

Committee on Horse Race Dates

August 13, 2010, Meeting

Agenda Packet Material

**Section IV. July 16th Committee on Horse Race Dates Meeting
Report and information submitted during meeting for consideration**

**TEXAS RACING COMMISSION
HORSE RACE DATE COMMITTEE
Meeting Report**

**Lone Star Park
Grand Prairie, TX**

**July 16, 2010
10:30 a.m.**

Commission Vice-Chair Robert M. Schmidt chaired the meeting. Representatives from the Texas Horsemen's Partnership, breed registries, Texas horse tracks, staff from the Texas Racing Commission and various members of the public attended. Commission personnel emphasized the importance of the meeting and its place in encouraging an open and transparent discussion about upcoming race date requests. Commission staff encouraged a free exchange of information. The following were introduced:

- Charla Ann King, Executive Director of the Texas Racing Commission
- Sammy Jackson, Racing Commission Deputy Director for Wagering and Racing Review
- Terry Blanton, Texas Thoroughbred HBPA — Texas Horsemen's Partnership
- Jan Haynes, Chair, Texas Thoroughbred HBPA — Texas Horsemen's Partnership
- Dr. Tommy Hays, Chair, Texas HBPA — Texas Horsemen's Partnership
- Karen Utecht, Texas Paint Horse Association
- Dave Hooper, Texas Thoroughbred Association
- Ed Wilson, Texas Arabian Breeders Association
- Andrea Young, Sam Houston Race Park and Laredo Race Park
- Howard Phillips, Manor Downs
- Drew Shubeck, Lone Star Park

Members of the racing industry offering testimony:

- Joe Kerby, Salado, Texas
- Jack Bruner, Millsap, Texas
- Jimmy Ray, Lillian, Texas
- Phil Leckinger, Tioga, Texas
- Richard Boyer, Argyle, Texas
- Roger Williams, Mexia, Texas
- Tommy Bullard, Weatherford, Texas
- Andrew Konkoly, Houston, Texas
- Bill Martin, No Further Information Provided

I. Working Proposal — Class I Racetracks

Lone Star proposes to host a 60-day Thoroughbred meet starting either April 7 or 14; and a 26-day Quarter Horse meet starting September 16, operating three days a week, concluding on November 12. Sam Houston Race Park plans to run one mixed meet for the year. The track maintains flexibility on when that meet can happen, noting that Quarter Horse stakeholders would like the event run in June and July. Plans are for the mixed meet to be heavily weighted to Quarter Horses. Track representatives said that Retama Park plans to run a mixed meet starting in August or September, running into October. Sam Houston Race Park would not run Retama Park's Quarter Horse dates the way it has for the last two years. (Drew Shubeck, Lone Star Park; Andrea Young, Sam Houston Race Park/Laredo Race Park)

- **Purse Structure**

Under the plan, without a purse supplement from dates consolidation, Lone Star would run for about \$135,000 to \$145,000. With the purse supplement under the consolidated plan, the daily purse would be about \$230,000 for Lone Star's Thoroughbred meet. (Drew Shubeck)

10. A. 1

II. Summary of Industry Comment

Status quo is not viable — Texas Thoroughbred HBPA

The plan proposed by the tracks is viable. Recognizing the declining purse structure, handle and economy, concerns do exist from the standpoint of horsemen about the loss in dates and people going out of business. Supportive of 25 Quarter Horse dates and the limited Thoroughbred mixed meet. Noted that Bryan Brown has agreed to apply for 24 days and that there is still discussion about a mixed meet to run in August before the Lone Star Quarter Horse meet. The partners at the Horsemen's Partnership would have to meet and agree on race dates prior to sending that agreement to a management committee and before agreeing with any proposals from the tracks. (Terry Blanton)

No Quarter Horse racing for 6^{1/2} months could be devastating — Texas HBPA

The current proposal leaves Quarter Horse racing in Texas dark for six-and-a-half months. The consequences would be devastating. Make Retama Park's meet a mixed meet and run it in the springtime and not the fall. With a mixed meet at Retama in the spring, a mixed meet at Houston in the summer, then a mixed meet at Lone Star in the fall, there would be some type of racing year-round. (Dr. Tommy Hays)

Fewer opportunities for Arabians — Texas Arabian Breeders Association

Sam Houston Race Park hosts the longest running event for Arabians from late November or early December until April. Sam Houston's plan to discontinue that meet will curtail opportunities significantly. Colorado runs a meet in the summer that typically has larger purses than race meets in Texas. If Sam Houston runs a mixed meet in the summer, the Colorado horsemen will not come during any overlap and Texas horsemen may go to Colorado for the bigger purses. (Ed Wilson)

Statistics and concerns — Texas Thoroughbred Association

Voluminous statistics note the decline in purses in Texas compared to the increases across other states in the region for a ten-year period. Decreases are also prevalent in Texas for the breed program as compared to increases across other states in the region. Two major concerns: whether or not the fall dates at Sam Houston, as well as those in early next year, will run or not; and the ability to preserve the eight stakes races that are part of the Texas Champions Day program in late November or early December. If Sam Houston is not going to run, the Thoroughbred Association would like to see the Champions Day stakes relocated to Retama. (Dave Hooper)

III. Summary of Key Issues Discussed During Public Comment

> An Alternative plan for Thoroughbred dates was proposed.

The plan submitted included daily purses for Lonestar Park (65 days at \$180,000), Retama (30 days at \$80,000) and Sam Houston (52 days at \$110,000). The race dates in the plan are during the traditional time slots. (Written testimony provided by Joe Kerby, Salado, Texas)

> The Texas foal crop continues to decline.

Testimony identified a dramatic decrease in foals in Texas. Other states maintain higher purses and rules which encourage breeders to move there and owners and trainers to run horses there. In these states, foal production is up.

> The Racetracks' race date proposal benefits the tracks but not Texas-only racing stables.

Some acknowledged that while the working plan may be good for tracks, it may not be so good for Texans in the industry. With higher purses, more horses will come from outside the state to compete. Additionally, the higher purse structure and increased competition could make it very difficult for smaller operations to make it on the Texas racing circuit.

> The status quo poses significant risks.

Purses will drop to a level that will cause big stables to leave the state. National interest will wane even more. Additional owners will leave the state to pursue greater opportunity elsewhere. Under those conditions, the decline in Texas Racing will continue.

➤ **Purse structure is a significant problem.**

Purses are too low and need to increase. Some testified that they have already left the state because they cannot make money racing for the purses in Texas.

➤ **Quarter Horse racing opportunities must be available in the spring.**

Without Quarter Horse opportunities early in the year, some fear the industry will suffer a great deal. If there are no opportunities to race for six months, some will go out of business.

Another concern is that if there are too few opportunities, some Quarter Horse participants will seek opportunities on the illegal brush tracks. Some prefer year-round racing with lower purses to fewer opportunities with higher purses. With Manor Downs closing, the allocation of spring dates for Quarter Horses is critical. Ensuring a sufficient number of dates is critical also.

➤ **Fewer racing opportunities.**

Some voiced great concern about the impact of such a drastic cut to race opportunities.

➤ **Failure of industry to identify the customer.**

One commenter urged industry to better understand who its customer is and to keep that customer in mind when making decisions.

➤ **Acceptability of a mixed meet format.**

Generally, most attendees seemed to prefer to have separate meets. On the other hand, there also was general agreement and acceptance of a mixed-meet concept in the current economic climate.

➤ **Viability of simulcast signal.**

One commenter, noting support for a consolidated plan, stressed the importance of making the Texas simulcast signal marketable and competitive nationwide.

➤ **Advanced deposit wagering and slot machines.**

Comments about these two subjects were consistent throughout the meeting. Discussions related to how much Texas is losing because ADWs are illegal in the state and that the state legislature appears unresponsive to interest in passing legislation authorizing the practice. Many comments addressed the competitive disadvantage Texas is at in a region where most states allow slot machines at the tracks, but Texas does not. Some suggested concern over running a consolidated schedule for one year in hopes of passage of a Constitutional Amendment allowing slots at tracks. What, these individuals want to know, will the industry do the following year if legislation authorizing slots fails to pass?

