



TEXAS RACING COMMISSION

**P. O. Box 12080
Austin, TX 78711-2080
(512) 833-6699
Fax (512) 833-6907**

Texas Racing Commission
Tuesday, November 16, 2010
10:30 a.m.
Texas Department of Public Safety
6100 Guadalupe
Criminal Law Enforcement, Building E
First Floor Auditorium
Austin, Texas 78752

AGENDA

- I. CALL TO ORDER**
Roll Call
- II. PUBLIC COMMENT**
- III. GENERAL BUSINESS**
Discussion, consideration, and possible action on the following matters:
 - A. Budget and Finance Update
 - B. Report on Racetrack Inspections
 - C. Report on Wagering Statistics
 - D. Enforcement Report
 - E. Update on Application to Change Ownership and Location of Longhorn Downs/Austin Jockey Club
 - F. Update on Request to Change Ownership of Sam Houston Race Park, Valley Race Park, and Laredo Race Park
 - G. Report by Safety and Medication Committee
 - H. Report by Rules Committee

- I. Report on Sunset Commission Review
- J. Legislative Proposals by the Texas Racing Commission to the 82nd Texas Legislature, Regular Session
- K. Designation of Additional Members to the Industry Advisory Group assisting the Study Committee Charged with Reviewing the Current State of Horse and Greyhound Racing and Breeding in Texas
- L. Report by the Commission's Study Committee Charged with Reviewing the Current State of Horse and Greyhound Racing and Breeding in Texas
- M. Memorandum of Understanding with the Texas Veterinary Medical Diagnostic Laboratory for FY 2011

IV. PROCEEDINGS ON RACETRACKS

Discussion, consideration, and possible action on the following matters:

- A. Request by Retama Park for Approval of Three Changes of Ownership of Less than 5%
- B. Request by Lone Star Park for Approval of Amended Totalisator Agreement with AmTote International, Inc.
- C. Request by Lone Star Park for Approval of 100% Change of Ownership
- D. Allocation by the Texas Greyhound Association of Interstate Cross-Species Purse Money
- E. Allocation of Live Race Dates to Manor Downs under Commission Rule 303.41 for the Period beginning January 1, 2011, and ending August 31, 2012
- F. Allocation of Texas Bred Incentive Program Funds for 2011
- G. Staff Progress Reports on Inactive Racetrack License Holders
- H. Progress Reports by Inactive Racetrack License Holders on Preparations to Begin Live Racing
 - 1. Progress Report by Austin Jockey Club
 - 2. Progress Report by Saddle Brook Park
 - 3. Progress Report by Valle de los Tesoros
 - 4. Progress Report by Laredo Downs
 - 5. Progress Report by Laredo Race Park

V. PROCEEDINGS ON RULEMAKING

Discussion, consideration, and possible action on the following matters:

Rule Proposals

- A. Proposal to Amend Rule 307.62, Disciplinary Hearings
- B. Rule Proposals under Chapter 321, Pari-mutuel Wagering
 - 1. Proposal for New Rule 321.12, Time Synchronization
 - 2. Proposal to Amend Rule 321.15, License to Provide Totalisator Services
 - 3. Proposal to Amend Rule 321.23, Wagering Explanations
 - 4. Proposal for New Rule 321.46, Payment on No Ticket Issue
 - 5. Proposal to Amend Rule 321.211, Carryover Pools
 - 6. Proposal to Amend Rule 321.312, Pick (N)
 - 7. Proposal to Amend Rule 321.313, Select Four or Five
 - 8. Proposal for New Rule 321.319, Select Three Pool
 - 9. Proposal for New Rule 321.320, Super Hi-Five
 - 10. Proposal for New Rule 321.321, Fortune Pick (N)
 - 11. Proposal to Amend Rule 321.417, Emergency Procedures
 - 12. Proposal to Amend Rule 321.503, Purses
 - 13. Proposal to Amend Rule 321.605, E-Wagering Plan

VI. EXECUTIVE SESSION

The following items may be discussed and considered in executive session or open meeting and have action taken in the open meeting:

- A. Under Government Code Sec. 551.071(1), the Commission may open an executive session to seek the advice of its attorney regarding pending or contemplated litigation, or regarding a settlement offer.
- B. Under Government Code Sec. 551.071(2), the Commission may open an executive session to discuss all matters identified in this agenda where the commission seeks the advice of their attorney as privileged communications under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas and to discuss the Open Meetings Act and the Administrative Procedures Act.
- C. Under Texas Racing Act, Tex. Rev. Civ. Stat. Ann. art. 179e, Sec. 6.03, the Commission may open an executive session to review

security plans and management, concession, and totalisator contracts.

- D. Under Government Code Sec. 551.074, the Commission may open an executive session to discuss the retirement of the current executive director and to deliberate the appointment of an interim executive director.

VII. OLD/NEW BUSINESS

Schedule next Commission Meeting

VIII. ADJOURN



**Fiscal Year 2011
Operational Budget**

Updated: November 9, 2010

Thru: October 31, 2010

Summary of Operating Revenue

By Revenue Type:	Budget	Collected	Suspended	Uncollected Balance	%
Account 597 - Racing Commission - GRD	\$ 11,889,130	\$ 4,704,427	\$ 349,548	\$ 7,184,703	60%
Account 1 - State of Texas - GR	\$ -	\$ -	\$ -	\$ -	
TOTAL - ALL REVENUES	\$ 11,889,130	\$ 4,704,427	\$ 349,548	\$ 7,184,703	60%

Summary of Appropriated Operating Expenses

	Budget	Expended	Encumbered	Unexpended Balance	%
1001 - Salaries and Wages:	\$ 3,013,096	\$ 511,475	\$ -	\$ 2,501,621	83%
1002 - Other Personnel Cost:	\$ 139,400	\$ 14,296	\$ -	\$ 125,104	90%
2001 - Professional Fees and Services:	\$ 192,000	\$ 20,665	\$ -	\$ 171,335	89%
2003 - Consumable Supplies:	\$ 24,501	\$ 2,264	\$ -	\$ 22,237	91%
2004 - Utilities:	\$ 26,500	\$ 3,348	\$ -	\$ 23,152	87%
2005 - Travel:	\$ 204,415	\$ 11,047	\$ -	\$ 193,368	95%
2006 - Rent Building:	\$ 108,014	\$ 17,385	\$ -	\$ 90,629	84%
2007 - Rent Machine and Other:	\$ 14,500	\$ 2,804	\$ -	\$ 11,696	81%
2009 - Other Operating Expense:	\$ 324,425	\$ 52,731	\$ -	\$ 271,694	84%
4000 - Grants	\$ 3,407,389	\$ 524,918	\$ -	\$ 2,882,471	85%
5000 - Capital Expenditures:	\$ 33,800	\$ -	\$ -	\$ 33,800	100%
TOTAL - ALL APPROPRIATED EXPENDITURES	\$ 7,488,040	\$ 1,160,931	\$ -	\$ 6,327,108	84%

Unappropriated Operating Expenses

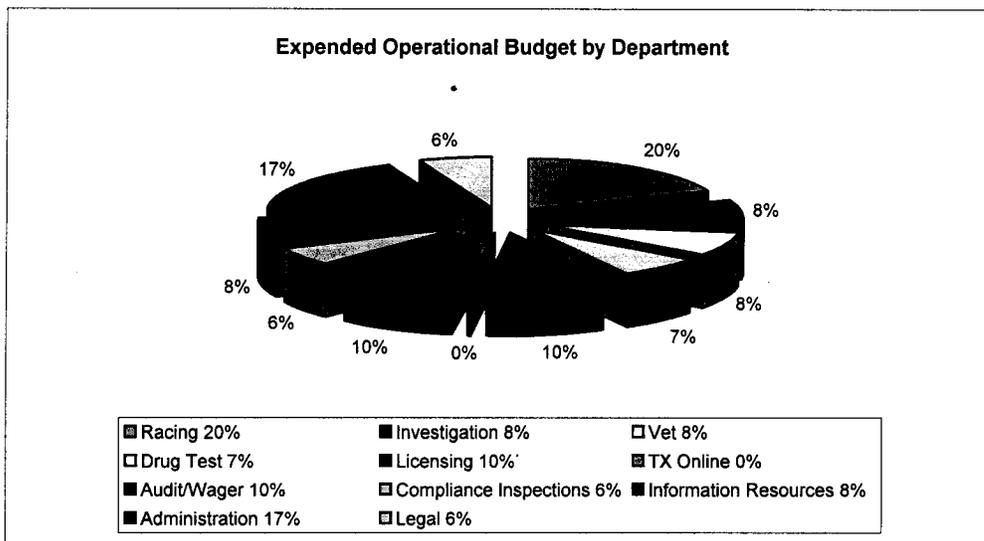
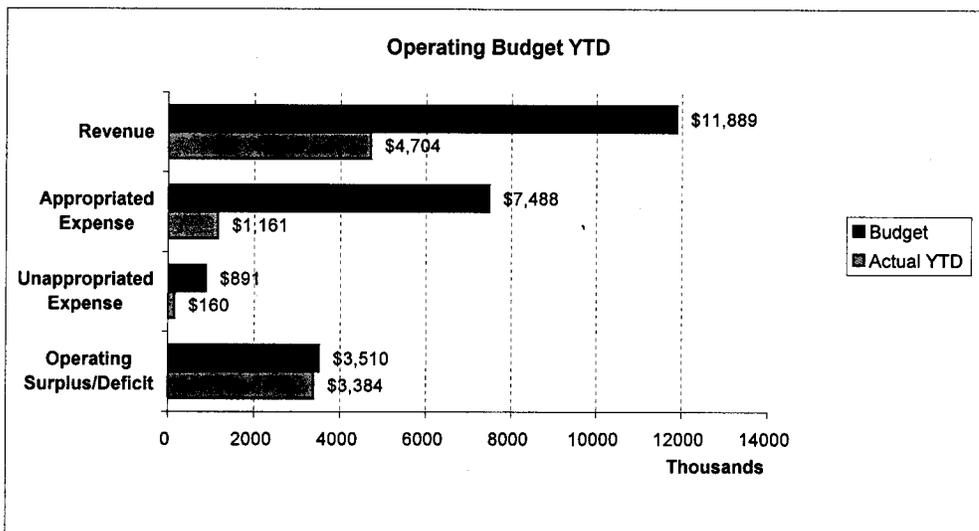
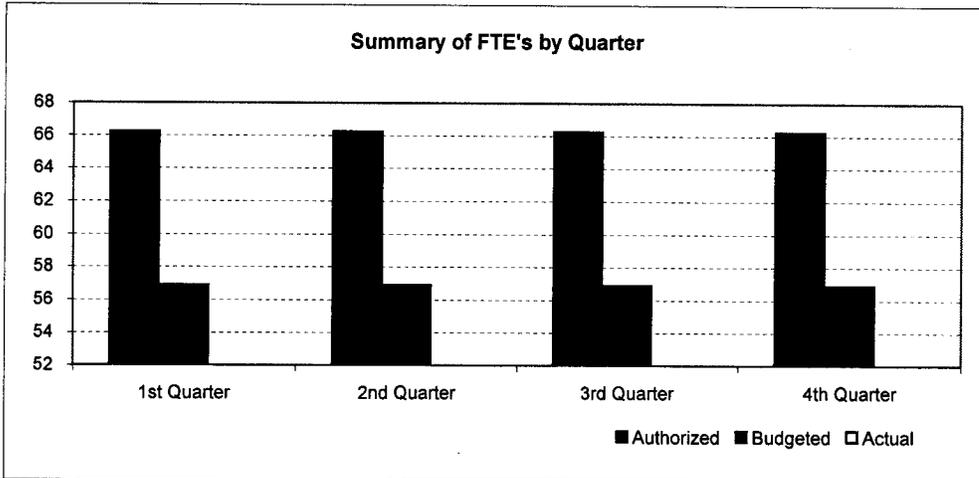
Type:	Budget	Expended	Encumbered	Unexpended Balance	%
TOTAL - ALL UNAPPROPRIATED EXPENDITURES	\$ 891,194	\$ 159,931	\$ -	\$ 731,262	82%
TOTAL - ALL EXPENDITURES	\$ 8,379,233	\$ 1,320,863	\$ -	\$ 7,058,371	84%

OPERATING SURPLUS / (DEFICIT)

\$ 3,509,897 \$ 3,383,564

Summary of FTE's

By Fiscal Quarter:	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Authorized FTE's	66.20	66.20	66.20	66.20
Budgeted FTE's	56.90	56.90	56.90	56.90
Actual FTE's				
Actual FTE's Over / (Under) Budget	-	-	-	-
Actual FTE's Over / (Under) Authorization	-	-	-	-





**Fiscal Year 2011
Operational Budget
By LBB Obj Code**

Updated: November 9, 2010

Thru: October 31, 2010

Summary of Operating Revenue
By Revenue Type:

	Budget	Collected	Suspended	Uncollected Balance	%
Cash Balance Carry Forward	\$ 2,800,000	\$ 2,800,000			0%
Live Race Day Fees	\$ 587,170	\$ 104,920		\$ 482,250	82%
Simulcast Race Day Fees	\$ 892,460	\$ 151,730		\$ 740,730	83%
Annual License Fees (Active & Inactive)	\$ 1,265,000	\$ 600,000	\$ 349,548	\$ 665,000	53%
Outs	\$ 1,305,725	\$ 391,874		\$ 913,851	70%
Occupational License Fees and Fines	\$ 751,575	\$ 127,523		\$ 624,052	83%
ATB Program Pass Thru Fees	\$ 4,250,000	\$ 524,918		\$ 3,725,082	88%
Other Revenue	\$ 37,200	\$ 3,461		\$ 33,739	91%
Account 597 - Racing Commission - GRD	\$ 11,889,130	\$ 4,704,427	\$ 349,548	\$ 7,184,703	60%
State of Texas General Revenue Fund	\$ -	\$ -		\$ -	
Account 1 - State of Texas - GR	\$ -	\$ -	\$ -	\$ -	
TOTAL - ALL REVENUES	\$ 11,889,130	\$ 4,704,427	\$ 349,548	\$ 7,184,703	60%

Summary of Appropriated Operating Expenses

By Division:	Budget	Expended	Encumbered	Unexpended Balance	%
Racing Oversight	\$ 1,743,392	\$ 286,976		\$ 1,456,416	84%
Wagering & Racing Review	\$ 742,462	\$ 125,832		\$ 616,631	83%
Finance & Administration	\$ 527,242	\$ 98,668		\$ 428,574	81%
1001 - Salaries and Wages:	\$ 3,013,096	\$ 511,475	\$ -	\$ 2,501,621	83%
Racing Oversight	\$ 82,520	\$ 7,836		\$ 74,684	91%
Wagering & Racing Review	\$ 23,460	\$ 3,800		\$ 19,660	84%
Administration	\$ 33,420	\$ 2,660		\$ 30,760	92%
1002 - Other Personnel Cost:	\$ 139,400	\$ 14,296	\$ -	\$ 125,104	90%
Racing Oversight	\$ 31,000	\$ 12,851		\$ 18,150	59%
Wagering & Racing Review	\$ 136,000	\$ 4,552		\$ 131,448	97%
Finance & Administration	\$ 25,000	\$ 3,263		\$ 21,738	87%
2001 - Professional Fees and Services:	\$ 192,000	\$ 20,665	\$ -	\$ 171,335	89%
Racing Oversight	\$ 2,700	\$ 1,300		\$ 1,400	52%
Wagering & Racing Review	\$ 3,000	\$ -		\$ 3,000	100%
Finance & Administration	\$ 18,801	\$ 964		\$ 17,837	95%
2003 - Consumable Supplies:	\$ 24,501	\$ 2,264	\$ -	\$ 22,237	91%
Racing Oversight	\$ -	\$ -		\$ -	
Wagering & Racing Review	\$ -	\$ -		\$ -	
Administration	\$ 26,500	\$ 3,348		\$ 23,152	87%
2004 - Utilities:	\$ 26,500	\$ 3,348	\$ -	\$ 23,152	87%
Racing Oversight	\$ 128,050	\$ 6,820		\$ 121,230	95%
Wagering & Racing Review	\$ 37,365	\$ 2,983		\$ 34,382	92%
Finance & Administration	\$ 39,000	\$ 1,244		\$ 37,756	97%
2005 - Travel:	\$ 204,415	\$ 11,047	\$ -	\$ 193,368	95%
Racing Oversight	\$ -	\$ -		\$ -	
Wagering & Racing Review	\$ 2,700	\$ -		\$ 2,700	100%
Finance & Administration	\$ 105,314	\$ 17,385		\$ 87,929	83%
2006 - Rent Building:	\$ 108,014	\$ 17,385	\$ -	\$ 90,629	84%



**Fiscal Year 2011
Operational Budget
By LBB Obj Code**

Updated: November 9, 2010

Thru: October 31, 2010

Summary of Operating Revenue

	Budget	Expended	Encumbered	Uncollected Unexpended Balance	%
Racing Oversight	\$ 12,000	\$ 2,489		\$ 9,511	79%
Wagering & Racing Review	\$ -	\$ -		\$ -	
Finance & Administration	\$ 2,500	\$ 315		\$ 2,185	87%
2007 - Rent Machine and Other:	\$ 14,500	\$ 2,804	\$ -	\$ 11,696	81%
Racing Oversight	\$ 84,200	\$ 7,141		\$ 77,059	92%
Wagering & Racing Review	\$ 106,410	\$ 17,103		\$ 89,307	84%
Finance & Administration	\$ 133,815	\$ 28,486		\$ 105,329	79%
2009 - Other Operating Expense:	\$ 324,425	\$ 52,731	\$ -	\$ 271,694	84%
Racing Oversight	\$ -	\$ -		\$ -	
Wagering & Racing Review	\$ 3,407,389	\$ 524,918		\$ 2,882,471	85%
Administration	\$ -	\$ -		\$ -	
4000 - Grants	\$ 3,407,389	\$ 524,918	\$ -	\$ 2,882,471	85%
Racing Oversight	\$ 33,800	\$ -		\$ 33,800	100%
Wagering & Racing Review	\$ -	\$ -		\$ -	
Finance & Administration	\$ -	\$ -		\$ -	
5000 - Capital Expenditures:	\$ 33,800	\$ -	\$ -	\$ 33,800	100%
TOTAL - ALL APPROPRIATED EXPENDITURES	\$ 7,488,040	\$ 1,160,931	\$ -	\$ 6,327,108	84%

Summary of Unappropriated Operating Expenses

Type:	Budget	Expended	Encumbered	Unexpended Balance	%
OASI Match	\$ 231,165	\$ 38,842		\$ 192,323	83%
Group Insurance	\$ 258,825	\$ 51,503		\$ 207,322	80%
State Retirement	\$ 194,566	\$ 33,266		\$ 161,300	83%
Benefit Replacement	\$ 31,638	\$ 685		\$ 30,953	98%
ERS Retiree Insurance	\$ 100,000	\$ 9,142		\$ 90,858	91%
SWCAP GR Reimbursement	\$ 55,000	\$ 26,494		\$ 28,506	52%
Unemployment Cost	\$ 20,000	\$ -		\$ 20,000	100%
Other	\$ -	\$ -		\$ -	
Unappropriated Operating Expenses	\$ 891,194	\$ 159,931	\$ -	\$ 731,262	82%
TOTAL - ALL UNAPPROPRIATED EXPENDITURES	\$ 891,194	\$ 159,931	\$ -	\$ 731,262	82%
TOTAL - ALL EXPENDITURES	\$ 8,379,233	\$ 1,320,863	\$ -	\$ 7,058,371	84%

OPERATING SURPLUS / (DEFICIT) \$ 3,509,897 \$ 3,383,564

Summary of FTE's

By Fiscal Quarter:	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Authorized FTE's	66.20	66.20	66.20	66.20
Budgeted FTE's	56.90	56.90	56.90	56.90
Budgeted FTE's Over / (Under) Authorization	(9.30)	(9.30)	(9.30)	(9.30)
Budgeted FTE's	56.90	56.90	56.90	56.90
Actual FTE's	-	-	-	-
Actual FTE's Over / (Under) Budget	-	-	-	-
Actual FTE's Over / (Under) Authorization	-	-	-	-

**Texas Racing Commission
Report on Racetrack Inspection Activities
November 16, 2010**

Date of Inspection	Track	Type of Inspection	Number of Unsatisfactory Items	Track Remediation	Remaining Unsatisfactory Items
Sept 15, 2010	Gulf Greyhound	Judges	3 ⁱ	Corrected 10/20/10	0
Sept 15, 2010	Gulf Greyhound	Veterinary	0	-	-
Oct 31, 2010	Gulf Greyhound	Pari-mutuel	0	-	-
Nov 13, 2010	Gulf Greyhound	Veterinary	0	-	-
Sept 1, 2010	Lone Star Park	Veterinary	0	-	-
Sept 9, 2010	Lone Star Park	Administrative	0	-	-
Sept 9, 2010	Lone Star Park	Pari-mutuel	0	-	-
Sept 15, 2010	Lone Star Park	Safety & Security	0	-	-
Sept 16, 2010	Lone Star Park	Stewards	0	-	-
Oct 29, 2010	Lone Star Park	Safety & Security	0	-	-
Sept 2, 2010	Retama Park	Veterinary	0	-	-
Sept 8, 2010	Retama Park	Stewards	0	-	-
Oct 15, 2010	Retama Park	Safety & Security	0	-	-
Oct 30, 2010	Sam Houston	Pari-mutuel	0	-	-
Oct 15, 2010	Valley Race Park	Administrative	0	-	-
Oct 15, 2010	Valley Race Park	Pari-mutuel	1 ⁱⁱ	Corrected 11/5/10	0

Total Inspections: 16

ⁱ Gulf Greyhound Park – Lights out on track poles. Maintenance needed on 550 yd and 660 yd starting boxes. Catch fence needs to be secured.
ⁱⁱ Valley Race Park – Visitors sign-in log for tote room was missing.



