

BEFORE THE
TEXAS RACING COMMISSION
AUSTIN, TEXAS

COMMISSION MEETING
SEPTEMBER 27, 2006

Reported by: SHERRI SANTMAN FISHER

Job #9-59809

1 BE IT REMEMBERED that the above entitled matter
2 came on for hearing on the 27th day of September, 2006,
3 beginning at 10:34 A.M. at the Texas Real Estate
4 Commission, 1101 Camino La Costa, Second Floor
5 Auditorium, Austin, Travis County, Texas, and the
6 following proceedings were reported by SHERRI SANTMAN
7 FISHER, Certified Shorthand Reporter for the State of
8 Texas.

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11 APPEARANCES

12
13 Commissioners: R. DYKE ROGERS
14 MICHAEL G. RUTHERFORD
15 JESSE R. ADAMS
16 TREVA J. BOYD
17 G. KENT CARTER
18 CHARLES L. "SONNY" SOWELL
19 LOUIS E. STURNS
20 ERNEST ANGELO, JR.
21 JIMMY ARCHER
22
23
24
25

1 CHAIRMAN ROGERS: Okay. Ms. Giberson,
2 would you call the roll, please?

3 MS. GIBERSON: Jesse Adams?

4 COMMISSIONER ADAMS: Here.

5 MS. GIBERSON: Treva Boyd?

6 COMMISSIONER BOYD: Here.

7 MS. GIBERSON: Kent Carter?

8 COMMISSIONER CARTER: Here.

9 MS. GIBERSON: Ernest Angelo?

10 MR. ANGELO: Here.

11 MS. GIBERSON: Mike Rutherford? Sonny
12 Sowell?

13 COMMISSIONER SOWELL: Here.

14 MS. GIBERSON: Jimmy Archer?

15 MR. ARCHER: Here.

16 MS. GIBERSON: Louis Sturns?

17 COMMISSIONER STURNS: Here.

18 MS. GIBERSON: Dyke Rogers?

19 CHAIRMAN ROGERS: Here.

20 There's a quorum present, so we'll call
21 this meeting to order.

22 The first -- Ms. Giberson or Mr. Fenner,
23 have you had anybody that would like to speak in the
24 public comment period?

25 MR. FENNER: I do not have any public

1 comment cards from anyone who wishes to speak during
2 the public comment portion of this meeting.

3 CHAIRMAN ROGERS: Thank you.

4 We will begin a discussion,
5 consideration, and possible action on the following
6 matters: Budget and finance.

7 Ms. Curtsinger, chief financial officer,
8 would you present the budget update, please?

9 MS. HARRIS-CURTSINGER: Commissioners,
10 the budget update placed at your seats is as of
11 yesterday, September 26th. Even though the fiscal year
12 ended August 31st, the agency still has outstanding
13 invoices that will be coming in that we will need to
14 pay. Because of this, I have marked the updated budget
15 documents with a 99.98 percent of the budget expended.

16 We come -- we will come in under budget;
17 and to date, all of the ATB funds have been distributed
18 for the fiscal year. That is coming in at 2.9 percent
19 under budget. And we expect that the operating budget
20 will come in at about one percent under budget.

21 Any questions?

22 CHAIRMAN ROGERS: Commissioners, any
23 questions?

24 Thank you.

25 Okay. A report on racetrack

1 inspections. Mr. Neely?

2 MR. NEELY: Good morning, Commissioners.

3 As you can see, we've conducted five
4 additional track inspections since the last meeting;
5 and the issues that were outstanding previous to that
6 have all been resolved. The most recent inspections
7 were -- the tracks were found to be in compliance.

8 We still have the one outstanding issue
9 of Sam Houston's pari-mutuel; but that's going to take
10 some time, I would think, to get it settled.

11 CHAIRMAN ROGERS: Okay. Any questions?

12 Thank you, Mr. Neely.

13 I would recognize Mr. Fenner for -- to
14 discuss approval of charges for the services performed
15 under the memorandum of understanding with the Texas
16 Veterinary Medical Diagnostic Laboratory.

17 MR. FENNER: Commissioners, Section 3.07
18 of the act provides that drug testing on race animals
19 shall be performed by the Texas Veterinary Medical
20 Diagnostic Laboratory, that the charges for testing
21 shall be paid for the associations from their outs
22 money, and that the Commission shall review the
23 invoices and make sure the charges are reasonable.

