

TEXAS RACING COMMISSION

P. O. Box 12080

Austin, TX 78711-2080

(512) 833-6699

Fax (512) 833-6907

Texas Racing Commission
Tuesday, February 7, 2012
10:30 a.m.
Texas Department of Public Safety
6100 Guadalupe
Criminal Law Enforcement, Building E
First Floor Auditorium
Austin, Texas 78752

AGENDA

I. CALL TO ORDER

Roll Call

II. 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.

III. PUBLIC COMMENT

IV. GENERAL BUSINESS

Discussion and consideration of 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 Ad Hoc Committee on Rules to Implement HB 2271
- F. Report by the Committee on Rules
- G. Report by the Greyhound Advisory Committee
- H. Recognition of the Texas Horsemen's Partnership as the Official Horsemen's Organization

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

- I. Approval of Memorandum of Understanding with the Texas Veterinary Medical Diagnostic Laboratory for FY 2012

V. PROCEEDINGS ON RACETRACKS

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

- A. Request by Austin Jockey Club to Approve 100% Change of Ownership of Longhorn Downs
- B. Request by Longhorn Downs for Approval of Change of Location
- C. Request by Retama Park for Approval of Three Changes of Ownership of Less Than 1% Each
- D. Request by MAXXAM Inc. to Discuss a Potential Transaction Affecting its Capital Structure, Respond to Questions and Obtain Any Necessary Approvals
- E. Request by Retama Park to Amend its Allocation of Purse Revenue Generated from Simulcasting for Calendar Year 2012 under Commission Rule 321.505 (a) and its Allocation of Escrowed Purse Account Revenue for Calendar Year 2012 under Commission Rule 321.509

VI. PROCEEDINGS ON RULEMAKING

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

Rule Proposals

- A. Proposal to Amend Rule 307.67, Appeal to the Commission
- B. Proposal to Amend Rule 307.69, Action by Commission
- C. Proposal to Amend Rule 311.3, Information for Background Investigation
- D. Proposal to Amend Rule 311.103, Kennel Owners
- E. Proposal to Amend Rule 313.103, Eligibility Requirements

Rule Adoptions

- F. Adoption of Amendment to Rule 311.5, License Categories and Fees
- G. Adoption of Amendment to Rule 311.104, Trainers
- H. Adoption of Amendment to Rule 313.50, Horse Identifier
- I. Adoption of Amendment to Rule 313.308, Restrictions on Subsequent Use

VII. OLD/NEW BUSINESS

Schedule next Commission Meeting

VIII. ADJOURN



**Fiscal Year 2012
Operational Budget**

Updated: January 27, 2012

Thru: December 31, 2011

Summary of Operating Revenue

By Revenue Type:	Budget	Collected	Suspended	Uncollected Balance	%
Account 597 - Racing Commission - GRD	\$ 10,216,852	\$ 3,644,766	\$ 160,448	\$ 6,572,086	64%
Account 1 - State of Texas - GR	\$ -	\$ -	\$ -	\$ -	
TOTAL - ALL REVENUES	\$ 10,216,852	\$ 3,644,766	\$ 160,448	\$ 6,572,086	64%

Summary of Appropriated Operating Expenses

	Budget	Expended	Encumbered	Unexpended Balance	%
1001 - Salaries and Wages:	\$ 2,847,207	\$ 832,192	\$ -	\$ 2,015,015	71%
1002 - Other Personnel Cost:	\$ 115,960	\$ 40,923	\$ -	\$ 75,037	65%
2001 - Professional Fees and Services:	\$ 282,124	\$ 27,996	\$ -	\$ 254,128	90%
2003 - Consumable Supplies:	\$ 26,408	\$ 4,225	\$ -	\$ 22,183	84%
2004 - Utilities:	\$ 26,500	\$ 6,528	\$ -	\$ 19,972	75%
2005 - Travel:	\$ 188,861	\$ 39,603	\$ -	\$ 149,258	79%
2006 - Rent Building:	\$ 108,014	\$ 43,661	\$ -	\$ 64,353	60%
2007 - Rent Machine and Other:	\$ 14,500	\$ 4,445	\$ -	\$ 10,055	69%
2009 - Other Operating Expense:	\$ 540,700	\$ 67,039	\$ -	\$ 473,661	88%
4000 - Grants	\$ 4,125,000	\$ 947,068	\$ -	\$ 3,177,932	77%
5000 - Capital Expenditures:	\$ 8,710	\$ -	\$ -	\$ 8,710	100%
TOTAL - ALL APPROPRIATED EXPENDITURES	\$ 8,283,984	\$ 2,013,680	\$ -	\$ 6,270,304	76%

Unappropriated Operating Expenses

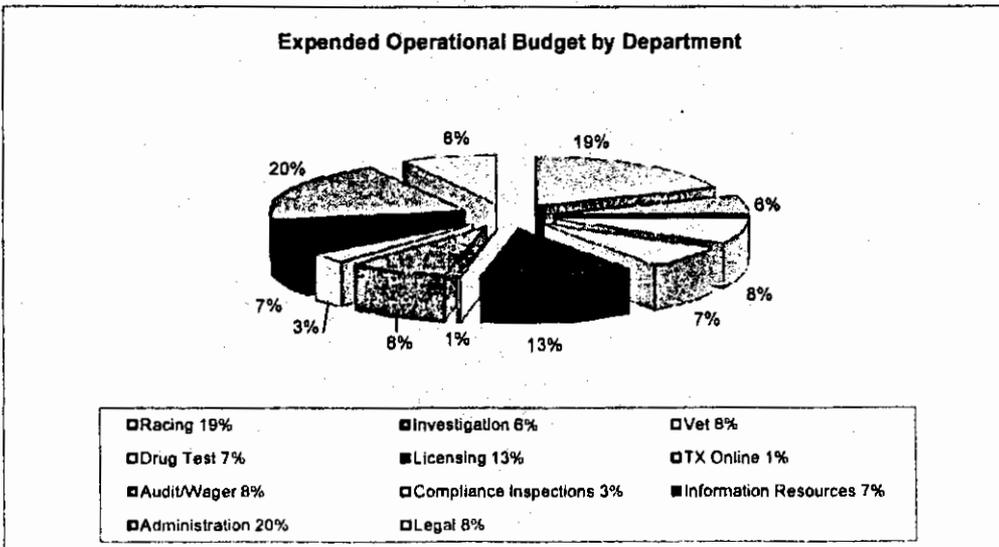
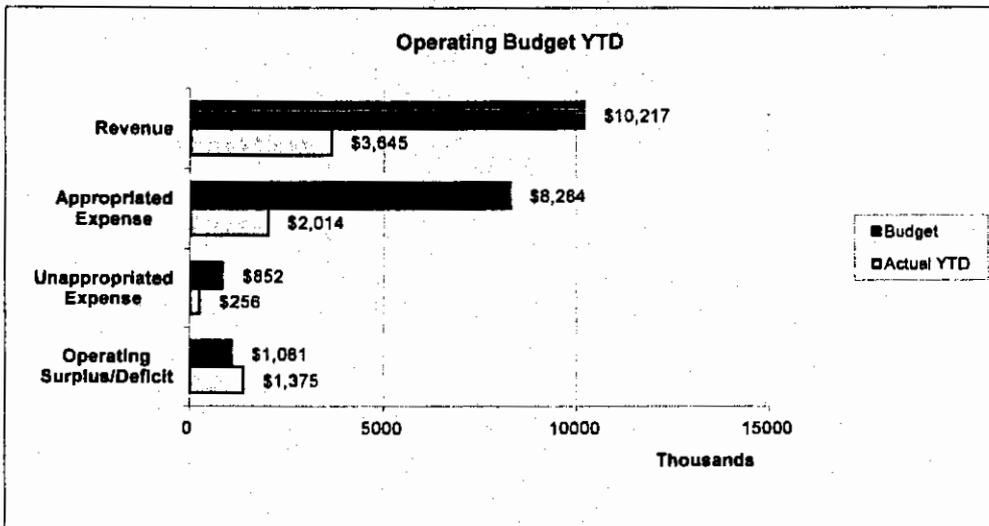
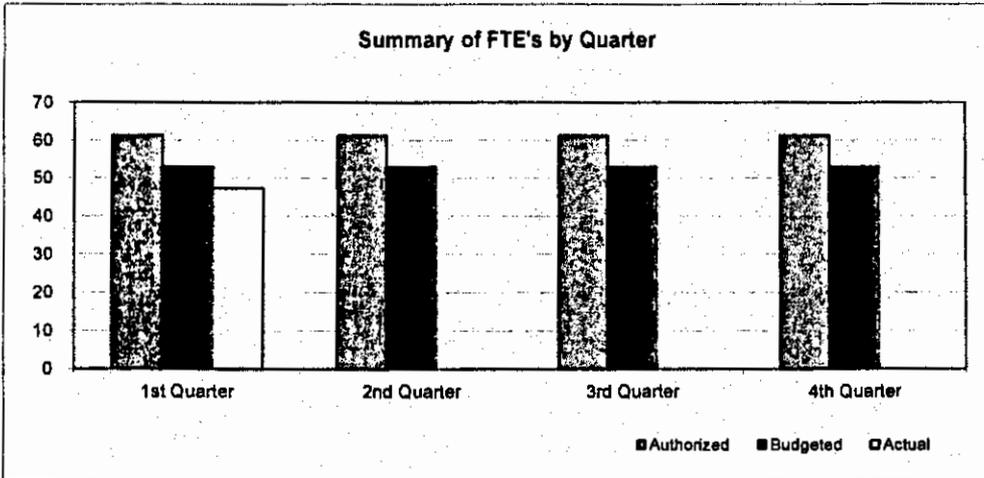
Type:	Budget	Expended	Encumbered	Unexpended Balance	%
TOTAL - ALL UNAPPROPRIATED EXPENDITURES	\$ 851,730	\$ 255,785	\$ -	\$ 595,945	70%
TOTAL - ALL EXPENDITURES	\$ 9,135,714	\$ 2,269,465	\$ -	\$ 6,866,249	75%

OPERATING SURPLUS / (DEFICIT)

\$ 1,081,138 \$ 1,375,300

Summary of FTE's

By Fiscal Quarter:	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Authorized FTE's	61.30	61.30	61.30	61.30
Budgeted FTE's	53.05	53.05	53.05	53.05
Actual FTE's	47.30			
Actual FTE's Over / (Under) Budget	(5.75)			
Actual FTE's Over / (Under) Authorization	(14.00)			





**Fiscal Year 2012
Operational Budget
By LBB Obj Code**

Updated: January 27, 2012

Thru: December 31, 2011

Summary of Operating Revenue

By Revenue Type:	Budget	Collected	Suspensed	Uncollected	
				Balance	%
Cash Balance Carry Forward	\$ 450,000	\$ 450,000			0%
Live Race Day Fees	\$ 154,725	\$ 158,855		\$ (4,130)	-3%
Simulcast Race Day Fees	\$ 296,330	\$ 294,580		\$ 1,750	1%
Annual License Fees (Active & Inactive)	\$ 4,308,997	\$ 1,620,751	\$ 160,448	\$ 2,688,246	62%
Occupational License Fees and Fines	\$ 844,600	\$ 159,460		\$ 685,140	81%
ATB Program Pass Thru Fees	\$ 4,125,000	\$ 947,068		\$ 3,177,932	77%
Other Revenue	\$ 37,200	\$ 14,052		\$ 23,148	62%
Account 597 - Racing Commission - GRD	\$ 10,216,852	\$ 3,644,766	\$ 160,448	\$ 6,572,086	64%
State of Texas General Revenue Fund	\$ -	\$ -		\$ -	n/a
Account 1 - State of Texas - GR	\$ -	\$ -	\$ -	\$ -	n/a
TOTAL - ALL REVENUES	\$ 10,216,852	\$ 3,644,766	\$ 160,448	\$ 6,572,086	64%

Summary of Appropriated Operating Expenses

By Division:	Budget	Expended	Encumbered	Unexpended	
				Balance	%
Racing Oversight	\$ 1,484,369	\$ 457,159		\$ 1,027,210	69%
Wagering & Racing Review	\$ 711,535	\$ 167,917		\$ 543,618	76%
Finance & Administration	\$ 651,303	\$ 207,117		\$ 444,187	68%
1001 - Salaries and Wages:	\$ 2,847,207	\$ 832,192	\$ -	\$ 2,015,015	71%
Racing Oversight	\$ 69,860	\$ 27,574		\$ 42,286	61%
Wagering & Racing Review	\$ 23,300	\$ 6,747		\$ 16,553	71%
Administration	\$ 22,800	\$ 6,602		\$ 16,198	71%
1002 - Other Personnel Cost:	\$ 115,960	\$ 40,923	\$ -	\$ 75,037	65%
Racing Oversight	\$ 84,124	\$ 15,409		\$ 68,716	82%
Wagering & Racing Review	\$ 131,000	\$ -		\$ 131,000	100%
Finance & Administration	\$ 67,000	\$ 12,588		\$ 54,413	81%
2001 - Professional Fees and Services:	\$ 282,124	\$ 27,996	\$ -	\$ 254,128	90%
Racing Oversight	\$ 2,700	\$ 87		\$ 2,613	97%
Wagering & Racing Review	\$ 3,000	\$ 591		\$ 2,409	80%
Finance & Administration	\$ 20,708	\$ 3,546		\$ 17,162	83%
2003 - Consumable Supplies:	\$ 26,408	\$ 4,225	\$ -	\$ 22,183	84%
Racing Oversight	\$ -	\$ -		\$ -	
Wagering & Racing Review	\$ -	\$ 152		\$ (152)	
Administration	\$ 26,500	\$ 6,376		\$ 20,124	76%
2004 - Utilities:	\$ 26,500	\$ 6,528	\$ -	\$ 19,972	75%
Racing Oversight	\$ 119,150	\$ 23,620		\$ 95,530	80%
Wagering & Racing Review	\$ 34,452	\$ 8,509		\$ 25,943	75%
Finance & Administration	\$ 35,259	\$ 7,474		\$ 27,785	79%
2005 - Travel:	\$ 188,861	\$ 39,603	\$ -	\$ 149,258	79%
Racing Oversight	\$ -	\$ -		\$ -	
Wagering & Racing Review	\$ 2,700	\$ -		\$ 2,700	100%
Finance & Administration	\$ 105,314	\$ 43,661		\$ 61,653	59%
2006 - Rent Building:	\$ 108,014	\$ 43,661	\$ -	\$ 64,353	60%