**Texas Pari-Mutuel Racetracks Wagering Statistics
Comparison Report on Total Wagers Placed
in Texas & on Texas Races**

For the Period: 01/01/09 - 10/31/09 to 01/01/10 - 10/31/10

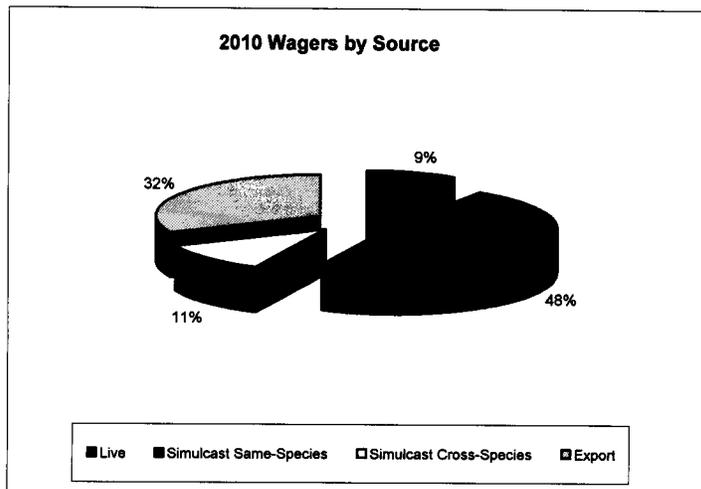
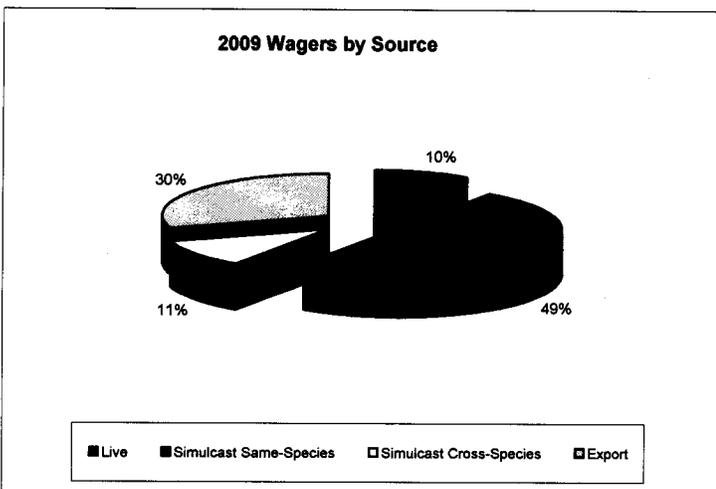
Sources of Wagers	Year 2009 01/01 - 10/31				Year 2010 01/01 - 10/31				Percentage Change In	
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wagers		
Greyhound Racetracks										
Live	289	\$ 12,957,227	\$ 44,835	236	\$ 9,248,265	\$ 39,188	-28.62%	-12.60%		
Simulcast Same-Species	661	\$ 21,955,150	\$ 33,215	784	\$ 23,041,010	\$ 29,389	4.95%	-11.52%		
Simulcast Cross-Species	661	\$ 20,748,745	\$ 31,390	784	\$ 22,275,283	\$ 28,412	7.36%	-9.49%		
Export	289	\$ 14,297,129	\$ 49,471	236	\$ 12,709,460	\$ 53,854	-11.10%	8.86%		
Total Wagers		\$ 69,958,251	N/A		\$ 67,274,018	N/A	-3.84%	N/A		

Sources of Wagers Horse Racetracks										
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wagers		
Live	218	\$ 33,598,047	\$ 154,119	212	\$ 30,602,378	\$ 144,351	-8.92%	-6.34%		
Simulcast Same-Species	1,311	\$ 220,728,156	\$ 168,366	1,237	\$ 192,676,206	\$ 155,761	-12.71%	-7.49%		
Simulcast Cross-Species	1,311	\$ 30,940,446	\$ 23,601	1,237	\$ 29,055,402	\$ 23,489	-6.09%	-0.47%		
Export	192	\$ 131,741,581	\$ 686,154	190	\$ 129,917,446	\$ 683,776	-1.38%	-0.35%		
Total Wagers		\$ 417,008,230	N/A		\$ 382,251,432	N/A	-8.33%	N/A		

Sources of Wagers All Texas Racetracks										
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wagers		
Live	507	\$ 46,555,274	\$ 91,825	448	\$ 39,850,644	\$ 88,952	-14.40%	-3.13%		
Simulcast Same-Species	1,972	\$ 242,683,306	\$ 123,065	2,021	\$ 215,717,215	\$ 106,738	-11.11%	-13.27%		
Simulcast Cross-Species	1,972	\$ 51,689,191	\$ 26,212	2,021	\$ 51,330,685	\$ 25,399	-0.69%	-3.10%		
Export	481	\$ 146,038,709	\$ 303,615	426	\$ 142,626,906	\$ 334,805	-2.34%	10.27%		
Total Wagers		\$ 486,966,481	N/A		\$ 449,525,450	N/A	-7.69%	N/A		

Total Wagers Placed in Texas	\$ 340,927,771	N/A	\$ 306,898,544	N/A	-9.98%	N/A
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Total Wagers Placed on Texas Races	\$ 192,593,984	N/A	\$ 182,477,550	N/A	-5.25%	N/A
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**Greyhound Racetrack Wagering Statistics
Comparison Report on Total Wagers Placed
in Texas & on Texas Races**

For the Period: 01/01/09 - 10/31/09 to 01/01/10 - 10/31/10

Sources of Wagers	Year 2009 01/01 - 10/31			Year 2010 01/01 - 10/31			Percentage Change In	
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wager
Gulf Coast Racing								
Live	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A
Simulcast Same-Species	88	\$ 2,508,460	\$ 28,505	219	\$ 5,839,733	\$ 26,665	132.80%	-6.45%
Simulcast Cross-Species	88	\$ 1,335,200	\$ 15,173	219	\$ 3,209,122	\$ 14,654	140.35%	-3.42%
Export	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A
Total Wagers		\$ 3,843,659	N/A		\$ 9,048,854	N/A	N/A	N/A

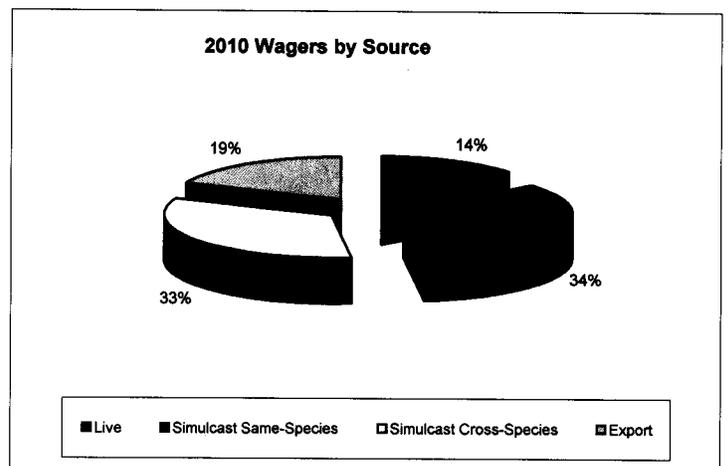
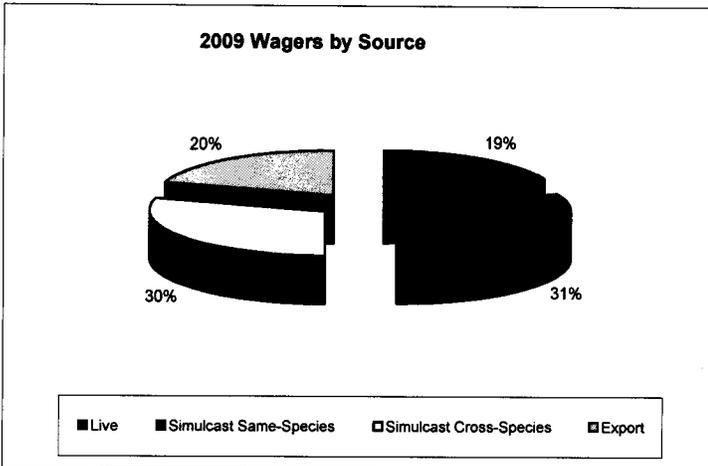
Sources of Wagers Gulf Greyhound Park								
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wager
Live	219	\$ 10,656,735	\$ 48,661	236	\$ 9,248,265	\$ 39,188	-13.22%	-19.47%
Simulcast Same-Species	304	\$ 13,604,459	\$ 44,752	304	\$ 11,515,937	\$ 37,881	-15.35%	-15.35%
Simulcast Cross-Species	304	\$ 13,388,053	\$ 44,040	304	\$ 13,226,493	\$ 43,508	-1.21%	-1.21%
Export	219	\$ 11,626,436	\$ 53,089	236	\$ 12,709,460	\$ 53,854	9.32%	1.44%
Total Wagers		\$ 49,275,682	N/A		\$ 46,700,155	N/A	-5.23%	N/A

Sources of Wagers Valley Race Park								
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wager
Live	70	\$ 2,300,492	\$ 32,864	0	\$ -	N/A	N/A	N/A
Simulcast Same-Species	269	\$ 5,842,232	\$ 21,718	261	\$ 5,685,340	\$ 21,783	-2.69%	0.30%
Simulcast Cross-Species	269	\$ 6,025,493	\$ 22,400	261	\$ 5,839,669	\$ 22,374	-3.08%	-0.11%
Export	70	\$ 2,670,692	\$ 38,153	0	\$ -	N/A	N/A	N/A
Total Wagers		\$ 16,838,909	N/A		\$ 11,525,009	N/A	-31.56%	N/A

Sources of Wagers All Greyhound Racetracks								
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wager
Live	289	\$ 12,957,227	\$ 44,835	236	\$ 9,248,265	\$ 39,188	-28.62%	-12.60%
Simulcast Same-Species	661	\$ 21,955,150	\$ 33,215	784	\$ 23,041,010	\$ 29,389	4.95%	-11.52%
Simulcast Cross-Species	661	\$ 20,748,745	\$ 31,390	784	\$ 22,275,283	\$ 28,412	7.36%	-9.49%
Export	289	\$ 14,297,129	\$ 49,471	236	\$ 12,709,460	\$ 53,854	-11.10%	8.86%
Total Wagers		\$ 69,958,251	N/A		\$ 67,274,018	N/A	-3.84%	N/A

Total Wagers Placed in Texas	\$ 55,661,122	N/A	\$ 54,564,558	N/A	-1.97%	N/A
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Total Wagers Placed on Texas Races	\$ 27,254,355	N/A	\$ 21,957,726	N/A	-19.43%	N/A
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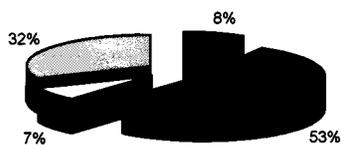
Horse Racetrack Wagering Statistics
Comparison Report on Total Wagers Placed

in Texas & on Texas Races

For the Period: 01/01/09 - 10/31/09 to 01/01/10 -10/31/10

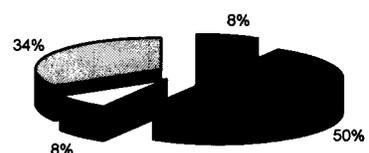
Sources of Wagers	Year 2009 01/01 - 10/31				Year 2010 01/01 - 10/31				Percentage Change In	
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wager		
Gillespie County Fair										
Live	8	\$ 1,106,409	\$ 138,301	8	\$ 1,212,932	\$ 151,617	9.63%	9.63%		
Simulcast Same-Species	176	\$ 3,412,688	\$ 19,390	176	\$ 3,091,770	\$ 17,567	-9.40%	-9.40%		
Simulcast Cross-Species	176	\$ 369,102	\$ 2,097	176	\$ 330,850	\$ 1,880	-10.36%	-10.36%		
Export	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A		
Total Wagers		\$ 4,888,199	N/A		\$ 4,635,552	N/A	-5.17%	N/A		
Lone Star Park										
Live	82	\$ 22,302,407	\$ 271,981	80	\$ 19,245,087	\$ 240,564	-13.71%	-11.55%		
Simulcast Same-Species	304	\$ 105,748,200	\$ 347,856	304	\$ 91,559,212	\$ 301,182	-13.42%	-13.42%		
Simulcast Cross-Species	304	\$ 4,095,914	\$ 13,473	304	\$ 4,906,006	\$ 16,138	19.78%	19.78%		
Export	82	\$ 77,066,659	\$ 939,837	80	\$ 55,078,859	\$ 688,486	-28.53%	-26.74%		
Total Wagers		\$ 209,213,179	N/A		\$ 170,789,164	N/A	-18.37%	N/A		
Manor Downs										
Live	18	\$ 1,483,106	\$ 82,395	14	\$ 1,100,710	\$ 78,622	-25.78%	-4.58%		
Simulcast Same-Species	223	\$ 11,945,181	\$ 53,566	149	\$ 7,484,646	\$ 50,233	-37.34%	-6.22%		
Simulcast Cross-Species	223	\$ 2,497,913	\$ 11,201	149	\$ 1,319,535	\$ 8,856	-47.17%	-20.94%		
Export	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A		
Total Wagers		\$ 15,926,200	N/A		\$ 9,904,891	N/A	-37.81%	N/A		
Retama Park										
Live	56	\$ 3,636,008	\$ 64,929	16	\$ 1,838,249	\$ 114,891	-49.44%	76.95%		
Simulcast Same-Species	304	\$ 33,743,641	\$ 110,999	304	\$ 29,927,976	\$ 98,447	-11.31%	-11.31%		
Simulcast Cross-Species	304	\$ 5,499,217	\$ 18,090	304	\$ 5,554,021	\$ 18,270	1.00%	1.00%		
Export	56	\$ 45,138,889	\$ 806,052	16	\$ 7,830,096	\$ 489,381	-82.65%	-39.29%		
Total Wagers		\$ 88,017,754	N/A		\$ 45,150,342	N/A	-48.70%	N/A		
Sam Houston Race Park										
Live	54	\$ 5,070,118	\$ 93,891	94	\$ 7,205,400	\$ 76,653	42.12%	-18.36%		
Simulcast Same-Species	304	\$ 65,878,446	\$ 216,705	304	\$ 60,612,602	\$ 199,384	-7.99%	-7.99%		
Simulcast Cross-Species	304	\$ 18,478,301	\$ 60,784	304	\$ 16,944,990	\$ 55,740	-8.30%	-8.30%		
Export	54	\$ 9,536,033	\$ 176,593	94	\$ 67,008,492	\$ 712,856	602.69%	303.67%		
Total Wagers		\$ 98,962,899	N/A		\$ 151,771,483	N/A	53.36%	N/A		
All Horse Racetracks										
Live	218	\$ 33,598,047	\$ 154,119	212	\$ 30,602,378	\$ 144,351	-8.92%	-6.34%		
Simulcast Same-Species	1,311	\$ 220,728,156	\$ 168,366	1,237	\$ 192,676,206	\$ 155,761	-12.71%	-7.49%		
Simulcast Cross-Species	1,311	\$ 30,940,446	\$ 23,601	1,237	\$ 29,055,402	\$ 23,489	-6.09%	-0.47%		
Export	192	\$ 131,741,581	\$ 686,154	190	\$ 129,917,446	\$ 683,776	-1.38%	-0.35%		
Total Wagers		\$ 417,008,230	N/A		\$ 382,251,432	N/A	-8.33%	N/A		
Total Wagers Placed in Texas		\$ 285,266,649	N/A		\$ 252,333,986	N/A	-11.54%	N/A		
Total Wagers Placed on Texas Races		\$ 165,339,628	N/A		\$ 160,519,825	N/A	-2.92%	N/A		

2009 Wagers by Source



■ Live ■ Simulcast Same-Species □ Simulcast Cross-Species □ Export

2010 Wagers by Source



■ Live ■ Simulcast Same-Species □ Simulcast Cross-Species □ Export

LEGISLATIVE PROPOSALS RELATED TO RACING

82nd LEGISLATURE (2011)

COMMISSION PROPOSALS TO AMEND THE TEXAS RACING ACT

1. Provide additional oversight of stewards' and judges' decisions. *See attachment.*
2. Change the definition of "performance" relating to greyhound races to allow for more than thirteen races. *See attachment.*
3. Racing Commission method of finance alternatives. *See attachment.*
4. Technical corrections to the Act. *See attachment.*

SUNSET ADVISORY COMMISSION – REVIEW OF RECOMMENDATIONS TO THE 81ST LEGISLATURE

The Sunset Commission has not yet released its staff report for the 82nd Legislative Session; however, the current review is designed to determine the appropriateness of its recommendations to the 81st Legislature. The following recommendations and agency responses are a review of those contained in the earlier Sunset Commission review.

Recommendation 1.1: Require the Commission to review each racetrack license on a periodic basis and develop renewal criteria along with associated sanctions for failure to comply.

Agency Response: The agency agreed with this recommendation, presuming that sufficient resources were appropriated to implement the reviews.

Recommendation 1.2: Clarify the Commission's revocation authority and ability to refuse to renew a racetrack license.

Agency Response: Requested a modification to the Texas Racing Act to allow the Commission to require racetrack licensees to post security at any time, instead of only when a new license is issued.

Recommendation 1.3: Eliminate uncashed winning tickets as a source of Commission revenue.

Agency Response: The agency agreed with this recommendation.

Recommendation 1.4: Clarify that all unlicensed entities are prohibited from accepting wagers placed by Texas residents.

Agency Response: The agency agreed with this recommendation.

Recommendation 1.5: Direct the agency to adopt a plan to further integrate field staff into the Commission's overall racetrack enforcement plan

Agency Response: The agency agreed with this recommendation.

Recommendation 2.1: Require the Commission to license only those individuals who can affect pari-mutuel racing.

Agency Response: The agency agreed with this recommendation.

Recommendation 2.2: Require the Commission to obtain criminal history reports every three years.

Agency Response: The agency agreed with this recommendation.

Recommendation 2.3: The Commission should develop a faster method of obtaining criminal history reports.

Agency Response: The agency agreed with this recommendation.

Recommendation 2.4: The Commission should develop processes for overseeing practical exams.

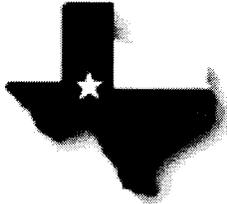
Agency Response: The agency agreed with this recommendation.

Recommendation 2.5: The Commission should ensure that licensee oversight is consistent from racetrack to racetrack.

Agency Response: The agency agreed with this recommendation.

Recommendation 3.1: Continue the Texas Racing Commission for six years.

Agency Response: The agency agreed with this recommendation.



TXRC LEGISLATIVE PROPOSAL #1

Provide Additional Oversight of Stewards' and Judges' Decisions

Recommendation: Modify §3.07 of the Texas Racing Act (Act) to provide the Executive Director the authority to review decisions of the stewards and judges and modify those decisions by either reducing or enhancing the penalty. Additionally, the modification would establish a higher range of penalty authority for the Executive Director.

Sec. 3.07. Officials of race meetings.

(a) (No change.)

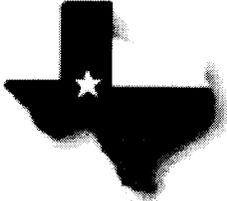
(b) The commission shall make rules specifying the authority and the duties of each official, including the power of stewards or judges to impose penalties for unethical practices or violations of racing rules. A penalty imposed by the stewards or judges may include a fine of not more than \$5,000, a suspension for not more than one year, or both a fine and suspension. Before imposing a penalty under this subsection, the stewards and judges shall conduct a hearing that is consistent with constitutional due process. A hearing conducted by a steward or judge under this subsection is not subject to Chapter 2001, Government Code. Before a decision of the stewards and judges becomes final, it is subject to review by the executive director, who may modify the penalty. A penalty modified by the executive director under this section may include a fine of not more than \$10,000, a suspension for not more than two years, or both a fine and suspension. If, in the opinion of the stewards or judges, the allowable penalties are not sufficient, the stewards or judges may refer the case to the commission for further action.

(c) – (g) (No change.)

Background: §3.07(b) of the Texas Racing Act (Act) authorizes the stewards and judges to refer a case to the commission for further action if, in the opinion of the stewards and judges, the allowable penalties are insufficient to address the severity of the violation. However, this provision contradicts §3.08(a)'s requirement that appeals to the commission be subject to the Administrative Procedures Act, which requires a hearing before the State Office of Administrative Hearings. The Act also provides no mechanism for the Executive Director to review and modify an inappropriate penalty before it becomes final.

Affected Sections of The Texas Racing Act:

- Article 3. Powers and Duties of Commission
 - Sec.3.07. Officials of race meetings.



TXRC LEGISLATIVE PROPOSAL #2

Definition of *Performance*

Recommendation: Modify the definition of “Performance” within §1.03 of the Texas Racing Act to read as follows:

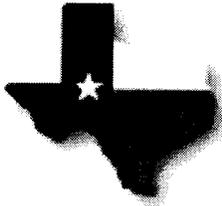
(52) “Performance” means the consecutive running of ~~not more than 13~~ greyhound races a specified number of greyhound races to be determined by the Commission.

Overview: The current definition limits a performance to not exceed 13 greyhound races. This definition was written at a time when there were kennel owners with enough greyhounds to supply a racetrack with the number of race animals needed to run two performances with 13 races on a single race day. However, this is not the case anymore.

This change would allow the Racing Commission to determine how many consecutive greyhound races should constitute a “performance”. The Commission would seek input from both the racetracks and the greyhound industry on the availability of greyhounds when making the determination of how many consecutive races should constitute a performance.

Affected Sections of The Texas Racing Act:

- Article 1. General Provisions
 - Sec.1.03. Definitions
 - (52) “Performance”



TXRC LEGISLATIVE PROPOSAL #3

TXRC Method of Finance Options

Overview: The Texas Racing Act §3.09(b) requires the Commission to deposit the money it collects from pari-mutuel racing fees and wagering revenue in a Dedicated General Revenue Fund. The Act authorizes the legislature to appropriate money from this fund for the administration and enforcement of the Act. The Act also authorizes the Legislature to appropriate/loan General Revenue Funds to the agency at a 6 ¾% interest rate. To the best of staff's knowledge no other state agency has this requirement to pay interest on money granted/loaned from the General Revenue Fund.