24 As part of the process, the Commission
25 enters into a memorandum of understanding each year

1 with TVMDL. That MOU sets the prices and services for
2 the drug testing for the following year. This MOU
3 before you contains no changes from the prior year.
4 Therefore, staff recommends that it be approved.

5 If you have questions about the contract,
6 I can help you. If you have questions about the
7 specific types of services or the charges, Ken Peck
8 from TVMDL is here to assist as well.

9 CHAIRMAN ROGERS: Commissioners, any
10 questions?

11 Hearing none, I would accept a motion to
12 approve FY 2007 memorandum of understanding between the
13 Texas Racing Commission and the Texas Veterinary
14 Medical Diagnostic Laboratory.

15 COMMISSIONER SOWELL: So move.

16 COMMISSIONER CARTER: Second.

17 CHAIRMAN ROGERS: Motion made by
18 Commissioner Sowell, seconded by Commissioner Carter.

19 All in favor?

20 COMMISSIONERS: Aye.

21 CHAIRMAN ROGERS: The motion passes.

22 We will move to proceedings on
23 racetracks, discussion, consideration, and possible
24 action on the following matters: Approval of a change
25 in the board of directors for MEC and MEC Texas, Inc.,

1 at Lone Star.

2 Mr. Neely?

3 MR. NEELY: Commissioners, we had a
4 request in April from MEC Texas to make a change in
5 their board of directors. The change involved adding
6 Mr. William G. Ford as secretary of MEC and MEC Texas.

7 We submitted the application information
8 to the Department of Public Safety and they did perform
9 a background investigation and reported back to us that
10 the -- on September the 19th they reported back to us
11 that they did not find anything that would be
12 detrimental to the public interest or the racing
13 industry involving Mr. Ford. So we recommend that he
14 be approved as the secretary for MEC Texas.

15 CHAIRMAN ROGERS: Any questions for
16 Mr. Neely?

17 I would entertain a motion to approve an
18 appointment of William G. Ford as secretary of MEC
19 Texas, Incorporated.

20 COMMISSIONER BOYD: So move.

21 COMMISSIONER STURNS: Second.

22 CHAIRMAN ROGERS: Motion made by
23 Commissioner Boyd, seconded by Commissioner Sturns.

24 All in favor?

25 COMMISSIONERS: Aye.

1 CHAIRMAN ROGERS: The motion passes.

2 Now we come to the fun part of the agenda
3 where absolutely nobody will probably wind up happy.
4 This is the allocation of the 2007 live race dates for
5 the horse tracks. And this is going to be relatively
6 lengthy as there are a lot of people who want to
7 testify on this subject.

8 And here's how I think probably I'd like
9 to lay this out is I'd like to have Ms. King kind of
10 lay out and discuss the race date working group and
11 kind of what happened there. And then I think we'll
12 start recognizing the tracks first; and then after the
13 tracks have been recognized, then we will have
14 Mr. Ferrara speak on behalf of the staff and get the
15 staff recommendation. And then we will hear from the
16 horse associations and anyone else that would like to
17 speak on this subject. And we will -- we'll hear it
18 all before we decide on any particular track's race
19 dates. And then we will handle these by motion one
20 track at a time.

21 Okay. Ms. King?

22 MS. KING: Thank you, Mr. Chairman.

23 I'd like to refer you to Tab 5 of your
24 packet. At the back of Tab 5, you will find the
25 working group report and I have just a couple of

1 comments since this is the end of a long working group
2 process.

3 We held four meetings total. We used the
4 working group to develop more Commission expertise in
5 race dates and breed splits both. It was an
6 opportunity to improve the information used to make
7 these decisions. And to that end, staff provided
8 in-depth analysis of industry performance showing how
9 Texas racing compares from track to track and in
10 comparison to the region.

11 Members of the working group reviewed the
12 historical performance picture from '01 to '05 for each
13 track so that everyone could compare year by year the
14 number of race days, the number of races, the number of
15 starters, field size, purses paid, average purse per
16 day, live attendance, live handle, live export handle,
17 which not surprisingly demonstrated the decline in the
18 industry in very specific ways.

19 The analysis included a breakdown of
20 purse revenue to evaluate earned purse, meaning live,
21 simulcast, and escrowed purse, stakes purses,
22 sponsorship purses, Texas-bred stakes purses, and other
23 purse revenue.