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**Fiscal Year 2012
Operational Budget
By LBB Obj Code**

Updated: January 27, 2012

Thru: December 31, 2011

Summary of Operating Revenue

	Budget	Expended	Encumbered	Uncollected Unexpended Balance	%
Racing Oversight	\$ 12,000	\$ 3,771		\$ 8,229	69%
Wagering & Racing Review	\$ -	\$ -		\$ -	
Finance & Administration	\$ 2,500	\$ 674		\$ 1,826	73%
2007 - Rent Machine and Other:	\$ 14,500	\$ 4,445	\$ -	\$ 10,055	69%
Racing Oversight	\$ 300,225	\$ 38,653		\$ 261,572	87%
Wagering & Racing Review	\$ 106,410	\$ 9,719		\$ 96,691	91%
Finance & Administration	\$ 134,065	\$ 18,666		\$ 115,399	86%
2009 - Other Operating Expense:	\$ 540,700	\$ 67,039	\$ -	\$ 473,661	88%
Racing Oversight	\$ -	\$ -		\$ -	
Wagering & Racing Review	\$ 4,125,000	\$ 947,068		\$ 3,177,932	77%
Administration	\$ -	\$ -		\$ -	
4000 - Grants	\$ 4,125,000	\$ 947,068	\$ -	\$ 3,177,932	77%
Racing Oversight	\$ -	\$ -		\$ -	
Wagering & Racing Review	\$ 8,710	\$ -		\$ 8,710	100%
Finance & Administration	\$ -	\$ -		\$ -	
5000 - Capital Expenditures:	\$ 8,710	\$ -	\$ -	\$ 8,710	100%
TOTAL - ALL APPROPRIATED EXPENDITURES	\$ 8,283,984	\$ 2,013,680	\$ -	\$ 6,270,304	76%

Summary of Unappropriated Operating Expenses

Type:	Budget	Expended	Encumbered	Unexpended Balance	%
OASI Match	\$ 218,438	\$ 64,090		\$ 154,347	71%
Group Insurance	\$ 244,575	\$ 76,846		\$ 167,729	69%
State Retirement	\$ 183,822	\$ 44,762		\$ 139,060	76%
Benefit Replacement	\$ 29,896	\$ 5,675		\$ 24,220	81%
ERS Retiree Insurance	\$ 100,000	\$ 64,412		\$ 35,588	36%
SWCAP GR Reimbursement	\$ 55,000	\$ -		\$ 55,000	100%
Unemployment Cost	\$ 20,000	\$ -		\$ 20,000	100%
Other	\$ -	\$ -		\$ -	
Unappropriated Operating Expenses	\$ 851,730	\$ 255,785	\$ -	\$ 595,945	70%
TOTAL - ALL UNAPPROPRIATED EXPENDITURES	\$ 851,730	\$ 255,785	\$ -	\$ 595,945	70%
TOTAL - ALL EXPENDITURES	\$ 9,135,714	\$ 2,269,465	\$ -	\$ 6,866,249	75%

OPERATING SURPLUS / (DEFICIT) \$ 1,081,138 \$ 1,375,300

Summary of FTE's

By Fiscal Quarter:	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Authorized FTE's	61.30	61.30	61.30	61.30
Budgeted FTE's	53.05	53.05	53.05	53.05
Budgeted FTE's Over / (Under) Authorization	(8.25)	(8.25)	(8.25)	(8.25)
Budgeted FTE's	53.05	53.05	53.05	53.05
Actual FTE's	47.30			
Actual FTE's Over / (Under) Budget	(5.75)			
Actual FTE's Over / (Under) Authorization	(14.00)			

Texas Racing Commission
Report on Racetrack Inspection Activities
February 7, 2012

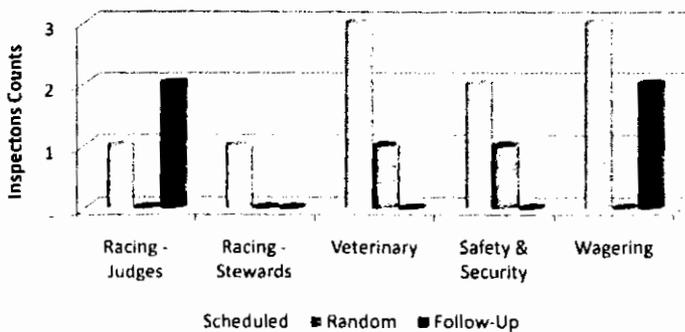
Summary of Inspections Performed for the Period of November 6, 2011 thru January 20, 2012					
Track	Area of Inspection	Date of Inspection	Number of Unsatisfactory Items	Track Remediation	Remaining Unsatisfactory Items
Gulf Greyhound Park	Racing - Judges	11/25/2011	4	4	-
	Veterinary	12/31/2011	-	-	-
Valley Race Park	Safety & Security	11/14/2011	-	-	-
	Racing - Judges	11/14/2011	2	2	-
	Veterinary	11/19/2011	-	-	-
	Wagering	11/21/2011	1	1	-
Long Star Park	Veterinary	11/10/2011	-	-	-
	Safety & Security	11/11/2011	-	-	-
	Wagering	12/12/2011	-	-	-
Sam Houston Race Park	Wagering	1/12/2012	1	1	-
	Safety & Security	1/12/2012	-	-	-
	Veterinary	1/13/2012	-	-	-
	Racing - Stewards	1/20/2012	-	-	-

Inspection Counts by Area and Type				
Area of Inspection	Scheduled	Random	Follow-Up	Totals
Racing - Judges	1	-	2	3
Racing - Stewards	1	-	-	1
Veterinary	3	1	-	4
Safety & Security	2	1	-	3
Wagering	3	-	2	5
Total Inspections	10	2	4	16

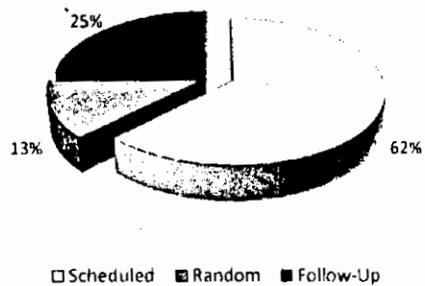
Important Notes Regarding Inspections at Racetracks:

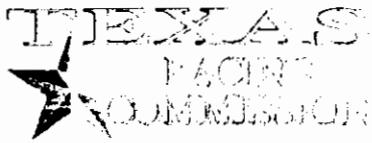
- 1) Scheduled inspections typically occur before the beginning of each race meet. Random inspections typically are planned to occur during the middle of a meet depending on the length of the meet.
- 2) Follow-up inspections are only performed when a scheduled or random inspection identifies an unsatisfactory item. The follow-up inspection is performed after the association has had an opportunity to remedy any unsatisfactory item initially reported.

Inspections by Area and Type



**Inspection Type
As Percentage of Total Inspections**





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

For the Period: 01/01/11 - 01/29/11 to 01/01/12 -01/29/12

Sources of Wagers	Year 2011 01/01 - 01/29				Year 2012 01/01 -01/29				Percentage Change In	
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wagers		
Greyhound Racetracks										
Live	21	\$ 837,873	\$ 39,899	20	\$ 667,744	\$ 33,387	-20.30%	-16.32%		
Simulcast Same-Species	75	\$ 2,145,355	\$ 28,605	75	\$ 2,141,093	\$ 28,548	-0.20%	-0.20%		
Simulcast Cross-Species	75	\$ 2,158,578	\$ 28,781	75	\$ 1,457,130	\$ 19,428	-32.50%	-32.50%		
Export	21	\$ 966,596	\$ 46,028	20	\$ 970,519	\$ 48,526	0.41%	5.43%		
Total Wagers		\$ 6,108,402	N/A		\$ 5,236,486	N/A	-14.27%	N/A		

Sources of Wagers Horse Racetracks										
Live	6	\$ 774,568	\$ 129,095	7	\$ 1,014,802	\$ 144,972	31.02%	12.30%		
Simulcast Same-Species	104	\$ 14,543,237	\$ 139,839	104	\$ 14,488,575	\$ 139,313	-0.38%	-0.38%		
Simulcast Cross-Species	104	\$ 2,823,027	\$ 27,144	104	\$ 2,647,949	\$ 25,461	-6.20%	-6.20%		
Export	6	\$ 6,353,672	\$ 1,058,945	7	\$ 8,370,260	\$ 1,195,751	31.74%	12.92%		
Total Wagers		\$ 24,494,505	N/A		\$ 26,521,586	N/A	8.28%	N/A		

Sources of Wagers All Texas Racetracks										
Live	27	\$ 1,612,441	\$ 59,720	27	\$ 1,682,545	\$ 62,316	4.35%	4.35%		
Simulcast Same-Species	179	\$ 16,688,593	\$ 93,232	179	\$ 16,629,669	\$ 92,903	-0.35%	-0.35%		
Simulcast Cross-Species	179	\$ 4,981,605	\$ 27,830	179	\$ 4,105,079	\$ 22,933	-17.60%	-17.60%		
Export	27	\$ 7,320,268	\$ 271,121	27	\$ 9,340,779	\$ 345,955	27.60%	27.60%		
Total Wagers		\$ 30,602,906	N/A		\$ 31,758,071	N/A	3.77%	N/A		

Total Wagers Placed in Texas	\$	23,282,639	N/A	\$	22,417,293	N/A	-3.72%	N/A
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Total Wagers Placed on Texas Races	\$	8,932,709	N/A	\$	11,023,324	N/A	23.40%	N/A
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2011 Wagers by Source



Live
 Simulcast Same-Species
 Simulcast Cross-Species
 Export

2012 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: 01/01/11 - 01/29/11 to 01/01/12 - 01/29/12

Sources of Wagers	Year 2011 01/01 - 01/29				Year 2012 01/01 - 01/29				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	21	\$ 524,153	\$ 24,960	21	\$ 607,087	\$ 28,909	15.82%	15.82%		
Simulcast Cross-Species	21	\$ 250,989	\$ 11,952	21	\$ 266,492	\$ 12,690	6.18%	6.18%		
Export	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A		
Total Wagers		\$ 775,142	N/A		\$ 873,579	N/A	12.70%	N/A		

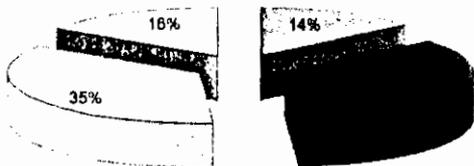
Sources of Wagers Gulf Greyhound Park										
Live	21	\$ 837,873	\$ 39,899	20	\$ 667,744	\$ 33,387	-20.30%	-16.32%		
Simulcast Same-Species	29	\$ 992,055	\$ 34,209	29	\$ 977,840	\$ 33,719	-1.43%	-1.43%		
Simulcast Cross-Species	29	\$ 1,285,045	\$ 44,312	29	\$ 760,280	\$ 26,217	-40.84%	-40.84%		
Export	21	\$ 966,596	\$ 46,028	20	\$ 970,519	\$ 48,526	0.41%	5.43%		
Total Wagers		\$ 4,081,568	N/A		\$ 3,376,382	N/A	-17.28%	N/A		

Sources of Wagers Valley Race Park										
Live	0	\$ -	\$ -	0	\$ -	N/A	N/A	N/A		
Simulcast Same-Species	25	\$ 629,148	\$ 25,166	25	\$ 556,166	\$ 22,247	-11.60%	-11.60%		
Simulcast Cross-Species	25	\$ 622,544	\$ 24,902	25	\$ 430,359	\$ 17,214	-30.87%	-30.87%		
Export	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A		
Total Wagers		\$ 1,251,691	N/A		\$ 986,525	N/A	-21.18%	N/A		