Relevant Sections of the Texas Racing Act:

Article 3. Powers and Duties of the Commission

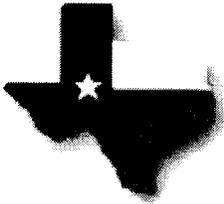
Sec. 3.09. Funding.

(a) The comptroller shall deposit the state's share of each pari-mutuel pool from horse racing and greyhound racing in the General Revenue Fund.

(b) The commission shall deposit the money it collects under this Act in the State Treasury to the credit of a special fund to be known as the Texas Racing Commission fund. The Texas Racing Commission fund may be appropriated only for the administration and enforcement of this Act. Any unappropriated money remaining in that special fund at the close of each fiscal biennium shall be transferred to the General Revenue Fund and may be appropriated for any legal purpose. The legislature may also appropriate money from the General Revenue Fund for the administration and enforcement of this Act. Any amount of general revenue appropriated for the administration and enforcement of this Act in excess of the cumulative amount deposited in the Texas Racing Commission fund shall be reimbursed from the Texas Racing Commission fund not later than one year after the date on which the general revenue funds are appropriated, with 12 percent interest per year until August 31, 1993, and 6¾ percent interest thereafter with all payments first attributable to interest.

Method of Finance - Alternative Approaches:

1. **General Revenue** – The Legislature could fund the agency's operating budget through General Revenue Funding. The agency would continue to collect industry fees to cover operational expenses.
2. **Interest Rate** – The Texas Racing Act §3.09(b) requires the TXRC to reimburse the general revenue fund for any monies that are appropriated to other agencies to administer and enforce the Act at an interest rate of 6 ¾%. The Legislature could remove this requirement from the Texas Racing Act.
3. **State's Share of Pari-Mutuel Pool - (State Wagering Tax)** – Texas Racing Act §3.09(a) requires the Comptroller to deposit the state's share of each pari-mutuel pool in the General Revenue Fund. The annual revenue generated from this source is approximately \$4 million. If the state's portion was deposited in the Racing Commission Fund, the funds would provide a reliable reserve that the agency could draw upon to assist with cash flow. The agency would return the equivalent amount of cash used upon collections from its standard revenue sources.
4. **ATM Fees** – A \$1 fee is assessed on each transaction at an ATM located at racetracks. These monies go to the General Revenue Fund per the Texas Racing Act §11.04. The annual revenue generated from this fee is approximately \$200,000. The House Licensing & Administrative Procedures Committee Report to the 81st Legislature recommends that these funds be dedicated to the TXRC.



TXRC LEGISLATIVE PROPOSAL #4

Technical Corrections

Recommendation 1: Amend §3.07(e) of the Racing Act to make it consistent with current rules and past legislative action.

Sec. 3.07. Officials of race meetings.

(a - d) (No changes.)

(e) To pay the charges associated with the medication or drug testing, an association may use the money held by the association to pay outstanding tickets and pari-mutuel vouchers. If additional amounts are needed to pay the charges, the association shall pay those additional amounts. If the amount held exceeds the amount needed to pay the charges, the association shall pay the excess to the commission in accordance with Section 11.08 of this Act rules promulgated by the commission.

(f) - (g) (No changes.)

Background: House Bill 2701, passed during the 80th Legislative Session, repealed §11.08 of the Act. Subsequently, the Commission promulgated rules to address issues related to changes to the expiration date of winning tickets and collection of revenue related to expired tickets. This technical correction removes obsolete language from the Act and restores consistency and relevance to the statute.

Affected Sections of The Texas Racing Act:

- Article 3. Powers and Duties of Commission
 - Sec.3.07. Officials of race meetings.

Recommendation 2: Amend §6.09(a) and (d) of the Racing Act to make those sections consistent with current rules, past legislative action and/or Attorney General Opinion and practice.

Sec. 6.09. Disposition of Pari-mutuel Pools at Greyhound Races.

(a) Every association authorized under this Act to conduct pari-mutuel wagering at a greyhound race meeting on races run shall distribute all sums deposited in any pari-mutuel pool to the holders of the winning tickets if those tickets are presented for payment ~~within 60 days after the closing day of the race meeting at which the pool was formed~~ in accordance with Section 11.07 of this Act, less an amount paid as a commission of 18 percent of the total deposits in pools resulting from regular win, place, and show wagering, and an amount not to exceed 21 percent of the total deposits in pools resulting from multiple two wagering and an amount not to exceed 25 percent of the total deposits in pools resulting from multiple three wagering.

(b-c)(No changes.)

(d) Fifty percent of the breakage from a live pari-mutuel pool or a simulcast pari-mutuel pool is to be paid to the commission for use ~~is to be paid to the appropriate~~ by the state greyhound breeding registry. ~~Of that portion of the breakage these funds, 25~~ 50 percent

*of that breakage is to be used in stakes races and 25 50 percent of that total breakage from a live pari-mutuel pool or a simulcast pari-mutuel pool is to be paid to the commission for the used by the state greyhound breed registry, subject to rules promulgated by the commission.
(e-f)(No changes.)*

Background: (a) Technical correction necessitated by passage of House Bill 2701, 80th Legislative Session. House Bill 2701 deleted §11.08, which stated that tickets expired 60 days after the end of a meet. Instead, §11.07 now provides that tickets expire one year after issuance. The requested change removes obsolete language and directs the reader to the appropriate and current area of the Act.

(d) Technical correction to add clarity to the Act. The change makes the Act consistent with the Commission's current practice, which developed after a 1993 Attorney General Opinion. The existing language is unclear, confusion resulting primarily from: *Fifty percent of the breakage is to be paid to the appropriate state greyhound breeding registry. **Of that portion (emphasis added)** of the breakage 25 percent of that breakage is to be used in stakes races and 25 percent of that total breakage from a live pari-mutuel pool or a simulcast pari-mutuel pool is to be paid to the commission...* Some incorrectly interpret this language to mean 25 percent of the 50 percent the Commission collects. This mistaken assumption leads to mathematical errors (25 percent of 50 is 12.5 percent). However, **of that portion** actually was intended to mean the entirety (100 percent of the 50 percent) the Commission collects. In other words, 25 percent should be calculated against the whole the Commission collects, or 100 percent of the 50 percent. When calculated correctly, against the whole collected, 25 percent no longer becomes 12.5 percent. This recommendation simplifies the language and results in clearer guidance.

Affected Sections of The Texas Racing Act:

- Article 6. Racetrack Licenses
 - Sec.6.09. Disposition of Pari-mutuel Pools at Greyhound Races.

Recommendation 3: Amend §10.05 to maintain consistency in the Act.

*Sec. 10.05. Breed Registry; Breakage Distributions.
The officially designated state greyhound breed registry for accredited Texas-bred greyhounds is the Texas Greyhound Association. The state breed registry shall adopt rules to provide for the use of breakage received by it under Section 6.09(d) of this Act. An association shall pay the breakage due the breed registry to the commission in accordance with rules promulgated by the commission. The commission shall remit these funds to the appropriate state greyhound breed registry at least every 30 days.*

Background: (a) Technical correction that would make language in §6.09 and §10.05 consistent. The requested change clarifies that associations pay the Commission the breakage due to the breed registry and that the Commission remits the funds to the breed registry.

Affected Sections of The Texas Racing Act:

- Article 10. Allocation of Racing Days - Greyhounds; Kennels
- Sec. 10.05. Breed Registry; Breakage Distributions.

**MEMORANDUM OF UNDERSTANDING
BETWEEN
THE TEXAS RACING COMMISSION
AND
THE TEXAS VETERINARY MEDICAL DIAGNOSTIC LABORATORY**

Pursuant to Texas Racing Act, §3.07(d), V.T.C.S. Art. 179e (Act), the Drug Testing Laboratory of the Texas Veterinary Medical Diagnostic Laboratory (TVMDL) is to perform drug testing services on race animals for the Texas Racing Commission (TxRC). TxRC and TVMDL enter into this Memorandum of Understanding to delineate the responsibilities of the Parties in administering TxRC's drug testing program for race animals.

**I.
DEFINITIONS**

Association – A pari-mutuel racetrack licensed by TxRC under the Act to conduct horse or greyhound racing with pari-mutuel wagering.

ELISA – Enzyme-linked immunosorbent assay.

Executive Director - the Executive Director for the TxRC or a designee of the Executive Director.

GC/MS – Gas Chromatography-Mass Spectrometry

HPLC - High Performance Liquid Chromatography

LC/MS - Liquid Chromatography-Mass Spectrometry

TLC - Thin layer chromatography.

**II.
LABORATORY COVENANTS**

TVMDL agrees to:

1. Provide sufficient security to control access to the TVMDL Drug Testing Lab and to ensure only authorized persons handle samples or gain access to TVMDL processes or to areas where records and samples are stored.
2. Supply, with Executive Director approval, all supplies for the collection and shipment of samples, including sample jars, blood tubes, seals, labels, vacutainer sleeves, collection needles, and shipping containers. TVMDL will bill the actual cost of supplies to the association at which the supplies are used. On request by the Executive Director, TVMDL shall provide documentation regarding the cost of supplies. TVMDL shall obtain Executive Director approval before changing supplies.

3. Inspect each shipment of samples on arrival at TVMDL for evidence of possible tampering. Any evidence of tampering shall be noted and reported to the Executive Director in writing.
4. Use chain-of-custody procedures to maintain control and accountability of samples at all stages of the testing process, from receipt to final disposition of the samples.
5. Provide secured, cooled storage of samples while at TVMDL.
6. Maintain and follow a Standard Operating Procedures Manual.
7. Provide TLC screening tests developed and validated through the Racing Commissioners International Quality Assurance Program, the Testing Integrity Program, Inc., TVMDL, or elsewhere on approximately 25% of the canine and equine urine samples (or on equine sera or plasma if urine was not collected). TVMDL will make every effort to ensure that this closely approximates 25% of all samples actually submitted from each racetrack throughout the year. TVMDL shall maintain records to substantiate compliance with this paragraph.
8. Perform an average of at least thirty-five ELISA tests on all equine urine samples, with an emphasis on drugs classified as Category I or II by the TxRC Equine Medication Classification. The tests will be selected from a rotating menu of at least fifty different immunoassays. The pooling of samples (not to exceed 4 samples per pool) may be used to decrease the sensitivity of therapeutic drug ELISAs or where the ELISA sensitivity is less than the limit of detection of either the GC/MS or LC/MS (not including LC/MS 3Q).
9. Except for samples containing medication requiring quantitation, perform confirmatory testing on each screened sample, whether urine, plasma or sera, where the screening test has identified that particular sample as possibly containing a foreign substance. The confirmatory test shall be gas chromatography/mass spectrometry or equivalent confirmatory procedures.
10. Provide phenylbutazone quantitation in equine sera or plasma by HPLC if phenylbutazone appears on routine urine screening procedures. Each sample containing more than 5 µg/ml shall be reported to TxRC.
11. Provide furosemide quantitation in equine sera or plasma by HPLC for the sample from each horse that received furosemide treatment, which has a urine specific gravity of 1.015 or less. Report as positive each sample in which the furosemide quantitation indicates at least 100 ng/ml of furosemide and a urine specific gravity of less than 1.010. Report as a letter of notification each sample in which the furosemide quantitation indicates at least 100 ng/ml of furosemide and a urine specific gravity of 1.010 – 1.012. Before reporting results to TxRC, the results must be confirmed by an independent laboratory.
12. Perform tests for total carbon dioxide on samples of equine sera or plasma as requested by the TxRC.

13. Perform tests for anabolic steroids in samples of equine urine by Liquid Chromatography-Mass Spectrometry (LC/MS) as requested by the TxRC.
14. Perform tests for anabolic steroids and other drugs in samples of equine sera or plasma by Liquid Chromatography-Mass Spectrometry (LC/MS) as requested by TxRC.
15. Perform tests on samples from horses that participated in graded stakes races for the substances required by the Thoroughbred Owners and Breeders Association.
16. Perform an average of at least ten ELISA tests on all canine urine samples, with an emphasis on drugs classified as Category I or II by the TxRC Greyhound Medication Classification.
17. Performance of immunoassays is contingent on the availability of approved/industry-recognized tests. If the tests are not available or become unavailable, immunoassays mutually acceptable to TxRC and TVMDL will be substituted.
18. Perform instrumental analysis LC/MS or GC/MS on 25% of the canine urine samples.
19. After testing is complete, store each sample in a secured, frozen environment (-10 degree C or less) until all legal proceedings concerning the sample are concluded.
20. Report the results of all negative tests to TxRC within 120 hours of sample receipt, if possible, by the method required by the Executive Director. Report results of the remaining tests to TxRC within three weeks of sample receipt. On request by the Executive Director, TVMDL shall make available to TxRC a copy of the analytical results of any test conducted pursuant to this Memorandum of Understanding.
21. Provide qualified professional personnel to testify in an administrative hearing or other legal proceeding involving a test performed pursuant to this Memorandum of Understanding and participate in and assist with pretrial matters in those proceedings, such as interrogatories and depositions.
22. Notify the TxRC in writing at least 30 days before implementing a change in analytical procedures for a substance classified as Category III, IV, or V in the TxRC Equine Medication Classification that makes the test for such a substance more sensitive.
23. Participate, through TxRC, in an industry-recognized quality assurance program.
24. Refrain from disclosing any information relating to a sample to any person other than one designated by TxRC to receive the information.

25. Maintain qualified staff with no financial interest in racehorses, racing greyhounds, or an association or any other conflict of interest within the racing industry. All laboratory personnel must be employees of the Texas Veterinary Medical Diagnostic Laboratory, a member of the Texas A&M University System, and at all times be subject to the rules and policies of the A&M System, as promulgated by the Board of Regents of the A&M System or the Executive Director of TVMDL.
26. Consent to background investigation conducted by the Texas Department of Public Safety, including fingerprinting, of all TVMDL staff involved in drug testing.
27. Allow access by TxRC to all records of TVMDL that pertain to drug testing services performed pursuant to this Memorandum of Understanding.
28. Make reasonable efforts to collect payment from each association and notify the Executive Director of any charges that are unpaid after 30 days of invoicing.
29. Notify the Executive Director, within 30 days of receipt, of all findings and recommendations made by the State Auditor, an internal auditor of the Texas A&M University System, or another auditor acting on behalf of or under contract with TVMDL or the Texas A&M University System regarding the fiscal operations of TVMDL or any operations of the Drug Testing Laboratory of TVMDL.

III. COMMISSION COVENANTS

TxRC agrees to:

1. Supervise the sample collection site at each association to ensure the site has the necessary personnel, supplies, equipment, facilities, and supervision to provide for the identification of animals and humans and to collect, identify, secure, store, and ship each sample to TVMDL.
2. Provide for testing approximately 3,800 equine urine and/or serum/plasma samples and approximately 6,200 canine urine samples. TxRC will make every effort to send for testing approximately 2.1 equine samples per race and 18 canine samples per full performance (up to 13 races) or 1.3 samples per race for abbreviated performances (fewer than 5 races). If the number of racing performances changes during the calendar year, the number of specimens may be adjusted accordingly, and the Executive Director will notify the Head of the Drug Testing Laboratory as soon as practicable.
3. Require each association to deliver all samples to TVMDL in a secure manner, at the association's expense, in accordance with a delivery schedule approved by TVMDL.
4. Apprise and update TVMDL of all drugs on the permitted list and all changes in medication rules, practices, or procedures.

5. Participate in and fund an industry-recognized quality assurance program.
6. No later than 90 days before the anticipated opening of a racing facility, TxRC shall notify TVMDL in writing of the anticipated race dates for the facility and anticipated number of samples.
7. Employ enforcement measures necessary to ensure that the costs incurred by TVMDL for drug testing services pursuant to this Memorandum of Understanding are promptly paid by each association.

IV. COST OF SERVICES

Except as otherwise provided by this paragraph, TVMDL agrees to charge, and TxRC approves a per-sample charge of \$86.00 for equine samples and \$36.50 for canine samples. For tests conducted pursuant to Article II, Section 12, TVMDL agrees to charge, and TxRC approves a per-sample charge of \$11.00. For tests conducted pursuant to Article II, Section 13, TVMDL agrees to charge, and TxRC approves a per-sample charge of \$26.00. For tests conducted pursuant to Article II, Section 14, TVMDL agrees to charge, and TxRC approves a per-sample charge of \$15.00. For tests conducted pursuant to Article II, Section 15, TVMDL agrees to charge, and TxRC approves a per-sample charge of \$300.00.

Pursuant to the Act, §3.07, the associations are responsible for payment of these charges.

V. EXECUTION

The Parties agree to use due diligence in the exercise of their responsibilities as outlined in this Memorandum of Understanding. The term of this Memorandum of Understanding is commission approval to August 31, 2011. To ensure the continuity of the drug testing program in pari-mutuel racing, all terms of this Memorandum of Understanding continue in effect until a new Memorandum of Understanding is executed. If either Party determines that events have changed and significantly affect a material term of the Memorandum of Understanding, including but not limited to, the closing of a race track or a significant increase in the cost of drug-testing supplies, the Parties may renegotiate the terms of this Memorandum of Understanding.

For the faithful performance of this agreement, this agreement is executed by the undersigned persons in their capacities described below. This agreement takes effect on the date of approval by the commissioners of the Texas Racing Commission.

This agreement will be re-evaluated in the event the Commission requires accreditation of TVMDL by an external body other than the American Association of Veterinary Laboratory Diagnosticians (AAVLD).

TEXAS RACING COMMISSION

TEXAS VETERINARY MEDICAL
DIAGNOSTIC LABORATORY

Charla Ann King
Executive Director

Tammy R. Beckham, DVM, PhD
Director or Designee

Approved as to form:

Mark Fenner
TxRC General Counsel

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TEXAS RACING
COMMISSION

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P. O. Box 47535
San Antonio, TX 78265-7535
210-651-7120 Fax 210-651-7097

August 19, 2010

Mr. Mark Fenner
Texas Racing Commission
PO Box 12080
Austin, TX 78711-2080

Dear Mark:

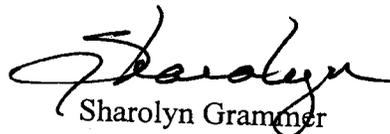
Enclosed are the documents required for transfer of GTECH Corporation's 308 ownership interests/units in Retama Partners Ltd.

- GTECH Corporation to:
 - Lynda G. McCombs 102 interests/units (2.5398% ownership)
 - Connie M. McNab 103 interests/units (2.5647% ownership)
 - Marsha M. Shields 103 interests/units (2.5647% ownership)

The effective date of this transfer is June 3, 2010.

A check for \$1,800.00 is enclosed to cover the transfer/investigation fees. Please let me know if you need any further information for approval of this transfer by the Texas Racing Commission. Thanks for your help.

Sincerely,


Sharolyn Grammer

Enclosures

IV.A.1



TEXAS RACING COMMISSION
P. O. Box 12080
Austin, TX 78711-2080
(512) 833-6699
Fax (512) 833-6907

October 12, 2010

To: Charla Ann King
Executive Director

From:  Michael Gougler
Director of Investigation

RE: Ownership Changes Retama Partners Ltd.

On August 23, 2010, the Commission received a written request for transfer of GTECH Corporation's 308 ownership interests/units in Retama Partners Ltd.

GTECH Corporation to:

- Lynda G. McCombs 102 interests/units (2.5398% ownership)
- Connie M. McNab 103 interests/units (2.5647% ownership)
- Marsha M. Shields 103 interests/units (2.5647% ownership)

Background information forms for the applicant were forwarded to the Department of Public Safety's Bureau of Information Analysis for investigation.

On September 30, 2010, the Commission received a written report from DPS advising that there was no disqualifying information revealed by the investigation.

Staff recommends that the ownership transfer be approved.



LONE STAR PARK

at Grand Prairie

A MAGNA ENTERTAINMENT VENUE

Our Mission:

Create Winning Experiences.

2010 SEP 27 PM 2:30

RECEIVED
TEXAS RACING
COMMISSION

September 23, 2010

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

Via Facsimile and US Mail

Dear Charla Ann:

Lone Star Park at Grand Prairie requests the following item be added to the next Texas Racing Commission Meeting agenda:

- Consideration and approval of the amended Totalisator agreement with AmTote (confidential agreement enclosed)

If you have any questions regarding this matter please feel free to call me at (972) 237-1112. Thank you for your consideration in this matter.

Sincerely,

Drew Shubeck
Vice President & General Manager

DS/sa

Enclosure

HOST SITE OF THE
2004 BREEDERS' CUP
WORLD THOROUGHBRED CHAMPIONSHIPS

1000 Lone Star Parkway
Grand Prairie, Texas 75050
(972) 263-7223
lonestarpark.com

IV.B.1



Memorandum

Date: October 26, 2010

To: Mark Fenner, General Counsel

From:  Sammy Jackson, Deputy Director for Wagering & Racing Review

RE: Totalisator Contract between AmTote International, Inc. and Lone Star Park at Grand Prairie

Attached to this memorandum is an amendment to the tote contract between Lone Star Park and AmTote International, Inc. that has been requested to be placed on the November 16, 2010 Commission Agenda for consideration. The amendment submitted for consideration would continue services as outlined within the contract approved by the Commission on April 20, 2010 with minor changes to sections regarding fees and equipment. The Division of Wagering & Racing Review has completed a review of the contract approved by the Commission in April 2010 and the amendment attached to this memorandum that has been submitted for consideration. The Division's staff finds all documents to be in compliance with the Texas Racing Act and the Texas Rules of Racing.

If you have any questions, please feel free to contact Carol Olewin or me.

Cc: Carol Olewin, Compliance Audit Administrator

TEXAS RACING
COMMISSION

MEC

2010 JAN 29 PM 1:45

Magna Entertainment Corp.