UPCOMING HORSE RACE DATE COMMITTEE MEETINGS

Friday, August 13, 2010

Sam Houston Race Park, Houston, Texas

Wednesday, September 1, 2010

Department of Public Safety, 6100 Guadalupe, Building E, First Floor Auditorium Austin, Texas

2011 - 2012 Race Dates Proposal

Rec'd 07.16.10
Joe Kirby

Thank you for allowing me the opportunity to speak before the Texas Horse Racing Commission. I, Joe Kirby, along with my wife, Sharon, have owned and managed Key Ranch, a Thoroughbred breeding farm in Salado, Texas since 1997. Before coming to Texas, I managed and developed the Thoroughbred breeding farm and the Barren Mare Program for Oklahoma State University. I represent many members of the Thoroughbred community both in Texas and beyond. I would like to present a proposal for 2011 – 2012 racing dates. Justification for my proposal is largely evidenced through a response to the outline entitled "Time to Act". The outline was distributed during the TTHBPA meeting at Lone Star Park on July 1 of this year. (*Included and attached supporting documentation is marked by an asterick**)

Response to the "Time to Act"* Proposal

Time to Act

Why is it Important Now?

- **Be Proactive** – We totally agree - Maximize the available resources for the industry as a whole
- **Avert Crisis** – Unsure as to what crisis this refers. No specific crisis is identified in the "Time to Act" proposal; however, there is indeed a crisis looming through the loss of year-round racing in Texas. It will cost the state billions of dollars from the loss of money spent for:
 - Breeding
 - Boarding
 - Training
 - Veterinary care
 - Production of feed and hay
 - Employment at farms, tracks, and supplemental industries
 - Accreditation fees and memberships
 - Advertising
 - Travel and Tourism
 - Tax revenue for the state
 - Overall negative impact on the agricultural economy of Texas, including the loss of funds for the Texas Accredited program
- **Texas Tracks will Close under Status Quo** – No reason for tracks closing is stated in the "Time to Act" proposal. Would the tracks close by choice? Is this motivated by greed? What is the *real* status quo of the tracks? Annual reports submitted by the tracks to the Texas Horse Racing Commission only provide information on racing activity. They do not contain any information as to cash flow or financial status of the tracks. If it is true that the tracks are suffering financially, we have no proof. How much profit is enough, anyway? Does depreciation of assets factor into their "losses"?

How dependent are Texas tracks upon handle for their profitability? Retama Park continues to reap considerable revenue from its training center. Retama saw increases in live and export handle of 23.7 % in 2008, and 22.13% in 2009, as a result of transferring race dates from Sam Houston Race Park due to Hurricane Ike. Along with profits from the dramatic increase in handle, Retama was handed \$750,000 of our purse money to cover expenses incurred as a result of the transfer of race dates. Lone Star and SHRP generate profits from sales in food, beverages, liquor etc. If less race dates turns losses into profits (unlikely given the fixed cost nature of a racetrack), why not cut the dates even further? Because it is simply not true. Moreover, continuing to cut race dates will only further erode the fan base of the sport. Perhaps Texas tracks would make more profit with a reduction in race days, but at what cost to the overall Thoroughbred industry?

IV.B.1

We do know that many Texas farms will close under the "Time to Act" proposed 48% reduction in race dates. A loss of racing opportunity, combined with the resultant reduction in funding for the ATB program, will discourage owning, training, and breeding Thoroughbreds in Texas.

Reducing race dates will reduce handle, and will further reduce funds for the Accredited Texas Bred program. The ATB program is essential for the continuance of Thoroughbred breeding in the state of Texas. Although breeders of Texas-breds are continually receiving a lesser share of ATB awards in comparison to that of ATB owner awards, most are still dependent upon ATB awards to balance their investments. The value of a Texas-bred horse diminishes as the ATB awards diminish. ATB sponsored purses have become a drop in the bucket. In 2005, ATB sponsored purses for Thoroughbreds in the amount of \$359,000. By 2009, that amount of ATB sponsored purses was down to \$75,200. This is a decrease of 79%! The number of Thoroughbred race dates during the same time period decreased from 216 to 165.

What about Legislation?

- ***No Certainty about Additional Revenue Streams*** – While we agree there is no certainty, we feel the continued negligence by failing to consider and pursue Advance Deposit Wagering and/or additional forms of gaming other than slots is outrageous and irresponsible.
- ***Present Consistent & United Industry Position*** – Contribution to the industry from horsemen is fundamental and essential to all aspects of horse racing in Texas. A united industry position must justly include position of the horsemen. A just position is one that is offered without interference from subterfuge and blackmail.
- ***Looking to Help Ourselves*** – Agreed!
- ***Not Looking for Handout or Bailout*** – Texas horsemen have not been the recipients of any handouts or bailouts. On the other hand, Retama Park has received \$1.5 million of our purse money* directly from the Texas Thoroughbred HBPA. \$750,000 of our purse money (the "Initial Advance") was given to Retama Park in November, 2008, as a "transfer from the Association to Retama for defraying of expenses associated with the additional race dates". The race dates to which this refers were dates picked up by Retama Park in the wake of Hurricane Ike. Retama is not required to repay these funds unless there is a "Control Change" within five years. The other \$750,000 of our purse money (the "Final Advance") was loaned in November, 2009, with no specific reason, and "shall be repaid by Retama over ten years in ten equal annual installments, with no interest charged". These funds were in addition to the transfer of purses for races to be run at Retama Park in lieu of running at Sam Houston Race Park. Bottom line – we lost \$1.5 million from our purses in 2008 and 2009 through this questionable transaction alone. Granted, we expect to see the relatively small amount of \$75,000 per year returned to purses over the next ten years. Was this a handout or a bailout? Where is the justification? How many days of racing did we lose from this transaction?
- ***Additional Gaming Should Supplement, not be the Foundation for, Racing in Texas*** – Absolutely agree! The foundation for racing in Texas should be opportunity and incentive to breed, train, and race horses in Texas. A reduction in race dates lessens these opportunities.

Process to Date

- ***Meeting with Industry Leaders Started in January*** – Evidently, these "industry leaders" include track representatives, and members of the TTHBPA. Why were these meetings so secretive? According to the Texas Horse Racing Commission, a "Horsemen's Organization" is defined as: "an organization recognized by the Commission that represents horse owners and trainers in negotiating and contracting with racetracks on subjects related to racing and in representing and advocating the interests of horse owners and trainers before administrative, legislative, and judicial forums". Do these "industry leaders" include any horsemen's organizations? If the TTHBPA is supposed to be a horsemen's organization, it fell short in advocating the interests of horse owners and trainers when it voted to support the "Time to Act".

- **Various Proposals made by Tracks to Horsemen** – What are these “various” proposals? When and where were they offered? Part of the HBPA mission is to “Disseminate vital information on critical issues to horsemen and promote exchange of ideas and information”. If the HBPA is aware of these “various proposals”, why have they not been conveyed to horsemen?

The “Process to Date” is flawed, and has created a huge number of horsemen who believe they are disenfranchised, and have no confidence they will have a place to run their horses. This will, in turn, take away the need for them to even produce a Texas-bred horse. The industry will suffer because of the poor judgment of those involved in the “Process to Date”. Personally at this time, I cannot in good faith recruit a new stallion to come to Texas until these issues are settled.

Texas and Neighboring States - Pie Charts

The pie charts illustrated in the “Time to Act” proposal are based upon purses for all breeds in Texas. The charts appear to accurately depict Texas’ small share of the overall pie. The 2008 purses are considerably larger than those in 2003. Of course, the addition of slots has boosted purses in Louisiana, Oklahoma, and New Mexico.