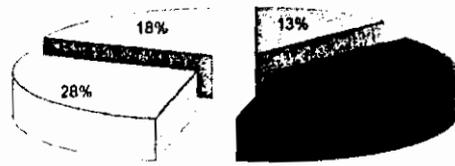
Sources of Wagers All Greyhound Racetracks										
Live	21	\$ 837,873	\$ 39,899	20	\$ 667,744	\$ 33,387	-20.30%	-16.32%		
Simulcast Same-Species	75	\$ 2,145,355	\$ 28,605	75	\$ 2,141,093	\$ 28,548	-0.20%	-0.20%		
Simulcast Cross-Species	75	\$ 2,158,578	\$ 28,781	75	\$ 1,457,130	\$ 19,428	-32.50%	-32.50%		
Export	21	\$ 966,596	\$ 46,028	20	\$ 970,519	\$ 48,526	0.41%	5.43%		
Total Wagers		\$ 6,108,402	N/A		\$ 5,236,486	N/A	-14.27%	N/A		

Total Wagers Placed in Texas		\$ 5,141,806	N/A		\$ 4,265,967	N/A	-17.03%	N/A		
Total Wagers Placed on Texas Races		\$ 1,804,469	N/A		\$ 1,638,262	N/A	-9.21%	N/A		

2011 Wagers by Source



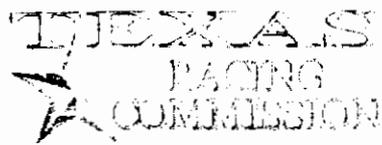
2012 Wagers by Source



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

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

IV-C-2

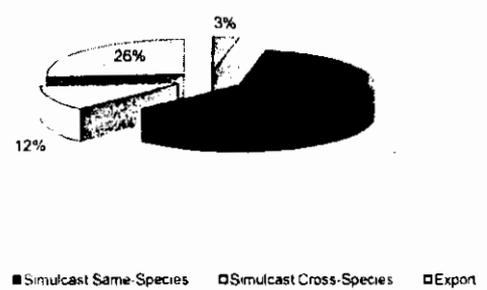


Horse Racetrack Wagering Statistics
Comparison Report on Total Wagers Placed
in Texas & on Texas Races

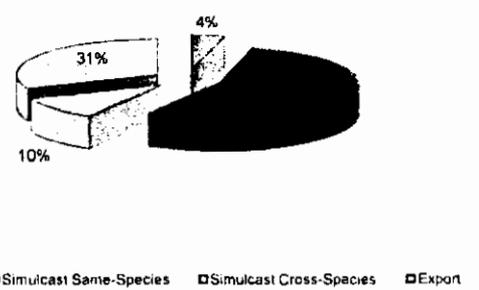
For the Period: 01/01/11 - 01/29/11 to 01/01/12 - 01/29/12

Sources of Wagers	Year 2011 01/01 - 01/29			Year 2012 01/01 - 01/29			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	17	\$ 285,105	\$ 16,771	17	\$ 196,337	\$ 11,549	-31.14%	-31.14%
Simulcast Cross-Species	17	\$ 44,467	\$ 2,616	17	\$ 27,340	\$ 1,608	-38.52%	-38.52%
Export	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A
Total Wagers		\$ 329,572	N/A		\$ 223,676	N/A	-32.13%	N/A
Lone Star Park								
Live	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A
Simulcast Same-Species	29	\$ 7,009,573	\$ 241,709	29	\$ 6,861,193	\$ 236,593	-2.12%	-2.12%
Simulcast Cross-Species	29	\$ 463,944	\$ 15,998	29	\$ 444,492	\$ 15,327	-4.19%	-4.19%
Export	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A
Total Wagers		\$ 7,473,517	N/A		\$ 7,305,684	N/A	-2.25%	N/A
Retama Park								
Live	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A
Simulcast Same-Species	29	\$ 2,403,268	\$ 82,871	29	\$ 2,817,881	\$ 97,168	17.25%	17.25%
Simulcast Cross-Species	29	\$ 682,697	\$ 23,541	29	\$ 592,342	\$ 20,426	-13.24%	-13.24%
Export	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A
Total Wagers		\$ 3,085,965	N/A		\$ 3,410,224	N/A	10.51%	N/A
Sam Houston Race Park								
Live	6	\$ 774,568	\$ 129,095	7	\$ 1,014,802	\$ 144,972	31.02%	12.30%
Simulcast Same-Species	29	\$ 4,845,292	\$ 167,079	29	\$ 4,613,165	\$ 159,075	-4.79%	-4.79%
Simulcast Cross-Species	29	\$ 1,631,918	\$ 56,273	29	\$ 1,583,775	\$ 54,613	-2.95%	-2.95%
Export	6	\$ 6,353,672	\$ 1,058,945	7	\$ 8,370,260	\$ 1,195,751	31.74%	12.92%
Total Wagers		\$ 13,605,450	N/A		\$ 15,582,002	N/A	14.53%	N/A
All Horse Racetracks								
Live	6	\$ 774,568	\$ 129,095	7	\$ 1,014,802	\$ 144,972	31.02%	12.30%
Simulcast Same-Species	104	\$ 14,543,237	\$ 139,839	104	\$ 14,488,575	\$ 139,313	-0.38%	-0.38%
Simulcast Cross-Species	104	\$ 2,823,027	\$ 27,144	104	\$ 2,647,949	\$ 25,461	-6.20%	-6.20%
Export	6	\$ 6,353,672	\$ 1,058,945	7	\$ 8,370,260	\$ 1,195,751	31.74%	12.92%
Total Wagers		\$ 24,494,505	N/A		\$ 26,521,586	N/A	8.28%	N/A
Total Wagers Placed in Texas		\$ 18,140,832	N/A		\$ 18,151,326	N/A	0.06%	N/A
Total Wagers Placed on Texas Races		\$ 7,128,241	N/A		\$ 9,385,061	N/A	31.66%	N/A

2011 Wagers by Source



2012 Wagers by Source



Texas Racing Commission
 Enforcement Report
 Selected Regulatory Statistics
 January 1, 2011 – December 31, 2011

	GREYHOUND	HORSE	NOTES
# of Live Race Performances/Days	315	190	
# of Live Races	4,012	1,848	
# of Animals Inspected	31,526	15,926	
# of Samples	6,195	3,895	
# of Animal Drug Positives*	14	38	Horse – 2 Class 2, 5 Class 3; 20 Class 4; 4 Class 5; and 7 overages of permitted medication, phenylbutazone. Greyhound – 14 Class 6
% of Samples Testing Positive	0.23%	0.98%	
# of Simulcast Days	931	1,299	
# of Simulcast Races	279,431	406,801	
# of Import and Export Requests	219	1,324	
# of New Licenses Issued	2,593		
# of Licenses Renewed	5,682		
# of Gate, Barn, and Kennel Searches	75		
# of Administrative Investigations	136		
# of Rulings	30	259	
# of Suspensions	3	93	
# of Revocations	1	0	
# of Animals DQ'ed for Drug Positive – Purse Redistributed	0	19	
# of Rulings with Fines	26	192	
Total Fines Assessed	\$2,625	\$53,600	

*These are results of the initial sample testing. The results of any subsequent split sample testing and the resulting investigative case may not be reflected.

CLASSIFICATION OF DRUG POSITIVES: Drugs are classified by their effect on the animals, with Class 1 being the most serious for greyhounds and horses and for greyhounds, Class 6 is the least serious, and for horses, Class 5 is the least serious.

IV-D-1



TEXAS RACING COMMISSION
P.O. BOX 12080
AUSTIN, TEXAS 78711-2080
(512) 833-6699
FAX (512) 833-6907

February 1, 2012

Marsha Rountree
Interim Executive Director
Texas Horsemen's Partnership, LLC
P.O. Box 142533
Austin, TX 78714

Dear Ms. Rountree:

In accordance with Rule 309.299, I am writing to approve the application by the Texas Horsemen's Partnership for recognition as the horsemen's representative organization in Texas. This recognition will remain valid until the close of January 2014.

As the horsemen's representative under Texas Racing Act, Section 1.03(77), THP is recognized by the Commission as an organization that represents horse owners and trainers in negotiating and contracting with associations on subjects relating to racing and in representing and advocating the interests of horse owners and trainers before administrative, legislative, and judicial forums. The specific authority and responsibilities of the horsemen's organization are set out in Rule 309.299.

The agency appreciates the longstanding and productive working relationship it has sustained with THP over the past several years and looks forward to building on that relationship.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Trout", written over a horizontal line.

Chuck Trout
Executive Director

cc: Commissioners
Mark Fenner, General Counsel

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

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

**I.
DEFINITIONS**

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

ELISA – Enzyme-linked immunosorbent assay

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

GC/MS – Gas Chromatography-Mass Spectrometry

HPLC - High Performance Liquid Chromatography

LC/MS - Liquid Chromatography-Mass Spectrometry

TLC - Thin layer chromatography

**II.
LABORATORY COVENANTS**

TVMDL agrees to:

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

3. Inspect each shipment of samples on arrival at TVMDL for evidence of possible tampering. Any evidence of tampering shall be noted and reported to the Executive Director in writing.
4. Use chain-of-custody procedures to maintain control and accountability of samples at all stages of the testing process, from receipt to final disposition of the samples.
5. Provide secured, cooled storage of samples while undergoing processing, testing, and confirmation at TVMDL.
6. Maintain and follow approved Standard Operating Procedures within the oversight of the TVMDL Quality Management System.
7. Provide TLC screening tests developed and validated through the Racing Commissioners International Quality Assurance Program, the Testing Integrity Program, Inc., TVMDL Quality Management System, or elsewhere on approximately 10% of the canine and 25% of equine urine samples (or on equine sera or plasma if urine was not collected). TVMDL will make every effort to ensure that this closely approximates 25% of all samples actually submitted from each racetrack throughout the year. TVMDL shall maintain records to substantiate compliance with this paragraph.
8. Perform an average of at least thirty-five ELISA tests on all equine urine samples, with an emphasis on drugs classified as Category I or II by the TxRC Equine Medication Classification. The tests will be selected from a rotating menu of at least fifty different immunoassays. The pooling of samples (not to exceed 4 samples per pool) may be used.
9. Except for samples containing medication requiring quantitation, perform confirmatory testing on each screened sample, whether urine, plasma or sera, where the screening test has identified that particular sample as possibly containing a prohibited or foreign substance. The confirmatory test shall be mass spectrometry or equivalent confirmatory procedures.
10. Provide phenylbutazone quantitation in equine sera or plasma by HPLC if phenylbutazone appears on routine urine screening procedures. Each sample containing more than 2 µg/ml or as published by the TxRC, shall be reported to TxRC.
11. Provide furosemide quantitation in equine sera or plasma by HPLC for the sample from each horse that received furosemide treatment, which has a urine specific gravity of 1.015 or less. Report as positive each sample in which the furosemide quantitation indicates at least 100 ng/ml of furosemide and a urine specific gravity of less than 1.010. Report as a letter of notification each sample in which the furosemide quantitation indicates at least 100 ng/ml of furosemide and a urine specific gravity of 1.010 – 1.012.

12. Perform tests for total carbon dioxide on samples of equine sera or plasma as requested by the TxRC.
13. Perform tests for anabolic steroids and other drugs in samples of equine sera or plasma by Liquid Chromatography-Mass Spectrometry (LC/MS) as requested by TxRC.
14. Perform tests on samples from horses that participated in graded stakes races for the substances required by the Thoroughbred Owners and Breeders Association.
15. Perform an average of at least ten ELISA tests on all canine urine samples, with an emphasis on drugs classified as Category I or II by the TxRC Greyhound Medication Classification.
16. Performance of immunoassays is contingent on the availability of approved/industry-recognized tests. If the tests are not available or become unavailable, immunoassays mutually acceptable to TxRC and TVMDL will be substituted.
17. Perform instrumental analysis LC/MS or GC/MS on 10% of the canine urine samples.
18. After testing is complete, store each sample in a secured, frozen environment (-10 degrees C or less). Retention period for negative, unchallenged samples is 30 days. Retention period for positive samples is 5 years or until all legal proceedings concerning the sample are concluded (whichever is longer).
19. Report the results of all negative tests to TxRC within 120 hours of sample receipt, if possible, by the method required by the Executive Director. Report results of the tests that require additional confirmation testing to TxRC within three weeks of sample receipt. On request by the Executive Director, TVMDL shall make available to TxRC a copy of the analytical results of any test conducted pursuant to this Memorandum of Understanding.
20. Provide qualified professional personnel to testify in an administrative hearing or other legal proceeding involving a test performed pursuant to this Memorandum of Understanding and participate in and assist with pretrial matters in those proceedings, such as interrogatories and depositions.
21. Notify the TxRC in writing at least 30 days before implementing a change in analytical procedures for a substance classified as Category III, IV, or V in the TxRC Equine Medication Classification that makes the test for such a substance more sensitive.
22. Participate in industry-recognized quality assurance programs.
23. Refrain from disclosing any information relating to a sample to any person other than one designated by TxRC to receive the information.

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

III. COMMISSION COVENANTS

TxRC agrees to:

1. Supervise the sample collection site at each association to ensure the site has the necessary personnel, supplies, equipment, facilities, and supervision to provide for the identification of animals and humans and to collect, identify, secure, store, and ship each sample to TVMDL.
2. Provide for testing approximately 3,500 equine urine and/or serum/plasma samples and approximately 3,650 canine urine samples. TxRC will make every effort to send for testing approximately 2.0 equine samples per horse race and 0.9 canine sample per greyhound race. If the number of racing performances changes during the calendar year, the number of specimens may be adjusted accordingly, and the Executive Director will notify the Director of TVMDL as soon as practicable.
3. Require each association to deliver all samples to TVMDL in a secure manner, at the association's expense, in accordance with a delivery schedule approved by TVMDL.
4. Apprise and update TVMDL of all drugs on the permitted list and all changes in medication rules, practices, or procedures.