455 Magna Drive, 2nd floor
Aurora, Ontario,
Canada L4G 7A9
Tel (905) 726-7493
Fax (905) 726-2585

January 26, 2010

Charla Ann King
Executive Secretary
Texas Racing Commission
8505 Cross Park Drive
Suite 110
Austin, Texas 78754

**RE: Request For Approval to Transfer a Pecuniary Interest in the License of MEC
Lone Star, L.P.**

Dear Ms. King

This letter formally requests the approval of the Texas Racing Commission for the proposed transfer of all of the pecuniary interests in the racetrack license held by MEC Lone Star, L.P. The proposed transferee is Global Gaming LSP, LLC. The terms and conditions of this proposed transfer are set forth in the enclosed Asset Purchase Agreement and the amendment thereto. Also enclosed is a check made payable to the Texas Racing Commission in the amount of \$75,000.00 which is being paid pursuant to the provisions of Rule §309.11(2) of the Texas Administrative Code.

If you have any questions of us regarding this request, please direct them to Gregg Scoggins on 804 752 2014 or Drew Shubeck on 972 237 1112. We understand that representatives of Global Gaming LSP, LLC already have contacted your office in connection with this proposed transfer.

Thank you for your attention to this matter.

Very Truly Yours,



Blake Tohana
EVP and CFO

Enclosures

cc: Mark Fenner, Esquire
Drew Shubeck
Gregg Scoggins, Esquire
Brian Rosen, Esquire
John Elliott, Global Gaming LSP

IV.C.1



TEXAS RACING COMMISSION
8505 Cross Park Dr. #110
Austin, Texas 78711
512-833-6699
512-833-6907 FAX

To: Texas Racing Commissioners
From: Charla Ann King, Executive Director
Date: November 5, 2010
Subject: Staff Review of Proposed Change of Ownership in Lone Star Park

On January 26, 2010, Magna Entertainment Corp. (MEC) submitted a request (Appendix A) for approval to change the ownership of Lone Star Park from MEC Lone Star LP (LSP) to Global Gaming LSP, LLC (Global Gaming LSP, the "Applicant"). On March 31, 2010, Global Gaming LSP submitted its application and the Texas Department of Public Safety background disclosure forms for review.

On September 10, 2010, Global Gaming LSP notified the Commission of changes it had made to its application. These changes affect the applicant's Voting Agreement, the Management Services Agreement, the Company Agreement, and the Management Chart. To accomplish these changes, Global Gaming LSP submitted the following documents:

- A Termination Agreement rescinding the Voting Agreement and the Management Services Agreement (Appendix D);
- A Second Amended and Restated Company Agreement of Global Gaming LSP, LLC (the "Company Agreement") (Appendix E); and
- A revised Management Chart (Appendix G).

Commission staff has reviewed the application for the proposed change of ownership of Lone Star Park. Listed below is a summary of those findings.

STANDARDS FOR CHANGE OF OWNERSHIP OF A RACETRACK LICENSE

The Texas Racing Act ("Act") governs the issuance of racetrack licenses. Each transaction that involves an acquisition or transfer of pecuniary interest in an association must receive approval from the Commission. A transaction that changes the ownership of an association requires the submission of the following types of information: identification of the proposed owners and ownership structure; the exact location at which a race meeting is to be conducted; whether the facility is leased or owned; identification of any other beneficial owner of shares that bear voting rights; a detailed statement of assets and liabilities of the applicant; the kind of racing to be conducted and the dates requested; proof of residency; copies of the totalisator, management, and concession contracts; and any other information required by the Commission.

Bankruptcy and Sale of Lone Star Park

On March 5, 2009, MEC filed for bankruptcy protection under Chapter 11 in the U.S. Bankruptcy Court in the District of Delaware. MEC is the parent corporation of both MEC Texas Racing Inc. and Racetrack Holdings, Inc., the parent partners of LSP. LSP is the license holder for the Class 1 horse racetrack located in Grand Prairie, Texas. On September 14, 2009, MEC placed Lone Star Park into bankruptcy as part of its overall filing. See Appendix B, Page B-1, for a diagram of the current business structure.

On October 14, 2009, Lone Star Park was sold at auction to Global Gaming LSP, LLC, for a \$27 million bid. However, a committee of MEC's creditors requested that the auction be reopened, which the bankruptcy court approved on October 21, 2009. The reopened auction was held on October 24, 2009, at which Global Gaming LSP submitted a new winning bid of \$47.8 million. This sale was approved by the bankruptcy court on October 28, 2009, subject to the subsequent approval of the Texas Racing Commission. On April 30, 2010, the U.S. Bankruptcy Court approved MEC's plan of reorganization, which also contemplates the sale of Lone Star Park to Global Gaming LSP. The Asset Purchase Agreement between LSP and Global Gaming LSP provides that either party has the option to terminate the agreement if it is not consummated by October 15, 2010. Although this date has now passed,

neither party has of yet elected to terminate the agreement. If the agreement were terminated, MEC would return to bankruptcy court and renew its attempt to find a suitable buyer for LSP.

The proposed transaction allows Global Gaming LSP to acquire the license free and clear of all liens, claims, and encumbrances. To accomplish this, MEC Lone Star LP has created a wholly-owned subsidiary, Lone Star License, LLC ("License Co."). License Co. is a Texas limited liability company with LSP as the sole member and manager. See Appendix B, Page B-2, and Appendix C. If the overall transaction is approved by the Commission, LSP will contribute its Class 1 horse racetrack license to License Co. Global Gaming LSP will then acquire License Co., with the racing license, from LSP. This will allow Global Gaming LSP to acquire the racing license from MEC Lone Star LP without purchasing the equity of MEC Lone Star LP itself. Global Gaming LSP will also acquire LSP's leasehold interest in the facilities of Lone Star Park. See Appendix B, Page B-3.

LSP has no unpaid secured creditors and there are no adversarial proceedings in the bankruptcy court related to Lone Star Park's bankruptcy. Of the \$47.8 million purchase price, the first \$20 million of the net proceeds shall be transferred by LSP to the unsecured creditors' committee for the benefit of all of Magna Entertainment Corporation's unsecured creditors. The remaining amount shall be distributed to Magna's parent company, MI Developments, Inc.

Ownership Requirements

Section 6.06(c) of the Texas Racing Act (TRA, or the "Act") provides that "[a] license for operation of a class 1 . . . racetrack . . . may not be issued to a corporation unless the corporation is incorporated under the laws of this state and a majority of the stock, if any, of the corporation is owned at all times by individuals who meet the residency qualifications prescribed by this section for individual applicants."

Section 6.06(d) provides, in part, that "[t]he majority ownership of a partnership, firm, or association applying for or holding a license must be held by citizens who meet the residency qualifications enumerated in this section for individual applicants."

The residency qualifications for individuals are set out in TRA § 6.06(a)(12), which provides that the Commission may refuse to issue a racetrack license or may revoke or suspend a license if, after notice and hearing, it has reasonable grounds to believe and finds that the applicant has not been a United States citizen residing in the state for the period of 10 consecutive years immediately preceding the filing of the application. These ownership requirements have not applied in recent years to Lone Star Park because of TRA § 6.06(i), which provides: “[s]ubsections (a)(12), (c), and (d) of this section do not apply to an applicant for or the holder of a racetrack license if the applicant, the license holder, or the license holder’s parent company is a publicly traded company.” The parent company of Lone Star Park has been Magna Entertainment Corp., a publicly traded company.

Proposed Ownership

The proposed buyer of Lone Star Park is Global Gaming LSP, LLC, a Texas limited liability company. Global Gaming LSP was formed on July 29, 2009, as a for-profit business authorized to engage in any lawful activity. Global Gaming LSP has two members, LSP Texas Partners, LLC (Texas Partners), and Global Gaming Solutions, LLC (Global Gaming). The initial contributions and ownership interests in Global Gaming LSP are:

<u>Member</u>	<u>Ownership in</u> <u>Global Gaming LSP</u>	<u>Initial Contribution</u>
Texas Partners	51%	\$510.00
Global Gaming	49%	\$490.00

Texas Partners is a Texas limited liability company that was formed on March 26, 2010. Texas Partners was formed as a for-profit business for the sole limited purpose of owning an interest in Global Gaming LSP. The initial contributions and ownership interests in Texas Partners are:

<u>Member</u>	<u>Ownership in Texas Partners</u>	<u>Initial Contribution</u>
Ricky Knox	49.02%	\$250.00
Steve Mostyn	29.41%	\$150.00
Phillip Adams	21.57%	\$110.00

Global Gaming holds 49% of the equity interest in Global Gaming LSP and will provide advisory and other services to LSP under the Company Agreement. Global Gaming is a Delaware limited liability company that was formed on October 22, 2007, as a for-profit business authorized to engage in any lawful activity. According to its website, Global Gaming's business focus includes the:

- Pursuit of gaming and related opportunities in emerging jurisdictions that are introducing gaming or racinos in the United States and overseas;
- Acquisition of regional gaming and entertainment assets; and
- Working with Native American tribes on development, financing and management aspects of casino operations.

Similarly to the proposed purchase of Lone Star Park, Global Gaming recently acquired and now operates Remington Park in Oklahoma City, Oklahoma, through its wholly owned subsidiary, Global Gaming RP, LLC. This purchase was approved by the Oklahoma Horse Racing Commission in December 2009. Remington Park conducts both live and simulcast racing and has a casino with 750 electronic games.

The ownership interests in Global Gaming are 100% held by the Chickasaw Nation Division of Commerce. The Chickasaw Nation is a sovereign federally recognized Indian tribe based in Oklahoma which made an initial capital contribution to Global Gaming of \$10 million. The Directors and Officers of Global Gaming are:

<u>Member</u>	<u>Position</u>
Bill Lance	Director and Chairman
Matthew Morgan	Director
John Elliott	Officer and CEO
Esin M. (Michael) Chang	Officer
Gregory Pittman	Officer

Management of Global Gaming LSP

Global Gaming LSP will be managed by its two Members, Texas Partners and Global Gaming. The Company Agreement provides that most decisions will be made or approved by Texas Partners. See Appendix E, Page E-20. In summary, these decisions include:

- a) entering into contracts;
- b) opening and maintaining bank and investments accounts;
- c) maintaining company assets;
- d) collecting amounts due;
- e) paying debts;
- f) buying and selling of company assets;
- g) borrowing money or extending credit;
- h) supervising lawyers, accountants, and other advisers and consultants;
- i) obtaining insurance;
- j) entering into franchising, licensing and other contractual arrangements for the development and use of company property; and
- k) other powers as provided in the Texas Business Organizations Code.

The Company Agreement also provides that certain "Major Decisions" must be approved by at least two-thirds (2/3) of the ownership interests, and cannot be delegated to a committee. Since there are only two Members in Global Gaming LSP,

Texas Partners and Global Gaming, Major Decisions must be unanimously approved in order to achieve a two-thirds vote.¹ Broadly summarized, Major Decisions, see Appendix E, Page E-7, include:

- a) the sale of Lone Star Park or its material assets;
- b) any merger, reorganization, or conversion of Lone Star Park;
- c) entering into contracts over \$100,000;
- d) refinancing or entering into new debt agreements;
- e) any filings with the Commission or changes to the Class 1 license;
- f) the approval of the annual plan and budget;
- g) transfers of most ownership interests;
- h) changes to the membership of the Management Committee; and
- i) any decision to file for bankruptcy.

The Company Agreement also creates a Management Committee composed of Ricky Knox, Steve Mostyn, Phillip Adams, John Elliott, and Michael Chang. The Management Committee will be responsible for hiring and discharging the President and General Manager, who will report directly to the Management Committee. The Management Committee will also monitor and supervise the performance of Global Gaming, which will provide advisory services and perform other duties for Lone Star Park. See Appendix E, Page E-21.

A copy of the Management Chart provided by the applicant is included in Appendix G.

Management Team

The proposed management team at Lone Star Park will be:

Drew Shubeck	President and General Manager
G.W. Hail, Jr.	Vice-President
Paula Newman	Vice-President

¹ Global Gaming LSP's original application included a Voting Agreement that required Texas Partners, with certain exceptions, to vote with Global Gaming on major decisions. The Voting Agreement was to expire after 15 years or upon repayment by Global Gaming LSP of all of the capital contributions made by Global Gaming, whichever was later. However, the Members of Global Gaming LSP subsequently cancelled the Voting Agreement on September 10, 2010.

Drew Shubeck, G.W. Hail, Jr., and Paula Newman are licensed by the Texas Racing Commission as Association Management Staff and are currently employed by Lone Star Park in their proposed positions.

Under the applicant's Company Agreement, the President and General Manager will be hired by and report directly to Global Gaming LSP's Management Committee. Other members of Lone Star Park's staff will be employed at will by Global Gaming LSP, but will be hired and trained by Global Gaming.

Delegated Duties and Advisory Services

The Company Agreement provides that Global Gaming LSP delegates to Global Gaming the primary responsibility for providing advisory services and performing other duties for Lone Star Park.²

The officers of Global Gaming are:

John Douglas Elliott	Chief Executive Officer
Esin M. (Michael) Chang	Senior Vice-President
Gregory Pittman	Vice-President

John Elliott is employed as the Chief Financial Officer of the Chickasaw Nation Division of Commerce. Michael Chang is employed by the Chickasaw Nation Division of Commerce as a Senior Vice-President, Commercial Markets. Gregory Pittman is employed by the Chickasaw Nation Division of Commerce as a Vice President for Development Projects. Mr. Elliott, Mr. Chang, and Mr. Pittman are each currently licensed by the Oklahoma Horse Racing Commission as Key Executives of Remington Park.

² The previous management contract called for Global Gaming to provide management services. Under the previous Company Agreement, performance of those services was to be monitored by a management committee of Ricky Knox, Steve Mostyn, Phillip Adams, John Elliott, and Michael Chang. Drew Shubeck, the current President and General Manager of Lone Star Park, was to manage the day-to-day operations of the track and report directly to the committee.

Global Gaming will provide advice to Lone Star Park's management team concerning:

- a) the operating policy, standards of operations, quality of service, and facilities maintenance;
- b) all phases of advertising, sales, and business promotions; and
- c) all programs contemplated by the Annual Plan.

Global Gaming will perform or secure the following services for Lone Star Park:

- a) preparation of a "grand opening" marketing plan;
- b) coordination of inventory purchases;
- c) establishment of operating policies and procedures, safety and security systems, data processing requirements, accounting and internal control systems, preventive maintenance programs, risk management policies and procedures;
- d) hiring and training of staff;
- e) obtaining fire and safety services;
- f) engaging Project Architects for any new or renovated facilities;
- g) purchasing supplies and purchasing or leasing equipment;
- h) establishment of the criteria for any new or renovated facilities;
- i) advising the Project Architects regarding the design of any new or renovated facilities; and
- j) determining the operational and functional requirements of any new or renovated facilities.

Global Gaming may, but is not required to, advance funds to pay the expenses set out in the Company's Annual Operating Budget. Subject to the oversight of the Management Committee, Global Gaming is also authorized to enter into contracts for the operation of Lone Star Park. Contracts for amounts of over \$100,000 must be approved in writing by the Management Committee.

After consultation with Lone Star Park's President and General Manager, Global Gaming shall annually propose to the Management Committee an annual plan consisting of:

- a) an annual marketing plan;
- b) an annual line item operating budget;
- c) an annual estimate of key operating statistics;
- d) an annual projection of sources and uses of cash by month;
- e) an annual capital expenditures budget; and
- f) an annual estimate of cash reserves.

For these services, Global Gaming LSP will compensate Global Gaming through a Base Fee, an Incentive Fee, Reimbursables, and a Bonus. See Appendix E, Page E-28.

- a) The Base Fee is equal to 10% of Lone Star Park's Earnings Before Interest, Taxes, Depreciation, and Amortization (EBIDTA), and is only due once Lone Star Park has earned EBIDTA of at least \$6 million during a fiscal year.
- b) The Incentive Fee is equal to the greater of 10% of Lone Star Park's EBIDTA or the amount of positive Net Cash Flow, if any, remaining after payment of required Tax Distributions, Debt Service, the Minimum Distribution, and any Lender Fees. Like the Base Fee, the Incentive Fee is only due once Lone Star Park has earned EBIDTA of at least \$6 million during a fiscal year.
- c) Reimbursables include all reasonable and documented out-of-pocket developmental, legal, licensure, tax preparation, accounting, and administrative fees and other out-of-pocket expenses incurred by Global Gaming in the performance of its services.
- d) If Global Gaming LSP sells Lone Star Park, Global Gaming shall be entitled to a Bonus equal to the greater of 50% of the Capital Proceeds or three times the annual average of the Base and Incentive Fees for the previous three years. Capital Proceeds means the excess of all net proceeds from Lone Star Park's sale over the sum of all of Lone Star

Park's outstanding liabilities, including all principal and interest owed on any financing.

Applicant's Assets, Liabilities, and Anticipated Funding

Global Gaming LSP has total current assets and liabilities of \$3 million. The liabilities are in the form of a \$3 million loan from Global Gaming to Global Gaming LSP. The promissory note has a 12-year term with monthly interest payments at 0.67%; the entire balance is due to Global Gaming at maturity in 2021. An amount of \$300,000 is held as cash or cash equivalents, and \$2.7 million is held as restricted cash. The restricted cash may only be used for the purchase of Lone Star Park.

If the change of ownership is approved by the Commission, Global Gaming LSP will fund the \$47.8 million proposed purchase and operation of Lone Star Park through a term loan of \$50 million and a \$5 million line of credit from Global Gaming. The loan's repayment terms allow Global Gaming LSP to pay Global Gaming semi-annual interest payments of interest only. These interest-only payments will continue until Global Gaming LSP achieves positive cash flow, at which time Global Gaming LSP must begin making monthly payments of both principal and interest based on a 12 year amortization schedule. The loan has an outside repayment date of December 31, 2040.

Global Gaming LSP states that these sources of funding will allow it to ensure that \$600,000 of working capital is available during the first six weeks of operations to cover the expenses of officials, drug testing, and purses.

As described later in this report, Global Gaming LSP's financial projections forecast that Lone Star Park will lose \$52.95 million from operations from 2011 through 2015, and that Global Gaming LSP will have to secure an additional \$42 million in equity over those years in order to finance Lone Star Park's continued operations. Global Gaming LSP's application does not commit to providing that additional funding, but its Company Agreement does identify two possible sources of funds. The Company Agreement provides that if the company does not have sufficient cash to pay its

obligations, either Global Gaming or Texas Partners may advance the funds to Global Gaming LSP and the advance will be treated as a loan. The Company Agreement also provides that Global Gaming LSP may secure additional financing from either a related lender, such as Global Gaming or Texas Partners, or from any third party lender.

Applicant's Proposed Allocation of Losses and Distribution of Income

Under the Global Gaming LSP's Company Agreement, it appears for tax purposes, all losses shall be allocated to the Members, Texas Partners and Global Gaming. Losses shall be first allocated proportionately among the Members with positive Capital Accounts, meaning those members who made have contributions of cash, property, or services. During any period in which financing is provided by a related lender, any loss shall be allocated 100% to Global Gaming until the allocated loss is equal to the principal amount of debt owed to the related lender. Subsequent allocations of losses shall be made in proportion to the Members' ownership interests.

In summary, all distributions from positive net cash flow shall be in the following order:

- a) first, to the Members in an amount equal to any tax distributions;
- b) next, any debt service payments to any related lender;
- c) next, to the extent of positive net cash flow, a proportionate share to all the Members in an amount sufficient for Texas Partners to receive 20% of positive net cash flow;
- d) next, to the extent of positive cash flow, the payment of all fees, and
- e) thereafter, to the Members in accordance with their ownership interests.

Location

Lone Star Park at Grand Prairie is an existing Class 1 horse racetrack located at 1000 Lone Star Parkway, Grand Prairie, Texas. The land and facilities of Lone Star Park are owned by the Grand Prairie Sports Facilities Development Corporation, Inc., and are leased to the license holder under the terms of an agreement dated October

23, 2002, and amended in 2007. If the Commission approves the ownership change, the buyer will assume all rights and responsibilities under the lease.

There are no residential areas within ½ mile of the site. Nearby businesses include the Verizon Theatre (formerly Nokia Theatre); Quick Trip Park, a minor league baseball stadium; Pollock Paper and Packaging; and Alliance Skate Park of Grand Prairie.

Totalisator and Concessions Contracts

The applicant proposes to use Lone Star Park's current totalisator provider, AmTote International, Inc., for totalisator services, and intends to continue operating under the already-approved contract. A copy of the confidential totalisator contract has been provided to the Commissioners separately.

The applicant proposes to use Lone Star Park's current concessions company, MEC Texas Concessions, LLC, and intends to continue operating under the already-approved contract. As part of the overall transaction, MEC Texas Concessions, LLC, will become wholly owned by Global Gaming LSP. A copy of the confidential concessions contract has been provided to the Commissioners separately.

Department of Public Safety Investigation

The Department of Public Safety has conducted complete personal, financial, and business background checks of Global Gaming LSP, including the individuals who constitute the principals of LSP Texas Partners, LLC, and Global Gaming Solutions, LLC. Copies of these confidential reports have been provided to the Commissioners separately.

ADDITIONAL INFORMATION

Condition of Facility

Recent inspections and reviews by agency staff show that Lone Star Park has been well maintained and is in good repair. There are no outstanding facilities issues requiring attention.

Although the applicant did not make commit to providing the described capital improvements, it contemplates making the following changes to the existing simulcasting pavilion:

- A new entrance with an enlarged lobby and a covered valet area;
- Expanded VIP simulcast suites; and
- Replacement of existing tabletop televisions with LCD panel televisions.

Renderings of the proposed improvements are attached as Appendix F. The applicant also states that it is contemplating improvements to the barn area, such as remodeling the restrooms and dormitories and adding additional steel siding to the barns to protect the tack rooms.

