



TEXAS RACING COMMISSION
P. O. Box 12080
Austin, TX 78711-2080
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Texas Racing Commission
Friday, May 13, 2011
10:30 a.m.
Animal Health Commission
2105 Kramer Lane
Auditorium
Austin, Texas 78758

AGENDA

- I. CALL TO ORDER**
Roll Call
- II. PUBLIC COMMENT**
- III. GENERAL BUSINESS**
Discussion and consideration on the following matters:
Reports by the Executive Director and Staff regarding Administrative Matters
 - A. Budget and Finance Update
 - B. Report on Racetrack Inspections
 - C. Report on Wagering Statistics
 - D. Enforcement Report
 - E. Report by the Executive Director and Staff on the Status of Sunset Legislation and Legislative Proposals by the 82nd Texas Legislature, Regular Session

IV. PROCEEDINGS ON RACETRACKS

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

- A. Request by Lone Star Park for Approval of 100% Change of Ownership
- B. Request by Retama Park for Approval of One Change of Ownership of Less than 1%
- C. Request by PM Texas LLC for Approval of Two Member Representatives
- D. Request by Valley Race Park to Modify its 2011 Live Racing Schedule

Discussion and consideration on the following matters:

- E. Report on Application to Change Ownership and Location of Longhorn Downs/Austin Jockey Club
- F. Report on Request by Laredo Downs for Conditional Approval to Change Location
- G. 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
 - 6. Progress Report by Manor Downs

V. PROCEEDINGS ON RULEMAKING

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

Rule Adoptions

- A. Adoption of Amendment to Rule 313.110, Coupled Entries
- B. Adoption of Amendment to Rule 319.111, Bleeders and Furosemide Program

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.

VII. OLD/NEW BUSINESS

Schedule next Commission Meeting

VIII. ADJOURN



**Fiscal Year 2011
Operational Budget**

Updated: April 20, 2011

Thru: March 31, 2011

Summary of Operating Revenue

By Revenue Type:	Budget	Collected	Suspended	Uncollected Balance	%
Account 597 - Racing Commission - GRD	\$ 11,046,519	\$ 7,729,495	\$ 399,548	\$ 3,317,024	30%
Account 1 - State of Texas - GR	\$ -	\$ -	\$ -	\$ -	
TOTAL - ALL REVENUES	\$ 11,046,519	\$ 7,729,495	\$ 399,548	\$ 3,317,024	30%

Summary of Appropriated Operating Expenses

	Budget	Expended	Encumbered	Unexpended Balance	%
1001 - Salaries and Wages:	\$ 3,013,096	\$ 1,654,827	\$ -	\$ 1,358,269	45%
1002 - Other Personnel Cost:	\$ 169,400	\$ 100,209	\$ -	\$ 69,191	41%
2001 - Professional Fees and Services:	\$ 175,000	\$ 34,777	\$ -	\$ 140,222	80%
2003 - Consumable Supplies:	\$ 26,001	\$ 11,727	\$ -	\$ 14,274	55%
2004 - Utilities:	\$ 26,500	\$ 13,278	\$ -	\$ 13,222	50%
2005 - Travel:	\$ 184,415	\$ 49,031	\$ -	\$ 135,384	73%
2006 - Rent Building:	\$ 108,014	\$ 72,382	\$ -	\$ 35,632	33%
2007 - Rent Machine and Other:	\$ 14,500	\$ 8,160	\$ -	\$ 8,340	58%
2009 - Other Operating Expense:	\$ 329,925	\$ 151,895	\$ -	\$ 178,030	54%
4000 - Grants	\$ 3,407,389	\$ 1,801,319	\$ -	\$ 1,606,070	47%
5000 - Capital Expenditures:	\$ 33,800	\$ -	\$ -	\$ 33,800	100%
TOTAL - ALL APPROPRIATED EXPENDITURES	\$ 7,488,040	\$ 3,895,605	\$ -	\$ 3,592,435	48%

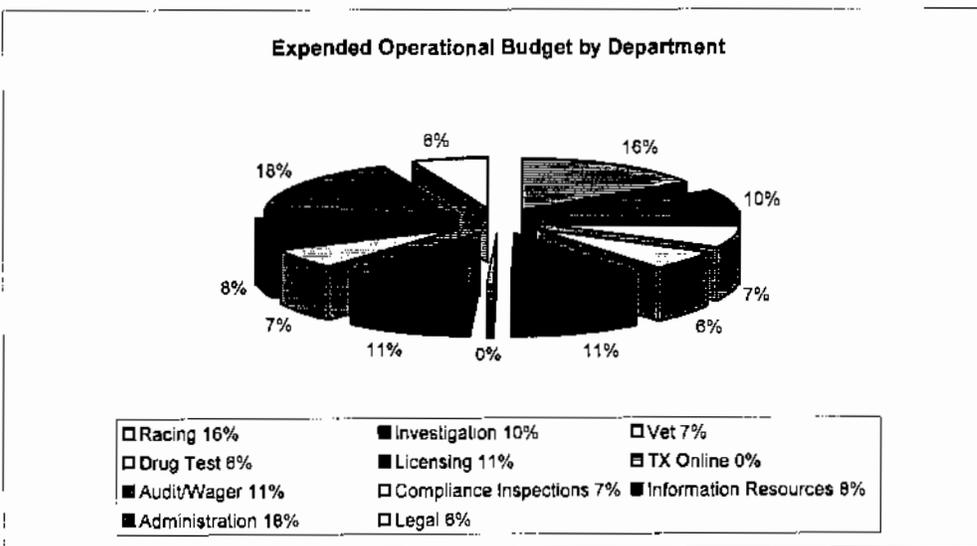
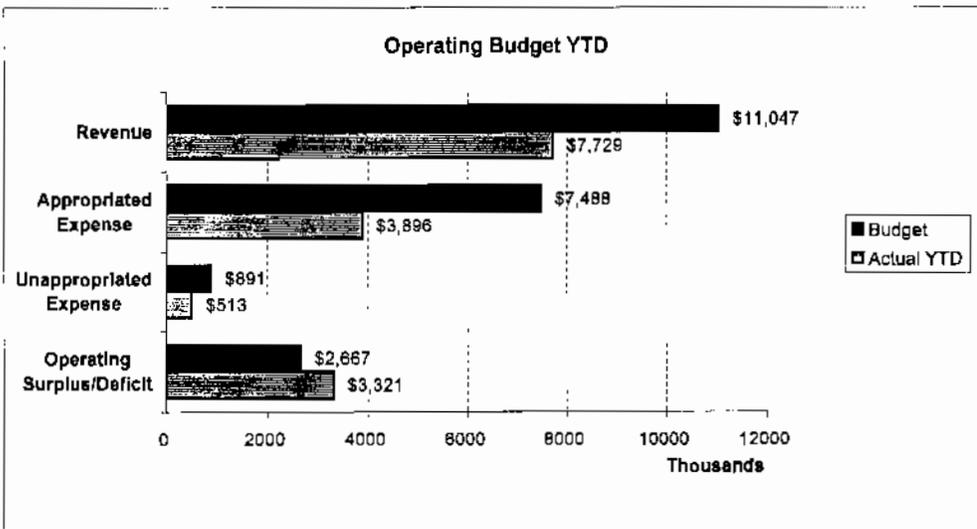
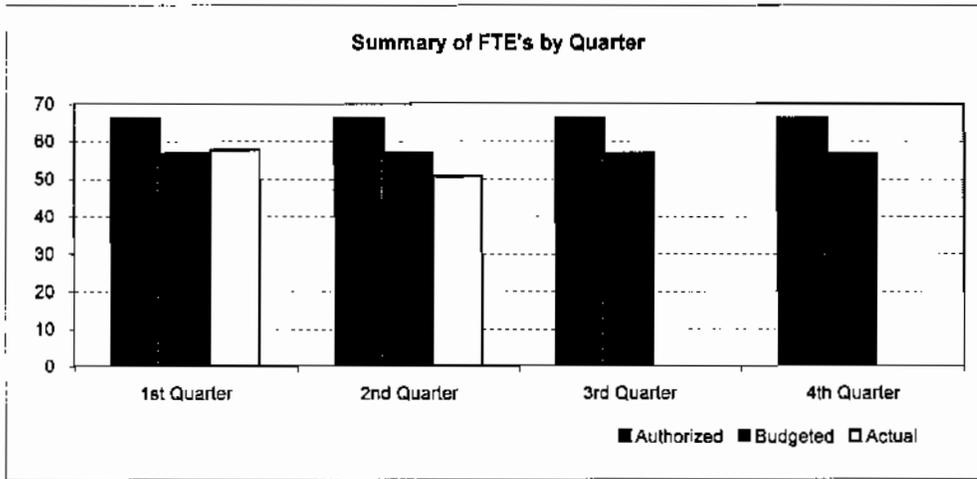
Unappropriated Operating Expenses