Although not readily recognizable from the charts, the purses in Arkansas have risen from \$10.62 million in 2003 to \$15.3 million in 2008. In 2009, Oaklawn Park raised its purses twice during its 54 day meet. Oaklawn does not have slots. They do offer other alternative forms of gambling which have not been pursued in Texas.*

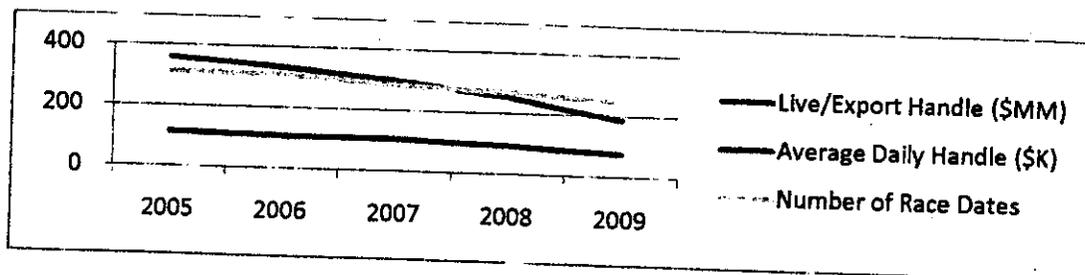
Another fact not obvious in the charts is that the average daily purse in Texas actually rose between 2003 and 2008. In 2003, the average daily purse was \$125,530. In 2008, the average daily purse was \$129,504. The addition of Advance Deposit Wagering alone would enormously fatten our share of the pie, and would definitely increase the average daily purse.

Texas Handle

The dramatic impact of Hurricane Ike in September of 2008, and the effect on the overall handle for the 2008 and 2009 racing seasons was not mentioned and was not factored into the information presented in the “Time to Act” proposal.

Significant 5-year Decline

- **2009 fell by nearly 20%** - This figure includes a 66.24% drop in the handle at Sam Houston Race Park. This drop occurred during the same time the track lost race dates due to Hurricane Ike. Retama Park picked up some of those dates, and saw a rise of 22.13% in handle in 2009. In 2009, Lone Star Park dropped 13.69%, Manor Downs dropped 5.56%, and Gillespie County Fairgrounds dropped 11.36%. The latter three figures are in line with the drop in the overall economy during that same time frame. There was a nationwide drop in handle at other tracks, as well.
- **\$241 MM lost since 2005** - A lack of earnings is not a loss.
 - The graph is based upon “All Sources Handle”, which includes simulcast handle. Simulcast handle is not directly dependent upon live racing dates.
 - The number of live race dates fell by 21% during the same time period
 - When live and export handles (which are produced from live racing) are examined during the same time, the graph appears as follows:



IV.B.3

Between 2005 & 2008, live and export handle fell from \$360 million to \$187 million. The average daily handle fell from \$115,000 to \$76,000. During the same time frame, the number of live races fell from 312 to 247. The total drop in live and export handle from 2005 - 2009 was \$173.2 million. Although disturbing, this is \$67.8 million less than the inflated drop represented in the "Texas Handle" graph in the "Time to Act" proposal.

The year 2009 did indeed see a significant drop in handle. Once again, the impact from Hurricane Ike must be taken into consideration, as SHRP saw a decline of 66.24% in handle due to lost race dates. And it should be noted that Retama has ALWAYS handled lower than SHRP, so the transfer of dates was a net loser for all the parties. (IF you are going to cut dates, explain to me why we would ever want SHRP to go to zero while Retama gets any dates?)

A suffering national economy also impacted the 2009 handle across the country. And yet, even with a 16% reduction of race dates from 2008, the average daily handle in Texas only fell 11% from 2008 to 2009.

Domino Effect – What started this "downward spiral"? Was it less handle / less purses / or less race days? We propose this scenario:

- More Race Days
- More Handle
- More Purses
- Upward Spiral

The proposed Circuit: Thoroughbreds

A Texas circuit for racing Thoroughbreds is essential to our state industry. Elimination of a Texas circuit would be disastrous to horsemen, and to the various Texas agricultural industries it supports. In a letter dated October 28, 2008, Tommy J. Azopardi (then Executive Director of the Texas Horsemen's Partnership) stated: **"The TTHBPA believes that it is imperative to do whatever is necessary to preserve winter racing in Texas or risk a further exodus of Thoroughbred horses and horsemen from the state and accelerate the decline in our industry"**.*.

- **Lone Star Park: Host Majority of Live Race Days** - If the sale of Lone Star does not go through, we will be racing at a bankrupt track? What is the total number of race days proposed in "Time to Act"? If 60 is the majority, the total number proposed must be less than 120 days, which is less than half of our current race dates.
- **Lone Star Park: 60 Days** – Acceptable number of days to run at Lone Star Park, but a far cry from an acceptable total number of race dates in Texas.
- **Lone Star Park: \$238,000 per Day** – This means a total of \$13.8 million in purses. In 2009, Thoroughbreds ran for a total of \$19.3 million, spread across 247 race dates. The vast majority of Texas horsemen would prefer to run at less money per day with more opportunity to race. There is nothing magical about average per day, especially when the number of days is shrinking.

The out-of-state circuit proposed in "Time to Act" includes Sunland Park, which will only have roughly three races a day available to Texas Thoroughbreds at mixed meets. Running at Sunland does not contribute to Texas purses or ATB funds, and is yet another reduction in available racing opportunity for horsemen.

Racing outside of Texas generates no Texas-bred funds. The Texas Thoroughbred Association is mandated by the Texas Racing Act to administer the Accredited Texas-Bred (ATB) Program. The ATB Program was designed to enhance and promote the Texas breeding and racing industry, in part by providing incentive awards for Thoroughbred owners and breeders. How can the TTA support the "Time to Act" proposal?

Goals

- **Maximize Handle**

- Purses, Tracks, & State all depend on Handle – Exactly how dependent are the tracks strictly upon handle? The racetracks are largely fixed cost businesses. It is, ironically, in their best interest to run as many dates as possible. I would argue that if they cannot make money now, it will be harder to make money with less dates. It appears that the track profits made from operating a legitimate live meet do not compare to the profits made by simulcasting while offering the minimum number of days for live racing. Is this greed? If the tracks do not want to run at all, they should be forced to give up their licenses.

Increase in race dates =

- Increase in handle
- increase in purses
- increase in Texas Bred funds

- **Create Competitive Purse Structure**

- Target Daily Purses to Compete Regionally – Does this mean we want to lure out of state horses to compete for purses? If so, how many of our racing opportunities do we want to offer to other states?

- **Improve Quality of Texas Racing** – Please define “quality”. This area is subjective in nature.

- **Higher Purses Attract Better Quality** – Again, please define “quality”.
- **Safety Improves with Better Quality** – Does this mean that “better quality” horses don’t flip in the gates or break down on the track? Even Kentucky Derby contenders have been hesitant to load, or fractious in the gate, or broken down on the track. Show me that more horses are breaking down in Texas than other jurisdictions.
- **Better Quality Increases Handle** – Apparently there is an assumption that “better” horses generate more handle. Lone Star Park’s Grade III races, with their large purses, handle far less than an allowance race bet at places like Gulfstream Park or Churchill Downs, or the New York and California tracks. Quality horses do NOT beget handle. Reality is that bettors prefer to bet on full fields of reasonably matched horses. Write races that will be more attractive to bettors, and handle will increase.
- **Low Quality Racing Damages the Racing Industry** – what does this mean?
- **Reverse Downward Spiral** – More race dates = higher handle = higher purses. Need more race dates!
- **Create Self Perpetuating & Self Sustaining System** – Need more race dates!
- **Provide Solid Base of Competitive Race Dates to allow Growth** – Need more race dates!

An Equitable Proposal for Racing in 2011 and 2012:

- Lone Star Park - 65 days at \$180,000 per day = \$11.7 million in purses
- Retama Park - 30 days at \$80,000 per day = \$2.4 million in purses
- Sam Houston Race Park - 52 days at \$110,000 per day = \$5.72 million in purses
- Gillespie County Fair - 8 days at \$18,000 per day = \$144,000 in purses

Total Purse Distribution is \$20 million in purses with 155 days of racing. In both years, \$75,000 of our available purse money will come from the return of purse funds from the 2009 loan to Retama Park. We expect Global to expand the export handle, which should increase purse funds.

Since the primary goal is to maximize racing opportunity with available purse money, any increase in the available purse money would shift to the next meet, and add additional days at the established purse level of that track.