The applicant estimates the cost of these improvements to be \$1.7 million during 2010 and 2011. Under the terms of Lone Star Park's lease with the Grand Prairie Sports Facilities Development Corporation, Inc. (GPSDC), GPSDC may voluntarily contribute one-half of the cost. However, Global Gaming LSP will not submit a formal request to GPSDC's board of directors unless and until the Commission approves the requested change of ownership.

Exemptions

On April 30, 1999, the Commission granted Lone Star Park a temporary exemption from the application of Commission Rule 309.183(b), relating to Living Quarters for Employees. The exemption allowed LSP to provide trailers in lieu of permanent structures as dorm rooms for grooms. Originally granted until December 31, 1999, the exemption was later extended through 2002. Since LSP subsequently completed construction of its dorm rooms, LSP did not request any further extensions and the exemption lapsed. The Commission has not granted any other exemptions relating to Lone Star Park's facilities, and the applicant has not requested any exemptions.

Race Dates

Lone Star Park's current race calendar includes the following meets:

- a Quarter Horse meet of 29 days, beginning on September 17, 2010, and ending on November 13, 2010;
- a Thoroughbred meet of 52 days, beginning on April 14, 2011, and ending on July 10, 2011;
- a Quarter Horse meet of 26 days, beginning on September 16, 2011, and ending on November 12, 2011; and
- a Thoroughbred meet of 60 days, starting on April 12, 2012, and ending on July 22, 2012.

Simulcasting

The applicant intends to maintain Lone Star Park's current schedule of simulcasting 363 days per year, with no simulcasting on Christmas Eve or Christmas Day.

Marketing

The applicant intends to implement a two-tiered Strategic Marketing Plan utilizing a "Big Event" and "Secondary Event" promotional plan to highlight attendance during the Spring Thoroughbred meet. The applicant also plans to maintain Lone Star Park's "Lone Star Music" series in the Spring of 2011 and book additional acts for the Fall meet.

Financial and Pari-Mutuel Analysis

Staff's review of the applicant's financial and pari-mutuel projections found the following:

Admissions

Live Racing – The applicant conservatively forecasts 258,000 in attendance over 86 live race days during 2011, resulting in an average daily attendance of 3,000 patrons per live racing day. The applicant projects a minimal decline in attendance during each of the following three years, and then a leveling off to

2,850 patrons per day in 2015, while the number of live race days remains constant.

Simulcasting – The applicant forecasts 243,210 in attendance over 363 simulcast race days during 2011, resulting in an average daily attendance of 670 patrons. The applicant projects a minimal decline in attendance during each of the following three years, and then a leveling off to 640 patrons per day in 2015, while the number of simulcast race days remains constant.

The estimates for both live race days and simulcast days appear to be reasonable when comparing the projected attendance to actual average attendance at Texas racetracks over the past five years. While the 2011 estimate of 258,000 attendees at live race events is conservative in comparison to 2009's actual live attendance of 525,400, it is reasonable in light of the recent downward trend in attendance. Staff further tested the estimates by analyzing the ratio of estimated average attendance to the population of the metropolitan geographical area. The analysis showed that the ratios resulting from the applicant's proposed attendance projections were consistent with those experienced by other horse racetracks in the state.

Per Capita Wagering

The pari-mutuel per capita wagering forecast estimates the average daily amount wagered by an onsite patron. According to the applicant's forecasted statement of operations, approximately 71% of the association's gross revenue will be dependant upon these wagers.

Live Per Capita Wagering – The applicant forecasts \$66.18 in live per capita wagers over 86 live race days during 2011. The applicant projects a minimal decline in per capita wagers during each of the following three years, and then leveling off to \$62.09 in 2015.

Simulcast Same-Species Per Capita Wagering – The applicant forecasts \$212.53 in simulcast same-species per capita wagers over 363 simulcast race

days during 2011. The applicant projects a minimal decline in per capita wagers during each of the following three years, and then leveling off to \$197.14 in 2015.

Simulcast Cross-Species Per Capita Wagering – The applicant forecasts \$5.57 in simulcast cross-species per capita wagers over 363 simulcast race days during 2011. The applicant projects a minimal decline in per capita wagers during each of the following three years, and then leveling off to \$5.17 in 2015.

Total On-Track Per Capita Wagering – Combining the applicant's three per capita wagering projections establishes a total on-track per capita wagering amount of \$252.17 in 2011, with a decline to \$234.19 by 2015.

The applicant's estimates appear to be reasonable when comparing the projected per capita wagering amounts to actual average amounts wagered at Texas racetracks over the past five years. Staff further tested the estimates by analyzing the ratio of estimated average attendance to the population of the metropolitan geographical area. The analysis showed that the ratios resulting from the applicant's proposed attendance projections were consistent with those experienced by other horse racetracks in the state, and are almost identical to ratios calculated using actual on-track per capita wagering data from Lone Star Park over the past five years.

Pari-Mutuel Handle

The pari-mutuel handle forecast is a result of multiplying the admissions forecast by the per capita wagering forecast. It is important because the handle determines a majority of a racetrack's income and expenses.

Live On-Track Handle – The applicant estimates that its average daily live on-track handle will decrease by 10.9% during its first five years, from \$198,525 for 86 days of live racing in 2011 to \$176,969 for the same number of days in 2015.

Live Export Handle – The applicant estimates that its average daily live export handle will decrease by 10.9% during its first five years, from \$666,130 for the 86 days of live racing in 2011 to \$593,801 for the same number of days in 2015.

Simulcast Same-Species Handle – The applicant estimates that its average daily simulcast same-species handle will decrease by 12.7% during its first five years, from \$293,455 for each of its 363 simulcast race days in 2011 to \$256,282 for the same number of days in 2015.

Simulcast Cross-Species Handle – The applicant estimates that its average daily simulcast same-species handle will decrease by 11.6% during its first five years, from \$7,692 for each of its 363 simulcast race days in 2011 to \$6,796 for the same number of days in 2015.

Staff compared each of the applicant's pari-mutuel handle projections to actual data from the state's other horse racetracks over the past five years and found that the projections are reasonable.

Income

The income forecast provided by the applicant includes:

- Pari-Mutuel = 71.4%
- Food & Beverage = 19.2%
- Parking & Admissions = 5.5%
- Other = 3.9%

The applicant provided reasonable projections of income during each of the five years of the forecast. For example, the applicant estimates that its annual income from live on-track wagering would decrease from \$3,578,900 in 2011 to \$3,214,300 in 2015. These estimates are derived from the projected pari-mutuel handles described above. Similarly, the applicant's combined

projections of income from live export wagering, same-species wagering, and cross-species wagering, total \$24,623,300 in 2011, and decline to a combined total of \$21,753,200 in 2015. Each of the applicant's projections is within 1% of the estimates prepared by agency staff and appears to be reasonable.

The applicant's other income projections are based primarily on Food and Beverage Income, Parking and Admissions Income, and Other Income. Combined, these projections total \$11,314,000 in 2011 and decline to \$10,056,000 in 2015. Analysis of the projections reveals that the applicant projects that the average person attending a live or simulcast race will spend approximately \$21.06 to \$22.57 on food, beverage, parking, or admission. These appear to be reasonable projections.

Operating Expenses

The projected operating expenses provided by the applicant fell into three major categories: Statutory Expense, Operating Expense, and Other Operating Expense.

Statutory Expense – This includes the costs associated with a required set-aside of a portion of the pari-mutuel revenue retained from a wager placed at a racetrack. Typically, the costs are due to statutory requirements and, in some cases, contractual commitments. The applicant projected expenses for the State Pari-mutuel Tax, Commission License Fees, and Purses and Awards. Combined, these projections of statutory expenses total \$11,687,100 in 2011 and decline to \$10,307,800 in 2015. However, the projections are below staff's estimate of expenses by a range of 8.4% to 9.1% and are therefore only marginally reasonable.

Further review showed that the applicant did not include the annual license fee of \$45,000 assessed to Class 1 racetracks. Additionally, the applicant did not include the breakage dedicated to the Texas Bred Incentive Program of approximately \$500,000 within each year of the forecasted Purses and Awards. The applicant provided an explanation for excluding the breakage

based on accounting policies and practices. If staff takes into account the exclusion of breakage under the applicant's accounting policy and practices, and corrects for the \$45,000 annual license fee, the applicant's remaining projections of Statutory Expenses are reasonable.

Operating Expense – This includes the costs associated with the daily operation of the racetrack. The applicant projected expenses for: Salaries, Tax, and Benefits; Simulcast Expense; Advertising, Publicity and Public Relations; Concession Expense; and General Operating Expense. In testing the applicant's projections, staff focused on the Simulcast Expense and the Concession Expense. The applicant projected Simulcast Expense of \$3,779,500 in 2011, with a decline to \$3,339,300 in 2015. These projections are within 0.2% of staff's estimate and are reasonable. The applicant projected Concession Expense of \$3,779,500 in 2011, with a decline to \$3,339,300 in 2015. The applicant's Concession Expense is 33.4% of its projected Concession Revenue, which is very close to the industry standard of 35%. Staff found the projected Concessions Expense to be reasonable.

Other Operating Expense – This includes the costs associated with Repairs and Maintenance, Totalisator Expense, Rent, Insurance, Utilities, Property Taxes, and Operating Supplies and Services. The applicant's projected Other Operating Expense total \$9,048,700 in 2011, and decline to \$7,268,900 in 2015. As a percentage of the Total Revenue Forecasted, the applicant's Other Operating Expense ranges from a high of 24.1% in 2012 to a low of 20.8% in 2015. While higher than the typical range of 15-20% for racetracks, the applicant has included some expenses, e.g., Totalisator, Insurance, and Utilities, that are not uniformly included in this category at other racetracks. Factoring in this variation makes the Other Operating Expense projections reasonable.

Financial Statements

The financial statements provided by the applicant include:

- Statement of Operations
- Statement of Cash Flow
- Balance Sheet
- Breakeven Analysis

Statement of Operations – The Statement of Operations provides a summary of the revenues, costs, and expenses of a company during an accounting period. It is also referred to as the income statement, the statement of profit and loss, or the income and expense statement.

Global Gaming LSP, LLC					
Forecasted Statements of Operations					
Years Ending 2011 through 2015					
(\$ in Thousands)					
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenue					
Pari-Mutuel Revenue	\$28,202.2	\$26,770.8	\$25,432.2	\$24,944.7	\$24,944.7
Other Revenue	<u>\$11,314.0</u>	<u>\$10,706.5</u>	<u>\$10,172.3</u>	<u>\$10,055.9</u>	<u>\$10,055.9</u>
Total Revenue	<u>\$39,516.2</u>	<u>\$37,477.3</u>	<u>\$35,604.5</u>	<u>\$35,000.6</u>	<u>\$35,000.6</u>
Expenses					
Statutory Expense	\$11,687.1	\$11,063.5	\$10,510.3	\$10,307.8	\$10,307.8
Operating Expense	\$23,257.0	\$21,038.8	\$20,502.0	\$20,304.3	\$20,304.3
Other Operating Expense	\$9,048.7	\$9,015.9	\$7,848.8	\$7,268.9	\$7,268.9
Depreciation	<u>\$1,937.8</u>	<u>\$1,948.4</u>	<u>\$1,955.0</u>	<u>\$1,961.8</u>	<u>\$1,968.4</u>
Total Expense	<u>\$45,930.6</u>	<u>\$43,066.6</u>	<u>\$40,816.1</u>	<u>\$39,842.8</u>	<u>\$39,849.4</u>
Gain /(Loss) from Operations	(\$6,414.4)	(\$5,589.3)	(\$5,211.6)	(\$4,842.2)	(\$4,848.8)
Less: Interest Expense	<u>\$5,263.4</u>	<u>\$5,244.4</u>	<u>\$5,214.1</u>	<u>\$5,180.2</u>	<u>\$5,143.4</u>
Net Gain / (Loss)	<u>(\$11,677.8)</u>	<u>(\$10,833.7)</u>	<u>(\$10,425.7)</u>	<u>(\$10,022.4)</u>	<u>(\$9,992.2)</u>

The applicant's five year forecast projects annual net losses ranging from \$11.68 million in 2011 to \$9.99 million in 2015.

Statement of Cash Flow – The Statement of Cash Flow measures the cash inflows and outflows caused by core business operations. Generally, changes made in cash, accounts receivable, depreciation, inventory, and accounts payable are reflected in cash from operations.

The applicant has submitted the following five year forecasted Statement of Cash Flow.

Global Gaming LSP, LLC					
Forecasted Statements of Cash Flows					
August 31, 2011 through 2015					
(\$ in Thousands)					
	2011	2012	2013	2014	2015
Operating Activities					
Net (Loss) from Operations	(\$11,667.8)	(\$10,833.7)	(\$10,425.8)	(\$10,022.4)	(\$9,992.2)
Other Cash Used in Operations	<u>\$2,800.8</u>	<u>\$2,130.4</u>	<u>\$1,816.8</u>	<u>\$1,826.6</u>	<u>\$2,040.0</u>
Net Cash Used In Operations	<u>(\$8,867.0)</u>	<u>(\$8,703.3)</u>	<u>(\$8,609.0)</u>	<u>(\$8,195.8)</u>	<u>(\$7,952.2)</u>
Investing Activities					
Additions to Property	(\$250.0)	(\$200.0)	(\$200.0)	(\$200.0)	(\$200.0)
Cash Acquisitions of Property	<u>(\$44,557.0)</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Net Cash Used in Investing	<u>\$(44,807.0)</u>	<u>(\$200.0)</u>	<u>(\$200.0)</u>	<u>(\$200.0)</u>	<u>(\$200.0)</u>
Financing Activities					
Contribution of Equity	\$6,000.0	\$9,000.0	\$9,000.0	\$9,000.0	\$9,000.0
Long Term Debt Issuance	\$47,000.0	\$0.0	\$0.0	\$0.0	\$0.0
Restricted Cash Release	\$2,700.0	\$0.0	\$0.0	\$0.0	\$0.0
Principal Payment on Long Term Debt / Capital Lease	<u>(\$188.5)</u>	<u>(\$304.4)</u>	<u>(\$383.1)</u>	<u>(\$416.9)</u>	<u>(\$453.8)</u>
Net Cash Via Financing	<u>\$55,511.5</u>	<u>\$8,695.6</u>	<u>\$8,616.9</u>	<u>\$8,583.1</u>	<u>\$8,546.2</u>
Increase/(Decrease) in Cash	\$1,837.5	(\$207.7)	(\$192.1)	\$187.2	\$393.9
Cash at Beginning of Year	<u>\$300.0</u>	<u>\$2,137.5</u>	<u>\$1,929.7</u>	<u>\$1,737.6</u>	<u>\$1,924.8</u>
Cash at End of Year	<u>\$2,137.5</u>	<u>\$1,929.7</u>	<u>\$1,737.6</u>	<u>\$1,924.8</u>	<u>\$2,318.7</u>

The applicant's five year forecast projects that it will have cash at the end of each year in amounts ranging from \$1.93 million to \$2.32 million. However, in order to accomplish this, the forecast calls for the applicant to contribute an additional \$6 million in equity during 2011, and an additional \$9 million in equity each year thereafter through 2015.

Balance Sheet – The balance sheet is a financial statement that summarizes a company's assets, liabilities and shareholders' equity at a specific point in time.

Global Gaming LSP, LLC
 Forecasted Balance Sheets
 August 31, 2011 through 2015
 (\$ in Thousands)

	2011	2012	2013	2014	2015
Assets					
Total Current Assets	\$8,930.6	\$8,453.2	\$7,911.8	\$7,999.7	\$8,271.3
Total Property	<u>\$58,358.4</u>	<u>\$56,610.0</u>	<u>\$54,855.0</u>	<u>\$53,093.4</u>	<u>\$51,325.0</u>
Total Net Assets	<u>\$67,289.0</u>	<u>\$65,063.2</u>	<u>\$62,766.8</u>	<u>\$61,093.1</u>	<u>\$59,596.3</u>
Liabilities					
Current Liabilities	\$8,510.6	\$8,501.7	\$8,048.0	\$7,850.6	\$7,840.0
Long-Term Debt	<u>\$64,456.2</u>	<u>\$64,073.1</u>	<u>\$63,656.1</u>	<u>\$63,202.2</u>	<u>\$62,708.3</u>
Total Liabilities	<u>\$72,966.8</u>	<u>\$72,574.8</u>	<u>\$71,704.1</u>	<u>\$71,052.8</u>	<u>\$70,548.3</u>
Equity (Deficit)					
Contributed Capital	\$6,000.0	\$15,000.0	\$24,000.0	\$33,000.0	\$42,000.0
Retained Earnings	<u>(\$11,677.8)</u>	<u>(\$22,511.5)</u>	<u>(\$32,937.3)</u>	<u>(\$42,959.7)</u>	<u>(\$52,952.0)</u>
Total Equity	<u>(\$5,677.8)</u>	<u>(\$7,511.5)</u>	<u>(\$8,937.3)</u>	<u>(\$9,959.7)</u>	<u>(\$10,952.0)</u>
Total Liabilities and Equity	<u>\$67,289.0</u>	<u>\$65,063.2</u>	<u>\$62,766.8</u>	<u>\$61,093.1</u>	<u>\$59,596.3</u>

Based on staff's review and analysis of the applicant's forecasted Statement of Operations and Statement of Cash Flow, the forecasted balance sheet fairly represents the applicant's assets, liabilities, and equity for the five year period. The forecasts project that Lone Star Park will lose \$52.95 million from operations from 2011 through 2015, and that the applicant will have to contribute an additional \$42 million in equity over those years in order to finance Lone Star Park's continued operations.

Breakeven Analysis – The applicant projects that in order to achieve sufficient revenue to break even on operational costs, the total live race day attendance would have to increase to 461,000, which is a 78.7% increase from the 2011 projected attendance of 258,000, and an 88.1% increase from the 2015 projected attendance of 245,100.

The applicant also projects that in order to break even on operational costs, the total simulcast day attendance would have to increase to 400,000, which is a 64.5% increase from the 2011 projected simulcast attendance of 243,210, and a 72.2% increase from the 2015 projected attendance of 232,320.

Impact on Horse Breeding

The applicant states that it will encourage both Texas breeding and ownership of horses by continuing to offer purses and a welcoming and comfortable venue for live racing. Texas-bred horses are an important part of Lone Star Park's racing program. During the Spring Thoroughbred Meet, Lone Star Park dedicated almost three races per day to the Accredited Texas Bred program, and in open races, Texas-bred horses placed within the top three finishers 40% of the time.

The 2010 Spring Thoroughbred Meet consisted of sixty race days, with an average of ten races per day. The purses averaged approximately \$15,000 per race, and stakes races averaged 18% of the purses paid.

The 2009 Fall Quarter Horse Meet consisted of twenty-six days of racing, with a minimum of ten races per day. The purses averaged approximately \$12,100 per race, and stakes races averaged 52% of the purses paid.

The applicant states that it fully expects to maintain Lone Star Park's relationships with horse owners and breeders, both on an individual basis and through its relationships with the Texas Horsemen's Partnership, the Texas Thoroughbred Association, and the Texas Quarter Horse Association.

Impact on the Local Economy

The applicant estimates that the local economic impact of Lone Star Park will total \$45.7 million. The applicant states that during calendar year 2009, 447,426 people attended the Thoroughbred races and 77,974 attended the Quarter Horse races at Lone Star Park. To serve these patrons, Lone Star Park paid over \$13 million in salaries and wages for 325 personnel on a year-round basis and 900 personnel during the live racing season. Lone Star Park also purchased \$12.7 million in goods and services.

During 2009, Lone Star Park paid over \$15.1 million in purses.

During 2009, Lone Star Park paid \$1.2 million in pari-mutuel taxes to the state, almost \$1.5 million in other state taxes, and over \$2.2 million in property taxes to Grand Prairie tax districts.

Letters of Support and Opposition

The Commission received letters in support of Global Gaming LSP's application from the Texas Horsemen's Partnership, the Texas Thoroughbred Association, three state representatives, the City of Grand Prairie, and the Grand Prairie Independent School District. The Commission has also received 320 letters from individuals in support. Many of these were form letters, and some had multiple signatures. To date, the Commission has received four letters of opposition which were concerned that the potential for expanded gaming would overtake the importance of live racing at Lone Star Park. See Appendix H.

Implications of Ownership by an Indian Nation

The Indian Gaming Regulatory Act (IGRA, 25 USC §§ 2701 - 2721) is the 1988 federal law that provides a regulatory framework for Indian gaming. Under certain conditions, an Indian tribe is allowed to conduct gaming without the type of state regulation that typical gaming businesses have to comply with. These conditions include: a determination that the state already permits Class II or Class III gaming by any person; the gaming itself must take place on "Indian Lands"; and, approval of the tribe's gaming ordinance by the National Indian Gaming Commission. In addition to

these requirements, if the tribe wishes to conduct Class III gaming under the IGRA, it must enter into a compact with the state that sets forth the conditions for that gaming. Examples of Class II games include bingo, pull tabs, punch boards, tip jars, instant bingo, and other games similar to bingo, as well as card games that are played exclusively against other players rather than against the house or against another player acting as a bank. Examples of Class III games include pari-mutuel racing, baccarat, chemin de fer, blackjack, slot machines, and electronic or electromechanical facsimiles of any game of chance.

Indian lands are defined by IGRA as meaning all lands within the limits of any Indian reservation, or any lands title to which is either held in trust by the United States for the benefit of any Indian tribe or individual or held by any Indian tribe or individual subject to restriction by the United States against alienation and over which an Indian tribe exercises governmental power. IGRA does not preempt a state's right to regulate or prohibit tribal gaming, including racing, on non-Indian lands. Also, not all Indian-owned gaming businesses are subject to IGRA. Indian nations may create new businesses and operate them subject to the same state regulations as any other private sector business.

The grounds and facilities of Lone Star Park will not become Indian land if the license is acquired by Global Gaming LSP, LLC, even though Global Gaming LSP is partially and indirectly owned by the Chickasaw Nation Division of Commerce. The racetrack itself will remain the property of the Grand Prairie Sports Facilities Development Corporation, Inc. (GPSFDC), a non-profit industrial development corporation. Global Gaming LSP proposes to lease the grounds and facilities from GPSFDC under the terms of the lease agreement previously held by MEC Lone Star L.P. As a result, all racing at Lone Star Park will remain subject to regulation by the Commission.