Type:	Budget	Expended	Encumbered	Unexpended Balance	%
TOTAL - ALL UNAPPROPRIATED EXPENDITURES	\$ 891,194	\$ 513,287	\$ -	\$ 377,907	42%
TOTAL - ALL EXPENDITURES	\$ 8,379,233	\$ 4,408,891	\$ -	\$ 3,970,342	47%
OPERATING SURPLUS / (DEFICIT)	\$ 2,687,288	\$ 3,320,604			

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	58.90	56.90	56.90	56.90
Actual FTE's	57.72	50.71		
Actual FTE's Over / (Under) Budget	0.82	(6.19)	-	-
Actual FTE's Over / (Under) Authorization	-	-	-	-

III.A.1



III.A.2



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

Updated: April 20, 2011

Thru: March 31, 2011

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	\$ 255,720		\$ 331,450	56%
Simulcast Race Day Fees	\$ 892,460	\$ 514,990		\$ 377,470	42%
Annual License Fees (Active & Inactive)	\$ 1,265,000	\$ 1,265,000	\$ 399,548	\$ -	0%
Outs	\$ 1,305,725	\$ 664,521		\$ 641,205	49%
Occupational License Fees and Fines	\$ 751,575	\$ 401,000		\$ 350,575	47%
ATB Program Pass Thru Fees	\$ 3,407,389	\$ 1,801,319		\$ 1,606,070	47%
Other Revenue	\$ 37,200	\$ 26,946		\$ 10,254	28%
Account 597 - Racing Commission - GRD	\$ 11,046,519	\$ 7,729,495	\$ 399,548	\$ 3,317,024	30%
State of Texas General Revenue Fund	\$ -	\$ -		\$ -	
Account 1 - State of Texas - GR	\$ -	\$ -	\$ -	\$ -	
TOTAL - ALL REVENUES	\$ 11,046,519	\$ 7,729,495	\$ 399,548	\$ 3,317,024	30%

Summary of Appropriated Operating Expenses

By Division:	Budget	Expended	Encumbered	Unexpended Balance	%
Racing Oversight	\$ 1,743,392	\$ 896,756		\$ 846,636	49%
Wagering & Racing Review	\$ 742,462	\$ 438,387		\$ 304,075	41%
Finance & Administration	\$ 527,242	\$ 319,685		\$ 207,558	39%
1001 - Salaries and Wages:	\$ 3,013,096	\$ 1,654,827	\$ -	\$ 1,358,269	45%
Racing Oversight	\$ 87,520	\$ 35,031		\$ 52,489	60%
Wagering & Racing Review	\$ 43,460	\$ 32,968		\$ 10,492	24%
Administration	\$ 38,420	\$ 32,209		\$ 6,211	16%
1002 - Other Personnel Cost:	\$ 169,400	\$ 100,209	\$ -	\$ 69,191	41%
Racing Oversight	\$ 34,000	\$ 17,749		\$ 16,251	48%
Wagering & Racing Review	\$ 116,000	\$ 4,552		\$ 111,448	96%
Finance & Administration	\$ 25,000	\$ 12,477		\$ 12,523	50%
2001 - Professional Fees and Services:	\$ 175,000	\$ 34,777	\$ -	\$ 140,222	80%
Racing Oversight	\$ 2,700	\$ 2,679		\$ 21	1%
Wagering & Racing Review	\$ 4,500	\$ 3,138		\$ 1,382	30%
Finance & Administration	\$ 18,801	\$ 5,910		\$ 12,891	69%
2003 - Consumable Supplies:	\$ 26,001	\$ 11,727	\$ -	\$ 14,274	55%
Racing Oversight	\$ -	\$ -		\$ -	
Wagering & Racing Review	\$ -	\$ 190		\$ (190)	
Administration	\$ 26,500	\$ 13,068		\$ 13,412	51%
2004 - Utilities:	\$ 26,500	\$ 13,278	\$ -	\$ 13,222	50%
Racing Oversight	\$ 113,050	\$ 25,093		\$ 87,957	76%
Wagering & Racing Review	\$ 37,365	\$ 15,579		\$ 21,786	58%
Finance & Administration	\$ 34,000	\$ 8,359		\$ 25,641	75%
2005 - Travel:	\$ 184,415	\$ 49,031	\$ -	\$ 135,384	73%
Racing Oversight	\$ -	\$ -		\$ -	
Wagering & Racing Review	\$ 2,700	\$ 2,700		\$ -	0%
Finance & Administration	\$ 105,314	\$ 69,682		\$ 35,632	34%
2006 - Rent Building:	\$ 108,014	\$ 72,382	\$ -	\$ 35,632	33%