Nobody likes the current level of purses, and we'd all like them to be higher. The fact of the matter, however, is that we have all adjusted our racing and breeding stock to reflect the status quo. Cutting dates dramatically ends up driving the people who have set up a TX-appropriate structure to have to contemplate abandoning Texas altogether, which will mean those at the top end gain, those at the bottom lose, and the system as a whole has lost. If you radically disrupt the status quo, you don't know what you will get for an industry. I can easily make the case that Texas loses racing altogether if the "Time to Act" proposal goes through.

In summary, we believe that a reduction in race dates will spell disaster for Texas racing and breeding. The implementation of pari-mutuel horse racing in Texas was largely granted due to its positive economic impact to the state, and in particular gains for the agricultural industry. Changes in the breed-back rule have definitely lessened the degree to which the Texas agricultural industry has benefited. The drastic proposed reduction in racing opportunity would even further diminish any benefit to the agricultural industry, and would devastate Texas Thoroughbred breeding and racing. It appears the tracks want the benefits from gaming without having to provide the live racing that is so critical to our the Thoroughbred industry in Texas, and are trying to see if they can get away with it.

Time to Act

Time to Act

Why is it Important Now?

- Proactive
- Avert Crisis
- Texas Tracks will Close under Status Quo

What about Legislation?

- No Certainty about Additional Revenue Streams
- Present Consistent & United Industry Position
- Looking to Help Ourselves
- Not Looking for Handout or Bailout
- Additional Gaming Should Supplement, not be the Foundation for, Racing in Texas

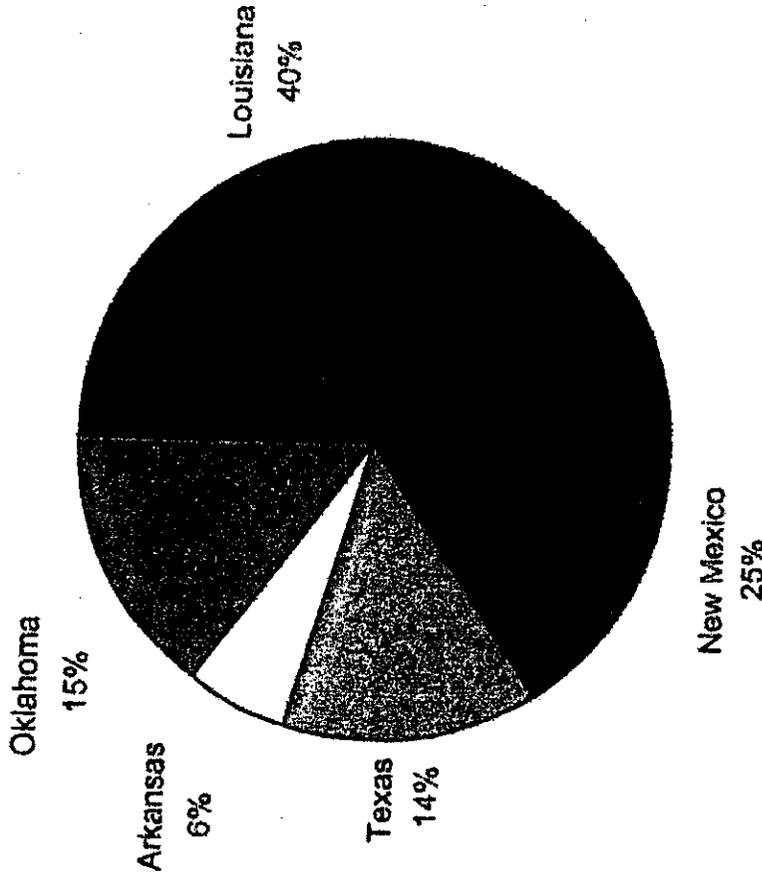
Process to Date

- Meeting with Industry Leaders Started in January
- Various Proposals made by Tracks to Horsemen

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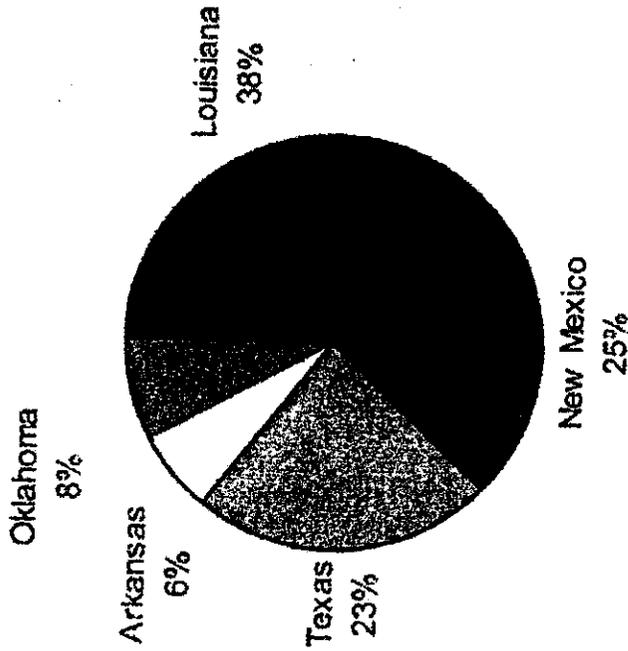
Texas & Neighboring States

The State of Texas Racing



2008

\$255 MM in Purses



2003

\$177 MM in Purses

IV.B.8

Texas Handle

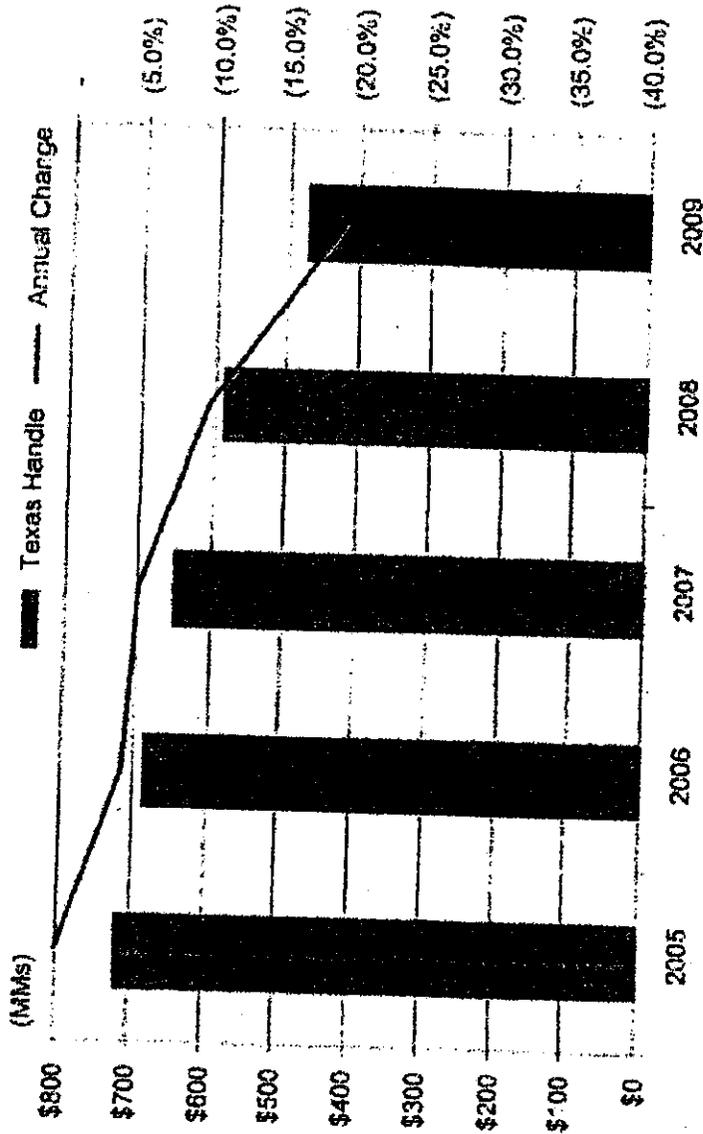
The State of Texas Racing

Texas Handle is dropping off at an alarming rate. Less handle means less purses. Less purses mean less race days. Less race days generate even less handle. The cycle is feeding itself at an increasingly alarming rate. Waiting for legislation is not an option. Depending on legislation to save our industry is a flawed strategy.