24 The working group reviewed the provisions
25 of the State law and regulations to remind everyone

1 what the Commission is required to do and what they are
2 to consider in making this critical decision.

3 Members of the working group received
4 input from members of the industry, working to take
5 into account as much as possible the diverse positions
6 and perspectives of those who are participating in the
7 industry.

8 Overall the prospect of change was
9 challenging. With significant uncertainty about what
10 2007 will bring, participants were cautious in
11 committing to any significant change. It wasn't until
12 the last meeting that it really became clear what it
13 could mean if no significant change occurs now.

14 This came in part with the realization
15 that we will be sitting down at the end of the upcoming
16 legislative session to look at dates for 2008 with
17 little time to consider change then. The working group
18 discussed the difficulty of making a significant change
19 in '08 without using '07 as a transition year. A 12-
20 to 24-month view of race dates turned out to be more
21 important than in the past.

22 This was particularly true for
23 Thoroughbred racing, and so discussions about change in
24 '07 have continued probably right up to this meeting.
25 Granted, change took hold at the end of the process;

1 but that's often the way it works. People often have
2 to see the window of opportunity closing before they
3 act.

4 At the August 23rd meeting the working
5 group reviewed the racetracks' requested dates filed on
6 August 1st. Following is an overview of the requested
7 dates. The tracks will go through their dates, but I
8 was going to point out that it's on 5-35 of the
9 packet.

10 Thoroughbred meets: Lone Star Park went
11 from five days a week to four days a week; but the
12 number of days stayed the same in their request, 66
13 days. I believe that's correct. 67, because they
14 added another one. They had an amended request. Thank
15 you.

16 The Retama Park Thoroughbred meet went
17 from four days a week to three days a week, overall
18 drop from 51 to 42.

19 The Sam Houston Thoroughbred meet went
20 from four days a week in February and March to three
21 days a week in February and four days in March.
22 Overall drop three days, from 72 to 69.

23 We identified an issue of overlapping
24 requested dates between Sam Houston and Lone Star.

25 The Quarter Horse meets: Lone Star Park,

1 the Quarter Horse meet would be 32 days. Retama, the
2 Quarter Horse meet dropped three days, from 24 to 21.
3 Sam Houston Quarter Horse meet dropped three days, from
4 38 to 35.

5 The mixed meets: Manor Downs, 18 days,
6 status quo; Gillespie County, status quo, with eight
7 days.

8 So that's a summary; and if I've stepped
9 off, I'm sure I will be corrected when the tracks come
10 up. That's basically the summary of it. We tried
11 to -- we're going to just focus on the change from last
12 year to this year.

13 That's about all I have to say unless you
14 all have questions for me at this point. But I think
15 the Chair is going to start calling on the tracks to
16 present.

17 CHAIRMAN ROGERS: I think that's the way
18 we'll go. Thank you.

19 Is there anyone here from Gillespie that
20 I don't have a card from? But is there someone who
21 wants to speak on race dates?

22 MR. SHERWOOD: There's a card up there.

23 CHAIRMAN ROGERS: Okay. Would you like
24 to come up?

25 MR. SHERWOOD: Get the easy one out of

1 the way first, huh?

2 CHAIRMAN ROGERS: You are so absolutely
3 perceptive.

4 MR. SHERWOOD: I might be able to catch
5 that early flight.

6 Scott Sherwood, director of racing for
7 Gillespie County Fairgrounds.

8 We ask that our dates be submitted
9 basically with what we requested. Our four weekends
10 are based around two different festivals that happen
11 during the season: The TexFest which is in July and
12 the Gillespie County Fair which is in August. These
13 are the same eight days we've ran in -- as far as in a
14 calendar basis, for the past five to seven years.
15 We're happy with them and think we do a pretty good job
16 with them. So that's what our request is.

17 CHAIRMAN ROGERS: Any questions of
18 Mr. Sherwood?

19 Thank you.

20 MR. SHERWOOD: I can knock the breed
21 split thing out, too, if you want to.

22 CHAIRMAN ROGERS: We don't want you to
23 catch that flight too early.

24 MR. SHERWOOD: I can't catch that
25 flight.

1 CHAIRMAN ROGERS: Gosh, it's nice to have
2 everybody being helpful here.

3 Mr. Phillips?

4 MR. PHILLIPS: Good morning,
5 Commissioners. I'm Howard Phillips representing Manor
6 Downs.

7 And we have submitted the race date
8 request for 18 days of a mixed meet, which is similar
9 to the last -- the previous three years. We request
10 that that race date application be approved as
11 submitted.

