2008	8/1/2009
	9/25/2009	6/19/2010
	8/13/2010	6/18/2011
	8/26/2011	6/16/2012
Quarter Horses	Racing Dates	
	From	To
Los Alamitos Quarter Horse Racing	4/14/2000	12/17/2000
	1/5/2001	12/16/2001
	12/28/2001	12/22/2002
	12/26/2002	12/21/2003
	12/26/2003	12/19/2004
	12/26/2004	12/18/2005
	12/26/2005	12/17/2006
	12/28/2006	12/22/2007
	12/28/2007	12/21/2008
	1/2/2008	12/20/2009
	12/26/2009	12/18/2010
	1/1/2011	12/18/2011
	12/30/2011	12/22/2012

Attachment B

Distribution per 19604(f)(5)( C)

			Quarter Horse	Harness
	January	2012	70.0%	30.0%
	February	2012	70.0%	30.0%
	March	2012	70.0%	30.0%
	April	2012	70.0%	30.0%
	May	2012	70.0%	30.0%
	June	2012	70.0%	30.0%
( A )	July	2012	100.0%	0.0%
( A )	August	2012	100.0%	0.0%
( A )	September	2012	100.0%	0.0%
	October	2012	70.0%	30.0%
	November	2012	70.0%	30.0%
	December	2012	70.0%	30.0%
( B )	January	2013	75.3%	24.7%
	February	2013	75.3%	24.7%
	March	2013	75.3%	24.7%
	April	2013	75.3%	24.7%
	May	2013	75.3%	24.7%
	June	2013	75.3%	24.7%
	July	2013	75.3%	24.7%
	August	2013	75.3%	24.7%
	September	2013	75.3%	24.7%
	October	2013	75.3%	24.7%
	November	2013	75.3%	24.7%
	December	2013	75.3%	24.7%

( A ) No licensed harness association

( B ) Based the ratio of live instate handle between breeds through 9/10/12

ADW Takeout Summary Report  
 Date Range : 7/1/2012-8/31/2012  
 Distributing Host(s) : SCOTWINC  
 ADW Company : All ADW Companies  
 Breeds : All Breeds  
 Tracks : All Tracks  
 Wager Source : All

Attachment C

	North	South	All California	Export	Total	
License Fee	0	0	0	0	0	
SB 16 License Relief	0	0	0	0	0	
Total License Fees	0	0	0	0	0	
&nbsp;						
CHRB Support	0	0	0	0	0	
F & E	0	0	0	0	0	
&nbsp;						
Equine Research Lab	753.13	1,734.01	2,487.14	0	2,487.14	
DIR	205.44	472.95	678.38	0	678.38	
Backstretch	1,129.67	2,601.00	3,730.66	0	3,730.66	
Location Fee	12,874.98	29,697.97	42,572.95	0	42,572.95	
AB 480 Reserve	817.75	1,829.01	2,646.76	0	2,646.76	
Workers Comp Fund	0	0	0	0	0	
Retirement Fund	2,053.73	4,729.35	6,783.08	0	6,783.08	
OTWINC	0	0	0	0	0	
&nbsp;						
Breeders	4,548.69	10,420.41	14,969.10	0	14,969.10	
SB 16 Breeders	0	0	0	0	0	
<b>Total to Breeders</b>	<b>4,548.69</b>	<b>10,420.41</b>	<b>14,969.10</b>	<b>0</b>	<b>14,969.10</b>	<b>(A)</b>
&nbsp;						
Purses	31,671.02	72,554.02	104,225.04	0	104,225.04	
SB 16 Purses	0	0	0	0	0	
To OTWINC	0	0	0	0	0	
SB 1072 Purses	0	0	0	0	0	
<b>Total to Purses</b>	<b>31,671.02</b>	<b>72,554.02</b>	<b>104,225.04</b>	<b>0</b>	<b>104,225.04</b>	<b>(A)</b>
&nbsp;						
Track	31,671.02	72,554.02	104,225.04	0	104,225.04	
SB 16 Track	0	0	0	0	0	
To OTWINC	0	0	0	0	0	
<b>Total to Track</b>	<b>31,671.02</b>	<b>72,554.02</b>	<b>104,225.04</b>	<b>0</b>	<b>104,225.04</b>	<b>(A)</b>
&nbsp;						
Export Host Fee	0	0	0	0	0	
Total to CA stakeholders	85,725.42	196,592.72	282,318.14	0	282,318.14	
&nbsp;						
Commingled Guest	0	0	0	0	0	
Hub Fees	38,678.65	89,216.92	127,895.57	0	127,895.57	
Import Host Fee	22,970.87	53,067.17	76,038.04	0	76,038.04	
&nbsp;						
Breakage	921.19	3,745.21	4,666.40	0	4,666.40	
Takeout	146,453.40	335,131.26	481,584.66	0	481,584.66	
Retained from Public	147,374.59	338,876.47	486,251.06	0	486,251.06	
&nbsp;						
Payable To Public	548,801.41	1,264,285.75	1,813,087.16	0	1,813,087.16	
Total Handle	696,176.00	1,603,162.22	2,299,338.22	0	2,299,338.22	

(A) Amounts in dispute

223,419.18