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

IV. COST OF SERVICES

Except as otherwise provided by this paragraph, TVMDL agrees to charge, and TxRC approves a per-sample charge of \$112.00 for equine samples (for tests conducted pursuant to Article II, Section 7, 8, 10, 11 and 13) and \$36.50 for canine samples (pursuant to Article 2 Sections 7, 15 and 17). For tests conducted pursuant to Article II, Section 12, TVMDL agrees to charge, and TxRC approves a per-sample charge of \$18.00. For tests conducted pursuant to Article II, Section 14, TVMDL agrees to charge, and TxRC approves a per-sample charge of \$318.00.

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

V. EXECUTION

The Parties agree to use due diligence in the exercise of their responsibilities as outlined in this Memorandum of Understanding. The term of this Memorandum of Understanding is commission approval to August 31, 2012. To ensure the continuity of the drug testing program in pari-mutuel racing, all terms of this Memorandum of Understanding continue in effect until a new Memorandum of Understanding is executed. If either Party determines that events have changed and significantly affected a material term of the Memorandum of Understanding, including but not limited to, the closing of a race track or a significant increase in the cost of drug-testing supplies, the Parties may renegotiate the terms of this Memorandum of Understanding.

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

TEXAS RACING COMMISSION

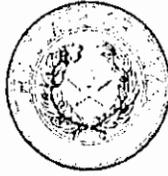
TEXAS VETERINARY MEDICAL
DIAGNOSTIC LABORATORY

Chuck Trout
Executive Director

Tammy R. Beckham, DVM, PhD
Director

Approved as to form:

Mark Fenner
TxRC General Counsel



Texas Racing Commission

MAILING ADDRESS: P.O. BOX 12080 - AUSTIN, TX 78711-2080

PHONE: (512) 833-6699 FAX: (512) 833-6907

www.txrc.state.tx.us

MEMORANDUM

TO: Texas Racing Commissioners

FROM: Chuck Trout, Executive Director

DATE: January 26, 2012

SUBJECT: Staff Review of Proposed Change of Ownership and Location for Longhorn Downs, Inc. to KTAGS Downs Holding Company, LLC

On August 3, 2010, the Austin Jockey Club, Ltd. (AJC), the parent company of Longhorn Downs, Inc. (Longhorn Downs, or LD), submitted a request for Commission approval to transfer its interest in Longhorn Downs' Class 2 horse racetrack license to KTAGS Downs Holding Company, LLC (KTAGS). See Appendix A. In connection with that request, KTAGS submitted an application for change of ownership and location, as well as disclosure forms for the Department of Public Safety's background investigations. Staff reviewed the application for the proposed change of ownership and location. In response to staff's subsequent request for clarification of several items, the applicant submitted additional documents. See Appendices B and C. Listed below is a summary of all findings.

STANDARDS FOR CHANGE OF OWNERSHIP AND LOCATION IN 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 is subject to Commission approval. 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 tote, management, and concession contracts; and any other information the Commission requires.

Section 6.14 of the Act provides that upon request of an association, the Commission shall amend a racetrack license to change the location of the racetrack if the Commission finds that: the conduct of race meetings at the proposed track at the new location will be in the public interest; there was not a competing applicant for the original license; and the association's desire to change location is not the result of a subterfuge in the original licensing proceeding.

To determine whether a particular new location will be in the public interest, the Commission has previously looked for guidance in Section 6.04 of the Act. It states the Commission may issue a racetrack license to a qualified person if it finds: that the conduct of race meetings at the proposed track and location will be in the public interest, complies with all zoning laws, and complies with this Act and the rules adopted by the Commission and if the Commission finds by clear and convincing evidence that the applicant will comply with all criminal laws of this state. Section 6.04(a) includes eleven factors the Commission may use in determining whether to grant or deny an application. These factors include:

1. the applicant's financial stability;
2. the applicant's resources for supplementing purses for various breeds;
3. the location of the proposed track;
4. the effect of the proposed track on traffic flow;
5. the facilities for patrons and occupational licensees;
6. the facilities for race animals;
7. the availability to the track of support and emergency services;

8. the experience of the applicant's employees;
9. the potential for conflict with other licensed race meetings;
10. the anticipated effect of the race meeting on the greyhound or horse breeding industry in this state; and
11. the anticipated effect of the race meeting on the state and local economy from tourism, increased employment, and other sources.

Staff's review of Longhorn Downs' files revealed that there was not a competing applicant for the license and that there is no evidence that the request to change location is the result of subterfuge in the original licensing proceeding.

OWNERSHIP REQUIREMENTS

Section 6.06(d) of the Act states: "The 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 proposed individual owners all meet the residency requirement.

Proposed Ownership

Upon approval by the Commission, Austin Jockey Club proposes to transfer all of its interests in Longhorn Downs, Inc. to KTAGS Downs Holding Company LLC, a limited liability company formed and registered in Texas. The ownership interests and initial contributions in KTAGS are:

<u>Members</u>	<u>KTAGS Ownership</u>	<u>Initial Contribution</u>
Clifton L. Thomas, Jr.	71.25%	\$0.00
Phillip Adams	12.25%	\$0.00
Ricky Knox	4.50%	\$0.00
Galena Park Investments	<u>12.00%</u>	<u>\$0.00</u>
	100%	\$0.00

Galena Park's ownership and initial contributions are as follows:

Galena Park Investments, Ltd.¹

Michael T. Gallagher	74.50%	\$0.00
Russell Serafin	24.50%	\$0.00
Galena Park Investments, G.P.	<u>1.00%</u>	<u>\$0.00</u>
	100%	\$0.00

Management and Organization of KTAGS

The business affairs of KTAGS Downs Holding Company, LLC will be managed by KTAGS Downs Management Company, LLC (KTAGS MGT). Clifton L. Thomas Jr. is the sole member/owner of KTAGS MGT.

The Company Agreement provides that KTAGS MGT will have sole and exclusive responsibility and control with respect to the management, conduct, and operation of the business and affairs of KTAGS. See Appendix D. In summary, this includes:

- a) managing and operating all aspects of the company business and company properties including entering into licensing and other contractual arrangements for the development and use of company property; and the ability to exchange, trade or sale of the Company property and rights therein;
- b) employing or engaging accountants, attorneys, racing and gaming personnel, development and construction personnel and other advisors and consultants;
- c) opening accounts and maintaining funds in the name of the company;
- d) borrowing funds and investing and reinvesting company funds;
- e) entering into joint venture or partnership agreements for any company purpose;
- f) determining and acquiring appropriate types and amounts of insurance coverages; and
- g) performing and engaging in any and all other acts and activities customary or incident to the acquisition, development, construction, ownership, management, ownership operation, license, assignment, marketing, sale and

¹Applicant provided clarification of ownership structure in correspondence submitted October 31, 2011.

disposition of the Company business or property or interests and rights therein.

The Company Agreement provides that KTAGS MGT shall be the Manager for the Company for the term of the Company, unless it resigns or is removed for cause. See Appendix E. A removal is deemed "for cause" only if the manager has been grossly negligent in performance of its duties, has committed fraud or willful misconduct that materially and adversely affects the Company; or if bankruptcy proceedings have commenced by or against the Manager. The Company Agreement provides the Manager with a 60-day opportunity after written notice to cure any such event.

Removal of the Manager must be by a vote of the holders of 85 percent of the Company Units. As Clifton L. Thomas Jr. owns 71.25 percent of KTAGS and is the sole member/owner of KTAGS MGT, Mr. Thomas would have to vote to remove himself as the Manager in order to be removed for cause.

Additional Duties of Manager

The Manager has the exclusive right to elect all officers and also has the exclusive right to establish the officers' tenure and salary, if any. Officers are not required to be Members and are not required to be residents of any particular state.

Distributions shall be made periodically and at the discretion of the Manager. The Manager's determination whether or not to make Distributions and the amount of Distributions shall be final and binding upon all Members. If sufficient revenues are available, the Manager shall distribute annually an amount that will allow the Members to make federal income tax payments with respect to recognized but undistributed Company income, unless a Super-Majority (two-thirds of the members' ownership interests) disapproves such proposed distribution.

The Manager would allocate any additional available cash as follows:

1. First, to the Members in proportion to their accrued but unpaid Member Priority Returns (for each calendar quarter or portion of that period, an amount equal to eight percent per annum simple interest on the average Adjusted Invested Capital Accounts during that quarter);
2. Second, to the Members until all of the Adjusted Invested Capital Accounts (the account established and maintained on the books for each Member which is credited with the Capital Contribution of the Member and charged with all distributions from any source made to the Member) of the Members equals zero; and
3. Third, to the Members in proportion to their respective Sharing Ratios (ratio expressed as a percentage that each Member's units bear to the aggregate units held by all Members).

Any Member that receives a bona fide offer to purchase all or a portion of its units must make a written offer to sell such units first to the Company and then to the other Members on the same terms and conditions. The Company's decision shall be made by the Manager in its sole discretion.

The Company Agreement may be amended only by a Super-Majority Vote (two-thirds) of the Members and with the Consent of the Manager.

Applicant's Assets, Liabilities, and Anticipated Funding

One section of the application states funding would be from equity contributions totaling \$18.2 million, with alternate sources of funds for cost overruns, etc., coming from loans from members per Article 7 of the Company Agreement. However, according to Article 7.1 of the Company Agreement, no initial capital contributions by any members are required and according to the Agreement's Exhibit A, none have been made. Additionally, Article 7.2 states that no person may require any member to make any additional capital contributions to the company in excess of the initial capital contributions.

Staff asked the applicant to specify the person or persons who will finance the construction of the racetrack, and the specific dates by which the financing will be provided. See Appendix B.

In the response dated October 31, 2011, it stated that a Funding Agreement was being developed and would be provided to the Commission but that Cliff Thomas would be providing approximately \$18 million to fund the necessary capital requirements of KTAGS. See Appendix C.

The Funding Agreement submitted to the Commission is between Cliff Thomas and KTAGS and is dated November 7, 2011. See Appendix F. The Funding Agreement states that Thomas will provide, or cause to be provided, the funds required during both the pre-development period and the development period to fulfill all of the Company's obligations to maintain the Project Site, including the payment of real estate taxes and fees; to pay all taxes and assessments with respect to the License; to pay all costs and fees with respect to the preparation and filing of applications to the Texas Racing Commission; and to pay funds reasonably required to maintain the License and to construct and commence operation of the Racetrack and other facilities approved by Thomas.

According to the Funding Agreement's Section 5, Termination and Default, Thomas may, at his option, suspend funding to the Company upon the occurrence of a number of events, including if a Texas court has determined that AJC or the Company is not entitled to free and clear ownership of the Longhorn Downs Stock or it is otherwise determined that AJC may not transfer title to Longhorn Downs Stock free and clear of all liens.

Stock Purchase Agreements, Escrow Agreements and Litigation Background

On July 25, 2008, the Austin Jockey Club requested the Commission approve a change of ownership to Dallas City Limits, LLC. At its September 15, 2009, meeting, the Commission denied the request.

On November 6, 2009, the Austin Jockey Club entered into a stock purchase agreement with KTAGS (the "KTAGS Agreement"). See Appendix G. The agreement states that Dallas City Limits, LLC (DCL), contends to have rights under the terms of its own, previous, stock purchase agreement with AJC (the "DCL Agreement.") Further, the agreement states that the escrow agent under the DCL Agreement continues to hold the common stock of Longhorn Downs, Inc., in escrow.

Per subsection 1.2(b), Other Terms, of the KTAGS Stock Purchase Agreement, AJC states that KTAGS shall not be obligated to make any capital expenditures, other than the acquisition of real estate for a racetrack and submitting plans to the Commission, until AJC obtains resolution of its rights to obtain and transfer title of Longhorn Downs' common stock. According to this subsection, the rights granted in this agreement are subject to any rights, if any, which may remain in Dallas City Limits or its successors pursuant to the DCL Agreement.

Staff asked KTAGS to specify the concrete actions, if any, that KTAGS will commit to undertaking towards construction of a racing facility and initiating live racing if the Commission approves the requested change of ownership and location but the Austin Jockey Club has yet to secure the release of the common stock from escrow or otherwise resolved its dispute with DCL. See Appendix B.

The October 31, 2011 response stated that:

"In summary, once the transfer of the stock to KTAGS has been approved by the Texas Racing Commission, Dallas City Limits has been judicially determined to no longer have a justiciable (justifiable) claim for a right of ownership in the Longhorn Downs stock, and the transfer to KTAGS of title to the Longhorn Downs stock has actually occurred, KTAGS is intent on pursuing an immediate path forward to ultimately result in live racing. In the interim, anticipating the possible elimination of the Dallas City Limits claim, the land for the racetrack has been acquired for use by KTAGS, as described below, and KTAGS has begun significant discussions concerning

the opening of the simulcast facility, which is the next demonstrable step in the move forward towards live racing.”