- Significant 5-Year Decline
- 2009 fell by nearly 20%
- \$241 MM lost since 2005

- Domino Effect
- Less Handle
- Less Purses
- Less Race Days
- Less Handle
- Downward Spiral

All Sources Handle
SHRP, LSP, Retama & Manor



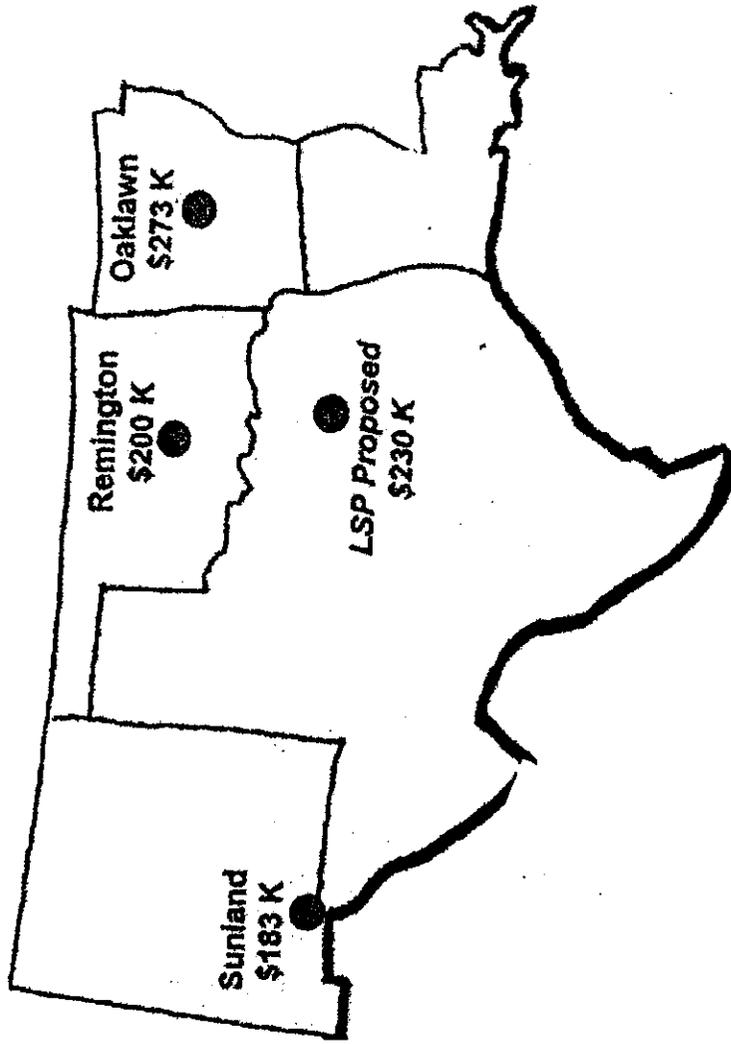
10. B. 9

Proposed Circuit: Thoroughbreds

The Plan

Lone Star Park

- Host Majority of Live Race Days
- 60 Days
- \$230 K per Day
- What additional opportunities can we offer?
- Why LSP? - Consistently Top Texas Track in Handle & Purses



10. B. 10

May 2010

Goals

Goals

Horse racing in Texas depends on handle. Handle generates purses and tax dollars. Break out of the mold and face the brutal facts. Status Quo will be the end of racing in Texas. Bold and dramatic change is the only way to save racing in our state.

Maximize Handle

- Purses, Tracks & State all depend on Handle

Create Competitive Purse Structure

- Target Daily Purses to Compete Regionally

Improve Quality of Texas Racing

- Higher Purses Attract Better Quality
- Safety Improves with Better Quality
- Better Quality Increases Handle
- **Low Quality Racing Damages the Racing Industry**

Reverse Downward Spiral

- Create Self Perpetuating & Self Sustaining System
- Provide Solid Base of Competitive Race Dates to allow Growth

IV. B. 11

RACE DATE AGREEMENT

THIS AGREEMENT, made and entered into this 28th day of October, by and between Retama Development Corporation whose address is 1 Retama Parkway, Selma, Texas 78154 (hereinafter referred to as "Retama"), and the Texas Thoroughbred HBPA, Inc., a Texas non-profit corporation, Post Office Box 142533, Austin, Texas 78714 (hereinafter referred to as the "Association").

WITNESSETH

WHEREAS, Retama is the operator of a certain horse racing facility known as Retama Park; and

WHEREAS, the Association has requested that Retama offer a total of 43 additional race dates pursuant to the terms and conditions of this Agreement (the "Race Dates"); and

WHEREAS, Retama is ready and willing to offer the Race Dates subject to the terms and conditions of this Agreement; and

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein and for other good and valuable consideration, acknowledged by the parties to be satisfactory and adequate, the parties agree as follows:

1. ADDITIONAL RACE DATES – Retama will offer the Race Dates during the period beginning November 20, 2008 and extending through March 8, 2009. Retama shall use its reasonable judgment in allocating the race dates throughout this time period. Retama shall commence racing no later than Friday, November 28, 2008 and shall conclude racing no later than Saturday, March 8, 2009.

2. OBLIGATIONS OF RETAMA – In addition to any other obligations of Retama contained herein, Retama will:

- a) use reasonable efforts to offer at least 387 races over the 43 race days; and
- b) repay the Final Advance referred to in paragraph 3(b) below.

3. OBLIGATIONS OF ASSOCIATION – In addition to any other obligations of Association contained herein, Association shall:

- a) Advance to Retama a total of ONE MILLION FIVE HUNDRED THOUSAND DOLLARS (\$1,500,000) from purse funds. Of this amount, \$750,000 shall be advanced as funds become available starting on November 16, 2008. The remaining balance of \$750,000 shall be advanced as funds become available beginning on November 8, 2009. These advances may be made by Retama retaining purse funds that would otherwise be transferred to Association.

b) Of the advanced amounts referenced in paragraph 3(a) above, the first \$750,000 (the "Initial Advance") shall be a transfer from the Association to Retama for defraying of expenses associated with the additional race dates. Retama shall not be obligated to repay any of the Initial Advance unless, within a period of five (5) years from the date of this Agreement, effective ownership or control of Retama's racing facility is transferred or assigned and Retama receives \$9,750,000 or more of net cash or stock proceeds ("Control Change"). In the event of a Control Change, the entire Initial Advance shall be due and payable on the effective date of change of ownership or control. The remaining \$750,000 advanced (the "Final Advance") shall be repaid by Retama over ten years in ten equal annual installments, with no interest charged. The first repayment installment of \$75,000 (or 10% of the actual amount of the Final Advance) shall be due and payable one year following the full accumulation of the Final Advance. In no event shall the first installment be due and payable later than May 1, 2011. Each successive installment of \$75,000 (or 10% of the actual amount of the Final Advance) shall be due and payable on each anniversary date of the first payment made. With respect to the Final Advance, should Retama exceed projections for on-track wagering or for outbound wagering by 30% or more, Retama will reasonably negotiate with the Association the amount of the Final Advance so that it more accurately reflects the actual loss from offering the Race Dates. The calculation of the loss will include any loss of revenue such as parking lot rental and training center revenues in addition to the actual operational loss and other cash payments necessary to offer the Race Dates. Upon agreement on the actual loss, Retama will reduce the amount of the Final Advance appropriately. Should Retama's actual on-track or outbound wageing fall 30% or more short of projections, Association will reasonably negotiate with Retama the amount of the Final Advance so that it more accurately reflects the actual loss from offering the Race Dates. If there are purse funds available from sources other than Retama simulcast accruals, live racing accruals, and cross-species accruals, Association will use reasonable efforts to use those funds to adjust the Final Advance appropriately.

c) Publicize the Race Dates on the Association's web site, in emails to Association members and in Association periodicals.

d) Allow the export of the Retama host signal to advance deposit wagering sites with a 6% host fee charged. This fee, or any amount in excess of this fee, shall be shared 50% to Retama and 50% to the Association (with such Association funds accruing to the benefit of the Retama purse account).

e) Facilitate the transfer of all thoroughbred purse funds accrued in Sam Houston Race Park's purse account through April 4, 2009 to the Retama purse account. The initial transfer shall take place within two days of approval of the transfer of dates by the Texas Racing Commission. The purse funds transferred shall include all funds accruing from on-track (guest) simulcasting, cross-species simulcasting and any other sources. Sam Houston Race Park shall not be responsible for any purse overpayment by Retama..