III.A.3



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

Updated: April 20, 2011

Thru: March 31, 2011

Summary of Operating Revenue

	Budget	Expended	Encumbered	Uncollected Unexpended Balance	%
Racing Oversight	\$ 12,000	\$ 5,156		\$ 6,844	57%
Wagering & Racing Review	\$ -	\$ -		\$ -	
Finance & Administration	\$ 2,500	\$ 1,004		\$ 1,496	60%
2007 - Rent Machine and Other:	\$ 14,500	\$ 6,160	\$ -	\$ 8,340	58%
Racing Oversight	\$ 91,200	\$ 61,735		\$ 29,465	32%
Wagering & Racing Review	\$ 104,910	\$ 43,787		\$ 61,123	58%
Finance & Administration	\$ 133,815	\$ 46,372		\$ 67,443	65%
2009 - Other Operating Expense:	\$ 329,925	\$ 151,895	\$ -	\$ 178,030	54%
Racing Oversight	\$ -	\$ -		\$ -	
Wagering & Racing Review	\$ 3,407,389	\$ 1,801,319		\$ 1,606,070	47%
Administration	\$ -	\$ -		\$ -	
4000 - Grants	\$ 3,407,389	\$ 1,801,319	\$ -	\$ 1,606,070	47%
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	\$ 3,895,605	\$ -	\$ 3,592,435	48%

Summary of Unappropriated Operating Expenses

Type:	Budget	Expended	Encumbered	Unexpended Balance	%
OASI Match	\$ 231,165	\$ 130,976		\$ 100,189	43%
Group Insurance	\$ 258,825	\$ 176,329		\$ 82,496	32%
State Retirement	\$ 194,566	\$ 109,805		\$ 84,761	44%
Benefit Replacement	\$ 31,638	\$ 18,003		\$ 13,635	43%
ERS Retiree Insurance	\$ 100,000	\$ 50,995		\$ 49,005	49%
SWCAP GR Reimbursement	\$ 55,000	\$ 26,494		\$ 28,506	52%
Unemployment Cost	\$ 20,000	\$ 685		\$ 19,315	97%
Other	\$ -	\$ -		\$ -	
Unappropriated Operating Expenses	\$ 691,194	\$ 513,287	\$ -	\$ 377,907	42%
TOTAL - ALL UNAPPROPRIATED EXPENDITURES	\$ 891,194	\$ 513,287	\$ -	\$ 377,907	42%
TOTAL - ALL EXPENDITURES	\$ 8,379,233	\$ 4,408,891	\$ -	\$ 3,970,342	47%
OPERATING SURPLUS / (DEFICIT)	\$ 2,667,286	\$ 3,320,604			

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	57.72	50.71		
Actual FTE's Over / (Under) Budget	0.82	(6.19)	-	-
Actual FTE's Over / (Under) Authorization	-	-	-	-

III.A.4

**Texas Racing Commission
Report on Racetrack Inspection Activities
May 13, 2011**

Date of Inspection	Track	Type of Inspection	Number of Unsatisfactory Items	Track Remediation	Remaining Unsatisfactory Items
03/25/11	Gillespie Race Barn	Parl-mutuel	0	-	-
03/02/11	Gulf Greyhound Park	Veterinary	0	-	-
03/02/11	Gulf Greyhound Park	Judges	1 ⁱ	Resolved 03/12/11	0
04/24/11	Gulf Greyhound Park	Veterinary	0	-	-
04/29/11	Gulf Greyhound Park	Parl-mutuel	0	-	-
04/29/11	Gulf Greyhound Park	Judges	4 ⁱⁱ	-	4
03/18/11	Gulf Coast Racing	Parl-mutuel	0	-	-
03/18/11	Gulf Coast Racing	Safety & Security	0	-	-
03/30/11	Lone Star Park	Administrative	0	-	-
03/30/11	Lone Star Park	Parl-mutuel	0	-	-
04/05/11	Lone Star Park	Veterinary	0	-	-
04/06/11	Lone Star Park	Safety & Security	1 ⁱⁱⁱ	Resolved 04/17/11	0
04/12/11	Lone Star Park	Stewards	2 ^{iv}	Reinspection scheduled for 05/13/11	2
03/18/11	Rstama Park	Pari-mutuel	0	-	-
04/20/11	Sam Houston Race Park	Veterinary	0	-	-
03/17/11	Valley Race Park	Parl-mutuel	0	-	-
03/18/11	Valley Race Park	Safety & Security	1 ^v	-	1
03/17/11	Delta Training Center	Training	0	-	-
03/25/11	Oak Leaf Training Center	Training	4	Follow-up to 01/25/11 inspection	0

ⁱ **Gulf Greyhound Park** – Lure and safety rails need repairs. Repairs completed on March 12, 2011.

ⁱⁱ **Gulf Greyhound Park** – Roof walkway lights need replacing; Photo finish illumination lights need repair; Track surface drag needs repair; Floor mats in 550 and 660 yd starting boxes need repair.

ⁱⁱⁱ **Lone Star Park** – Preliminary Fire Marshall Inspection. Follow-up fire inspection completed on April 17, 2011

^{iv} **Lone Star Park** – Restrooms and showers in stable area need maintenance. Some dorm rooms out of service due to water leaks.

^v **Valley Race Park**- Expired Fire Marshal report.