See Appendix C.

As of the date of this report, staff is not aware that there has been a resolution to any of these issues.

LOCATION

KTAGS proposes to locate the facility on a 148-acre site in Creedmoor at the corner of SH-45, FM 1625 and Old Lockhart Highway. The site is approximately eight miles south of downtown Austin and adjacent to SH-45. SH-45 connects to SH-130, which serves all of northeast Austin and intersects with IH-35 in Georgetown. The property is three miles from IH-35, just north of Buda, and a short drive without toll fees via FM 1327. See Appendix H.

TREM, Inc., a Cliff Thomas corporation owns the property.

EFFECT ON TRAFFIC FLOW

According to the applicant, no roadways need improvements or changes to accommodate the proposed racetrack's operations. The site plan shows three entrances to the facility off the Old Lockhart Highway. Primary access to Old Lockhart Highway is from FM 1625 via SH-45, Turnersville Road, or FM 1327.

The Traffic Impact Analysis prepared by Kimley-Horn and Associates, Inc. analyzes the traffic and transportation impacts of the proposed development on FM 1625, SH-45 and Old Lockhart Highway. Access via FM 1327 was not included in their analysis. The study concludes that once the racetrack is operational, all affected intersections are projected to operate at either an A or B level of service. According to their report, A and B level of service is described as service with no delays at intersections with continuous

flow traffic; uncongested operations; high frequency of long gaps available for all left and right turning traffic; and no observable queues.

Staff provided the traffic study to both the Texas Department of Transportation (TxDOT) and Travis County's Transportation and Natural Resources Department for review. TxDOT suggested there would be a more concentrated peak for people showing up for live racing on Saturday and that the study should include an additional estimate of traffic if 75 percent of the attendees show up within one hour of race time. Additionally, TXDOT noted that patrons may utilize FM 1327 because it provides a non-tolled option of access, but this road was not included in the analysis. Because Old Lockhart Highway is narrow and has no shoulder, Travis County's Transportation Department recommended that the applicant include an eastbound left turn lane into the western-most entrance to the site.

The applicant has agreed to finance and construct the recommended left turn lane to serve the racetrack. See Appendix C.

COMPLIANCE WITH ZONING

The property is located in the Creedmoor extraterritorial jurisdiction (ETJ) and currently is not zoned and is not subject to any restrictions. However, according to the applicant, they are in discussions with and proposing to the City of Creedmoor a municipal ordinance to both annex and zone KTAGS' property. According to KTAGS, this proposed ordinance would not impose any restrictions inconsistent with racing and the interests of the horse industry.

COMPLIANCE WITH CRIMINAL LAWS

The applicant is in compliance with all criminal laws at this time.

MANAGEMENT, TOTE, AND CONCESSIONS CONTRACTS

The proposed management staff is Retama Entertainment Group, Inc. (REG), headed by Bryan Brown, general manager of Retama Park. A copy of the proposed

Management Agreement is attached in the confidential portion of the Commission's meeting materials.

The applicant proposes using AmTote Company for totalisator services, which is the same company that provides totalisator services at Retama Park. KTAGS has provided a copy of a letter of intent agreement from AmTote to provide totalisator services to Longhorn Downs. The letter is attached in the confidential portion of the Commission's meeting materials.

Breckenridge Entertainment Corp. (BEC), Bryan Brown, President, will be responsible for managing and running the track's concessions. A copy of the contract is attached in the confidential portion of the Commission's meeting materials.

APPLICANT'S LIABILITIES AND ASSETS

The Department of Public Safety (DPS) reviewed the applicant's financial information and the specifics are provided in the background report.

DEPARTMENT OF PUBLIC SAFETY INVESTIGATION

The investigative report is attached in the confidential portion of the Commission's meeting materials.

FACILITIES

Patrons and Licensees

The proposed open-air grandstand will seat 3,000 patrons and the 25,000 square foot, air-conditioned simulcast facility will accommodate 350 patrons. A lighted asphalt parking area accommodating 1,200 vehicles will be located near the simulcast building. There will be 25 AmTote terminals and 15 self-service wagering machines.

There are some inconsistencies between the schematic drawings and the text description of the facilities provided. The application states the test barn, pre-race

holding barn and racing office will be located in the barn area. However, the Site Plan shows these buildings on one side of the grandstand, with the barns on the other side.

The application also provides that the offices for the Racing Commission and the DPS will be inside the main simulcasting building. For maximum efficiency, these offices need to be located in the barn area with the racing office. Commission staff believes these issues can be resolved during the construction planning/Commission approval phase.

Race Animals

The facilities proposed by the applicant for race animals are sufficient to ensure the health, safety, and welfare of the race animals. However, the applicant asks for an exemption to Commission Rule 309.243, which requires a specific number of stalls based on the applicant's anticipated racing schedule.

The applicant proposes eight horse barns with 40 stalls per barn, for a total of 320 stalls. The applicant asks to also reserve the right to build a total of 280 stalls, using a five barn plan with 56 stalls in each barn. The number of stalls, under either plan, does not meet the Rule requirement. Running three days a week, 10 races a day, with 10 horses in each race, the facility would need some 600 stalls to accommodate twice the number of starters per week of races.

The applicant states that the basis for the exemption is that a large number of horses will be shipping in from Retama Park Training Center and other regional and local barns/horse farms/ranches, thus providing an ample number of horses to fill races.

In addition, the stakes, pre-race, and paddock areas will each house 12 covered and ventilated stalls and the test barn will have six stalls. Each stall will be 110 square feet in size.

The racetrack will be designed by Joe King, a recognized expert in track design, and will include a seven furlong or 7/8 mile dirt oval which will be 90 feet wide and have both a 550 yard chute and a six furlong chute. The inside rail will be an aluminum, gooseneck-covered safety rail and the outside rail will be aluminum.

AVAILABILITY OF SUPPORT SERVICES AND EMERGENCY SERVICES

The proposed site is approximately 13.6 miles away from the nearest hospital, Seton Medical Center Hays, located at 6001 Kyle Parkway in Kyle. The facility is a full-service hospital with a 24/7 Emergency Department.

EXPERIENCE OF EMPLOYEES

The applicant will use Retama Park's management group, Retama Entertainment Group, Inc. (REG) to operate the facility. Bryan Brown will act as the CEO and General Manager. Steve Ross will direct the simulcast activities and Doug Vair will handle publicity. Lisa Medrano will act as the Chief Financial Officer for the racetrack. A mutuel manager has not been selected at this time. Each of REG's employees has spent a significant amount of time in the racing industry and each has an established working relationship with the Commission. All of the employees are licensed and in good standing with the Commission.

TIMELINE FOR OPENING FACILITIES

The application states that upon approval of the license transfer, the racetrack facility could be completed within 28 weeks. However, this would be subject to the conditions discussed earlier in this report under the heading, "Stock Purchase Agreements, Escrow Agreements and Litigation."

RACE DATES AND POTENTIAL FOR CONFLICT WITH OTHER LICENSED RACE MEETINGS

The application, filed in August of 2010, proposed to begin live horse racing in 2012, running from July 20 to August 26, 2012. The Commission has granted these dates to the current license holder, Austin Jockey Club. In its five-year projections, the applicant

proposes the same format, one live mixed meet per year that will span 18 days with 10 races per day and 3 race days per week - Friday, Saturday, and Sunday.

With the applicant's projected construction schedule of 28 weeks, the 2012 dates will not be run. However, in future years, if Retama Park and Gillespie County Fair and Festivals Association continue to request and run similar meets as in 2012, this applicant's requested race dates would create the potential for conflict with these two tracks. Retama Park has been granted a 20-day Quarter Horse Meet beginning on June 8 through August 11, and Gillespie Fair and Festivals Association has been granted an eight-day mixed meet during July and August. If the applicant were approved and their requested race dates were granted, there would be a four week overlap with the Retama Park Quarter Horse meet and a two week overlap with Gillespie's racing schedule in August.

BUSINESS PLANS

Management Team

The proposed management staff is REG, led by Bryan Brown. REG also manages Retama Park. REG will determine the overall staffing needs of Longhorn Downs, including hiring a Mutuel Manager and Racing Secretary.

Financial and Pari-mutuel Analysis

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

Admissions

Simulcasting - For calendar year 2012, the first year of opening, the applicant has forecasted 100,100 in attendance over 364 simulcast racing days. The applicant has estimated an average daily attendance of 275 patrons per simulcasting day in 2012, with an estimated increase to 292 per day by 2016.

Live Racing - For calendar year 2012, the first year of live racing operations, the applicant has forecasted 40,500 in attendance over 18 live race days. This results in an average daily live attendance of 2,250. The applicant has forecasted

minimal growth in live attendance during each of the subsequent years as the number of live race days remains constant.

The estimates for both simulcast days and live race days appear reasonable when comparing the projected attendance to actual average attendance at Texas racetracks over the past five years.

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 82.1 percent of the association's gross revenue will be dependent upon these wagers.

Live Per-capita Wagering – The applicant forecasts \$50 in live per-capita wagers over 18 live race days during 2012. The applicant projects a minimal increase of 2.4 percent in per-capita wagers during each of the following three years, and then leveling off to \$53.75 in 2016.

Simulcast Same-Species Per-capita Wagering – The applicant forecasts \$181.55 in simulcast same-species per-capita wagers over 364 simulcast race days during 2012. The applicant projects a minimal increase in per-capita wagers during each of the following three years, and then leveling off to \$197.21 in 2016.

Simulcast Cross-Species Per-capita Wagering – The applicant forecasts \$32.04 in simulcast cross-species per-capita wagers over 364 simulcast race days during 2012. The applicant projects minimal increases in per-capita wagers during each of the following three years, and then leveling off to \$34.80 in 2016.

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 \$227.99 in 2012, increasing to \$247.65 by 2016.

The applicant's estimates appear reasonable when comparing the projected per-capita wagering amounts to actual average amounts wagered at Texas racetracks for 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. These ratios were also consistent with those experienced by other horse racetracks in the state for 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 increase by 5 percent during its first four years, from \$112,500 for 18 days of live racing in 2012 to \$130,233 in 2016.

Live Export Handle – The applicant estimates that its average daily live export handle will also increase by 5 percent during its first four years, from \$350,000 for the 18 days of live racing in 2012 to \$405,169 in 2016.

Simulcast Same-Species Handle – The applicant estimates that its average daily simulcast same-species handle will increase by 5 percent during its first five years, from \$70,125 in 2012 to \$81,178 in 2016.

Simulcast Cross-Species Handle – The applicant estimates that its average daily simulcast cross-species handle will increase by 5 percent during its first four years, from \$12,375 days in 2012 to \$14,326 in 2016.

In comparing the applicant's pari-mutuel projections, both live and simulcast, to actual wagering statistics at the operating horse racetracks, the projections appear to be reasonable estimates during each of the five years of the forecast.

Overview of Attendance and Handle Projections

Following is a table summarizing the applicant's projections.

ATTENDANCE AND HANDLE

Race Days	2012	2013	2014	2015	2016
Live	18	18	18	18	18
Simulcast	364	364	364	364	364
Average Daily Attendance					
Live	2,250	2,306	2,364	2,423	2,423
Simulcast	275	282	288	292	292
Attendance					
Live	40,500	41,513	42,550	43,614	43,614
Simulcast	<u>100,100</u>	<u>102,603</u>	<u>104,655</u>	<u>106,224</u>	<u>106,224</u>
Total Attendance	140,600	144,116	147,205	149,838	149,838
Per-capita Wagering	\$227.99	\$233.55	\$240.08	\$247.65	\$247.65
Pari-Mutuel Handle					
Live	\$2,025,000	\$2,126,000	\$2,232,000	\$2,344,000	\$2,344,000
Simulcast	<u>\$47,262,600</u>	<u>\$48,680,520</u>	<u>\$50,140,892</u>	<u>\$51,645,119</u>	<u>\$51,645,119</u>
Total Handle	<u>\$47,262,600</u>	<u>\$48,680,520</u>	<u>\$52,387,292</u>	<u>\$53,989,119</u>	<u>\$53,989,119</u>

The attendance and handle projections appear reasonable.

Income

The applicant projects to generate income in the following categories and percentages:

- Pari-mutuel 82.1%
- Food & Beverage 9.4%
- Parking & Admissions 6.1%
- Other 2.4%

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 increase from \$424,000 in 2012 to

\$491,000 in 2016. Similarly, the applicant's combined projections of income from live export wagering, same-species wagering, and cross-species wagering total \$6,598,000 in 2012, and increase to a combined total of \$7,638,000 in 2016. With the exception of overestimating income from breakage, which represents only 2.2 percent of the total income, each of the applicant's pari-mutuel wagering income projections appears reasonable.

After KTAGS filed its application in 2010, the 82nd Legislature amended several sections of the Texas Racing Act effective September 1, 2011. A significant change was made to the agency's method of finance that resulted in the racetracks retaining any outstanding ticket revenue after paying for mandatory drug testing. The racetrack license fees were also modified. Staff estimates these changes would lower the applicant's overall statutory expenses by about \$60,000. These positive changes to the racetrack's revenue are not reflected in KTAGS' financials.