12 CHAIRMAN ROGERS: Any questions of
13 Mr. Phillips?

14 MR. PHILLIPS: And we're not lowering any
15 purses.

16 CHAIRMAN ROGERS: Okay. Thank you.

17 Mr. Brown?

18 MR. BROWN: Good morning, Commissioners.
19 Can you hear me all right?

20 CHAIRMAN ROGERS: Yes.

21 MR. BROWN: I'm Bryan Brown with Retama
22 Park. Mine is one of the easy ones, too. So I'll
23 speak real quickly and then go get back in my chair.

24 Let me start with the Quarter Horse
25 meet. We have applied, as Charla Ann mentioned, to

1 race three fewer days in 2007, starting on Friday
2 before the Kentucky Derby and running through June
3 17th. The reason we cut our meet back three days is to
4 maintain our purse level. We had projected to be down
5 quite a bit in purses if we maintained our 24-day meet;
6 so the 21-day meet would allow us to actually possibly
7 raise purses about a thousand dollars or so a day but,
8 at the very least, maintain the purse levels.

9 As far as the Thoroughbred meet goes,
10 please refer, if you could, to the letter that was out
11 front and don't look at the packet itself because we've
12 changed quite a bit in what we are now requesting.

13 And I'd like to -- I should have started
14 with this. I'd like to very much compliment Charla Ann
15 and her staff and Commissioner Adams and Commissioner
16 Sowell for taking part in the process. It was long and
17 at some points maybe agonizing but very much
18 worthwhile.

19 And that process is what drove us in
20 large part to request what we're now requesting, which
21 is that in 2007 we would be granted 12 Thoroughbred
22 dates, that we would take those Thoroughbred dates and
23 transfer those to Sam Houston Race Park along with half
24 a million dollars in purse money, and that would set us
25 up for racing in 2008 in the January, February, and

1 March time frame.

2 The Texas Horsemen's Partnership board
3 has approved this concept. The Texas Thoroughbred
4 Association executive committee yesterday approved this
5 concept.

6 And I realize today the Commission is not
7 in a position, nor can it be, to grant 2008 race dates;
8 but what we would like from the Commission is approval
9 of the 12 days, approval of the transfer to Sam
10 Houston, if need be approval of the transfer of the
11 half a million dollars in purse money, and then also --
12 and I'm going to use this word. I don't know exactly
13 what I mean by it -- but some assurance that we would
14 then transition into a January, February, March racing
15 schedule in 2008 for our Thoroughbred meet.

16 Again, this came about as a result of
17 Charla Ann in particular driving us to do something
18 different because we all know, if we keep the status
19 quo, all our meets are going to continue to
20 deteriorate; and particularly if we get through the
21 legislative session without any changes in what we're
22 allowed to do, we have to do something different.

23 We think this change can be very
24 beneficial for us. We're excited about the outbound
25 prospects for our signal in that time frame. We think

1 San Antonio is a natural for running Thoroughbreds that
2 time of the year. It's about as good of weather in
3 Texas as you can get. I've lived in Houston, Dallas,
4 San Antonio, and Austin throughout my life; and I think
5 weather-wise San Antonio offers the best possibilities
6 for decent weather, not always good but decent weather,
7 in that time frame.

8 Our purse levels, by doing that, would
9 also be up dramatically, another reason for us wanting
10 to do that. I'm going to give you a range of purses.
11 And I've worked quite closely with Mr. Jackson so that
12 we're within this range. Both of our projections are.

13 Our conservative view would have us
14 racing at about \$100,000 a day on a 42-day schedule in
15 2008. And that's after taking into effect the half a
16 million dollars of transfer to Sam Houston. A more
17 aggressive set of assumptions would have us racing at
18 about \$106,000 a day. That's exciting for us. We
19 think that would attract horses. It's another reason
20 we like that schedule. It's a good time in terms of
21 the availability of horses.

22 So that's what we're requesting. I hope
23 that's clear. We've gone through about four or five
24 iterations to get here and it's been a heck of a lot of
25 fun.