Even if Global Gaming LSP were to purchase the land from GPSFDC at some time in the future, additional gaming would not be automatically authorized at the track. If the Chickasaw Nation sought to conduct additional gaming under IGRA rather than under standard state regulation, it would first have to successfully petition the United States Government to take the land into trust for the benefit of the tribe. It then could

not conduct any unlicensed pari-mutuel racing or other Class III gaming at Lone Star Park unless the State of Texas first negotiated a compact with the Chickasaw Nation to allow for that gaming. States must negotiate in good faith with Indian tribes, but a tribe cannot compel the state to negotiate a compact or use federal regulations to authorize gaming in the absence of a compact.

A separate question that may arise from ownership by an Indian nation is whether its business entities may assert sovereign immunity. Under applicable Fifth Circuit decisions, a tribal enterprise that is private or commercial in nature – rather than governmental – is still generally entitled to immunity. However, while tribes generally possess immunity, they are not free from state regulation when they conduct economic activities off their reservations. Although tribes may be subject to state regulation for off-reservation conduct, tribal immunity carries with it immunity from enforcement actions unless either the tribe or Congress has waived tribal immunity.

To address the issue of sovereign immunity, the Chickasaw Tribal Legislature passed General Resolution Number 27-018 on March 19, 2010, declaring:

NOW, THEREFORE BE IT RESOLVED, the Chickasaw Tribal Legislature hereby declares that for-profit corporate entities (including but not limited to, LLCs, corporations, companies and other formally organized, limited liability structures) that are owned, in whole or in part, by the Chickasaw Nation and properly incorporated under and managed in accordance with the laws of any state shall not be entitled to assert, nor shall they benefit from any other party's assertion of, the sovereign immunity of the Chickasaw Nation as a defense to unconsented suit, liability, judgment, or collection in any court of competent jurisdiction over the subject matter and declares that such properly formed and managed corporate entities shall be subject to the law and jurisdiction of the government under whose laws such entities were, respectively, incorporated and operated; provided, this Resolution shall have no application to either not-for-profit corporate entities or any corporate entity chartered under federal law.

See Appendix I.

Although the resolution declares that the tribe's for-profit corporate entities may not assert sovereign immunity, it also expressly retains the sovereign immunity of the Chickasaw Nation itself. While the resolution should be effective in permitting litigation and enforcement actions against Global Gaming LSP and Global Gaming, it is unlikely to subject the Chickasaw Nation itself to lawsuit.

Order for Security for Compliance

On past occasions where the Commission has considered the issuance of a license, staff has prepared an Order for Security for Compliance under Commission Rule 309.6 for the Commission's consideration. Through such an Order, the Commission may establish dates by which an existing association must complete its racetrack facilities, begin simulcasting, begin live racing, and post security to ensure compliance with the Act and the Rules. In order for the Commission to adopt an Order under this rule, the association must not have any security currently posted and must either not have completed its racetrack facilities or have failed to conduct live racing in the previous calendar year. However, Rule 309.6 does not apply in this case since Lone Star Park has existing racing facilities and it did conduct live racing in 2009.

Summary

Staff reviewed the applicant's proposal for reasonableness and compliance with state law and offers the following:

- Lone Star Park is an existing racetrack that has already been approved for racing.
- The facility is currently in good repair and requires only routine maintenance.
- The members of the proposed management team are qualified to operate a horse racetrack.
- The proposed totalisator company, AmTote International, Inc., is qualified to provide totalisator services and the proposed contract is acceptable.

- The proposed concessionaire, MEC Texas Concessions, LLC, is qualified to provide concession services for the racetrack. As part of the transaction, MEC Texas Concessions, LLC, will be acquired by Global Gaming LSP.
- The applicant's financial and pari-mutuel projections are reasonable when viewed as a whole.
- Global Gaming Solutions has provided Global Gaming LSP with \$3 million in start up funding and a \$5 million line of credit. Global Gaming LSP intends to have approximately \$600,000 of working capital available during the first six weeks of racetrack operations to cover the expense of officials, drug testing, and purses.
- The applicant projects that Lone Star Park will lose \$52.95 million from operations from 2011 through 2015, and that the applicant will have to secure an additional \$42 million in financing over those years in order to sustain Lone Star Park's continued operations. The Company Agreement provides that Global Gaming LSP is authorized to secure additional financing, subject to the Members' approval as a Major Decision. It also provides that either Texas Partners or Global Gaming may advance funds to pay Global Gaming LSP's obligations, but that advances made by Global Gaming will not bear interest.
- Through the Company Agreement, Global Gaming will provide advisory services and perform other duties for Lone Star Park. Global Gaming owns 49% of Global Gaming LSP, and also owns and operates Remington Park in Oklahoma City.
- The proposed ownership of the Lone Star Park has been adequately described. The Commission will have to determine whether the ownership structure is consistent with the requirement under TRA § 6.06(d) that the majority ownership of a partnership, firm or association applying for or holding a license must be held by individuals who have been United States citizens who resided in Texas for the past ten consecutive years.
- The Department of Public Safety has conducted complete personal, financial, and business background checks of Global Gaming LSP, including the individuals who constitute the principals of Texas Partners and Global

Gaming. Copies of these confidential reports have been provided to the Commissioners separately.

Appendices available upon request.



Texas Greyhound Association
Representing the Greyhound Breeding and Racing Industry in Texas

November 5, 2010

Mr. Sammy Jackson
 Texas Racing Commission
 PO Box 12080
 Austin, Tx 78711-2080

Dear Sammy:

The Texas Greyhound Association respectfully requests to be placed on the agenda for the November 16 Texas Racing Commission meeting for its consideration and approval of the 2011 TGA Cross-Species allocation under TxRC Rule Section 303.102 (d)(2).

Gulf Greyhound Park (GGP) was granted 6 live weekly performances for all of 2011. Valley Race Park (VRP) and Gulf Coast Racing (GCR) were granted 5 live racing days each in 2011. Gulf Coast Racing will be running its 5 day meet at Gulf Greyhound Park. Accordingly, the following formula is proposed for the allocation of TGA Cross-Species in 2011:

FORMULA WHILE VRP & GCR RUNNING LIVE

Horse Handle at GCR	\$xx,xxx
Horse Handle at GGP	\$xx,xxx
Horse Handle at VRP	\$xx,xxx
TOTAL	\$xxx,xxx

GCR Horse Handle / Total Horse Handle	=	xx%
GGP Horse Handle / Total Horse Handle	=	xx%
VRP Horse Handle / Total Horse Handle	=	<u>xx%</u>
		100%

ALLOCATION WHILE VRP & GCR NOT RUNNING LIVE

Valley Race Park For the period from January 1, 2011 through the day preceding their beginning date of VRP's meet (January 1-June 29, 2011), VRP will receive an amount equal to 55% of its share as determined in the formula above. For the same period, the remaining 45% amount will be allocated to GGP purses.

Post Office Box 40; Lorena, TX 76655-0040
 (254) 857-4377 * (254) 857-4299 Fax
 Email: txga@texasgreyhoundassociation.com
 Website: www.texasgreyhoundassociation.com

For the period following VRP's live meet (July 5-December 31, 2011), all of the amount allocated to VRP under the formula will be allocated to GGP purses since VRP has not been granted 2012 race dates.

Gulf Coast Racing For the period January 1 through December 31, 2011, all of the amount allocated to GCR under the formula will be allocated to GGP purses since its dates will be run at GGP, and it has not been granted 2012 race dates.

The TGA feels that this allocation formula will fairly distribute the monies available to the tracks based on handle and live race dates granted.

Thank you for your consideration.

Sincerely,



Diane Whiteley
Executive Director

cc: Sally Briggs, Gulf Greyhound Park & Gulf Coast Racing
David Jackson, Valley Race Park

Post Office Box 40; Lorena, TX 76655-0040
(254) 857-4377 * (254) 857-4299 Fax
Email: txga@texasgreyhoundassociation.com
Website: www.texasgreyhoundassociation.com

IV.D.2



P.O. Box 141309

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RECEIVED
TEXAS RACING COMMISSION
Austin, Texas 78714

512/272-5581

November 2, 2010

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

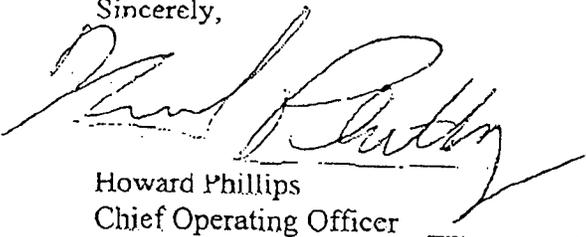
Dear Mrs. King

Manor Downs requests that its 2012 Live Race Date Request which was tabled until the November 16th Texas Racing Commission meeting be postponed until February or March 2011. This will give Manor Downs the necessary time to finalize its multi-million dollar re-capitalization project and share it with all of the Horseman's organizations. We will also have the necessary time lines in place.

We do not want to be a Licensee that makes empty promises before this Commission.

Your consideration in this matter will be greatly appreciated.

Sincerely,



Howard Phillips
Chief Operating Officer

IV.E.1



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RECEIVED
TEXAS RACING
COMMISSION

November 2, 2010

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

Dear Charla Ann:

Pursuant to Sec. 321.505(b)(4), The Texas Thoroughbred Association, Texas Quarter Horse Association, Texas Arabian Breeders Association and Texas Paint Horse Breeders Association have executed the accompanying signed agreement on Texas-Bred Incentive Program Fund breed splits for 2011.

On behalf of the four state horse breed registries, it is hereby requested that the agreement be placed on the November 16 meeting agenda for consideration by the Texas Racing Commission.

Thanking you in advance for your consideration of this request, I am

Sincerely yours,

David E. Hooper
Executive Director

Cc: David Brown, TQHA
F. R. Villareal, TPHBA
Rob Werstler, TQHA
Ed Wilson, TABA

AGREEMENT BETWEEN
TEXAS ARABIAN BREEDERS ASSOCIATION, TEXAS PAINT HORSE
BREEDERS ASSOCIATION, TEXAS QUARTER HORSE ASSOCIATION AND
TEXAS THOROUGHBRED ASSOCIATION

In an effort to achieve a fair and equitable share of revenue available to the Texas state-bred incentive program for owners and breeders, the following Agreement is made by and between Texas Arabian Breeders Association (TABA), Texas Paint Horse Breeders Association (TPHBA), Texas Quarter Horse Association (TQHA) and Texas Thoroughbred Association (TTA).

It is agreed that funds generated at licensed Texas horse tracks for the Accredited Texas-Bred Incentive Program shall be allocated to the respective breeds as follows:

At Class 1 tracks (Lone Star Park, Retama Park and Sam Houston Race Park), the funds shall be allocated 66.67% to Thoroughbreds and 33.33% to Quarter Horses after a 2% deduction off the top for Arabians and a 1% deduction off the top for Paint Horses.

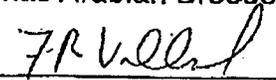
At Gillespie County Fair Grounds and Manor Downs, the funds shall be allocated 33.33% to Thoroughbreds and 66.67% to Quarter Horses after a 2% deduction off the top for Arabians and a 1% deduction off the top for Paint Horses.

This agreement shall be in effect for calendar year 2011.

The foregoing is acknowledged and agreed to on this 15th day of NOVEMBER 2010.



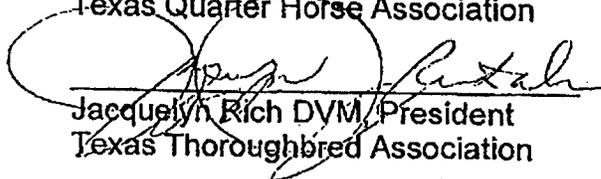
Ed Wilson, President
Texas Arabian Breeders Association



Texas Paint Horse Breeders Association



David Brown, President
Texas Quarter Horse Association



Jacquelyn Rich DVM, President
Texas Thoroughbred Association



Memorandum

Date: November 3, 2010

To: Mark Fenner, General Counsel

From:  Sammy Jackson, Deputy Director for Wagering & Racing Review

RE: Allocation of Texas Bred Incentive Program Funds for 2011

The Texas Racing Act requires the Commission to collect specific funds dedicated to the Texas Bred Incentive Program from the racetracks conducting pari-mutuel wagering. For horses, the Texas Racing Act further requires the Commission to remit these funds to the appropriate state horse breed registry subject to rules promulgated by the Commission. Commission Rule §321.505 Allocation of Purses and Funds for Texas Bred Incentive Programs was promulgated for this purpose.

Sub-chapter (b) of Commission Rule §321.505 specifically addresses the Texas Bred Incentive Program funds and stipulates the following:

- (1) The Commission shall determine the percentages by which the Texas Bred Incentive Program funds generated from simulcasting are divided among the various breeds of horses.
- (2) In determining the percentages by which the Texas Bred Incentive Program funds generated from simulcasting are divided, the Commission may consider seven specific criteria.
- (3) Before determining the percentages, the Commission shall provide an opportunity for the official horse breed registries to present information in writing regarding the criteria.
- (4) In lieu of the criteria process, a signed agreement between the official horse breed registries may be submitted to the Commission for consideration and approval. The signed agreement must delineate the percentages by which the Texas Bred Incentive Program funds generated from simulcasting are divided among the various breeds of horses, and must be signed by all parties.

The Commission has received a request submitted on behalf of the official horse breed registries seeking consideration and approval by the Commission of a signed agreement on the allocation of Texas Bred Incentive Program funds generated from simulcasting during calendar year 2011. The agreement, if approved, would allocate the Texas Bred Incentive Program funds generated from simulcasting during 2011 as follows:

Proposed Allocation of Texas Bred Incentive Program Funds (2011)					
Racetrack Generating Funds	GCF	MD	LSP	RP	SHRP
Texas Arabian Breeders Assoc	2.00%	2.00%	2.00%	2.00%	2.00%
Texas Paint Horse Assoc.	1.00%	1.00%	1.00%	1.00%	1.00%
Texas Quarter Horse Assoc.	64.67%	64.67%	32.33%	32.33%	32.33%
Texas Thoroughbred Assoc.	32.33%	32.33%	64.67%	64.67%	64.67%

Staff has reviewed the 2011 agreement submitted for consideration and finds it to be in compliance Commission Rule §321.505 (b) (4). Additionally, staff has compared the 2011 agreement submitted for consideration to the 2010 Commission approved allocation percentages, and finds that the new agreement maintains the allocation percentages previously approved by the Commission.

If you have any questions, please feel free to contact me at your convenience.

Cc: Charla Ann King, Executive Director
Carol Olewin, Compliance Audit Administrator

Attachments: Cover Letter & Agreement

Austin Jockey Club, Ltd. 2010 NOV 10 PM 1:12

**Status Report
November 16, 2010**

RECEIVED
TEXAS RACING
COMMISSION

Since the last Texas Racing Commission meeting, progress has been made in a few areas:

- We have begun discussions with the homeowners association of the largest residential subdivision near to the site. We have provided information with regard to our development plans and received input with regard to the concerns of the residents.
- With regard to litigation between the Austin Jockey Club, Ltd. and Dr. David Alameel, et al, the jury has returned a verdict and we are awaiting the judge's order.

Further information will provided be at the next Commission meeting on November 16.



2010 NOV 10 PM 1:12

RECEIVED
TEXAS RACING
COMMISSION

November 10, 2010

Texas Racing Commission
PO Box 12080
Austin, Texas 78711-2080

Re: Progress Report

Dear Charla Ann King:

We do not have anything new to report at this time. However, should the transfer of the Lonestar Park license be transferred to Global Gaming Solutions, LLC at this month's meeting, we will begin preparing all necessary documentation to the Texas Racing Commission requesting the transfer of Saddle Brook Park's license to Global Gaming, LLC.

Respectfully Submitted,
Drew Alexander
President and C.E.O.
Saddle Brook Park

Valle de los Tesoros
3900 N. McColl Road
McAllen, Texas 78501
Phone: 956-687-7751 Fax: 956-697-8569

2010 NOV 10 PM 1:12

RECEIVED
TEXAS RACING
COMMISSION

November 10, 2010

Charla Ann King, Executive Secretary
Texas Racing Commission
8505 Cross Park Dr., Suite #110
Austin, Texas 78754

Via Fax

Re: Progress Report – Tesoros Race Park

Dear Ms. King:

As requested by the Commission, please accept this written progress report with respect to Tesoros Race Park in preparation for the November 16, 2010, Commission meeting.

As indicated in prior progress reports, the schedule for beginning construction of Tesoros Race Park is dependent upon the City of McAllen extending utility services to the Site. It is our understanding that the City's efforts in this regard are ongoing.

In the meantime, Valle de los Tesoros, Ltd. ("VDLT") has been actively exploring options to generate purse money by beginning simulcast operations at a temporary location in Hidalgo County. The Commission staff is well aware of the ongoing progress in locating a potential location for these simulcast operations. VDLT is looking forward to continuing its discussions with the Commission Staff on this issue.

In addition to this written submittal, it is my intention to be present at that meeting to answer any questions the Commissioners may have and to provide the most current information about VDLT's progress.

Very truly yours,



Greg LaMantia

LRP Group, LTD
3900 N. McColl Road
McAllen, Texas 78501
Phone: 956-887-7751 Fax: 956-887-8569

2010 NOV 10 PM 1:12

RECEIVED
TEXAS RACING
COMMISSION

November 10, 2010

Charla Ann King, Executive Secretary
Texas Racing Commission
8505 Cross Park Dr., Suite #110
Austin, Texas 78754

Via Fax

Re: Progress Report - Laredo Downs

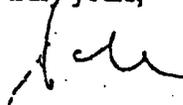
Dear Ms. King:

As requested by the Commission, please accept this written progress report for Laredo Downs in preparation for the November 16, 2010 Commission meeting.

On October 27, 2010, LRP Group, Ltd. filed a Request for Approval of Change of Location ("Application") seeking Commission approval to relocate the proposed Laredo Downs racetrack from Laredo, Texas, to the Fort Worth area. It is my understanding that Commission staff is currently reviewing that Application.

In addition to this written submittal, it is my intention to be present at that meeting to answer any questions the Commissioners may have.

Very truly yours,



Greg LaMantia



2010 NOV 12 AM 9:03

RECEIVED BY
TEXAS RACING
COMMISSION

VIA EMAIL AND FEDEX

November 10, 2010

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

Dear Ms. King:

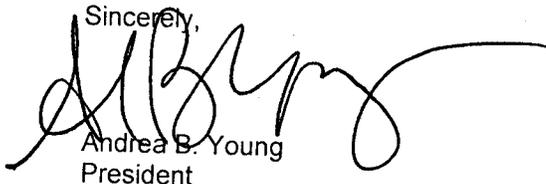
We are in receipt of the Commission's request seeking a written progress report with respect to Laredo Race Park. We understand that this progress report will be included in the agenda packet for discussion during the upcoming Texas Racing Commission meeting on November 16, 2010. We look forward to answering any questions that the Commissioners may have at that time.

Since our last written update, we have visited with Webb County and LIFE Downs officials about a potential partnership between the parties. This meeting which was held on September 30, 2010 involved the County Judge, the attorney from LIFE Downs and other staff members from their offices. At this meeting, these officials informed us that they were now in agreement that they could pursue a partnership with us at the LIFE Downs facility. As you recall from prior meetings, the LIFE Downs facility is viable alternative given existing facilities which could be quickly readied for live racing and simulcasting. In today's economic environment, an alternative like LIFE Downs provides a unique opportunity to bring racing to Laredo more quickly.

As you are also aware, since our last written update, we have entered into a joint venture with Penn National Gaming that will own and operate Sam Houston Race Park, Valley Race Park, as well as our planned racetrack in Laredo. At the time of this letter, we are waiting on an update from our attorney in Laredo on a meeting time to introduce Penn to Webb County community leaders and visit about the various proposals under consideration. I hope to have an update on the date of that meeting by November 16th Texas Racing Commission meeting.

If you have any questions or comments about the contents of this letter, please feel free to contact me at any time. We continue to be optimistic about the prospects for a racetrack in Laredo and we are working diligently toward that end.

Sincerely,



Andrea B. Young
President

Cc: Mark Fenner
Rex VanMiddlesworth

Laredo Race Park

7575 North Sam Houston Parkway West, Houston, TX, 77064 • 281.807.8700

IV.H.5

1 **Section 307.62 Disciplinary Hearings.**

2 (a) Authority to Conduct. On their own motion or on receipt of a
3 complaint regarding the actions of an occupational licensee, the
4 stewards and racing judges may conduct a disciplinary hearing
5 regarding the licensee's actions.

6 (b) Notice of Hearing. Except as otherwise provided by the
7 Rules, the stewards and racing judges shall provide written
8 notice to a person who is the subject of a disciplinary hearing
9 at least 10 calendar days before the hearing. Notice given under
10 this subsection must state the nature of the charges against the
11 person and the possible penalties that may be imposed. The
12 person may waive his or her right to 10 days notice.

13 (c) Rights of the Licensee. At a disciplinary hearing conducted
14 by the stewards or racing judges, the person who is the subject
15 of the disciplinary hearing has the following rights, all of
16 which the person may waive:

- 17 (1) the right to counsel;
18 (2) the right to present a defense;
19 (3) the right to make an opening and closing statement;
20 (4) the right to call witnesses; and
21 (5) the right to cross-examine witnesses testifying against
22 the person.

23 (d) Evidence.

24 (1) Each witness at a disciplinary hearing conducted by the
25 stewards or racing judges must be sworn by the presiding steward
26 or racing judge.

27 (2) To facilitate participation by licensees, the stewards and
28 racing judges may permit witnesses to testify at a disciplinary
29 hearing via telephone if the stewards or racing judges make
30 reasonable assurances that the person testifying is who he or

1 she purports to be.

2 (3) The stewards and racing judges shall make a record of a
3 disciplinary hearing.