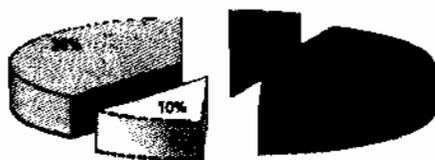


**Texas Pari-Mutuel Racetracks Wagering Statistics
Comparison Report on Total Wagers Placed
in Texas & on Texas Races**

For the Period: 01/01/10 - 05/01/10 to 01/01/11 -05/01/11

Sources of Wagers	Year 2010 01/01 - 05/01				Year 2011 01/01 - 05/01				Percentage Change in	
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wagers		
Greyhound Racetracks										
Live	103	\$ 3,793,001	\$ 36,825	83	\$ 3,417,439	\$ 41,174	-9.90%	11.61%		
Simulcast Same-Species	311	\$ 10,129,893	\$ 32,572	309	\$ 9,275,072	\$ 30,016	-6.44%	-7.65%		
Simulcast Cross-Species	311	\$ 6,726,910	\$ 28,061	309	\$ 8,481,841	\$ 27,365	-3.04%	-2.41%		
Export	103	\$ 5,495,595	\$ 53,355	83	\$ 4,274,094	\$ 51,495	-22.23%	-3.49%		
Total Wagers		\$ 28,145,399	N/A		\$ 25,426,446	N/A	-9.65%	N/A		
Horse Racetracks										
Live	80	\$ 9,946,368	\$ 124,330	83	\$ 8,669,240	\$ 137,807	-12.84%	-12.84%		
Simulcast Same-Species	519	\$ 80,111,277	\$ 154,367	432	\$ 84,274,717	\$ 148,784	-19.77%	-19.77%		
Simulcast Cross-Species	516	\$ 13,009,800	\$ 25,213	431	\$ 11,566,232	\$ 26,836	-11.10%	-11.10%		
Export	54	\$ 74,514,471	\$ 1,379,896	63	\$ 48,043,577	\$ 762,598	-35.52%	-35.52%		
Total Wagers		\$ 177,561,915	N/A		\$ 132,553,787	N/A	-25.36%	N/A		
All Texas Racetracks										
Live	183	\$ 13,739,368	\$ 75,079	146	\$ 12,068,680	\$ 82,785	-12.03%	10.27%		
Simulcast Same-Species	830	\$ 90,241,171	\$ 108,724	741	\$ 73,549,789	\$ 99,257	-16.50%	-8.71%		
Simulcast Cross-Species	827	\$ 21,738,710	\$ 26,284	740	\$ 20,028,073	\$ 27,065	-7.86%	2.97%		
Export	157	\$ 80,010,066	\$ 509,818	146	\$ 52,317,871	\$ 356,340	-34.61%	-29.68%		
Total Wagers		\$ 205,727,315	N/A		\$ 157,982,213	N/A	-23.21%	N/A		
Total Wagers Placed in Texas		\$ 125,717,249	N/A		\$ 105,664,542	N/A	-15.95%	N/A		
Total Wagers Placed on Texas Races		\$ 93,749,434	N/A		\$ 84,404,351	N/A	-31.30%	N/A		

2010 Wagers by Source



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

2011 Wagers by Source



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



**Greyhound Racetrack Wagering Statistics
Comparison Report on Total Wagers Placed
in Texas & on Texas Races**

For the Period: 01/01/10 - 05/01/10 to 01/01/11 -05/01/11

Sources of Wagers	Year 2010 01/01 - 05/01			Year 2011 01/01 - 05/01			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	86	\$ 2,586,263	\$ 29,840	85	\$ 2,370,738	\$ 27,891	-7.62%	-6.53%
Simulcast Cross-Species	86	\$ 1,309,495	\$ 15,227	85	\$ 1,267,613	\$ 14,915	-3.18%	-2.04%
Export	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A
Total Wagers		\$ 3,875,758	N/A		\$ 3,838,551	N/A	N/A	N/A
Gulf Greyhound Park								
Live	103	\$ 3,793,001	\$ 36,825	83	\$ 3,417,439	\$ 41,174	-9.90%	11.81%
Simulcast Same-Species	121	\$ 5,031,456	\$ 41,582	120	\$ 4,324,678	\$ 36,039	-14.05%	-13.33%
Simulcast Cross-Species	121	\$ 4,995,609	\$ 41,286	120	\$ 4,716,475	\$ 39,304	-5.59%	-4.80%
Export	103	\$ 5,495,595	\$ 53,355	83	\$ 4,274,094	\$ 51,495	-22.23%	-3.49%
Total Wagers		\$ 19,315,860	N/A		\$ 16,732,686	N/A	-13.37%	N/A
Valley Race Park								
Live	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A
Simulcast Same-Species	104	\$ 2,532,175	\$ 24,348	104	\$ 2,579,656	\$ 24,804	1.88%	1.88%
Simulcast Cross-Species	104	\$ 2,421,807	\$ 23,287	104	\$ 2,477,553	\$ 23,823	2.30%	2.30%
Export	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A
Total Wagers		\$ 4,953,982	N/A		\$ 5,057,209	N/A	2.08%	N/A
All Greyhound Racetracks								
Live	103	\$ 3,793,001	\$ 36,825	83	\$ 3,417,439	\$ 41,174	-9.90%	11.81%
Simulcast Same-Species	311	\$ 10,128,893	\$ 32,572	309	\$ 9,275,072	\$ 30,016	-8.44%	-7.85%
Simulcast Cross-Species	311	\$ 8,726,910	\$ 28,061	309	\$ 8,461,841	\$ 27,385	-3.04%	-2.41%
Export	103	\$ 5,495,595	\$ 53,355	63	\$ 4,274,094	\$ 51,495	-22.23%	-3.49%
Total Wagers		\$ 28,145,399	N/A		\$ 25,426,446	N/A	-9.65%	N/A
Total Wagers Placed in Texas		\$ 22,649,804	N/A		\$ 21,154,352	N/A	-6.60%	N/A
Total Wagers Placed on Texas Races		\$ 9,288,596	N/A		\$ 7,691,533	N/A	-17.19%	N/A