1 I'll be happy to answer any questions you
2 have.

3 CHAIRMAN ROGERS: I think we have a
4 couple of questions before we start. One is I know
5 that we have the authority to approve the 12 days
6 today. Do we have the authority at this meeting to
7 actually transfer those? Do we have the authority to
8 transfer purses? Are those things that are covered by
9 the agenda that we're allowed to do? Or do we just
10 have to have some understanding or discussion to kind
11 of get the flavor of where we might be?

12 MR. FENNER: Commissioners, I believe you
13 do have the authority to approve the transfer of the
14 dates to Sam Houston. As for the purses, I don't
15 believe that requires action on your part. That's
16 merely a contract between Sam Houston and Retama to
17 transfer those purse monies.

18 CHAIRMAN ROGERS: And it does not violate
19 the Racing Act in any way to award the 12 days and then
20 to transfer them.

21 MR. FENNER: No, sir. I believe that we
22 have done that in the past.

23 CHAIRMAN ROGERS: Okay. Who would you be
24 competing with in that time frame, the first of '08?

25 MR. BROWN: As far as our outbound signal

1 goes, Mountaineer, Penn National, Turfway Park, I
2 believe, and really not much else.

3 CHAIRMAN ROGERS: For horses?

4 MR. BROWN: And for horses, Delta Downs
5 primarily. But all our competition, typical
6 competition, is shut down at that point. Ruidoso,
7 Remington, Louisiana Downs, Evangeline. It's really
8 Delta that either us or Houston would primarily compete
9 with.

10 CHAIRMAN ROGERS: Okay. Dr. Carter, I
11 think you had a question?

12 COMMISSIONER CARTER: That was one of my
13 questions was the competition. Exactly what dates --
14 you want all of January and February?

15 MR. BROWN: All January, February,
16 March. But again, we're not asking for anything
17 specific today as far as pinning down 2008. We've
18 looked at all three of those months, and probably three
19 days a week in January, February, four days a week in
20 March; but we really haven't gotten that detailed in
21 what would work best.

22 CHAIRMAN ROGERS: And that would be in
23 2008 that we're not approving today, but I think that
24 Mr. Brown would like to have some feel for whether in
25 theory or in practice we think that's a good idea. We

1 can't vote on it or approve it, but maybe we ought to
2 have some discussion about that. I don't know as right
3 now is the time to do that. We'll bring you back to do
4 that.

5 MR. BROWN: Sure.

6 COMMISSIONER CARTER: One more question.
7 So the final -- I mean, this has changed from what we
8 read before we came. The final number of days you're
9 going to have next year for Thoroughbreds?

10 MR. BROWN: In 2007? 12, which would all
11 be transferred to Sam Houston.

12 CHAIRMAN ROGERS: The number that they're
13 requesting to run really is none, but they're
14 requesting to have approved 12 and then transfer those
15 12 so that they can transition into a meet beginning
16 the first of January of '08 which would -- which would
17 put them in a better position, a different position.

18 Commissioner Boyd?

19 COMMISSIONER BOYD: And for staff, this
20 is hot off the press, correct? Is that with this in
21 mind?

22 MS. KING: The recommended calendar?

23 COMMISSIONER BOYD: Yes.

24 MS. KING: Does not reflect --

25 (Discussion off the record)

1 CHAIRMAN ROGERS: The one that's
2 independent by itself here, not in the book, is the one
3 that reflects the 12 days.

4 Any other questions?

5 MR. BROWN: We will not be applying for
6 the first week in April in 2008.

7 CHAIRMAN ROGERS: Thank you, Mr. Brown.

8 MR. BROWN: Unless nobody else wants it.

9 CHAIRMAN ROGERS: I think the chances are
10 pretty good you'll have your wish.

11 Okay. Ms. McGovern?

12 MS. McGOVERN: Good morning. My name is
13 Ann McGovern. I'm vice-president of operations at Sam
14 Houston Race Park.

15 Any better?

16 CHAIRMAN ROGERS: A little.

17 MS. McGOVERN: I'd like to start by
18 commending the Racing Commission staff for pushing all
19 of the entities involved, the racetracks and the
20 horsemen's association, to think --

21 CHAIRMAN ROGERS: We're having trouble up
22 here hearing also.

23 MS. McGOVERN: I was commending the
24 Commission staff for pushing those entities that are
25 involved in making decisions regarding race dates and

1 our requests for giving us the reminder that we do need
2 to think seriously about our requests and look at
3 options that perhaps we haven't looked at in the past.