The applicant's other income projections are based primarily on Admissions, Parking and Programs, and Concessions Income. Combined, these projections total \$1,556,000 in 2012 and increase to \$1,802,000 in 2016. Analysis reveals that the applicant projects that the average person attending a live or simulcast race will spend approximately \$11.07 to \$12.03 on food, beverage, parking, or admission. These projections appear reasonable.

Operating Expenses

The applicant's projected expenses fall into two major categories: Statutory/Track Costs and Operating Expenses.

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's projected expenses are for

Purses, Simulcasting Contract Fees, Race Day Fees, Texas-Bred costs from Breakage and Fees, and Pari-mutuel Taxes. Combined, the applicant projected expenses of \$3,363,000 in 2012 and \$4,115,000 in 2016. These projections appear reasonable.

Operating Expense – This includes the costs associated with the daily operation of the racetrack that include Salaries, Simulcast Expense, Concession Expense, Costs of Marketing, Professional Services, Repairs and Maintenance, Labor Costs, Taxes, Utilities, and Administrative Expenses. In testing the applicant's projections, staff focused on the Simulcast and Concession expenses.

The applicant projected Simulcast Expense of \$1,213,000 in 2012, increasing to \$1,404,000 in 2016. These projections are consistent with staff's estimate and are reasonable. The applicant projected Concession Expense of \$222,000 in 2012, increasing to \$257,000 in 2016. The applicant's Concession Expense is only 27 percent of its projected Concession Revenue. Traditionally, cost of goods sold for food and beverage at a racetrack averages about 35 percent of total food and beverage sales. Commission staff finds the projected Concessions Expense to be marginally reasonable.

Considering all 20 components of Operating Expenses, staff finds that the applicant has provided reasonable projections of operating expense during each of the five years of the forecast.

In its response to the agency's request for clarification on how the land will be recorded, the applicant stated that KTAGS would lease the land from TREM, Inc., instead of showing the land as a contribution. The applicant did not submit revised financials reflecting this change. Staff does not have all the necessary information about the lease to determine the effect it may have on the financials.

Financial Statements

The financial statements provided by the applicant include:

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

Statement of Operations – This financial statement 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.

Forecasted Statements of Operations
Years Ending 2012 through 2016
(\$ in Thousands)

	2012	2013	2014	2015	2016
Revenue					
Pari-Mutuel Revenue	\$7,182	\$7,742	\$8,129	\$8,536	\$8,536
Other Revenue	<u>\$1,556</u>	<u>\$1,634</u>	<u>\$1,715</u>	<u>\$1,801</u>	<u>\$1,801</u>
Total Revenue	<u>\$8,738</u>	<u>\$9,376</u>	<u>\$9,845</u>	<u>\$10,337</u>	<u>\$10,337</u>
Expenses					
Statutory Expense	\$3,363	\$3,732	\$3,919	\$4,115	\$4,115
Operating Expense	\$4,797	\$5,023	\$5,261	\$5,511	\$5,511
Depreciation	<u>\$400</u>	<u>\$400</u>	<u>\$400</u>	<u>\$400</u>	<u>\$400</u>
Total Expense	<u>\$8,560</u>	<u>\$9,156</u>	<u>\$9,580</u>	<u>\$10,025</u>	<u>\$10,025</u>
Gain/(Loss) from Operations	\$178	\$220	\$265	\$312	\$312
Provision For State Margin Tax	<u>(\$54)</u>	<u>(\$56)</u>	<u>(\$59)</u>	<u>(\$62)</u>	<u>(\$62)</u>
Net Gain / (Loss)	<u>\$124</u>	<u>\$164</u>	<u>\$206</u>	<u>\$250</u>	<u>\$250</u>

The applicant's five-year forecast projects annual net gains ranging from \$124,000 in 2012 to \$250,000 in 2016, or approximately a \$1 million net gain from operations over the five-year period. No additional equity contributions are projected.

Statement of Cash Flow – This financial report 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.

Forecasted Statements of Cash Flows For the Years Ending December 31, 2011 through 2016 (\$ in Thousands)					
	2012	2013	2014	2015	2016
Operating Activities					
Net Gain from Operations	\$124	\$164	\$206	\$250	\$250
Other Cash Used in Operations	<u>\$635</u>	<u>\$430</u>	<u>\$430</u>	<u>\$430</u>	<u>\$430</u>
Net Cash for Operations	<u>\$759</u>	<u>\$594</u>	<u>\$636</u>	<u>\$680</u>	<u>\$680</u>
Investing Activities					
Additions to Property	\$0	\$0	\$0	\$0	\$0
Cash Acquisitions of Property	<u>(\$21,150)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Cash for Investing	<u>(\$21,150)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Financing Activities					
Contribution of Equity	\$21,150	\$0	\$0	\$0	\$0
Long-Term Debt Issuance	\$0	\$0	\$0	\$0	\$0
Restricted Cash Release	\$0	\$0	\$0	\$0	\$0
Principal Payment on Long Term Debt / Capital Lease	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Cash Via Financing	<u>\$21,150</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Increase/(Decrease) in Cash	\$759	\$594	\$636	\$680	\$680
Cash at Beginning of Year	<u>\$0</u>	<u>\$759</u>	<u>\$1,353</u>	<u>\$1,989</u>	<u>\$2,669</u>
Cash at End of Year	<u>\$759</u>	<u>\$1,353</u>	<u>\$1,989</u>	<u>\$2,669</u>	<u>\$3,349</u>

The applicant's five-year forecast projects that it will have cash at the end of each year in amounts ranging from \$759 thousand to \$3.35 million. This forecast reflects the applicant's projection of approximately \$1 million net gain over the five-year period.

Balance Sheet – This financial report summarizes a company's assets, liabilities and shareholders' equity at a specific point in time.

Forecasted Balance Sheets
December 31, 2012 through 2016
(*\$ in Thousands*)

	2012	2013	2014	2015	2016
Assets					
Total Current Assets	\$994	\$1,588	\$2,224	\$2,904	\$3,584
Total Property	\$20,750	\$20,350	\$19,950	\$19,550	\$19,150
Other Assets	<u>\$270</u>	<u>\$240</u>	<u>\$210</u>	<u>\$180</u>	<u>\$150</u>
Total Net Assets	<u>\$22,014</u>	<u>\$22,178</u>	<u>\$22,384</u>	<u>\$22,634</u>	<u>\$22,884</u>
Liabilities					
Current Liabilities	\$440	\$440	\$440	\$440	\$440
Long-Term Debt	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Liabilities	<u>\$440</u>	<u>\$440</u>	<u>\$440</u>	<u>\$440</u>	<u>\$440</u>
Equity (Deficit)					
Contributed Capital	\$21,450	\$21,450	\$21,450	\$21,450	\$21,450
Retained Earnings	<u>\$124</u>	<u>\$288</u>	<u>\$494</u>	<u>\$744</u>	<u>\$994</u>
Total Equity	<u>\$21,574</u>	<u>\$21,738</u>	<u>\$21,944</u>	<u>\$22,194</u>	<u>\$22,444</u>
Total Liabilities & Equity	<u>\$22,014</u>	<u>\$22,178</u>	<u>\$22,384</u>	<u>\$22,634</u>	<u>\$22,884</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.

Breakeven Analysis – The applicant projects simulcast attendance and simulcast per-capita wagering could be lower than forecast by a margin of approximately 14 percent to 18 percent and the project will still generate sufficient revenue to break even on operational costs.

Breakeven Simulcast Attendance Analysis

Forecast Year	2012	2013	2014	2015	2016
Breakeven Live Attendance	85,249	87,380	89,128	90,465	90,465
Forecasted Live Attendance	100,100	102,603	104,655	106,224	106,224
% Forecast Above or (Below) Breakeven	17.4%	17.4%	17.4%	17.4%	17.4%

Breakeven Simulcast Same-Species Per-capita Analysis

Forecast Year	2012	2013	2014	2015	2016
Breakeven Simulcast S-S Per-capita	\$158.47	\$158.81	\$163.25	\$168.42	\$168.42
Forecasted Simulcast S-S Per-capita	\$181.55	\$185.97	\$191.17	\$197.21	\$197.21
% Forecast Above or (Below) Breakeven	14.6%	14.6%	14.6%	14.6%	14.6%

Breakeven Simulcast Cross-Species Per-capita Analysis

Forecast Year	2012	2013	2014	2015	2016
Breakeven Simulcast S-S Per-capita	\$27.96	\$28.03	\$28.81	\$29.72	\$29.72
Forecasted Simulcast S-S Per-capita	\$32.04	\$32.82	\$33.74	\$34.80	\$34.80
% Forecast Above or (Below) Breakeven	14.6%	14.6%	14.6%	14.6%	14.6%

This analysis supports the applicant's forecasted operational gain reported on the Statements of Operation for each of the five years of the forecast.

IMPACT ON HORSE BREEDING INDUSTRY

The applicant will work with the Texas Quarter Horse Association and the Texas Thoroughbred Association to establish a broad-based program to assist local and state breeders. Specific goals of the program include:

- Having 80 percent or more of the horses running at Longhorn Downs be Texas bred. Essentially, the condition book would be written so that all qualified Texas bred horses would have ample opportunity to race.
- Establishing an all Texas-Bred Stakes Day similar to the Texas Horse Racing Hall of Fame Day at Retama Park and Champions Day at Sam Houston Race Park.
- Using the positive impacts of Texas-bred races, Texas-Bred Stakes Day, and showcase events to help grow breed organizations and funding.

- Establishing a \$250,000 Longhorn Downs Futurity and a \$200,000 Derby for Quarter Horses, plus a \$150,000 Longhorn Downs Futurity and a \$100,000 Derby for Thoroughbreds.
- Keeping horses active in racing for longer periods of time by providing races for older horses and giving bonuses to winning horses based on age.
- Exploring the feasibility of featuring one match race each day.
- Establishing a "Matchmaker Series" where first, second, and third place finishers get a free breeding to participating stallions. Information would be included about the breeding industry, what it means to the agricultural economy, and how breeding information is used in handicapping.
- Featuring one race per night in which only progeny of stallions within a certain geographical area are eligible to compete.
- Conducting a horse sale in conjunction with each live meet, aiming to establish the largest sale in the state within a three-year time frame with all breeds represented.

IMPACT ON THE STATE AND LOCAL ECONOMY

The applicant projects it has or will spend over \$18 million on facility construction and the land purchase as follows:

Land (purchased June 2010 by TREM, Inc., for \$1,924,000)	\$2,000,000
Infrastructure	500,000
Landscaping	400,000
Utilities	1,200,000
Main Building Construction (25,000 sf @ \$150 per sf)	3,750,000
Electronic Displays	500,000
Track (7/8 mile)	750,000
Rail (inside and outside)	360,000
Grandstand Seating	700,000
Barns	1,767,780
Jocks' Quarters	100,000
Test and Holding Barn	140,000
Permitting Fees	50,000
Water and Sewer Fees	50,000
Engineering	100,000
Architectural	50,000
Signage	200,000
Furniture	700,000
Environmental Studies	20,000
Legal and Administrative Services – Construction	20,000
Loan Placement and Guarantee Fees	0
Equipment Acquisition	0
Capitalized Interest	0
Start-up Cost	408,000
On-site Water Storage	1,202,220
Ancillary Structures	500,000
Reserve for Septic System	1,000,000
Contingency	1,716,000
TOTAL	\$18,184,000

Using a multiplier effect of seven times the direct input of dollars, the applicant estimates the first-year impact on the local economy to be \$113.8 million along with the creation of 1,502 jobs.

VA-25

Once operational, the facility will have an annual budget of approximately \$4.8 million, of which \$1.2 million is for direct payroll expense. The applicant estimates that the annual economic impact of the operational track will be \$48 million and the creation of 638 annual jobs.

The applicant projects more than \$2.1 million will be paid in purses. This money will support grooms, veterinarians, feed suppliers, farmers and other race-related jobs. The purses will also positively affect lodging, food and beverage, car rental and retail businesses.

The applicant projects that the simulcast and live racing facility will be operational within 28 weeks of licensure. However, this would be subject to the conditions discussed earlier in this report under the heading, "Stock Purchase Agreements, Escrow Agreements and Litigation."

LETTERS OF OPPOSITION/SUPPORT

The applicant states that as of time of filing, it is not aware of any local organized opposition to the racetrack, but it expects Manor Downs to present opposition. To date, the Commission has not received any letters of opposition.

The Mayor of Creedmoor, Robert Wilhite, attended the June 2011 Commission meeting and testified that the City Council is excited about the possibility of the track coming to Creedmoor. See Exhibit I for a transcript of Mayor Wilhite's testimony before the Commission.

ORDER FOR SECURITY FOR COMPLIANCE

Previously, the Commission has required some newly approved racetrack license holders to post bonds for compliance with construction and opening of a facility. Lone Star Park, Laredo Downs, Laredo Race Park and Valle de los Tesoros were required to post bonds and each forfeited some or all of the money for failing to timely comply with the order's stipulations.

The Commission determined security for compliance bonds was not necessary with the significant changes in ownership for the following recently approved racetrack license holders: Corpus Christi Greyhound Race Track, now Gulf Coast Racing; Lone Star Park; and Sam Houston, Laredo, and Valley Race Parks.