2010 Wagers by Source



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

2011 Wagers by Source



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



**Horse Racetrack Wagering Statistics
Comparison Report on Total Wagers Placed
in Texas & on Texas Races**

For the Period: 01/01/10 - 05/01/10 to 01/01/11 -05/01/11

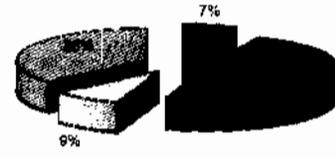
Sources of Wagers	Year 2010 01/01 - 05/01				Year 2011 01/01 - 05/01				Percentage Change In	
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wager		
Gillespie County Fair										
Live	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A		
Simulcast Same-Species	69	\$ 1,114,066	\$ 16,146	69	\$ 1,313,158	\$ 19,031	17.87%	17.87%		
Simulcast Cross-Species	69	\$ 128,748	\$ 1,866	69	\$ 147,545	\$ 2,138	14.60%	14.60%		
Export	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A		
Total Wagers		\$ 1,242,814	N/A		\$ 1,460,703	N/A	17.53%	N/A		
Lone Star Park										
Live	15	\$ 5,053,542	\$ 336,903	12	\$ 3,922,565	\$ 326,880	-22.38%	-2.97%		
Simulcast Same-Species	121	\$ 37,908,914	\$ 313,297	121	\$ 30,995,498	\$ 256,161	-18.24%	-18.24%		
Simulcast Cross-Species	118	\$ 2,170,192	\$ 18,391	120	\$ 1,953,817	\$ 16,282	-9.97%	-11.47%		
Export	3	\$ 14,294,625	\$ 4,764,875	12	\$ 11,226,274	\$ 935,523	-21.47%	-60.37%		
Total Wagers		\$ 59,427,273	N/A		\$ 48,098,154	N/A	-19.06%	N/A		
Manor Downs										
Live	14	\$ 1,100,710	N/A	0	\$ -	N/A	-100.00%	-100.00%		
Simulcast Same-Species	87	\$ 4,546,465	\$ 52,258	0	\$ -	N/A	-100.00%	-100.00%		
Simulcast Cross-Species	87	\$ 809,434	\$ 9,304	0	\$ -	N/A	-100.00%	-100.00%		
Export	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A		
Total Wagers		\$ 6,456,809	N/A		\$ -	N/A	-100.00%	N/A		
Retama Park										
Live	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A		
Simulcast Same-Species	121	\$ 11,943,808	\$ 98,709	121	\$ 10,983,903	\$ 90,611	-8.20%	-8.20%		
Simulcast Cross-Species	121	\$ 2,406,291	\$ 19,887	121	\$ 2,821,721	\$ 21,667	8.95%	8.95%		
Export	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A		
Total Wagers		\$ 14,350,097	N/A		\$ 13,585,624	N/A	-5.33%	N/A		
Sam Houston Race Park										
Live	51	\$ 3,792,116	\$ 74,355	51	\$ 4,746,675	\$ 93,072	25.17%	25.17%		
Simulcast Same-Species	121	\$ 24,598,027	\$ 203,289	121	\$ 21,002,157	\$ 173,572	-14.62%	-14.62%		
Simulcast Cross-Species	121	\$ 7,495,135	\$ 61,943	121	\$ 6,843,150	\$ 56,555	-8.70%	-8.70%		
Export	51	\$ 60,219,845	\$ 1,160,781	51	\$ 36,817,303	\$ 721,908	-36.86%	-36.86%		
Total Wagers		\$ 96,105,123	N/A		\$ 69,409,286	N/A	-27.78%	N/A		
All Horse Racetracks										
Live	80	\$ 9,946,368	\$ 124,330	83	\$ 6,669,240	\$ 137,807	-12.84%	-12.84%		
Simulcast Same-Species	519	\$ 60,111,277	\$ 154,357	432	\$ 64,274,717	\$ 148,784	-19.77%	-19.77%		
Simulcast Cross-Species	518	\$ 13,009,800	\$ 25,213	431	\$ 11,566,232	\$ 26,838	-11.10%	-11.10%		
Export	54	\$ 74,514,471	\$ 1,379,698	83	\$ 48,043,577	\$ 762,596	-35.52%	-35.52%		
Total Wagers		\$ 177,581,915	N/A		\$ 132,553,767	N/A	-25.36%	N/A		
Total Wagers Placed in Texas		\$ 103,067,445	N/A		\$ 84,510,190	N/A	-18.00%	N/A		
Total Wagers Placed on Texas Races		\$ 84,460,838	N/A		\$ 56,712,818	N/A	-32.65%	N/A		

2010 Wagers by Source



Legend: Live, Simulcast Same-Species, Simulcast Cross-Species, Export

2011 Wagers by Source



Legend: Live, Simulcast Same-Species, Simulcast Cross-Species, Export



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

DATE: MAY 6, 2011

TO: COMMISSIONERS

FROM:  MICHAEL GOUGLER, INTERIM DEPUTY DIRECTOR FOR
RACING OVERSIGHT

SUBJECT: REGULATORY STATISTICS FOR JANUARY 1, 2011– APRIL 30, 2011

From January 1, 2011 through April 30, 2011, there were 99 greyhound performances at Gulf Greyhound Park and a total of 60 live horse race days at Lone Star Park and Sam Houston Race Park.

Over these four months, the auditors reviewed wagering data on 1,897 live races and 217,018 simulcast races. A total of 643 import and export simulcast requests were reviewed for compliance with the Act, the Rules, and the Federal Interstate Horse Racing Act.

Licensing technicians issued 1,175 new licenses and processed 2,389 renewals.

Investigators conducted 17 gate, barn and kennel searches that have resulted in 8 administrative investigations. In total, 32 administrative investigations were conducted.

Staff veterinarians inspected 4,963 horses and supervised the collection of 1,247 horse samples for drug testing. At Gulf Greyhound Park, staff veterinarians

inspected 10,039 greyhounds pre-race and from those, 1961 greyhound samples were collected.

The judges and stewards issued 67 rulings during the first four months of this year, 45 resulted in a fine, and 25 resulted in the licensee being suspended. Fines assessed totaled \$15,275. As a result of these rulings, 3 horses were disqualified and their portion of any earned purses redistributed.

Medication violations accounted for less than 10% of the rulings. Drugs are classified by their effect on the animals, with Class 1 being the most serious for greyhounds and horses. Class 6 is the least serious for greyhounds, and Class 5 is the least serious for horses.

Out of the 1,247 horse samples, 3 resulted in a positive. Of these medication violations, one was a Class 4 and one was a Class 5 substance. There was one violation for an overage of phenylebutazone, a permitted medication. These violations were generally the result of inadvertent or improperly timed administration of medications considered to have therapeutic value in the horse but unlikely to be of a performance enhancing nature.

Out of the 1,961 greyhound samples, there were no drugs detected.

Commissioners, for more information on this summary information provided, please do not hesitate to contact me.



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

To: Texas Racing Commissioners
From: Chuck Trout, Executive Director
Date: April 28, 2011
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 (GG-LSP, the "Applicant"). On March 31, 2010, GG-LSP submitted its application and the Texas Department of Public Safety background disclosure forms for review.

On September 10, 2010, GG-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, GG-LSP submitted the following documents:

- A Termination Agreement rescinding the Voting Agreement and the Management Services Agreement;
- A Second Amended and Restated Company Agreement of Global Gaming LSP, LLC; and
- A revised Management Chart.

On November 5, 2010, staff provided its completed review of the amended application and the Department of Public Safety's background report to the Commission. The request for ownership change was slated to be considered by the Commission at its November 16, 2010, meeting. However, on the morning of the meeting, GG-LSP requested that the Commission withdraw consideration of the

transfer from the agenda. Subsequently, the applicant reported that it would file changes to the application.

GG-LSP filed amendments with the Commission on April 13, 2011 to reflect changes made to the Texas entity that owns 51% of GG-LSP, to show revised capital contributions, and to show the renewal of Global Gaming Solutions, LLC's financing commitment. See transmittal letter, Appendix D. To reflect these changes the applicant submitted the following documents:

- Third Amended and Restated Company Agreement of Global Gaming LSP, LLC, dated April 11, 2011 (Appendix E);
- Certificate of Formation of Racing Partners of Texas, LLC, (Appendix F, Page F-1);
- Certificate of Merger of LSP Texas Partners, LLC, and Racing Partners of Texas, LLC (Appendix F, Page F-4);
- Consent of the Members of LSP Texas Partners, LLC (Appendix F, Page F-5)
- Plan of Merger between LSP Texas Partners, LLC and Racing Partners of Texas, LLC (Appendix F, Page F-7)
- Renewal of Binding Financing Commitment (Appendix H); and
- Revised Management Organization Chart of Global Gaming, LSP, LLC (Appendix G).