4 The major point of discussion regarding
5 Sam Houston Race Park's 2007 dates request this time
6 revolves around our closing week of April 5th through
7 the 7th. We feel asking us to close a week prior to
8 that would be very detrimental to our season in general
9 but specifically the Connally Turf Cup which is our
10 signature race.

11 In 2004, when we began running the
12 Connally in April, it got stronger and it's gotten
13 stronger over those last few years. So strong that it
14 was awarded a graded Grade 3 status. We believe that
15 this Grade 3 status is important to our racing program
16 but it's also an important reflection of Texas racing,
17 and moving the Connally to March we believe will
18 jeopardize that graded status.

19 When we place our stakes races, our
20 racing office staff spends a great deal of time
21 studying the stakes schedules of other racetracks. We
22 try to place our races in positions that don't conflict
23 with races that might compete for the same horses. We
24 also try and position them to take advantage of horses
25 that come from complementary races.

1 The Mervin Muniz Stakes run at the Fair
2 Grounds is an example of what we consider a
3 complementary race. Last year we were able to draw
4 three horses from the Muniz and one of them won the
5 Connally.

6 We've always said that we need at least a
7 three-week time frame between the Muniz and the
8 Connally to maximize participation. Well, this year's
9 positioning of the Muniz actually gives us four weeks
10 and that's even better for recruiting horses to this
11 race.

12 Lone Star Park has done an excellent job
13 of recruiting horses for their five graded stakes. I
14 looked at the charts from those races and found that
15 the average number of days between the last time they
16 started at Lone Star -- or I'm sorry, the last time
17 they started and then ran in a Lone Star race was 30
18 days. Three of the five runners actually averaged 40
19 days. So I think there's some history here to look at
20 to support the extra week bringing additional strength
21 to the Connally.

22 In addition to that, with changes
23 inevitable in 2008, this is not the year to jeopardize
24 this race. We don't know what the 2008 calendar
25 discussion will bring, but we know that weakening the

1 Connally will make it harder to maintain its graded
2 status if we do try and move it in 2008.

3 I appreciate the Commission's
4 consideration; and if you have any questions, I'd be
5 happy to answer them.

6 CHAIRMAN ROGERS: You are considering in
7 2008 -- though we're not making any decision, you are
8 considering moving your meet to the fall?

9 MS. McGOVERN: We know that that's one of
10 the options that's on the table. We're not ready to
11 commit to anything for 2008 today; but we know that
12 that could be an option; and thinking ahead, we also
13 have to think of how that affects 2007.

14 CHAIRMAN ROGERS: Mr. Rutherford?

15 VICE-CHAIRMAN RUTHERFORD: Did you take
16 into consideration that Keeneland's opening about the
17 same time and they have about \$700,000 a day in purses
18 and all the good grass horses are going to be up
19 there?

20 MS. McGOVERN: Well, we have never been
21 particularly successful in pulling horses from
22 Keeneland. That's why we have to look at races like
23 the Muniz which is a little bit less competitive than,
24 say, a Keeneland race might be.

25 VICE-CHAIRMAN RUTHERFORD: Well, three

1 weeks is enough time for a grass horse. And I want to
2 keep our race graded. I think we'd be probably better
3 off having it a week earlier so you wouldn't compete
4 with Keeneland's horses.

5 MS. McGOVERN: The two grass races at
6 Lone Star, their two turf races, they average 37 days
7 between starts and 27 days between starts. And you're
8 right regarding Keeneland; but again, as I said, we
9 haven't been successful recruiting horses from that
10 area anyway. I'm not sure an extra week is going to
11 help us.

12 VICE-CHAIRMAN RUTHERFORD: Well, now that
13 the race is graded and the purse is, what, a hundred
14 thousand dollars, I think we could get some horses if
15 we did compete with Keeneland.

16 MS. McGOVERN: Well, it's the same purse
17 as it was last year. And I'm not disagreeing that
18 three weeks has worked for us. The fourth week,
19 though, brings us -- gives us an additional opportunity
20 to recruit horses and it seems to work for other graded
21 races in Texas. It should work for us as well.