IN WITNESS THEREOF, the parties hereto, intending to be legally bound, have executed this agreement as of the date hereinabove set forth.

Retama:

By: Gary P. Baber

Name: GARY P. BABER

Title: CHAIRMAN

Date: 10/28/08

Association:

By: _____

Name: _____

Title: _____

Date: _____

IN WITNESS THEREOF, the parties hereto, intending to be legally bound, have executed this agreement as of the date hereinabove set forth.

Retama:

By: _____

Name: _____

Title: _____

Date: _____

Association:

By: Tommy J. Aswad

Name: Tommy J. Aswad

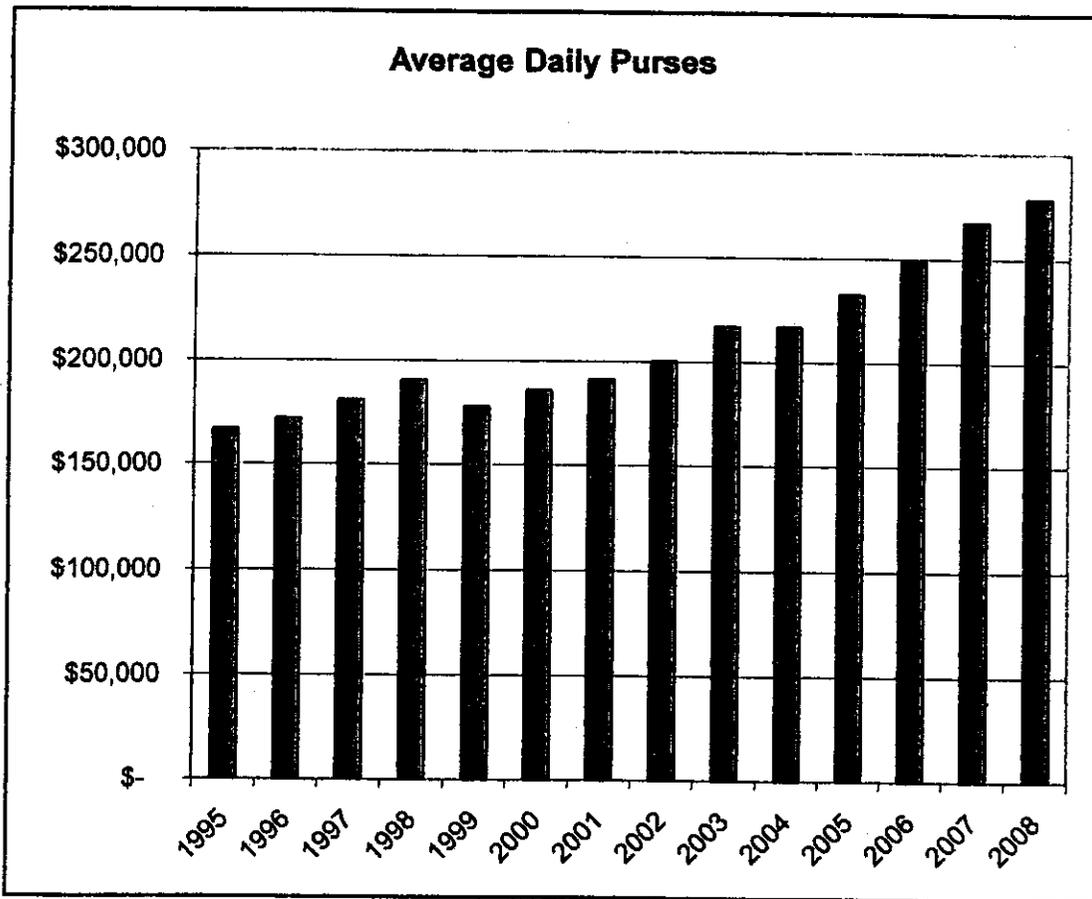
Title: Executive Director, TAP

Date: 11-22-08

DAILY PURSES

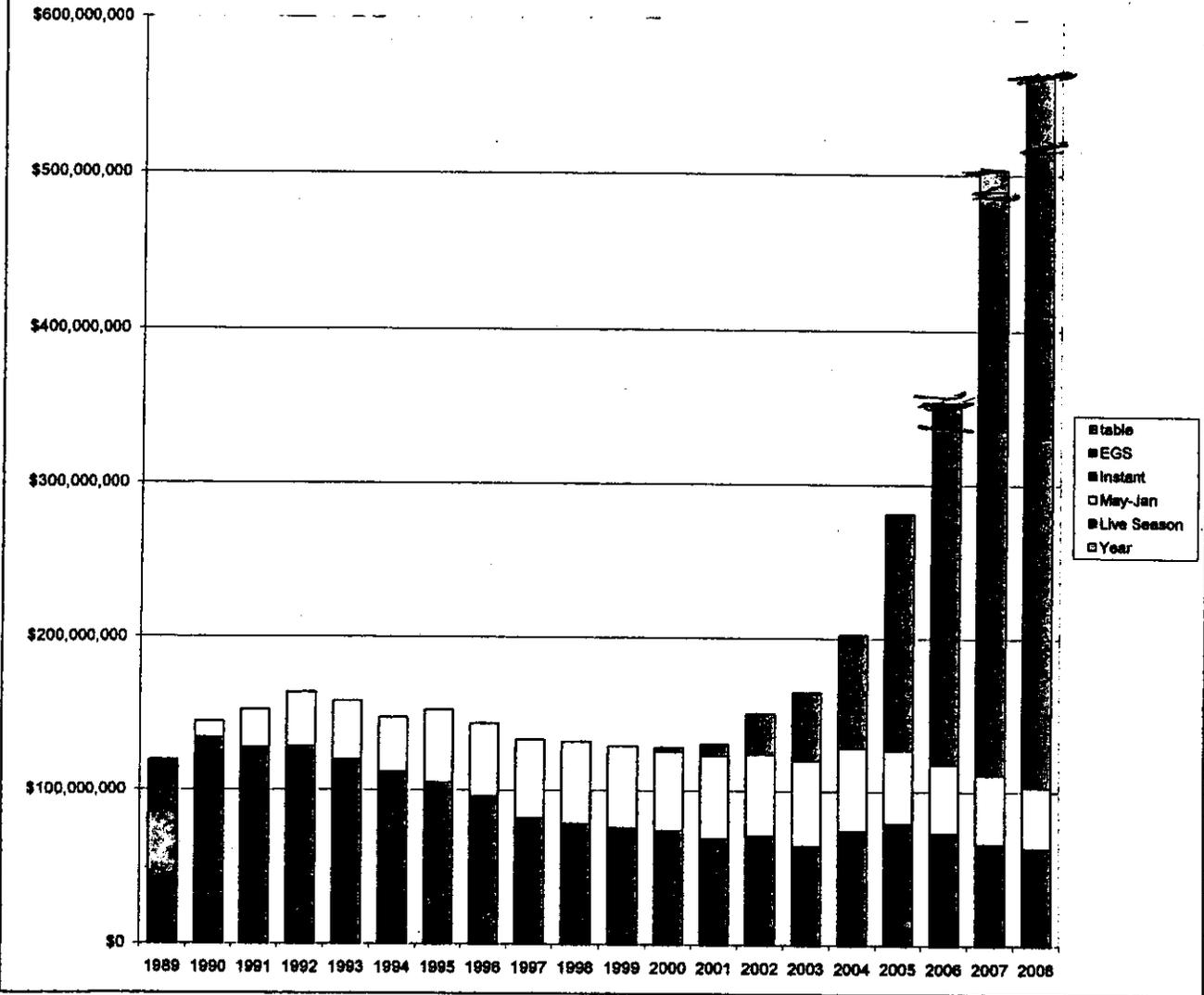
<u>Year</u>	<u>ADP</u>
1995 \$	166,547
1996 \$	171,621
1997 \$	180,800
1998 \$	190,334
1999 \$	177,891
2000 \$	185,789
2001 \$	191,094
2002 \$	200,260
2003 \$	217,050
2004 \$	217,125
2005 \$	232,882
2006 \$	249,260
2007 \$	267,278
2008 \$	278,673