4 (4) The stewards and racing judges shall allow a full
5 presentation of evidence and are not bound by the technical
6 rules of evidence. However, the stewards and racing judges may
7 disallow evidence that is irrelevant or unduly repetitive of
8 other evidence. The stewards shall have the authority to
9 determine, in their sole discretion, the weight and credibility
10 of any evidence and/or testimony. The stewards and racing
11 judges may admit hearsay evidence if the stewards and racing
12 judges determine the evidence is of a type that is commonly
13 relied on by reasonably prudent people. The rules of privilege
14 recognized by state law apply in hearings before the stewards
15 and racing judges. Hearsay evidence that is not otherwise
16 admissible under the exceptions of the Texas Rules of Evidence
17 is an insufficient basis alone for a ruling.

18 (e) Burden of Proof

19 The burden of proof is on the person bringing the complaint to
20 show, by a preponderance of the evidence, that the licensee has
21 violated or is responsible for a violation of the Act or a
22 Commission rule.

23 (f) Continuances

24 (1) Upon receipt of a notice, a person may request a
25 continuance of the hearing.

26 (2) For good cause shown, the stewards or racing judges may
27 grant a continuance of any hearing for a reasonable period of
28 time.

29 (3) The stewards or racing judges may at any time order a
30 continuance on their own motion.

1 ~~(e)~~ (g) Agreed Settlement. The person who is the subject of the
2 disciplinary hearing may waive the right to a hearing and
3 subsequent appeal and enter into an agreed settlement with the
4 stewards or racing judges.

5 ~~(f)~~ (h) Failure to Appear. The stewards or racing judges may
6 suspend the license of a person who fails to appear at a
7 disciplinary hearing after receiving written notice of the
8 hearing until the matter is adjudicated.

9 ~~(g)~~ (i) Summary Suspension. If the stewards or racing judges
10 determine that a licensee's actions constitute an immediate
11 danger to the public health, safety, or welfare, the stewards or
12 racing judges may enter a ruling summarily suspending the
13 license, without a prior hearing. A summary suspension takes
14 effect immediately on issuance of the ruling. If the stewards or
15 racing judges suspend a license under this subsection, the
16 licensee is entitled to a hearing on the suspension not later
17 than three calendar days after the day the license is suspended.
18 The licensee may waive his or her right to a hearing on the
19 summary suspension within the three-day period.

1 **Sec. 321.12 Time Synchronization.**

2 (a) Display and verification of the accurate off time and start
3 of a race is critical. To ensure accurate verification of off
4 time with the close of betting on all races, the association
5 shall ensure:

6 (1) Tote times shall be synchronized to an atomic clock on a
7 start-of-day basis.

8 (2) Source video signal shall be synchronized with the atomic
9 clock.

10 (3) The time of day shall be displayed at the start of the
11 race in the HR:MN:SC format.

12 (b) Security system video, which monitors mutuel lines, shall
13 be synchronized with the atomic clock.

14

1 **Sec. 321.15. License to Provide Totalisator Services.**

2 (a) To provide totalisator services to an association in Texas,
3 a totalisator company must be licensed by the Commission as a
4 Totalisator ~~Vendor~~. The license application must include:

5 (1) a copy of a current written contract to provide a
6 totalisator system to an association;

7 (2) a list of all totalisator personnel assigned to work in
8 Texas, or on behalf of an association operating in Texas, as
9 described in §321.123 of this title (relating to Personnel
10 Requirements);

11 (3) an affidavit stating that the totalisator company and its
12 employees will comply with the Rules and the Comptroller's rules
13 regarding totalisator operations; and.

14 (4) information of sufficient detail for the Commission to
15 determine that the totalisator company is in compliance with
16 Subchapter B of this chapter.

17 (b) A contract between the totalisator company and an
18 association must be submitted to the Commission for approval
19 before the contract's effective date.

1 **Sec. 321.23. Wagering Explanations.**

2 (a) An association shall include the following information in
3 the official live programs and simulcast programs and post in
4 ~~conspicuous~~ places easily viewed by patrons and licensees on
5 association grounds:

6 (1) a general explanation of pari-mutuel wagering;

7 (2) an explanation of each type of pari-mutuel wagering pool
8 offered; and

9 (3) the expiration date of mutuel tickets and vouchers.

10 (b) Wagering explanations must be reviewed and approved by the
11 executive secretary before publication.

1 **Sec. 321.46 Payment on No Ticket Issue.**

2 When a ticket issuing machine does not produce a paper ticket
3 due to a mechanical failure, the mutuel manager may validate the
4 wager through totalisator logs. If the transaction is a
5 winning wager and the mutuel manager pays the patron, then the
6 mutuel manager shall report the transaction to the commission on
7 a form prescribed by the commission.

1 **Sec. 321.211. Carryover Pools.**

2 (a) With the approval of the executive secretary, an association
3 may declare an amount as a cap or may designate specific dates,
4 days, or performances for a mandatory payout for any pool that
5 may be carried forward to future performances if it is not won.
6 After declaring the amount of the cap for a pool or designating
7 specific dates, days, or performances for a mandatory payout,
8 the association may not change the amount of the cap or a
9 designated mandatory payout day, date, or performance during a
10 race meeting without prior written approval of the executive
11 secretary.

12 (b) If, at the end of a performance, the amount accumulated in a
13 pool for which a cap has been declared equals or exceeds the
14 amount of the cap, the pool shall be frozen until it is won in
15 accordance with the Rules.

16 (c) At each performance at which a pool frozen under this
17 section is not won, all money wagered for that pool at that
18 performance shall be distributed to the holders of tickets that
19 contain the most winners.

20 (d) If at a performance it is not possible to distribute money
21 wagered for a pool frozen under this section in accordance with
22 the Rule regarding that pool, all money wagered for that pool at
23 that performance shall be refunded.

24 (e) If an association does not designate a specific date, day,
25 or performance for a mandatory payout of a carryover pool, the
26 pool shall be distributed:

27 (1) at a horse racetrack, at the last performance of the
28 race meeting; and

29 (2) at a greyhound racetrack, at the last performance of the
30 calendar year.

1 (f) If the last performance is canceled, ~~the association shall~~
2 ~~place~~ the pool shall be deposited in an interest-bearing account
3 approved by the executive secretary. ~~escrow and~~ The pool and
4 all accrued interest shall then be carried over and included
5 with the appropriate pool at the next succeeding performance as
6 an additional amount to be distributed.

7

1 **Sec. 321.312. Pick (N).**

2 (a) The pick (n) wager is not a parlay and has no connection
3 with or relation to the win, place, and show pools shown on the
4 tote board. All tickets on the pick (n) shall be calculated as a
5 separate pool.

6 (b) The association may select a distinctive name for the pick
7 (n), with the prior approval of the executive secretary.

8 (c) The pick (n) pari-mutuel pool consists of amounts
9 contributed for a selection to win only in each of six, seven,
10 eight, nine, or 10 races designated by the association. After
11 designating the number of races comprising the pick (n), the
12 association may not change the number during a race meeting
13 without prior written approval of the executive secretary.

14 (d) A person purchasing a pick (n) ticket shall designate the
15 winning animal in each of the races comprising the pick (n). The
16 association shall issue to the purchaser of a pick (n) ticket a
17 ticket that reflects each of the purchaser's selections.

18 (e) A pick (n) ticket is a contract between the holder of the
19 ticket and the association and the ticket constitutes acceptance
20 of this section. The association, totalisator company, and the
21 State of Texas are not liable to a person for a pick (n) ticket
22 that is not a winning ticket under this section or for a pick
23 (n) ticket that is not delivered.

24 (f) A coupled entry or mutuel field in a race that is part of
25 the pick (n) races shall race as a single betting interest for
26 the purpose of mutuel pool calculations and payoffs to the
27 public.

28 (g) The pick (n) pool shall be distributed as provided by this
29 section. The net pool in the pick (n) pool is divided into a
30 major pool and a minor pool. The association may designate the

1 major pool to consist of either 75% or 50% of the net amount
2 wagered on the pick (n). The remaining percentage constitutes
3 the minor pool. The association shall notify the executive
4 secretary in writing before the beginning of each race meeting
5 of its designation regarding the division between the major and
6 minor pools. After designating the division between the major
7 and minor pools, an association may not change the division
8 during a race meeting without prior written approval of the
9 executive secretary.

10 (h) The major pool shall be distributed among holders of pick
11 (n) tickets which correctly designate the winner in each of the
12 races comprising the pick (n).

13 (i) Except as otherwise provided by this section, the minor pool
14 shall be distributed to those ticket holders who failed to
15 correctly designate the winner in each of the races comprising
16 the pick (n), but who correctly selected the winners in the
17 most, but not all of, the races comprising the pick (n).

18 (j) If no ticket is sold that designates the winner in each of
19 the races comprising the pick (n), the major pool shall be
20 carried forward to the next performance to be paid in the major
21 pool of that performance. Except as otherwise provided by this
22 section, the major pool shall be supplemented each performance
23 by the amount added to the pool from all previous performances'
24 major pools that have not been won in accordance with subsection
25 (h) of this section.

26 (k) If a pick (n) ticket designates a selection and the
27 selection is scratched or otherwise prevented from racing, the
28 favorite, as determined by the largest amount wagered in the win
29 pool at the start of the race, will be substituted for the
30 nonstarting selection for all purposes, including mutuel pool

1 calculations and payoffs to the public. If there are two or more
2 favorites in the win pool, both favorites will be substituted
3 for the nonstarting selection.

4 (l) If a race in the pick (n) ends in a dead heat for first
5 place, all animals in the dead heat are winners for purposes of
6 calculating the pick (n) pool.

7 (m) Except as otherwise provided by this subsection, if one or
8 more races in the pick (n) are canceled or declared a "no race",
9 the amount contributed to the major pool for that performance
10 shall be added to the minor pool for that performance and
11 distributed as an extra amount in the minor pool to the holders
12 of the tickets that designate the most winners in the remaining
13 races. All contributions to the major pool from prior
14 performances shall remain in the major pool, to be carried
15 forward to the next performance to be paid in the major pool for
16 that performance. If the stewards or racing judges cancel or
17 declare as a "no race" three or more of the races comprising a
18 pick six, seven, or eight, four or more of the races comprising
19 the pick nine, or five or more of the races comprising the pick
20 10, the pick (n) is canceled and the association shall refund
21 all pick (n) tickets. A person may not win the major pool unless
22 the person holds a pick (n) ticket that correctly designates the
23 official winners of all the scheduled races comprising the pick
24 (n) for that performance. On the last performance of a race
25 meeting or on a designated mandatory payout performance, if one
26 or two races comprising the pick (n) are canceled or declared a
27 "no race", the major pool and the minor pool for that
28 performance shall be combined with the prior performance major
29 pool and be paid to those holders of tickets who correctly
30 designated the most winners of the remaining races of the pick

1 (n). If three or more races comprising the pick (n) are canceled
2 or declared a "no race", the association shall refund all pick
3 (n) tickets and the prior performance major pool shall be
4 distributed in accordance with subsection (o) of this section.
5 (n) When the condition of the turf course warrants a change of
6 racng surface in any of the races open to pick (n) wagering,
7 and such change has not been made known to the betting public
8 prior to the close of wagering for the first pick (n) race, the
9 Stewards shall declare the changed races a "no contest" for
10 pick (n) wagering purposes and the pool shall be distributed in
11 accordance with subsection (m). Following the designation of a
12 race as a "no contest", no tickets shall be sold selecting a
13 horse in such "no contest" race.
14 ~~(n)~~(o) If on the last performance of the race meeting or on a
15 designated mandatory payout performance the major pool is not
16 distributable under subsection (h) of this section, the major
17 pool and all money carried forward into that pool from previous
18 performances shall be combined with the minor pool and
19 distributed to the holders of tickets correctly designating the
20 most, but not all, of the races comprising the pick (n) for that
21 performance.
22 ~~(o)~~(p) If the final or designated mandatory payoff performance
23 is canceled or the major pool has not been distributed, the
24 major pool shall be ~~escrowed by the association~~ deposited in an
25 interest-bearing account approved by the executive secretary.
26 ~~and~~ The major pool plus all accrued interest shall then be
27 carried over and included in a major pool offered on one of the
28 first five days of the next subsequent race meeting or on the
29 next performance after the undistributed mandatory payout
30 performance, as approved by the executive secretary.

1 ~~(p)~~(q) Except for refunds required by this section, a pick (n)
2 ticket may not be sold, exchanged, or canceled after the close
3 of wagering on the first of the pick (n) races.

4 ~~(q)~~(r) A person may not disclose the number of tickets sold in
5 the pick (n) pool or the number or amount of tickets selecting
6 winners of the races comprising the pick (n) until the results
7 of the last race comprising the pick (n) are official. The
8 totalisator equipment shall be programmed or constructed to
9 suppress the publication or printing of any such information,
10 except the total number of dollars wagered in the pick (n),
11 until the results of the last race comprising the pick (n) are
12 official.

1 **Sec. 321.313 Select ~~Three~~, ~~Four~~, or Five**

2 The select ~~three~~, ~~four~~, or five wager is not a parlay and has no
3 connection with or relation to the win, place, and show pools
4 shown on the tote board.

5 (b) A select ~~three~~, ~~four~~, or five ticket is evidence of a
6 binding contract between the holder of the ticket and the
7 association and the ticket constitutes an acceptance of this
8 section. The association may select a distinctive name for the
9 select ~~three~~, ~~four~~, or five, with the prior approval of the
10 executive secretary.

11 (c) The select ~~three~~, ~~four~~, or five pari-mutuel pool consists of
12 amounts contributed for a selection to win only on each of
13 ~~three~~, ~~four~~, or five races designated by the association with
14 the approval of the executive secretary. Each person purchasing
15 a select ~~three~~, ~~four~~, or five ticket shall designate the winning
16 animal in each of the races comprising the select ~~three~~, ~~four~~,
17 or five.

18 (d) A coupled entry or mutuel field in a race that is part of
19 the select ~~three~~, ~~four~~, or five shall race as a single betting
20 interest for the purpose of the select ~~three~~, ~~four~~, or five
21 pari-mutuel pool calculations and payoffs to the public. If any
22 part of a coupled entry or mutuel field is a starter in a race,
23 the entry or field selection remains as the designated selection
24 to win in that race for the select ~~three~~, ~~four~~, or five
25 calculation, and the selection may not be deemed a scratch.

26 (e) The select ~~three~~, ~~four~~, or five pari-mutuel pool may be a
27 carryover pool or a non-carryover pool. The association, with
28 prior approval of the executive secretary, will decide if the
29 select ~~three~~, ~~four~~, or five pari-mutuel pool will be offered as
30 a carryover pool or a non-carryover pool.

1 (f) A non-carryover select ~~three~~, four, or five pari-mutuel pool
2 shall be distributed in accordance with this subsection. One
3 hundred percent of the net amount in the pari-mutuel pool
4 subject to distribution among winning ticket holders shall be
5 distributed among the holders of pari-mutuel tickets which:

6 (1) Correctly designate the official winner in each of the
7 races comprising the select ~~three~~, four, or five.

8 (2) If no pari-mutuel ticket is sold combining the winners of
9 all of the races comprising the select ~~three~~, four, or five,
10 100% of the net amount in the pari-mutuel pool shall be
11 distributed among the holders of pari-mutuel tickets which
12 include the winners of the next highest number of winners of the
13 races in the select ~~three~~, four, or five.

14 (3) If no pari-mutuel ticket is sold that would require
15 distribution of the select ~~three~~, four, or five pool under
16 paragraphs (1) or (2) of this subsection, the association shall
17 carry over all money wagered in the select ~~three~~, four, or five
18 pool to the next consecutive select ~~three~~, four, or five pool.

19 (4) If the final day of a race meeting is canceled or the
20 select ~~three~~, four, or five pool has not been distributed, the
21 pool shall be ~~escrowed by the association,~~ deposited in an
22 interest-bearing account approved by the executive secretary.
23 ~~and~~ The pool plus all accrued interest shall then be carried
24 over and added to the select ~~three~~, four, or five pari-mutuel
25 pool in the following race meeting on a date and performance
26 designated by the executive secretary.

27 (5) If ~~one or two of the races comprising a select three is~~
28 ~~canceled,~~ two or three of the races comprising a select four are
29 canceled, or three or four of the races comprising a select five
30 are canceled, the net amount of the pari-mutuel pool shall be

1 distributed as provided in paragraph (2) of this subsection.

2 (g) A carryover select ~~three~~, four~~7~~ or five pari-mutuel pool
3 shall be distributed in accordance with this subsection. The net
4 pool in the select ~~three~~, four~~7~~ or five pool is divided into a
5 major pool and a minor pool. The association shall designate the
6 major pool to consist of 75% of the net amount wagered on the
7 select ~~three~~, four~~7~~ or five pool. The remaining 25% constitutes
8 the minor pool.

9 (1) The major pool shall be distributed among holders of
10 select ~~three~~, four~~7~~ or five tickets, which correctly designate
11 the winner in each of the races comprising the select ~~three~~,
12 four~~7~~ or five.

13 (2) Except as otherwise provided by this section, the minor
14 pool shall be distributed to those ticket holders who failed to
15 correctly designate the winner in each of the races comprising
16 the select ~~three~~, four~~7~~ or five, but who correctly selected the
17 winners in the most, but not all of, the races comprising the
18 select ~~three~~, four~~7~~ or five. If there are no such tickets, then
19 the minor pool would be added to the major pool and:

20 (A) Paid out to holders of tickets who correctly designated
21 the winner in each of the races comprising the select ~~three~~,
22 four~~7~~ or five, but if there are no such tickets,

23 (B) Carried forward to the next select ~~three~~, four~~7~~ or five
24 offered.

25 (3) If no ticket is sold that designates the winner in each of
26 the races comprising the select ~~three~~, four~~7~~ or five, the major
27 pool shall be carried forward to the next select ~~three~~, four~~7~~ or
28 five pool offered to be paid in the major pool.

29 (4) Except as otherwise provided by this section, the major
30 pool shall be supplemented each performance by the amount added

1 to the pool from all previous performances' major pools that
2 have not been won in accordance with paragraph (1) of this
3 subsection.

4 (5) If on the last performance of the race meeting or on a
5 designated mandatory payout performance the major pool is not
6 distributable under paragraph (1) of this subsection, the major
7 pool and all money carried forward into that pool from previous
8 performances shall be combined with the minor pool and
9 distributed to the holders of tickets correctly designating the
10 most, but not all, of the races comprising the select ~~three~~,
11 ~~four~~ or five.

12 (6) Except as otherwise provided by this subsection, if one or
13 more of the races comprising a select ~~three~~, ~~four~~ or five is
14 canceled or declared a "no race", the amount contributed to the
15 major pool for that select ~~three~~, ~~four~~ or five shall be added
16 to the minor pool for that same select ~~three~~, ~~four~~ or five and
17 distributed as an extra amount in the minor pool to the holders
18 of the tickets that designate the most winners in the remaining
19 races. All contributions to the major pool from prior select
20 ~~three~~, ~~four~~ or five pools shall remain in the major pool, to be
21 carried forward to the next select ~~three~~, ~~four~~ or five pool to
22 be paid in the major pool later on the race card or on the next
23 performance.

24 (h) If all of the races comprising the select ~~three~~, ~~four~~ or
25 five are canceled, the association shall refund the pari-mutuel
26 tickets sold on the select ~~three~~, ~~four~~ or five on that day. The
27 association shall carry over the remaining amount in the select
28 ~~three~~, ~~four~~ or five pari-mutuel pool to the next consecutive
29 select ~~three~~, ~~four~~ or five pari-mutuel pool.

30 (i) When the condition of the turf course warrants a change of

1 racing surface in any of the races open to select four or five
2 wagering, and such change has not been made known to the betting
3 public prior to the close of wagering for the first select four
4 or five race, the Stewards shall declare the changed races a "no
5 contest" select four or five for wagering purposes and the pool
6 shall be distributed in accordance with subsection (g).

7 Following the designation of a race as a "no contest", no
8 tickets shall be sold selecting a horse in such "no contest"
9 race.

10 (j) If a selection on a select ~~three~~, four, or five ticket in
11 one or more of the races is scratched or determined by the
12 stewards or racing judges to be a nonstarter in the race, the
13 actual favorite, as shown by the largest amount wagered in the
14 win pool at the time of the start of the race, will be
15 substituted for the non starting selection for all purposes,
16 including pool calculations and payoffs. If there are two or
17 more favorites in the win pool, both favorites will be
18 substituted for the non-starting selection.

19 ~~(j)~~(k) In the event of a dead heat for win between two or more
20 animals

21 ~~—(1) in a select three, all the animals in the dead heat for~~
22 ~~win shall be considered as winning animals in the race for the~~
23 ~~purpose of calculating the major or minor pools and the affected~~
24 ~~pool is calculated:~~

25 ~~—(A) As a profit split to those whose selections finished~~
26 ~~first in each of the three contests; but if there are no such~~
27 ~~wagers, then~~

28 ~~—(B) As a single price pool to those who selected the first~~
29 ~~place finisher in any two of the three contests; but if there~~
30 ~~are no such wagers, then~~

1 ~~— (C) As a single price pool to those who selected the first~~
2 ~~place finisher in any one of the three contests; but if there~~
3 ~~were no such wagers, then in accordance with paragraph (f) of~~
4 ~~this section.~~

5 ~~(2)~~ in a select four or five race, all the animals in the dead
6 heat for win shall be considered as winning animals in the race
7 for the purpose of calculating the major or minor pools and the
8 affected pool is calculated as a win pool.

9 ~~(k)~~ (1) A pari-mutuel ticket for the select ~~three~~, four~~7~~, or five
10 pool may not be sold, exchanged, or canceled after the time
11 wagering closes in the first of the races comprising the select
12 ~~three~~, four~~7~~, or five, except for refunds on select ~~three~~, four~~7~~
13 or five tickets as required by subsection (h) of this section. A
14 person may not disclose the number of tickets sold in the select
15 ~~three~~, four~~7~~, or five pool or the number or amount of tickets
16 selecting winners of select ~~three~~, four~~7~~, or five races until the
17 stewards or racing judges have determined the last race
18 comprising the select ~~three~~, four~~7~~, or five to be official.

