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GOVERNOR

STATE OF MICHIGAN
MICHIGAN GAMING CONTROL BOARD
DETROIT

RICHARD S. KALM
EXECUTIVE DIRECTOR

January 24, 2014

Harness Horsemen of Michigan:

On October 31, 2013, and November 1, 2013, Executive Orders were issued granting Hazel Park and Northville Downs Race Meeting Licenses to conduct live and simulcast racing. The Race Meeting Licenses awarded race dates, but were breed neutral, meaning the breeds to be raced were not specified. This was done to give the tracks the opportunity to submit additional information regarding their proposed and requested thoroughbred track conversion plans. It also permitted a cooling off period to allow Michigan Harness Horsemen's Association (MHHA) and the Gaming Board to explore the possibility of expanding Harness Race date opportunities with the tracks. The orders were issued as required by Nov. 1st.

During this process I complied with our statutory responsibilities by approving the race meeting licenses to applicants that met the contract demands of the Certified Horsemen Associations (CHO) involved at their tracks. The applicants (tracks) made the decision to present a different product to their customers with the goal of increasing interest in the sport and perhaps making a profit. The Executive Director can only act on the applicant's requests not those of other parties.

The 2014 Orders allow for 10 months of racing, perhaps different breeds and less days, but still horse racing. MHHA contracts do not specify a number of race days a track must race. The contract they signed with the tracks runs through 2014. The law prohibits the Executive Director granting more dates than adequate horse supply will support. It also does not allow us to order an increase at a specific track. In contrast, Michigan Horsemen's Benevolent and Protective Association (MiHBPA) and Great Lakes Quarter Horse Association (GLQHA) have each historically set specific days in their contracts with the tracks. The approved days for Northville Downs and Hazel Park are within those guidelines.

After waiting an extended period of time in order for MHHA and the tracks to resolve the race day issue, my staff held a meeting with representatives from Northville Downs and MHHA on January 3, 2014. There was again a discussion about increasing the race days, and the staff left the two groups alone to work out an agreement. No movement was made. As the meeting concluded staff urged both groups to work together to resolve the issue. At my direction, Gaming Board staff separately talked with Northville Downs concerning increasing their days, and Northville Downs proposed a 15-day meet in May instead of a 10-day meet in March. On January 17, 2014, MGCB staff talked to MHHA representative Phil Stommen and MHHA President Brett Boyd. Mr. Boyd rejected the 15-day meet in May stating they would rather race 10 days in March. Later that day, my staff received a request from the MHHA to delay issuing any Executive Orders to allow them to send another proposal to Northville Downs. Gaming Board staff received a copy of the proposal at 4:19 p.m. and the Executive Orders were put on hold until January 21, 2014. Upon no deal being reached between Northville and the MHHA, the Executive Orders were issued January 21st.

I along with my staff have examined the issue of entry/starter fees and do not believe this is against the Horse Racing Act or Rules. The entry/starter fee is a negotiated amount agreed upon by the certified horsemen Organization (CHO) and the track. The entry/starter fee is paid to the track management to cover track-related matters. This money is not co-mingled with the purse pool money. The starter bonus is an amount of money negotiated by the CHO and track to be paid from prizes awarded out of the purse pool for horsemen who start each race. If the horse does not start, the track will refund the entry/starter fees. The tracks and the CHO are willing participants.

Our intent is, and has always been, to maximize live racing opportunities for the horsemen. However, we are unable by law, to increase days or decide which CHO a track must negotiate or contract with. The actions we take here at the Gaming Board have to comply with the racing act as interpreted by our Attorney General advisors.

The reference to “moral and legal implications” caused by the Gaming Board, as recently stated by MHHA leadership regarding our efforts to follow the law, is inappropriate. We can only encourage the CHOs and tracks to work together. We don’t negotiate contracts, we can’t mandate to a track the product they choose to provide whether it be Thoroughbred, Standard bred, or Quarter horse. We will not involve ourselves in disputes between internal factions of the industry. We won’t take action that would breach either party’s legally negotiated contract. I am confident the Gaming Board has done and will continue to do our duty under the racing act to guard the integrity of the “whole” racing industry during this very tough time and annual decrease of racing activity.

Thank you,

/s/

Richard S. Kalm
Executive Director