Commission staff has reviewed these latest changes to 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. GG-LSP was formed on July 29, 2009, as a for-profit business authorized to engage in any lawful activity. GG-LSP has two Members, Racing Partners of Texas, LLC (Racing Partners), the Class A Member¹, and Global Gaming Solutions, LLC (Global Gaming), the Class B Member. The initial contributions² and ownership interests in GG-LSP are:

<u>GG-LSP</u> <u>Members</u>	<u>Ownership in</u> <u>Global Gaming LSP</u>	<u>Initial</u> <u>Contribution</u>
Class A - Racing Partners	51%	\$255,000.00
Class B - Global Gaming	49%	\$245,000.00

Class A Member – Racing Partners of Texas, LLC

Racing Partners of Texas is a Texas limited liability company that was formed on April 4, 2011, as a for-profit business authorized to engage in any lawful activity. The initial contribution and ownership interest in Racing Partners is as follows:

<u>Member</u>	<u>Ownership in</u> <u>Racing Partners</u>	<u>Initial Capital</u> <u>Contribution</u>
Ricky Knox	100%	\$255,000

¹On April 7, 2011, LSP Texas Partners, the 51% owner of Global Gaming LSP, merged into Racing Partners of Texas. LSP Texas Partners consisted of three Members: Ricky Knox, Steve Mostyn, and Phillip Adams. As a result of the merger, Ricky Knox is the sole Member and manager of Racing Partners, LLC. Documents reflecting this merger are found in Appendix F.

² The Members' contributions in Global Gaming LSP's original application were: LSP Texas Partners - \$510.00 (Ricky Knox, \$250.00, Steve Mostyn, \$150.00, and Phillip Adams - \$110.00) and Global Gaming - \$490.00. The amount of the initial contributions was changed in the Third Amended and Restated Company Agreement.

Class B Member – Global Gaming Solutions, LLC

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

Relevant Provisions of the Third Amended and Restated Company Agreement

On April 11, 2011, Racing Partners and Global Gaming entered into the Third Amended and Restated Company Agreement of Global Gaming LSP, LLC. See Appendix E.

Section 4.01, *Capital Contributions*, provides that the Members shall provide the initial capitalization within two business days of the Commission's approval of the change in ownership. The Class A Member, Racing Partners, shall provide \$255,000 in capital contributions in the form of an \$80,000 payment to GG-LSP plus a one-year promissory note to GG-LSP for the remaining \$175,000. The promissory note shall bear interest at the rate of 8% per annum. The Class B Member shall provide \$245,000 in capital contributions. See Appendix E, Pages E-18 - E-19.

Section 3.05, *Additional Members*, requires the Class B Member, Global Gaming, to nominate up to five additional Persons as Class A Members on or before December 31, 2011. Each person must be qualified to own an interest in GG-LSP as a United States citizen who has resided in Texas for the preceding ten years. After a person is nominated to become an additional investor and approved by Racing Partners, GG-LSP will request the Commission's approval for the change in ownership. See Appendix E, Pages E-16 - E-17.

As additional Class A Members are approved by the Commission and admitted to GG-LSP, Racing Partner's \$175,000 promissory note will be reduced to reflect the new Members' capital contributions. These new Members' contributions shall be made in the amount of \$5,000 per percentage point of ownership of GG-LSP. The Company Agreement provides that Racing Partners' membership interest in Global Gaming LSP, currently at fifty one percent (51%), cannot be reduced below seventeen percent (17%) as a result of additional Class A Member(s).

Management of Global Gaming LSP

Global Gaming LSP will be managed by its two Members, Racing Partners and Global Gaming. The Company Agreement provides that most decisions will be made or approved by Racing Partners. See Section 6.01, Appendix E, Pages E-22 - E-23. 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, Racing Partners and Global Gaming, Major Decisions must be unanimously approved in order to achieve a two-thirds vote. Broadly summarized, Major Decisions, see Appendix E, Page E-8, 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;
- i) any decision to file for bankruptcy; and
- j) prior to the date of licensure by the Commission, any decision involving the application to acquire Lone Star Park.

The Company Agreement creates a Management Committee consisting of five persons, three to represent the Class A Members and two to represent the Class B Member. Until such time that there are at least three qualified Class A Members, the Management Committee shall be composed of Ricky Knox, the designee of the Class A Members, and John Elliott and Michael Chang, the designees of the Class B Member. Ricky Knox will initially have three votes on the Management Committee. As additional Class A Members are approved by the Commission, each will join the Management Committee until it has three distinct Class A Members. Thereafter each of the five Management Committee members will have one vote.³

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 Section 6.02, Appendix E, Pages E-23 – E-25.

A copy of the revised Management Chart provided by the applicant is included in Appendix G, Page G-1.

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

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.

³ Global Gaming LSP's previous application created a Management Committee composed of the three Members of LSP Texas Partners, Ricky Knox, Steve Mostyn, Phillip Adams, and two designees of Global Gaming, John Elliott and Michael Chang.

The Company Agreement provides that 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 by GG-LSP, but be hired and trained by Global Gaming.

Delegated Duties and Advisory Services

The Company Agreement provides that Global Gaming LSP delegates to the Class B Member, Global Gaming, the primary responsibility for providing advisory services and performing other duties for Lone Star Park. See Section 6.09, Exhibit E, Pages E-27 – E32.

The officers of Global Gaming Solutions 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.

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 GG-LSP'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 Subsection 6.09(i), Appendix E, Pages E-31 – E32.

- 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 Lone Star Park's \$47.8 million purchase price and the initial costs of operations 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 issued a letter dated April 4, 2011, renewing its binding financial commitment to provide this financing to Global Gaming LSP through September 30, 2011. See Appendix H, Page H-1.

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, any Member, with the consent of the Class A Members, 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 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, 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.

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, 20% of the remaining positive cash flow shall be distributed to the Class A Members and 19.2% shall be distributed to Global Gaming;
- d) next, to the extent of positive cash flow, the payment of Global Gaming's fees (Base Fee, Incentive Fee, and Reimbursables); and
- e) thereafter, to the Members in accordance with their ownership interests.

Global Gaming's Incentive Fee includes the remainder of all net cash flow after distributions have been made under a) through c) above. As a result, the maximum distribution of positive cash flow to the Class A Members will be 20%. There will be no distributions to the Members under e) above. See Section 5.02, Appendix E, Page E-22, and Section 6.09(i), Appendix E, Page E-31.

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 Racing Partners of Texas, LLC, and of 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 I. 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 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 dependent 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)					
	2011	2012	2013	2014	2015
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.

IV.A.23

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>\$64,458.2</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 60 race days, with an average of ten races per day. Over \$9 million was paid in purses, averaging approximately \$16,000 per race. Stakes races averaged 8% of the purses paid.

The 2010 Fall Quarter Horse Meet consisted of 26 days of racing, with an average of ten races per day. Over \$3.6 million was paid in purses, averaging approximately \$13,400 per race. Stakes races averaged 54% 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. During 2010, close to half a million people attended the Thoroughbred and Quarter Horse races at Lone Star Park. To serve these patrons, Lone Star Park paid over \$13.5 million in salaries and wages for 250 personnel on a year-round basis and 800 personnel during the live racing season. Lone Star Park also purchased approximately \$12.4 million in goods and services.