19

1 **Sec. 321.319 Select Three Pool.**

2 (a) The select three is not a parlay and has no connection with
3 or relation to the win, place, and show pools shown on the tote
4 board.

5 (b) A select three ticket is evidence of a binding contract
6 between the holder of the ticket and the association and the
7 ticket constitutes an acceptance of this section. The
8 association may select a distinctive name for the select three
9 with the prior approval of the executive secretary.

10 (c) The select three pari-mutuel pool consists of amounts
11 contributed for a selection to win only on each of three races
12 designated by the association with the approval of the executive
13 secretary. Each person purchasing a select three ticket shall
14 designate the winning animal in each of the races comprising the
15 select three pool.

16 (d) A coupled entry or mutuel field in a race that is part of
17 the select three shall race as a single betting interest for the
18 purpose of the select three pari-mutuel pool calculations and
19 payoffs to the public. If any part of a coupled entry or mutuel
20 field is a starter in a race, the entry or field selection
21 remains as the designated selection to win in that race for the
22 select three calculation, and the selection may not be deemed a
23 scratch.

24 (e) The select three pari-mutuel pool may be a carryover pool or
25 a non-carryover pool. The association, with prior approval of
26 the executive secretary, will decide if the select three pari-
27 mutuel pool will be offered as a carryover pool or a non-
28 carryover pool.

29 (f) A non-carryover select three pari-mutuel pool shall be
30 distributed in accordance with this subsection. One hundred

1 percent of the net amount in the pari-mutuel pool subject to
2 distribution among winning ticket holders shall be distributed
3 among the holders of pari-mutuel tickets which:

4 (1) Correctly designate the official winner in each of the
5 races comprising the select three.

6 (2) If no pari-mutuel ticket is sold combining the winners of
7 all of the races comprising the select three , 100% of the net
8 amount in the pari-mutuel pool shall be distributed among the
9 holders of pari-mutuel tickets which include the winners of the
10 next highest number of winners of the races in the select three
11 pool.

12 (3) If no pari-mutuel ticket is sold that would require
13 distribution of the select three pool under paragraphs (1) or
14 (2) of this subsection, the association shall carry over all
15 money wagered in the select three pool to the next consecutive
16 select three pool.

17 (4) If the final day of a race meeting is canceled or the
18 select three pool has not been distributed, the pool shall be
19 deposited in an interest-bearing account approved by the
20 executive secretary. The pool plus all accrued interest shall
21 then be carried over and added to the select three pari-mutuel
22 pool in the following race meeting on a date and performance
23 designated by the executive secretary.

24 (5) If one or two of the races comprising a select three is
25 canceled, the net amount of the pari-mutuel pool shall be
26 distributed as provided in paragraph (2) of this subsection.

27 (g) A carryover select three pari-mutuel pool shall be
28 distributed in accordance with this subsection. The net pool in
29 the select three pool is divided into a major pool and a minor
30 pool. The association shall designate the major pool to consist

1 of 75% of the net amount wagered on the select three pool. The
2 remaining 25% constitutes the minor pool.

3 (1) The major pool shall be distributed among holders of
4 select three tickets, which correctly designate the winner in
5 each of the races comprising the select three pool.

6 (2) Except as otherwise provided by this section, the minor
7 pool shall be distributed to those ticket holders who failed to
8 correctly designate the winner in each of the races comprising
9 the select three, but who correctly selected the winners in the
10 most, but not all of, the races comprising the select three. If
11 there are no such tickets, then the minor pool would be added to
12 the major pool and:

13 (A) Paid out to holders of tickets who correctly designated
14 the winner in each of the races comprising the select three, but
15 if there are no such tickets,

16 (B) Carried forward to the next select three pool offered.

17 (3) If no ticket is sold that designates the winner in each of
18 the races comprising the select three, the major pool shall be
19 carried forward to the next select three pool offered to be paid
20 in the major pool.

21 (4) Except as otherwise provided by this section, the major
22 pool shall be supplemented each performance by the amount added
23 to the pool from all previous performances' major pools that
24 have not been won in accordance with paragraph (1) of this
25 subsection.

26 (5) If on the last performance of the race meeting or on a
27 designated mandatory payout performance the major pool is not
28 distributable under paragraph (1) of this subsection, the major
29 pool and all money carried forward into that pool from previous
30 performances shall be combined with the minor pool and

1 distributed to the holders of tickets correctly designating the
2 most, but not all, of the races comprising the select three.

3 (6) Except as otherwise provided by this subsection, if one or
4 more of the races comprising a select three is canceled or
5 declared a "no race", the amount contributed to the major pool
6 for that select three shall be added to the minor pool for that
7 same select three and distributed as an extra amount in the
8 minor pool to the holders of the tickets that designate the most
9 winners in the remaining races. All contributions to the major
10 pool from prior select three pools shall remain in the major
11 pool, to be carried forward to the next select three pool to be
12 paid in the major pool later on the race card or on the next
13 performance.

14 (h)When the condition of the turf course warrants a change of
15 racing surface in any of the races open to select three
16 wagering, and such change has not been made known to the betting
17 public prior to the close of wagering for the first select three
18 race, the Stewards shall declare the changed races a "no
19 contest" for select three wagering purposes and the pool shall
20 be distributed in accordance with subsection (f) or (g).
21 Following the designation of a race as a "no contest", no
22 tickets shall be sold selecting a horse in such "no contest"
23 race.

24 (i) If a scratch (which herein after includes being declared a
25 non-starter or a non-betting starter) was made prior to the
26 start of the first leg, all bets containing such scratched
27 betting interest shall be refunded to determine the gross pool
28 and removed from further consideration in the pool;

29 (j) If a scratch was made in the second leg after the start of
30 the first leg, a consolation payoff shall be computed for those

1 bets combining the winners of the first and third legs with the
2 scratched betting interest as follows: from the gross pool shall
3 be deducted the statutory take-out and then the amount
4 represented by the bets on combinations involving betting
5 interests scratched from the second leg (reduced by the take-out
6 thereon). The resulting remainder shall be divided by the
7 amounts bet on the combination of such first and third leg
8 winners with all betting interests in the second leg (less
9 breaks) to determine the consolation price per dollar payable to
10 those bets combining winners of the first and third legs with
11 the betting interest scratched in the second leg. The break
12 shall not be deducted from the pool.

13 (k) If a betting interest is scratched in the third leg after
14 the start of the first leg, a consolation payoff shall be
15 computed as for those bets combining the winners of the first
16 and second legs with such scratched betting interest as follows:
17 from the gross pool shall be deducted the statutory take-out and
18 then the amount represented by bets on combinations involving
19 betting interests scratched from the third leg (reduced by the
20 rate of the take-out thereon). The resulting remainder shall be
21 divided by the amount bet on the combination of such first and
22 second leg winners with all betting interests in the third leg
23 (less breaks) to determine the consolation price per dollar
24 payable to those bets combining winners of the first and second
25 legs with a betting interest scratched in the third leg. The
26 breaks shall not be deducted from the pool.

27 (l) If betting interests are scratched in both the second and
28 third legs after the start of the first leg, a consolation
29 payoff shall be computed for those bets combining the winner of
30 the first leg with the betting interests scratched in both the

1 second and third legs as follows: from the gross pool shall be
2 deducted the takeout and the remainder shall be divided by the
3 amount bet on the winner of the first leg combined with all
4 other betting interests in the second and third legs (less
5 breaks) to determine the consolation price per dollar payable to
6 those tickets combining the winner of the first leg with the
7 scratched betting interests from both the second and third legs.

8 (m) If all of the races comprising the select three are
9 canceled, the association shall refund the pari-mutuel tickets
10 sold on the select three on that day. The association shall
11 carry over the remaining amount in the select three pari-mutuel
12 pool to the next consecutive select three pari-mutuel pool.

13 (n) In the event of a dead heat for win between two or more
14 animals:

15 (1) In a select three all the animals in the dead heat for win
16 shall be considered as winning animals in the race for the
17 purpose of calculating the major or minor pools and the affected
18 pool is calculated:

19 (A) As a profit split to those whose selections finished
20 first in each of the three contests; but if there are no such
21 wagers, then

22 (B) As a single price pool to those who selected the first
23 place finisher in any two of the three contests; but if there
24 are no such wagers, then

25 (C) As a single price pool to those who selected the first
26 place finisher in any one of the three contests; but if there
27 were no such wagers, then in accordance with paragraph (f) or
28 (g) of this section.

29 (o) A pari-mutuel ticket for the select three pool may not be
30 sold, exchanged, or canceled after the time wagering closes in

1 the first of the races comprising the select three, except for
2 refunds on select three tickets as required by subsection (i) of
3 this section. A person may not disclose the number of tickets
4 sold in the select three pool or the number or amount of tickets
5 selecting winners of select three races until the stewards or
6 racing judges have determined the last race comprising the
7 select three to be official.

8

1 **Sec. 321.320 Super Hi-Five**

2 (a) The super hi-five is not a parlay and has no connection with
3 or relation to the win, place, and show pools shown on the tote
4 board. All tickets on the super hi-five shall be calculated as a
5 separate pool.

6 (b) A person purchasing a super hi-five ticket shall select the
7 five animals that will finish first, second, third, fourth, and
8 fifth in one race. The pool shall be distributed only to the
9 holders of tickets that select the same order of finish as
10 officially posted.

11 (c) If no super hi-five ticket is sold for the winning
12 combination, then the net pool shall be carried over and paid
13 out in the following manner:

14 (1) The entire pool shall be carried over and made available
15 on the next consecutive super hi-five pool, and is combined with
16 and added to the net pool for such qualifying pool, and made
17 available for payout, or

18 (2) An association can, at its option, announce a consolation
19 pool, 25% of the net pool, will be offered. The offering of a
20 consolation pool shall be announced at least 72 hours in advance
21 of the first day upon which a consolation pool will be offered,
22 and shall be publicized. Notice of the consolation pool may be
23 announced, by way of example, via press release, internet,
24 simulcast signal, and on-track announcements.

25 (3) If there are no ticket holders who selected first-place,
26 second-place, third-place, fourth-place, and fifth-place
27 finishers in order and a consolation pool is offered, then a
28 consolation pool shall be established. The consolation pool
29 shall be equal to 25% of the net pool and distributed as a
30 single price pool among those ticket holders and paid out as

1 follows:

2 (A) To those who selected first-place, second-place, third-
3 place, and fourth-place finishers in order. If there are no such
4 wagers, then

5 (B) To those who selected first-place, second-place, and
6 third-place finishers in order. If there are no such wagers,
7 then

8 (C) To those who selected first-place and second-place
9 finishers in order. If there are no such wagers, then

10 (D) To those who selected the first-place finishers.

11 (E) If the super hi-five pool cannot otherwise be
12 distributed in accordance with this section, the money in the
13 super hi-five consolation pool shall be carried forward to the
14 next consecutive super hi-five pool.

15 (d) The minimum number of wagering interests required to offer
16 super hi-five wagering shall be seven actual starters.

17 (e) Super hi-five wagers on races in which wagering has been
18 canceled or the race declared no contest shall be refunded. Any
19 carryover pool added to the net pool of a super hi-five race
20 which is canceled shall carry forward to be added to the next
21 consecutive super hi-five wagering pool.

22 (f) If less than five animals finish and the race is declared
23 official by the stewards or judges, then pay off shall be made
24 to ticket holders selecting the finishing animals in order of
25 finish as provided above.

26 (g) In the event of a dead heat in any finishing position, the
27 wagers be paid as follows:

28 (1) All wagers selecting either of the dead-heat positions
29 with the correct non-dead-heat position shall be winners and
30 share in the pool;

1 (2) Payouts will be calculated by splitting the pool equally
2 between each winning combination, then dividing split pools by
3 the number of winning tickets. A dead heat will produce separate
4 and distinct payouts respective to each winning combination.

5 (h) If the final day of a race meeting is canceled or the super
6 hi-five pool has not been distributed, the pool shall be
7 deposited in an interest-bearing account approved by the
8 executive secretary. The pool plus all accrued interest shall
9 then be carried over and added to the super hi-five pari-mutuel
10 pool in the following race meeting on a date and performance
11 designated by the executive secretary.

12 (i) If an animal is scratched or declared a nonstarter, no
13 further tickets may be issued designating such animal and all
14 super hi-five tickets previously issued designating such animal
15 shall be refunded and the money deducted from the gross super
16 hi-five pool.

17 (j) For purposes of statutory deductions and commissions, the
18 net amount does not include any amounts carried over from any
19 previous super hi-five pool.

20

1 **Section 321.321 Fortune Pick (n).**

2 (a) The fortune pick (n) wager is not a parlay and has no
3 connection with or relation to the win, place, and show pools
4 shown on the tote board. All tickets on the fortune pick (n)
5 shall be calculated as a separate pool.

6 (b) The fortune pick (n) pari-mutuel pool consists of amounts
7 contributed for a selection to win only in each of six, seven,
8 eight, nine, or 10 races designated by the association. After
9 designating the number of races comprising the fortune pick (n),
10 the association may not change the number during a race meeting
11 without prior written approval of the executive secretary.

12 (c) A person purchasing a fortune pick (n) ticket shall
13 designate the winning animal in each of the races comprising the
14 fortune pick (n). The association shall issue to the purchaser
15 of a fortune pick (n) ticket a ticket that reflects each of the
16 purchaser's selections.

17 (d) A fortune pick (n) ticket is a contract between the holder
18 of the ticket and the association and the ticket constitutes
19 acceptance of this section. The association, totalisator
20 company, and the State of Texas are not liable to a person for a
21 fortune pick (n) ticket that is not a winning ticket under this
22 section or for a fortune pick (n) ticket that is not delivered.

23 (e) A coupled entry or mutuel field in a race that is part of
24 the fortune pick (n) races shall race as a single betting
25 interest for the purpose of mutuel pool calculations and payoffs
26 to the public.

27 (f) The fortune pick (n) pool shall be distributed as provided
28 by this section. The net pool in the fortune pick (n) pool is
29 divided into a major pool and a minor pool. The association may
30 designate the major pool to consist of either 75% or 50% of the

1 net amount wagered on the fortune pick (n). The remaining
2 percentage constitutes the minor pool. The association shall
3 notify the executive secretary in writing before the beginning
4 of each race meeting of its designation regarding the division
5 between the major and minor pools. After designating the
6 division between the major and minor pools, an association may
7 not change the division during a race meeting without prior
8 written approval of the executive secretary.

9 (g) Fortune pick (n) with minor pool and carryover with unique
10 wager: the entire net fortune pick (n) pool and carryover, if
11 any, shall be distributed to the holder of a unique wager
12 selecting the first place finisher in each of the selected
13 fortune pick (n) contests, based upon the official order of
14 finish. If there is no unique wager selecting the first place
15 finisher in all fortune pick (n) contests, the minor share of
16 the net fortune pick (n) pool shall be distributed as a single
17 price pool to those who selected the first place finisher in the
18 greatest number of fortune pick (n) contests; and the major
19 share shall be added to the carryover.

20 (h) Unique wager, as used in this rule, shall be defined as
21 having occurred when the total amount wagered on a winning
22 combination selecting the first place finisher in each of the
23 selected fortune pick (n) contests, based upon the official
24 order of finish, is equal to the minimum allowable wager.

25 (i) If there is a dead heat for first in any of the fortune
26 pick (n) contests involving:

27 (1) Contestants representing the same betting interest, the
28 fortune pick (n) pool shall be distributed as if no dead heat
29 occurred.

30 (2) Contestants representing two or more betting interests,

1 the fortune pick (n) pool shall be distributed as a single price
2 pool with each unique winning wager receiving an equal share of
3 the profit.

4 (j) Should a betting interest in any of the fortune pick (n)
5 contests be scratched, excused, or determined to be a non-
6 starter, all tickets sold containing the scratched animal shall
7 be refunded. The money refunded will be deducted from the gross
8 pool.

9 (k) Except as otherwise provided by this subsection, if one or
10 more races in the fortune pick (n) are canceled or declared a
11 "no race", the amount contributed to the major pool for that
12 performance shall be added to the minor pool for that
13 performance and distributed as an extra amount in the minor pool
14 to the holders of the tickets that designate the most winners in
15 the remaining races. All contributions to the major pool from
16 prior performances shall remain in the major pool, to be carried
17 forward to the next performance to be paid in the major pool for
18 that performance. If the stewards or racing judges cancel or
19 declare as a "no race" three or more of the races comprising a
20 fortune pick six, seven, or eight, four or more of the races
21 comprising the pick nine, or five or more of the races
22 comprising the pick 10, the fortune pick (n) is canceled and the
23 association shall refund all pick (n) tickets. A person may not
24 win the major pool unless the person holds a fortune pick (n)
25 ticket that correctly designates the official winners of all the
26 scheduled races comprising the fortune pick (n) for that
27 performance. On the last performance of a race meeting or on a
28 designated mandatory payout performance, if one or two races
29 comprising the pick (1) are canceled or declared a "no race",
30 the major pool and the minor pool for that performance shall be

1 combined with the prior performance major pool and be paid to
2 those holders of tickets who correctly designated the most
3 winners of the remaining races of the fortune pick (n). If three
4 or more races comprising the fortune pick (n) are canceled or
5 declared a "no race", the association shall refund all fortune
6 pick (n) tickets and the prior performance major pool shall be
7 distributed in accordance with subsection (m) of this section.
8 (l) When the condition of the turf course warrants a change of
9 racing surface in any of the races open to fortune pick (n)
10 wagering, and such change has not been made known to the betting
11 public prior to the close of wagering for the first fortune
12 pick (n) race, the Stewards shall declare the changed races a
13 "no contest" for fortune pick (n) wagering purposes and the pool
14 shall be distributed in accordance with subsection (k).
15 Following the designation of a race as a "no contest", no
16 tickets shall be sold selecting a horse in such "no contest"
17 race.
18 (m) If on the last performance of the race meeting or on a
19 designated mandatory payout performance the major pool is not
20 distributable under subsection (g) of this section, the major
21 pool and all money carried forward into that pool from previous
22 performances shall be combined with the minor pool and
23 distributed to the holders of tickets correctly designating the
24 most, but not all, of the races comprising the fortune pick (n)
25 for that performance.
26 (n) If the final or designated mandatory payoff performance is
27 canceled or the major pool has not been distributed, the major
28 pool shall be deposited in an interest-bearing account approved
29 by the executive secretary. The major pool plus all accrued
30 interest shall then be carried over and included in a major pool

1 offered on one of the first five days of the next subsequent
2 race meeting or on the next performance after the undistributed
3 mandatory payout performance, as approved by the executive
4 secretary.

5 (o) Except for refunds required by this section, a fortune
6 pick (n) ticket may not be sold, exchanged, or canceled after
7 the close of wagering on the first of the fortune pick (n)
8 races.

9 (p) A person may not disclose the number of tickets sold in the
10 fortune pick (n) pool or the number or amount of tickets
11 selecting winners of the races comprising the fortune pick (n)
12 until the results of the last race comprising the fortune
13 pick (n) are official. The totalisator equipment shall be
14 programmed or constructed to suppress the publication or
15 printing of any such information, except the total number of
16 dollars wagered in the fortune pick (n), until the results of
17 the last race comprising the fortune pick (n) are official.

1 **Sec. 321.417. Emergency Procedures.**

2 (a) If an association is unable to establish or to maintain the
3 audio or video signal from a host racetrack, the association
4 shall immediately notify the host racetrack of the lost signal
5 and may continue to accept wagers for ~~30 minutes~~ four hours
6 while attempting to establish the signal.

7 (b) If after ~~30 minutes~~ four hours the audio or video signal
8 cannot be established the association may continue to accept
9 wagers on the signal provided:

10 (1) the mutuel manager makes an announcement to the public
11 informing them that due to technical difficulties the audio or
12 video signal has been lost;

13 (2) the association transmits the odds on the affected race to
14 the video department to be displayed to the patrons;-and

15 (3) the totalisator operator locks all wagering on the
16 affected race at zero minutes to post to ensure the integrity
17 and transfer of the wagering pools.

18 (c) If the host racetrack loses the ability to transmit the
19 audio or video signal, the host racetrack:

20 (1) shall notify all guest racetracks of the technical
21 difficulties being experienced;

22 (2) may continue to accept wagers from the guest racetracks on
23 that day's races; and

24 (3) may not accept wagers from the guest racetracks for
25 subsequent race days until the technical difficulties have been
26 corrected.

1 **Sec. 321.503. Purses.**

2 (a) To be approved by the executive secretary, an association's
3 request for approval to import a simulcast must allocate for
4 purses as follows:

5 (1) for a same species simulcast, as provided by the Act,
6 §6.08; and

7 (2) for a cross-species simulcast, as provided in the contract
8 with the officially recognized horsemen's organization.

9 ~~To be approved by the executive secretary,~~ a An
10 association's request for approval to export a simulcast must
11 allocate a minimum 37.0% for purses from the simulcast fee
12 charged to the guest racetrack, unless otherwise approved by the
13 recognized horsemen's organization and the executive secretary.

14 (c) An association shall distribute the funds derived for purses
15 from a simulcast during the 12-month period immediately
16 following the simulcast.

1 **Sec. 321.605. E-Wagering Plan.**

2 (a) To be approved to conduct E-wagering, an association must
3 submit a plan to the Commission. The plan must include:

4 (1) the procedures for opening an account;

5 (2) the procedures for establishing identity of account
6 holder;

7 (3) the procedures for making deposits to the account;

8 (4) the procedures for making withdrawals from the account;

9 (5) the procedures for closing an account; ~~and~~

10 (6) the procedures for suspending an account; and

11 (7) a description of the wagering system and E-wagering access
12 system.

13 (b) The executive secretary may approve a plan to conduct E-
14 wagering if the executive secretary determines that the
15 association's plan meets the requirements of this section and
16 does not conflict with the Rules or the Act.