This proposed change in ownership and location is the first the Commission will consider since the recent enactment of HB 2271, the Sunset legislation. The new provisions, effective September 1, 2011, now provide the Commission with additional, significant tools beyond security bonds to ensure that each racetrack license holder is complying with the terms of the Commission's order granting the racetrack license. Now, based on whether the license holder is actively conducting or working towards conducting live racing, the Commission will designate each racetrack license either active or inactive. Inactive licenses will be subject to an annual license renewal until active status is achieved or the Commission refuses to renew the license. Further, the Commission may now require a racetrack license holder to post a bond at any time.

With these significant changes in statute, the Commission now has the range of administrative tools necessary to ensure each racetrack license holder fully complies with the Act, Rules, and Commission orders. Therefore, should the Commission approve this requested change in ownership and location, staff does not recommend requiring a bond as a condition of this change in ownership and location.

SUMMARY

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

- The proposed change in ownership of the track is adequately described and is consistent with the Act.
- The land has been purchased.
- The applicant agreed to make suggested changes to improve access to the site.

- REG is qualified to operate a horse racetrack, and the proposed contract is acceptable.
- AmTote Company is qualified to provide totalisator services, and the proposed letter of intent is acceptable.
- BEC is qualified to provide concession services for the racetrack, and the proposed contract is acceptable.
- The DPS background investigation report has been provided to the Commission.
- The facilities for patrons and licensees as described in the written application appear to be suitable, but staff notes a discrepancy in the placement of the test barn, pre-race holding barn and racing office and recommends the Commission and DPS offices be moved to the backside.
- The construction and opening of a new racetrack would have a positive impact on the horse breeding industry and the state and local economy.
- According to the applicant, until certain actions occur, including until the Dallas City Limits claim for a right of ownership in the Longhorn Downs stock is eliminated through judicial processes, the applicant is willing to begin significant discussions concerning the opening of the simulcast facility, which, in their view, is the next demonstrable step in the move forward towards live racing.

Appendices available upon request.

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

2011 NOV -8 PM 2: 37

RECEIVED
TEXAS RACING
COMMISSION

November 4, 2011

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

Dear Mark:

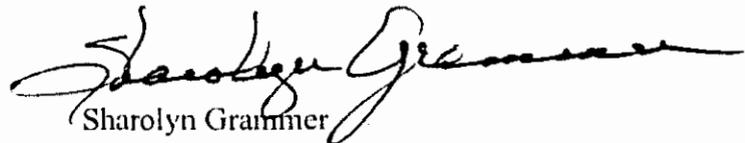
Enclosed are the documents required for transfer of the following ownership interests/units in Retama Partners Ltd.

- Estate of Paula Rainey to:
 - PR Anna Peavy GS Trust 3.34 interests/units (.0832% ownership)
 - PR Stephanie Cage GS Trust 3.33 interests/units (.0829% ownership)
 - PR Paula Johnson GS Trust 3.33 interests/units (.0829% ownership)
- William R. Rainey ByPass Trust to:
 - WR Anna Peavy GS Trust 3.33 interests/units (.0829% ownership)
 - WR Stephanie Cage GS Trust 3.34 interests/units (.0832% ownership)
 - WR Paula Johnson GS Trust 3.33 interests/units (.0829% ownership)

The effective date of these transfers is August 31, 2011.

Six 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

V-C-1



TEXAS RACING COMMISSION
P.O. BOX 12080
AUSTIN, TEXAS 78711 2080
(512) 833-6699
FAX (512) 833-6907

December 20, 2011

To: Chuck Trout
Executive Director

From:  Michael Gougler
Deputy Director for Racing Oversight

RE: Ownership Changes Retama Partners Ltd.

On November 8, 2011, the commission received a request from Retama Partners Ltd to approve several changes of ownership of less than 1%. These changes are as follows:

10 interests/units (0.25% ownership) from the Estate of Paula Rainey to:

- PR Anna Peavy GS Trust 3.34 interests/units (0.0832% ownership)
- PR Stephanie Cage GS Trust 3.33 interests/units (0.0829% ownership)
- PR Paula Johnson GS Trust 3.33 interests/units (0.0829% ownership)

10 interests/units (0.25% ownership) from the William R. Rainey Bypass Trust to:

- WR Anna Peavy GS Trust 3.33 interests/units (0.0829% ownership)
- WR Stephanie Cage GS Trust 3.34 interests/units (0.0832% ownership)
- WR Paula Johnson GS Trust 3.33 interests/units (0.0829% ownership)

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

On December 19, 2011, the Commission received a written report from DPS advising that there was no disqualifying information revealed by the investigation.

It is recommended that the application for ownership transfer, as indicated above, be approved.

V-C-2

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

2012 JAN -6 PM 2: 17

RECEIVED
TEXAS RACING
COMMISSION

January 4, 2012

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

Dear Mark:

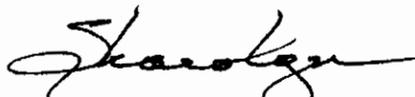
Enclosed are the documents required for transfer of the following ownership interests/units in Retama Partners Ltd.

- Felix L. Stehling to:
 - 210 Muy Buena Suerte Ltd 10 interests/units (.2490% ownership)
 - Straus 2003 Irrevocable Trust 10 interests/units (.2490% ownership)

210 Muy Buena Suerte Ltd will own a 1.2450% interest in Retama Partners Ltd and the Straus 2003 Irrevocable Trust will have an 8.0508% interest. The effective date of these transfers is December 31, 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

V-C-3



TEXAS RACING COMMISSION
P.O. BOX 12080
AUSTIN, TEXAS 78711-2080
(512) 833-6699
FAX (512) 833-6907

February 1, 2012

To: Chuck Trout
Executive Director

From: Michael Gougler
Deputy Director for Racing Oversight

RE: Ownership Changes Retama Partners Ltd.

On January 6, 2012, the commission received a request from Retama Partners Ltd to approve for transfer of the following ownership interests/units:

Felix L. Stehling to:

- 210 Muy Buena Suerte Ltd 10 interests/units (.2490% ownership)
- Straus 2003 Irrevocable Trust 10 interests/units (.2490% ownership)

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

On February 1, 2012, the Commission received a written report from DPS advising that there was no disqualifying information revealed by the investigation.

It is recommended that the application for ownership transfer, as indicated above, be approved.

V-C-4

MAXXAM

1330 Post Oak Boulevard, Suite 2000
Houston, Texas 77056-3058
713-975-7600

January 24, 2012

2012 JAN 24 PM 5:10

RECEIVED
TEXAS RACING
COMMISSION

Mr. Chuck Trout
Executive Director
Texas Racing Commission
8505 Cross Park Dr # 110
Austin, TX 78754-4552

Re: *MAXXAM Inc.*

Dear Mr. Trout:

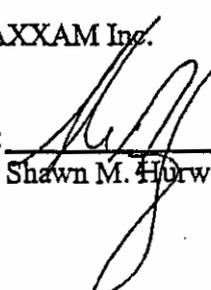
MAXXAM Inc. ("MAXXAM"), through its subsidiaries, holds a 50% interest in PM Texas LLC, which in turn owns 100% interests in each of three licensed entities -- Sam Houston Race Park, LLC, Valley Race Park, LLC, and Laredo Race Park, LLC.

MAXXAM is considering a potential transaction. The potential transaction would not affect the ownership structure of the licensed racetracks as approved by the Commission on April 1, 2011. The potential transaction would not affect the operations of any of the licensed racetracks. Penn National Gaming, Inc., would continue to own its current 50% interest in the licensed racetracks, continue to serve as the managing member of PM Texas LLC, and continue to operate the licensed racetracks under existing approved operating agreements. MAXXAM would continue to own the other 50% interest in the licensed racetracks.

MAXXAM requests a brief period of time on the Agenda for the Racing Commission's February 7, 2012 meeting in order to advise the Racing Commission regarding the potential transaction, to respond to any questions the Commission may have, and to obtain any necessary Commission approval for the potential transaction.

Respectfully submitted,

MAXXAM Inc.

By: 
Shawn M. Horwitz, President

cc: Robert Schmidt, M.D., Chairman
Mark Fenner, General Counsel



Received by the
Texas Racing Commission
December 6, 2011
via email

December 5, 2011

To: David Hooper
Marsha Rountree
Rob Werstler

Retama Park was granted 20 Quarter Horse and 26 Thoroughbred race days for 2012. Given that the Quarter Horse dates fall earlier in the year than the dates run in 2011, the purse accrual will not be sufficient to have average daily purses reach acceptable levels. Conversely, the Thoroughbred meet is later in the year than the 2011 dates and thus the purse accrual results in significantly higher average daily purses for 2012.

Given the above situation, Retama Park requests a change in the allocation of purse revenue generated from simulcasting (breed split) and also a change in the allocation amongst the breeds of the escrowed purse account revenue for 2012. The requested change provides a positive impact to the Quarter Horse meet but has virtually no overall effect on Thoroughbred purses for the year.

Allocation of Purse Revenue from Simulcasting

Currently, the simulcast breed split at Retama Park is 78% to Thoroughbreds and 22% to Quarter Horses after payment of 2% to the minor breeds. Retama Park would like to change this split for the period 1/1/2012 to 8/11/2012 to 70% to Thoroughbreds and 30% to Quarter Horses after payment of 2% to minor breeds. The ending date of this suggested period is the closing date of the Quarter Horse meet. After that period the percentages would revert to 8% for Quarter Horses and 92% for Thoroughbreds for the balance of 2012.

The additional 8% of simulcast purse funding paid to Quarter Horse purses through 8/11/12 generates \$122,000 for the Quarter Horse meet but the overall split has virtually no effect on Thoroughbred purses.

Allocation of Escrowed Purse Account Revenue

The distribution of the Escrowed Purse Account at Retama is 77.5% to Quarter Horse purses and 22.5% to Thoroughbred purses after payment of 7% to minor breeds. Retama Park would like to change this split for the period 1/1/2012 to 8/11/2012 to 100% to Quarter Horse purses after payment of 7% to minor breeds. This would generate an additional \$34,000 for Quarter Horse purses for the period. After that the percentages would revert to 34% for Quarter Horses and 66% for Thoroughbreds for the balance of the year after payment of 7% to minor breeds. The overall split has virtually no effect on Thoroughbred purses.

Total Impact to Each Breed

The total impact of the above two changes is a gain of \$156,000 for Quarter Horse purses for the period ending 8/11/12 and no loss for Thoroughbred Purses for the year. This changes projected Quarter Horse purses to nearly \$51,000 per day from current projections of about \$43,000 per day.

Thoroughbred purses are expected to average around \$100,000 per day which is a substantial increase over 2011 purses.

All the above figures assume that Quarter Horse purse funds which would accrue to Manor Downs would be transferred to Retama and that handle is flat for 2012.

V-E-1

If not noted otherwise, all percentages discussed are after payments to minor breeds. The changes requested will have no effect on minor breed purses.

The attached exhibit shows the impact of the changes to Quarter Horse and Thoroughbred purses.

Please let me know if you have any questions.
Many thanks.

Yours truly,

A handwritten signature in black ink, appearing to read 'Bryan P. Brown', written in a cursive style.

Bryan P. Brown, CEO

cc: Chuck Trout
Dr. Tommy Hays
Jan Haynes
Greg LaMantia
James Leatherman
Lisa Medrano
Drew Shubeck
Nina Sirak
Dr. David Stephens
Andrea Young

Retama Park
Purse Proposal
December 2, 2011

	<u>Total</u>	<u>Quarter Horse</u>	<u>Thoroughbred</u>
<u>Handle From Simulcast Wagering</u>			
Total Simulcast Purses Contributed 2012	2,389,143		
Split at Current Rates (QH - 22, TB - 78)		525,611	1,863,532
Revised Splits:			
Period 1/1/12-8/11/12 (QH - 30, TB - 70)		457,848	1,068,311
Period 8/11/12-12/31/12 (QH - 8, TB - 92)		<u>69,039</u>	<u>793,945</u>
Purses Accrued for 2012 with Revised Splits		<u>526,886</u>	<u>1,862,257</u>
Variance		1,275	(1,275)
<u>Handle From Cross Species</u>			
Total Cross Species Purses 2012	188,764		
Split at Current Rates (QH - 77.5, TB - 22.5)		146,292	42,472
Revised Splits:			
Period 1/1/12-8/11/12 (QH - 100, TB - 0)		125,843	0
Period 8/11/12-12/31/12 (QH - 34, TB - 66)		<u>21,393</u>	<u>41,528</u>
Purses Accrued for 2012 with Revised Splits		<u>147,236</u>	<u>41,528</u>
Variance		(944)	944

All purse calculations shown above are after contributions to minor breeds



January 24, 2012

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

RECEIVED
TEXAS RACING
COMMISSION

2012 JAN 24 PM 4: 26

Dear Mr. Trout,

The Texas Quarter Horse Association supports the Retama Park proposal to modify the breed split agreement for the dates designated in the proposal.

Since the Retama Quarter Horse meet will begin earlier in 2012 than in 2011 and since we will not have a significant amount of purse revenue in the Manor account which we utilized in 2011, this change is imperative to keep Quarter Horse purse levels comparable with those in 2011.

I will be available during the February 7 Texas Racing Commission meeting to answer any questions you may have.