**Launch Instant Racing
Growth attributed 100% to Instant Racing**



10.B.16

Total wagering at Oaklawn



Year	Live Season	May-Jan	Instant	EGS	table	TOTAL
1989	119,811,381					119,811,381
1990	134,338,732	10,909,262				145,247,994
1991	127,790,355	25,200,878				152,991,233
1992	128,643,388	35,747,180				164,390,568
1993	120,041,434	38,693,359				158,734,793
1994	112,087,872	35,725,748				147,813,620
1995	104,739,948	48,189,728				152,909,676
1996	95,893,065	48,135,238				144,028,303
1997	81,704,341	51,510,844				133,214,985
1998	78,091,220	54,095,218				132,186,438
1999	75,429,048	53,715,024				129,144,070
2000	73,905,611	51,841,285	2,898,744			128,445,640
2001	68,558,858	54,263,410	8,169,050			130,991,318
2002	70,734,258	53,348,107	27,165,806			151,247,969
2003	64,313,309	55,859,143	45,144,219			165,116,671
2004	74,259,516	54,214,102	74,289,516			202,733,134
2005	79,028,000	48,113,900	163,947,715			281,087,615
2006	72,881,971	44,748,722	220,228,153	15,600,016		337,858,846
2007	65,789,167	45,021,893	225,007,820	153,790,031	13,822,040	503,410,951
2008	62,964,255	39,974,888	228,021,683	184,900,288	49,141,500	565,002,594

IV.B.17





PARTNERSHIP

October 28, 2008

Charla Ann King
Executive Director
Texas Racing Commission
P. O. Box 12080
Austin, TX 78711-2080

Dear Charla Ann:

On behalf of the Texas Thoroughbred HBPA, Inc., I would like to inform you that an agreement has been reached between the Texas Thoroughbred HBPA, Inc., Sam Houston Race Park and Retama Race Park to preserve some of the winter racing days that Sam Houston Race Park is forced to cancel due to the extensive damaged caused by Hurricane Ike.

While it has been a difficult issue to manage, the cooperation of Sam Houston Race Park, Retama Park and your staff made the process much more efficient and productive and allowed the industry to come to a resolution that will survive the thoroughbred industry in the wake of this crisis.

We also wish to thank Drew Shubeck and Lone Star Park for their willingness to make several proposals that made efficient use of thoroughbred purse funds. Unfortunately, while those proposals did add thoroughbred racing opportunities, none of them added days in months that were necessary to allow Texas horsemen to stay in our state and have opportunities to run their horses. The final agreement reached between TTHBPA, Sam Houston Race Park and Retama Park will facilitate 43 days of thoroughbred racing at Retama Park and extend the current thoroughbred meet at Retama Park through the month of February. This agreement uses 100% of the thoroughbred purse money that was projected to be available for the Sam Houston Race Park thoroughbred meet. If additional purse monies become available from alternative sources, the TTHBPA is eager to work with Lone Star Park to pick up additional opportunities for its members.

The agreement reached requires the transfer of purse money from the thoroughbred purse account at Sam Houston Race Park to the thoroughbred purse account at Retama Park and it also requires the expenditure of thoroughbred purse funds accrued by Retama Park to assist in the operation of those facilities during the months that the 43 days of racing will be conducted. The TTHBPA believes that it is imperative to do whatever is necessary to preserve winter racing in

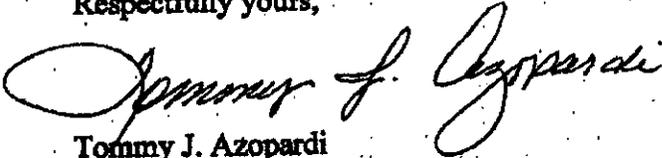
10.13.18

11

Texas or risk a further exodus of thoroughbred horses and horsemen from the state and accelerate the decline in our industry.

Again, we appreciate the cooperation of your staff to facilitate discussions and provide data and we greatly appreciate the Commissioner's willingness to meet in emergency session on short notice to resolve this critical matter. If I can provide any further information prior to the Commission meeting please let me know. I will be in attendance at the Commission to present the Agreement and answer any questions that the Commissioners may have at that point.

Respectfully yours,



Tommy J. Azopardi
Executive Director



T E X A S
H O R S E M E N ' S

July 13, 2010

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Q & A Regarding The THP's Stance On a Mixed Meet at Retama in 2002

At the most recent meeting of the Texas Racing Commission, the Texas Horsemen's Partnership opposed a request by Retama Race Park to conduct a mixed meet next year rather than the straight quarter horse meet like they conducted this year. This has caused some horsemen to ask why the THP would take this position. Therefore, we asked THP Executive Director Tommy Azopardi some questions to clarify this issue:

Q: Why did the THP oppose a mixed meet at Retama Park next year when the track has stated that they needed a mixed meet format?

A: First, let me explain that the THP is composed of two organizations. One is the Texas Horsemen's Benevolent and Protective Association (THBPA), which represents owners and trainers of American Quarter Horses, Arabians, Paints and Appaloosas. The other organization is the Texas Thoroughbred HBPA, Inc. (Thoroughbred HBPA) and they represent owners and trainers of Thoroughbreds. Both of these organizations felt that it was in the best interest of their members to oppose a mixed meet, even though the reasons were different for each group.

Q: Why would the THBPA be concerned about a mixed meet?

A: The last time that Retama Park ran a mixed meet was in 2000. There were over 1,000 Quarter horses that were excluded from entries during that meet. There were also over 30 horses that had a "zero" date when the meet ended. In other words, it was hard, if not impossible, to get a race for your Quarter Horse during that meet. The Retama spring meet is already the shortest of any Class I track for Quarter Horses. The Board of the THBPA felt that it was not right to support giving 20% to 30% of those few racing opportunities away. However, this year there were enough races to satisfy everyone and the purses were good.

Q: Was that the only reason that they opposed the mixed meet?

A: No, actually there is also a problem with the allocation of stalls during a mixed meet. Due to the fact that Retama has had great success as a training center between live meets, they had to allocate approximately 30% of the stalls to Thoroughbreds. This creates a shortage of stalls available for the Quarter Horse trainers and many of them have to split their stables or choose to run in another state. We have actual knowledge of leading Quarter Horse stables that had to be split between Remington Park in Oklahoma and Retama Park. The trainers assured us that those horses would have stayed at Retama had stalls been available.

Q: What about the claims that a mixed meet helps get the simulcast signal into more outlets, which helps both breeds?

A: In 2000 Retama only ran two Thoroughbred races per race day during the mixed meet. I seriously doubt that any facility would take the entire Retama Park race card just because there are two Thoroughbred races with average purses of \$4,000. Plus, you may not realize this, but when you export a live meet via simulcast, all of the money wagered on a specific breed goes only to that breed. For example, when Retama exports a mixed meet signal the entire share of the purse money derived from wagers on Quarter Horses goes to the Quarter Horse purse account and vice-versa.

Q: Doesn't that add up to quite a bit of money, though?

A: Not really. Don't forget that horsemen only receive about one penny of every dollar wagered on our exported signal for purses. You have to have a really popular signal to make any significant money from exporting. Where the horsemen make their real money is on bets placed at our tracks on the live product or imported races. We make about eight cents on the dollar wagered.

Q: Why did the Thoroughbred HBPA oppose the mixed meet? It appears that it is to their benefit to have more opportunities to run and a place to stay.