Lone Star Park paid over \$12.6 million in purses.

During 2010, Lone Star Park paid \$1.14 million in pari-mutuel taxes to the state, almost \$1.4 million in other state taxes, and over \$2.4 million in property taxes to Grand Prairie tax districts.

Letters of Support and Opposition

The Commission received resolutions in support of Global Gaming LSP's application from the Texas Horsemen's Partnership, the Texas Quarter Horse Association, and the Texas Thoroughbred Association. The Commission also received letters of support from 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 J.

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 K.

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 did conduct live racing in 2010.

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 the Class A Member, Racing Partners of Texas, or the Class B Member, Global Gaming Solutions, may advance funds to pay Global Gaming LSP's obligations.
- Through the Company Agreement, Global Gaming Solutions will provide advisory services and perform other duties for Lone Star Park. Global Gaming Solutions owns 49% of Global Gaming LSP. Global Gaming Solutions owns and operates Remington Park in Oklahoma City.
- The proposed ownership of 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 Racing Partners of Texas and Global Gaming Solutions. Copies of these confidential reports have been provided to the Commissioners separately.

Appendices available upon request.

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

2011 APR 19 PM 1:55

RECEIVED
TEXAS RACING
COMMISSION

April 14, 2011

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

Dear Mark:

Enclosed are the documents required for transfer of the following ownership interests/units in Retama Partners Ltd.

- Estate of Howard Half to:
 - 210 Muy Buena Suerte Ltd 5 interests/units (.1245% ownership)
 - Straus 2003 Irrevocable Trust 5 interests/units (.1245% ownership)

210 Muy Buena Suerte Ltd will own a 0.9960% interest in Retama Partners Ltd and the Straus 2003 Irrevocable Trust will have a 7.8018% interest. The effective date of these transfers is January 1, 2011.

Two checks for \$75.00 each are 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.B.1



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

May 6, 2011

To: Chuck Trout
Executive Director

From:  Michael Gougler
Interim Deputy Director for Racing Oversight

RE: Ownership Changes – Retama Partners, Ltd.

On April 19, 2011, the Commission received a written request from Retama Partners Ltd for a transfer from the Estate of Howard Halff of 5 interests/units (.1245% ownership) to 210 Muy Buena Suerte Ltd and 5 interests/units (.1245% ownership) to Straus 2003 Irrevocable Trust.

Background information forms for the applicant were forwarded to the Department of Public Safety Bureau of Information Analysis for investigation on April 19, 2011.

On May 5, 2011, 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.

DUGGINS WREN MANN & ROMERO, LLP

POST OFFICE BOX 1140
AUSTIN, TEXAS 78707

300 WEST 6TH STREET, 15TH FLOOR
AUSTIN, TEXAS 78701

TELEPHONE (512)744-9800

April 27, 2011

2011 APR 27 PM 3:47
RECEIVED
TEXAS RACING
COMMISSION

Mr. Mark Fenner
General Counsel
Texas Racing Commission
Austin, Texas 78711-2080

Re: PM Texas LLC Member Representatives

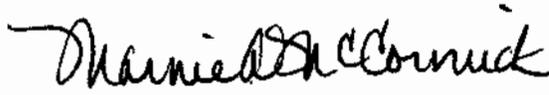
Dear Mark:

As you know, the Commission recently approved the transfer of a 50% ownership interest in Sam Houston Race Park, Valley Race Park, and Laredo Race Park from Maxxam, Inc. to an entity called PM Texas LLC. As you may recall, PM Texas LLC has two members: a subsidiary of Maxxam, Inc. and a subsidiary of Penn National Gaming, Inc. The transactional documents contemplated that each member would appoint two representatives to the Board of PM Texas LLC. We informed you that the Maxxam subsidiary's representatives would be Charles E. Hurwitz and Shawn M. Hurwitz. The Penn National subsidiary's representatives had not, however, been identified at the time the Commission approved the transfer of ownership.

PM Texas LLC has requested Commission approval of the appointment of the two member representatives of the Penn National subsidiary. Those individuals are Steven Snyder and Peter Carlino. Both of these individuals submitted complete DPS disclosure forms and fingerprint cards in connection with the transfer of ownership proceeding. DPS did not report any unfavorable investigatory findings regarding either individual. I am attaching brief biographical information on both Mr. Snyder and Mr. Carlino for the Commission's quick reference. Please let me know if I can provide anything further to facilitate the processing of the request for approval of these gentlemen as directors of PM Texas LLC.

Thanks so much for your help, Mark.

Sincerely,


Marnie A. McCormick

IV.C.1

Corporate Executive Team



Peter Carlino - Chairman and CEO

Peter M. Carlino serves as Chairman and CEO of Penn National Gaming, Inc. He served as president of Mountainview Thoroughbred Racing Association, predecessor to Penn National Gaming, from 1972 until 1976 when he formed Carlino Financial Corporation as a holding company to own and operate various Carlino family businesses, including Mountainview. From 1982 until the Penn National Initial Public Offering, Peter devoted most of his business time to developing, building and operating residential and commercial real estate projects, primarily in central Pennsylvania. He remains Chairman of the Carlino Development Group. He was elected Chairman and

CEO of Penn National in April 1994, just prior to its IPO. Peter is a graduate of the Pennsylvania State University. He serves on the boards of The Milton S. Hershey Medical Center and Mooring Financial Corporation. He and his wife reside in Reading, Pennsylvania. Peter has four children and five grandchildren.

Corporate Executive Team



Steve Snyder - Sr. VP, Corporate Development

Steve Snyder joined Penn National Gaming in 1998 and from 1998 - 2001 served as Vice President of Corporate Development. In 2003, he accepted the position of Senior Vice President of Corporate Development and is responsible for identifying and conducting internal and industry analysis of potential acquisitions, partnerships and other opportunities. Prior to joining PENN, Steve was partner with Hamilton Partners, Ltd., as well as Managing Director of Municipal and Corporate Investment Banking for Meridian Capital Markets. Steve began his career in finance at Butcher & Singer, where he served as First Vice President of public finance. Steve earned a Masters

of Science in Industrial Administration at the Graduate School of Administration at Carnegie Mellon University and a Bachelor of Arts from Dickinson College.



2011 APR 28 PM 6:28

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COMMISSION

April 28, 2011

Mr. Chuck Trout
Executive Director
Texas Racing Commission
P.O. Box 12080
Austin, TX 78711-2080

Dear Mr. Trout:

On behalf of Valley Race Park, I respectfully request to amend our 2011 greyhound race date calendar for the upcoming race meet scheduled to begin on Thursday, June 30, 2011 as follows:

- Delete June 30, July 1, July 2, July 3 and July 4
- Add November 25, November 26, November 27, December 3 and December 4

We believe this change in the time of the year will lead to increased interest in the meet. This request is accompanied by a letter of support from the Texas Greyhound Association.