Sincerely,

Rob Werstler
Director of Racing

1-E-4



Received by the
Texas Racing Commission
via facsimile
January 31, 2012

January 31, 2012

Chuck Trout
Executive Director
Texas Racing Commission
P.O. Box 12080
Austin, TX 78754

Re: Retama Park Request to Modify Allocations of Purse Revenue

Dear Chuck:

This letter is to advise that Bryan Brown, COO of Retama Park, made a presentation to the Texas Thoroughbred Association Board of Directors on January 21 during a regularly scheduled meeting of the Board at Sam Houston Race Park.

Part of Brown's presentation dealt with his request for approval of short-term modifications of Quarter Horse and Thoroughbred simulcast breed splits and distribution of the Escrowed Purse Accounts as outlined in his letter of December 5, 2011.

Brown assured the modifications would have zero impact on the availability of projected purse revenue for the 26-day fall 2012 Thoroughbred meet, during which overnight purses are projected to be \$99,458, which will be more than \$15,000 higher per day than in 2010 and 2011.

Following discussion, the TTA Board considered a motion to approve the Retama request, and the motion passed unanimously.

Further, TTA understands that both the Texas Quarter Horse Association and Texas Horsemen's Partnership support Retama's request for TRC approval.

Thanking you in advance for considering TTA's viewpoint, I am

Respectfully yours,


David E. Hopper
Executive Director

cc: Bryan Brown, Retama Park
Rob Werstler, Texas Quarter Horse Association
Marsha Rountree, Texas Horsemen's Partnership

Texas Racing Commission
Title 16, Part VIII,
Chapter 307. Proceedings Before the Commission
Subchapter C. Proceedings by Stewards and Racing Judges

1 307.67. Appeal to the Commission

2 (a) (No change.)

3 (b) Filing Procedure.

4 (1) An appeal must be in writing in a form prescribed by
5 the executive secretary. An The appeal from a ruling of the
6 stewards or racing judges must be filed not later than 5:00 p.m.
7 of the third calendar day after the day the person is informed
8 of the ruling by the stewards or racing judges. An appeal from
9 the modification of a penalty by the executive secretary must be
10 filed not later than 5:00 p.m. of the fifth calendar day after
11 the day the person is informed of the penalty modification. The
12 appeal must be filed at the main Commission offices in Austin or
13 with the stewards or racing judges at a Texas pari-mutuel
14 racetrack where a live race meet is being conducted. The appeal
15 must be accompanied by a cash bond in the amount of \$150, to
16 defray the costs of the court reporter and transcripts required
17 for the appeal. The bond must be in the form of a cashier's
18 check or money order.

19 (2) (No change.)

20 (c) - (f) (No change.)

Texas Racing Commission
Title 16, Part VIII,
Chapter 307. Proceedings Before the Commission
Subchapter C. Proceedings by Stewards and Racing Judges

1 Section 307.69. Review by Executive Secretary Action by
2 Commission

3 ~~On its own motion or on request by the executive secretary, the~~
4 ~~Commission may reverse a decision of the stewards or racing~~
5 ~~judges, modify a penalty imposed by the stewards or racing~~
6 ~~judges, or reinstate a person's license and rescind the penalty.~~

7 (a) Within fourteen days after a board of stewards or judges
8 issues a written ruling under Section 307.63 of this title
9 (relating to Rulings), the executive secretary may review the
10 ruling and modify the penalty. A penalty modified by the
11 executive secretary may include a fine not to exceed \$10,000, a
12 suspension not to exceed two years, or both a fine and a
13 suspension.

14 (b) The decision to modify a penalty must be on a form that
15 includes:

16 (1) the full name, license type, and license number of the
17 person who is the subject of the penalty modification;

18 (2) the original ruling number and the date the ruling was
19 issued by the stewards or judges;

20 (3) the date the modified penalty was issued by the
21 executive secretary;

22 (4) the modified penalty imposed;

23 (5) a statement of the reason for modifying the penalty;

24 and

25 (6) a statement informing the person of the person's right
26 to appeal the ruling, with the modified penalty, to the
27 Commission.

VFB-1

Texas Racing Commission
Title 16, Part VIII,
Chapter 307. Proceedings Before the Commission
Subchapter C. Proceedings by Stewards and Racing Judges

1 (c) In determining whether to modify a penalty, the executive
2 secretary may consider, but is not limited to, the following
3 reasons:

4 (1) to further the uniform and consistent treatment of
5 similarly situated individuals; and

6 (2) to remedy rulings where the penalties available to the
7 stewards or judges are insufficient to adequately address the
8 violation.

9 (d) The decision to modify a penalty must be signed by the
10 executive secretary.

11 (e) The executive secretary shall provide written notice to each
12 person who is subject to a penalty modification decision under
13 this section by:

14 (1) sending by certified mail, return receipt requested, a
15 copy of the decision to the person's last known address, as
16 found in the Commission's licensing files; or

17 (2) personal service by any Commission employee.

18 (f) An appeal of a ruling whose penalty has been modified under
19 this section must be filed in accordance with Section 307.67 of
20 this title (relating to Appeals to the Commission.)

Texas Racing Commission
Title 16, Part VIII,
Chapter 311. Other Licenses
Subchapter A. Licensing Provisions
Division 1. Occupational Licenses

1 **Sec. 311.3. Information for Background Investigation.**

2 (a) Fingerprint Requirements and Procedure.

3 (1)-(3) (No change.)

4 (4) A person who desires to renew an occupational license
5 must:

6 (A) have submitted a set of fingerprints pursuant to this
7 section within the three years prior to renewal; or

8 (B) provide a new set of fingerprints for classification
9 by the Federal Bureau of Investigation; or

10 (C) if the applicant's original fingerprints are
11 classified and on file with the Department of Public Safety, the
12 applicant must pay a processing fee of \$34.25 to resubmit the
13 original fingerprints in lieu of submitting another set of
14 fingerprints under paragraph (6) of this subsection.

15 (5) (No change.)

16 (b) (No change.)

Texas Racing Commission
Title 16, Part VIII
Chapter 311. Other Licenses
Subchapter B. Specific Licenses

1 **Section 311.103. Kennel Owners**

2 (a)-(d) (No change.)

3 (e) Restrictions on Placement in Kennels. A person who owns an
4 interest in a kennel booked at one Texas racetrack may not:

5 (1) own an interest in another kennel booked at that
6 racetrack; ~~or~~

7 (2) be residentially domiciled with a person who owns an
8 interest in another kennel booked at that racetrack; or

9 (3) own an interest in a greyhound that is racing out of
10 another kennel booked at that racetrack.

11 (f) (No change.)

Texas Racing Commission
Title 16, Part VIII,
Chapter 313. Officials and Rules of Horse Racing
Subchapter B. Entries, Scratches, and Allowances
Division 1. Entries

1 **Sec. 313.103. Eligibility Requirements**

2 (a)-(h) (No change.)

3 ~~(i) A horse may not participate as a member of more than one~~
4 ~~breed at the same race meeting, even though the horse may be~~
5 ~~registered in more than one breed registry.~~

Title 16, Part VIII
Chapter 311. Other Licenses
Subchapter A. Licensing Provisions
Division 1. Occupational Licenses

1 **Section 311.5. License Categories and Fees**

2 (a) An applicant for a license must submit with the application
3 documents the license fee in the amount set by the Commission in
4 subsection ~~(e)~~(d) of this section.

5 (b) A license fee paid at a racetrack or at the Commission's
6 headquarters must be paid by a money order, a certified check, a
7 cashier's check, a credit card, or a personal check. The
8 executive secretary may approve payment in cash at a racetrack
9 if the association submits a plan that is approved by the
10 executive secretary. The plan shall provide for the safety and
11 security of the licensing office where the cash will be received
12 and stored and licensing employees who will be responsible for
13 handling and depositing the cash received. A license fee paid
14 through the Texas OnLine portal may be paid by any method
15 approved by the Texas OnLine Authority.

16 (c) Association Employees. Association employees in the
17 following occupations must hold valid licenses issued by the
18 Commission to work on association grounds:

- 19 (1) Adoption Program Personnel - A person employed by a
20 greyhound association to work with an adoption
21 program.
- 22 (2) Announcer - A person employed to announce races.
- 23 (3) Assistant Starter - A person employed to perform
24 duties required by the Starter at the starting gate of
25 a horse racetrack.
- 26 (4) Association Management Staff - A person employed to
27 manage a department and who has the authority to hire
28 or fire other employees or whose recommendations as to

V-F-1

Title 16, Part VIII
Chapter 311. Other Licenses
Subchapter A. Licensing Provisions
Division 1. Occupational Licenses

- 1 hiring and firing decisions are given particular
2 weight.
- 3 (5) Association Officer/Director - A person employed as an
4 officer of an association or who serves on an
5 association's board of directors or management
6 committee.
- 7 (6) Association Staff (with Access to Backside or Secured
8 Areas) - A person employed to provide various services
9 on the backside or in areas of a racetrack that are
10 required by the Commission to be secured. These
11 services may include, but are not limited to,
12 clerical, accounting, admissions, food service,
13 housekeeping, and general maintenance.
- 14 (7) Association Veterinarian - A person employed to
15 provide veterinary services for greyhounds.
- 16 (8) Law Enforcement - A person employed as a security
17 officer who is commissioned as a Texas peace officer.
- 18 (9) Lead Out - A person employed to lead greyhounds in the
19 post parade to the starting box.
- 20 (10) Maintenance - A person employed to work or maintain
21 the racetrack.
- 22 (11) Medical Staff - A person employed directly by the
23 association to provide medical assistance.
- 24 (12) Mutuel Clerk - A person employed to work at the
25 betting windows.
- 26 (13) Mutuel Other - A person employed in the mutuel
27 department in a capacity other than mutuel clerk.
- 28 (14) Racing Official - A person employed to act as an
29 official under Chapter 313 of this Title (relating to

Title 16, Part VIII
Chapter 311. Other Licenses
Subchapter A. Licensing Provisions
Division 1. Occupational Licenses

1 Officials and Rules of Horse Racing) or Chapter 315 of
2 this Title (relating to Officials and Rules for
3 Greyhound Racing).

4 (15) Security Officer - A person employed to provide
5 security for the racetrack grounds.

6 (16) Test Technician - A person employed to collect blood
7 and urine samples and provide other services in the
8 test barn or testing area.

9 (17) Test Barn Escort - A person employed to lead horses
10 from the finish line to the test barn for post race
11 testing.

12 (18) Valet - A person employed to assist jockeys with their
13 tack and silks in the jockeys' rooms.

14 ~~(d)~~ (e) The fee for an occupational license is as follows:

15 (No change to fee schedule.)

Texas Racing Commission
Title 16, Part VIII,
Chapter 311. Other Licenses
Subchapter B. Specific Licenses

1 **Section 311.104. Trainers.**

2 (a) - (j) (No change.)

3 (k) Other Responsibilities - A trainer is responsible for:

4 (1) - (9) (No change.)

5 (10) ensuring the fitness of a animal to perform creditably at
6 the distance entered; and

7 (11) ensuring that the trainer's horse is properly shod,
8 bandaged and equipped; ~~and-~~

9 (12) reporting the correct sex of the horses in his/her care
10 to the Commission veterinarian and the horse identifier.

VI-G-1

Texas Racing Commission
Title 16, Part VIII,
Chapter 313. Officials and Rules of Horse Racing
Subchapter A. Officials
Division 3. Duties of Other Officials

1 **Section 313.50 Horse Identifier**

2 (a) The horse identifier shall identify each horse prior to the
3 race while it is in the pre-race holding area or paddock. The
4 horse identifier shall immediately report to the stewards and
5 the paddock judge a horse that is not properly identified or
6 that has any irregularities from the official identification
7 record.

8 (b) The horse identifier shall determine the true sex of each
9 horse prior to the race while it is in the pre-race holding area
10 or paddock. The horse identifier shall report to the stewards
11 any discrepancies and take all actions necessary to correct
12 racng program information and identification documents.

13 (c)~~(b)~~ The horse identifier shall inspect, identify and prepare
14 identification records on all the horses that race at a race
15 meeting.

16 (d)~~(e)~~ The horse identifier shall inspect documents of
17 ownership, eligibility, registration, or breeding necessary to
18 ensure the proper identification of each horse scheduled to
19 compete at a race meeting

20 (e)~~(d)~~ The horse identifier shall supervise the tattooing or
21 branding for identification of any horse located on association
22 grounds.

VI-H-1

Texas Racing Commission
Title 16, Part VIII,
Chapter 313. Officials and Rules of Horse Racing
Subchapter C. Claiming Races

1 **Section 313.308. Restrictions on Subsequent Use.**

2 (a) A horse claimed in a claiming race in Texas:

3 (1) may not be sold or transferred, in whole or part, by any
4 method other than a claiming race during the 30-day period after
5 the initial claim; and

6 (2) is ineligible to start in a race at a race meeting other
7 than the one at which it was claimed until the end of the race
8 meeting at which the horse was claimed, except in a stakes race
9 after verification by the stewards.

10 (b) A horse claimed in another state is subject to the
11 eligibility requirements for claimed horses in effect at the
12 time of the claim in the jurisdiction in which the horse was
13 claimed.