A: It is great for horsemen with Thoroughbreds to have a place to stay and extra races to run at when the Lone Star Park meet is going. We all recognize that at times it is difficult to get in and compete at Lone Star Park with the quality of horses that run there. However, there is a problem that exists when you run Thoroughbred races outside the actual Thoroughbred meet. Every dollar that is spent during the spring meet is a dollar less that you have to spend during the Thoroughbred meet. We have heard from owners and trainers of Thoroughbreds for years that the purses are too low at Retama. This has forced many Texas horsemen to send their horses out of the state to run during the fall.

Q: How will not having a mixed meet affect purses?

A: Take a look at this year's condition book! For the first time Retama's Thoroughbred purse structure is over \$100,000 per day. This has attracted some of our horsemen to stay that have gone to Louisiana Downs in the past years. The horses are better at Retama Park this year, and handle was up 27% from last year after the opening weekend. The better handle will relate to higher purses for horsemen. It is an upward spiral effect that is beneficial to horsemen and the racetrack.

Q: Are you certain that the purses would drop back below \$100,000 if there were a mixed meet?

A: Unquestionably. The purses are just barely above \$100,000 per day now. As I stated earlier, every dollar spend on Thoroughbreds during the mixed meet is a dollar less available during the Thoroughbred meet. If Retama runs three Thoroughbred races per day during the 33-day mixed meet and each one has an average purse of \$4,000 that is approximately \$400,000 dollars that is taken away from horsemen competing in the Thoroughbred meet. In 1999 the amount of average daily purse money from earned purses was only \$69,997 per day! In 2000 it amounted to only \$86,538 per day, which is the amount that horsemen were complaining about.

Q: What about the opportunities that you spoke about earlier that are good to have for some horsemen that can't compete at

Lone Star Park?

A: First of all, with the increased competition from Louisiana due to their higher purses as a result of slot machines and since Arlington Park has re-opened, the competition at Lone Star Park will get easier. However, Manor Downs has been granted five weeks of Thoroughbred racing during the toughest part of the Lone Star Park meet. That will give those horses a place to run.

Q: Do you actually think Manor will run any of those days next year?

A: I know there is a lot of skepticism about Manor. I have had it myself in the past, but Manor has finished its improvements, and the Texas Racing Commission has approved all of the work. Manor is ready to run now, and they are also leaning toward keeping the stable area open as a training center. At this point, I am confident that Manor will run next year. There is also the possibility that Austin Jockey Club may open in late 2002 or early 2003 and that will give more opportunities for horsemen.

Q: Do you believe Manor will actually keep their facility open year-round as a training center?

A: They plan to try, but I have been assured that they will keep the stable area open and access to the track for training until at least the beginning of the Retama Thoroughbred meet, which starts August 1.

Q: If a mixed meet is bad for both groups of horsemen, then why does Retama want to conduct one?

A: I think it has to do with the fact the Retama Park has a very profitable training center. It has been a win-win situation for horsemen and the racetrack, and Retama is concerned that if they have to turn out horsemen that have made Retama Park their home base, they might not get them back. I appreciate this concern, and if it were not detrimental to live racing, I would whole-heartedly support it. Our responsibility, though, is to represent horsemen in racing matters.

Q: Is there anything that can be done to help those horsemen that don't have anywhere else to stable if there is not a mixed meet?

A: Perhaps. I am certainly willing to work with Retama, those horsemen, and other racetracks, but jeopardizing the success of live meets is not the answer.

Q: Do you think the organizations in the THP will ever support a mixed meet?

A: I know that every decision that is made by our Board members is done so with the horsemen in mind. Our Board members are owners and trainers elected by owners and trainers. They interact with fellow horsemen everyday and get tons of input. If it makes sense in the future to have a mixed meet, I know they will support it. I also know that mixed meets have met with favorable review at the proposed Class II tracks. Our Board members are not opposed to a mixed meet just because they don't want to see different breeds on the same race card. They just have to balance the needs of all of our members, both large and small, and provide the best

opportunities and most purse money possible

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40 UNDER 40

CONGRATS

— to —

ERICH ZIMNY

our odds-on favorite



Andrea Young Sam Houston Race Park

ANDREA YOUNG brought a background in professional sports to a leadership position in racing when she became chief operating officer of Sam Houston Race Park in Houston in 2007. Young said people are too down on racing's outlook and she believes the sport could pick up through a reduction in the number of races run.

"This is an industry that still has a lot of interest and potential," Young said. "I am quick to dismiss anyone that thinks it is dead. However, there is too much product for the level of demand."

"In [professional basketball or hockey], there are 41 home games in each of the 30 markets each season. That's the equivalent of about 12,300 horse races each year. Last year, there were [more than] 50,000 races run. With that type of supply, our product is suffering."

Young, who said she is still working on the biggest achievement of her career, would like to see more tracks upgrade their facilities to provide customers



Courtesy of Sam Houston Race Park

Date of birth: April 11, 1978.
Birthplace: Fairfax, Virginia.
Residence: Houston.
Title: President, chief operating officer.
Company: Sam Houston Race Park.
Education: Bachelor of Arts, Vanderbilt University.
Family: Married, two children.
Career: Joined Sam Houston after working for seven years with the Houston Rockets of the National Basketball Association.
Favorite horse: Student Council.
What book are you currently

reading? *Things I Want My Daughters to Know*, by Elizabeth Noble.
Last movie you saw at the theater: *Up in the Air*.

What's on your iPod? Keith Urban, Michael Jackson, Fleetwood Mac, Zac Brown Band.
Outside interests: Running, cycling, swimming, politics.
Personal motto: "The race does not always go to the swift but to the ones who keep running."
Best advice someone gave you: "Nobody cares more about your career than you."

forts being made throughout the industry."

On January 12, 2009, Young was named president of Sam Houston while she continued in her chief operating officer position. She also serves as president and chief operating officer of Valley Race Park, a Harlingen, Texas, greyhound track.

with a better environment to enjoy the sport.

"We need to focus on delivering a quality product, which includes the product on the track and the consumer experience at the racetracks," Young said. "These problems will take time to address, but I am encouraged by some of the more recent ef-

W.B.24

Rec'd 07-16-10
Roger Williams

- Plan is good for tracks, but is it good for the Tx. Racing Industry?

- What and who is the Tx. Racing industry?
 1. You are.
 2. Everyone who works with race horses
 3. Stallion owners
 4. Breeders
 5. Track personnel
 6. Tracks

- 60 days at LS equals 60 Tx-bred maiden races and 60 Tx-bred races for winners. What does boil down to?
 - 24P 1. A foal crop of about 1,400 will have about twenty Tx-bred ^{maiden} races to run in.
 2. Three year olds will be running against older horses earlier.
 3. Some will say that Tx-breds can run in open company, but the sad truth is, they can't compete in open company as it is. All you have to do is check out the TTA site at the Entries/Results page.
 4. Very little money will stay in Texas

5. Two or three foal crops will have very little chance to run. *next year would the plan*

- Two mixed meets at 25^{or 30} days each will limit racing opportunity even more. *5 races/day*
 1. One QH Tx-bred race and one TB Tx-bred race.
 2. Mixed meets tend to cater to QH's
- LS's ^{Average daily} purses are higher than LaD and a little less than Evangeline. The difference is in the overnight purses.
 1. LS puts 28% or so in Stks giving them an overnight average purse of \$12,623
 2. LaD puts 13% in Stks giving them an overnight average purse of \$14,323
 3. Evangeline puts 4% into Stks giving them an overnight average purse of \$15,719
 4. The point of this is LS could attract more *& Bettis* horses just by changing its purse structure.
- The racing industry in Texas is struggling and I feel that we should all share in the sacrifice. Under this plan, the tracks would prosper and the rest of the industry would suffer. I think that is

obvious. We need to look for industry wide solutions. If this mega meet idea comes to past, I hope that ideas like more Tx-bred races per day, weight allowances for Tx-bred horses in open company, Tx-bred preferred races, higher purses for Tx-bred races and maybe even races for Texas owners only will be considered. We don't need to send \$200,000 dollars purse money day out of state.

- If we look at the recent Texas Millions day, we can see what will happen to money that is needed in Texas for Texans. Just look at who wins our graded stakes only rarely do we get a Scrappy Roo.