If you would like any further information, please feel free to contact me at 281.807.8747.

Thank you for your consideration of this matter.

Sincerely,



Andrea B. Young
President

Enclosure

Cc: Sammy Jackson
Texas Racing Commission
Maury Korn
Valley Race Park

VALLEY RACE PARK INC.
2601 SOUTH ED CARRY DRIVE, HARLINGEN, TEXAS 78552
(956) 412-7223 • (956) 428-0163 FAX
www.valleyracepark.com

IV.D.1



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

April 26, 2011

Ms. Andrea Young
Valley Race Park
2601 S Ed Carey Drive
Harlingen, Tx 78352

2011 APR 28 PM 6:29
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TEXAS RACING
COMMISSION

Dear Andrea:

As I have visited with you earlier by phone, the TGA has talked to kennel owners booked at Valley Greyhound Park and breeders. After reviewing the feedback we have received, as well as the opinion of the TGA's board members, we feel it would be beneficial to all involved if we move the race dates from July to November of 2011. Moving the race dates would aid in the transportation issues regarding the greyhounds and aid in the availability of greyhounds to run the meet.

If you have any further questions, please contact me.

Sincerely,


Harlyn Goebel

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

Austin Jockey Club, Ltd.

Status Report

May 4, 2011

2011 MAY -4 PM 6:23

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COMMISSION

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

- We met with Mayor of Creedmoor and discussed the status of the project and the involvement by the city (permitting, etc.). The Mayor reiterated both the desire of the City to annex the property and the general enthusiasm from the citizens for the project.
- The Mayor is setting up a meeting with the principals behind a municipal utility district which has been set up for the Creedmoor area. Longhorn Downs could be a catalyst for this MUD moving forward with a wastewater treatment system.

Further information will be provided at the next Commission meeting on May 13.



May 2, 2011

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

Re: Progress Report

Dear Charles G. Trout:

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

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TEXAS RACING
COMMISSION
2011 MAY -2 PM 1:08

Valle de los Tesoros
3900 N. McCall Road
McAllen, Texas 78501
Phone: 956-687-7731 Fax: 956-687-8569

May 6, 2011

VIA FACSIMILE

Mr. Chuck Trout
Executive Director
Texas Racing Commission
8505 Cross Park Drive, Suite 110
P. O. Box 12080
Austin, Texas 78711

2011 MAY -6 PM 12:02
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TEXAS RACING
COMMISSION

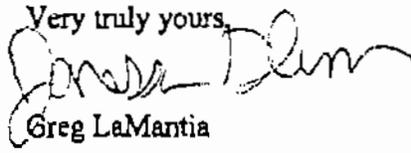
RE: Tesoros Race Park Progress Report

Dear Mr. Trout:

Please accept this written progress report for Tesoros Race Park in preparation for the May, 2011 Commission meeting.

On this date, Valle de los Tesoros, Ltd. ("VDLT") submitted to the Texas Racing Commission ("TRC") its Request for Approval of Simulcast Operations at a Temporary Location in Hidalgo County (McAllen), Texas. TRC and VDLT will be working closely together in the next few weeks to insure this Request is before the Commissioners for consideration as quickly as possible.

Very truly yours,


Greg LaMantia

for Greg LaMantia
w/ permission

IV.G.3

LRP Group, LTD
3900 N. McColl Road
McAllen, Texas 78501
Phone: 956-687-7751 Fax: 956-687-8569

May 6, 2011

VIA FACSIMILE

Mr. Chuck Trout
Executive Director
Texas Racing Commission
8505 Cross Park Drive, Suite 110
P. O. Box 12080
Austin, Texas 78711

2011 MAY -6 PM 2: 34
RECEIVED
TEXAS RACING
COMMISSION

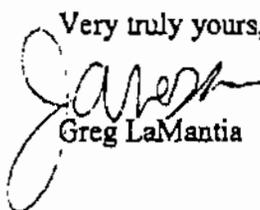
RE: Laredo Downs Status Report

Dear Mr. Trout:

Please accept this written progress report for Laredo Downs in preparation for the May, 2011 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, Webb County, Texas, to Fort Worth, Tarrant County, Texas. It is my understanding that Commission staff is currently reviewing that Application. We are awaiting Commission action on this Application.

Very truly yours,


Greg LaMantia

Blm fr. Greg
LaMantia
w/ permission



VIA EMAIL AND FEDEX

May 5, 2011

Mr. Chuck Trout
Executive Director
Texas Racing Commission
P.O. Box 12080
Austin, TX 78711-2080

Dear Mr. Trout:

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 May 13, 2011.

We are currently in ongoing discussions with Webb County officials who have presented us with several County owned locations. Additionally, we are scheduled to meet with another group of local landholders regarding an alternative site within Webb County next week.

We look forward to answering any questions that the Commissioners may have at the May 13th meeting.

Sincerely,

Andree B. Young
President

LAREDO RACE PARK
5847 SAN FELIPE, SUITE 2000, HOUSTON, TEXAS 77067, (713) 875-7000

IV.G.5



P.O. Box 141309

Austin, Texas 78714

512/272-5581

May 5, 2011

Chuck Trout
Executive Director
Texas Racing Commission
PO Box 12080
Austin, TX 78711-2080

2011 MAY -5 PM 4:03
RECEIVED
TEXAS RACING
COMMISSION

Dear Mr. Trout:

Manor Downs is currently maintaining its facility including the racetrack surface and equipment at a level that would allow a return to racing within 60 days.

We are currently engaged in a recapitalization project that ends May 31st.

Respectfully,

Howard Phillips
President

IV.G.6

Texas Racing Commission
Title 16, Part VIII
Chapter 313. Officials and Rules of Horse Racing
Subchapter B. Entries, Scratches, and Allowances

1 **Sec. 313.110.Coupled Entries.**

2 (a) (No change.)

3 (b) If two horses entered in a race are owned in whole or in
4 part by the same individual or entity, ~~or if the trainer owns an~~
5 ~~interest in either horse,~~ the entry shall be coupled as a single
6 wagering interest.

Texas Racing Commission
Title 16, Part VIII
Chapter 319. Veterinary Practices and Drug Testing
Subchapter B. Treatment of Horses

1 **Sec. 319.111. Bleeders and Furosemide Program.**

2 (a) (No change.)

3 (b) Admission to Furosemide Program.

4 (1) - (2) (no change.)

5 (3) The voluntary administration of furosemide without an
6 external bleeding incident shall not subject the horse to an
7 initial period of ineligibility under ~~An EIPH event experienced~~
8 ~~by a horse that is admitted to the furosemide program is deemed~~
9 ~~to be a second EIPH event for the purpose of~~ Subsection (g) of
10 this section.

11 (c) - (h) (No change.)