22 VICE-CHAIRMAN RUTHERFORD: To really keep
23 graded -- to keep the graded status, you need to bring
24 horses from outside.

25 MS. McGOVERN: As you know -- you're

1 fully aware -- the graded stakes committee looks at a
2 lot of different factors and grading doesn't change
3 over night. But when your race starts weakening, it
4 becomes harder and harder to maintain that status. And
5 again, if we are looking at making changes in 2008,
6 which seem to be inevitable, we don't want to do
7 anything that could compromise that graded status.

8 Plus we need to maximize our 2007 meet
9 and the Connally on the closing weekend has always
10 allowed us to have a good strong closing week and it
11 allows us to maximize the promotional value around that
12 race so that we can close with a strong -- with a
13 strong finish.

14 VICE-CHAIRMAN RUTHERFORD: Have you
15 thought about having it three weeks before the New
16 Orleans race?

17 MS. McGOVERN: Well, when we initially
18 applied for these dates, we saw the April weekend as
19 the best date for the Connally and for our closing
20 meet -- or for the closing of the meet. Until two or
21 three weeks ago, we had no idea that there would be a
22 huge conflict regarding this. We had at that time
23 support of both horsemen's groups and were not aware of
24 Lone Star's new information regarding NASCAR.

25 So to be honest with you, we didn't think

1 there was going to be an issue about this until two
2 weeks ago.

3 VICE-CHAIRMAN RUTHERFORD: But if you had
4 it three weeks before the New Orleans race, then the
5 race -- the weather in Houston and New Orleans both are
6 better than they are in the middle of April. It starts
7 getting hot in the middle of April in Houston.

8 MS. McGOVERN: Well, the beginning of
9 April actually -- I'm not trying to be argumentative.
10 But the beginning of April is pretty nice in Houston;
11 and because we pulled three horses from the Muniz last
12 year, we're going to look to that again as a recruiting
13 ground and after the race seems to be a good time to
14 recruit those horses.

15 VICE-CHAIRMAN RUTHERFORD: I'm not -- you
16 all need to run your own. I'm not trying to run your
17 business.

18 MS. McGOVERN: And I know you have a
19 difficult position today.

20 VICE-CHAIRMAN RUTHERFORD: Just a
21 suggestion.

22 MS. McGOVERN: And I appreciate that.

23 CHAIRMAN ROGERS: Commissioner Boyd?

24 COMMISSIONER BOYD: Ms. McGovern, would
25 you repeat one more time? How did the Connally get

1 graded? What were the factors that were behind that,
2 please?

3 MS. McGOVERN: There's a national graded
4 stakes committee that is comprised of racing
5 secretaries throughout the country; and they look at
6 factors such as the purse of the race, what horses have
7 participated, what those horses have -- the quality of
8 those horses, what they've done in the past, and what
9 they go on to do. And they take those things into
10 consideration when they decide what the quality of a
11 race is and determining which is better than others,
12 Grade 1, Grade 2, and Grade 3.

13 COMMISSIONER BOYD: So the Muniz horses
14 that have been participating, they are the ones you
15 think that help get this race graded?

16 MS. McGOVERN: Well, the grading -- it's
17 a little bit of a circular situation. The grading
18 status helps us become more appealing to better horses
19 and better horses helps maintain the graded status.

20 The Muniz works for us because it's a
21 regional race and horses -- the horses that are in this
22 part of the country may stay in this part of the
23 country. Plus they've already -- they're already
24 participating at a purse level that we can be
25 competitive with.

1 I wish that we could run -- I wish the
2 Connally was a 400,000-dollar race, where we could go
3 to tracks like Keeneland and recruit those horses; but
4 we're not there yet. We hope to be there someday, but
5 we're not there yet.

6 VICE-CHAIRMAN RUTHERFORD: Commissioner
7 Boyd, quality of horses is what the committee looks
8 at. I used to be on the handicap committee.

9 COMMISSIONER BOYD: But something helped
10 it get graded.

11 MS. McGOVERN: We've always had -- we
12 have continually --

13 COMMISSIONER BOYD: The horses that
14 you've had already probably with those other factors.

15 MS. McGOVERN: We have continually
16 increased the quality of horses, improved the quality
17 of horses that are participating in the Connally.

18 VICE-CHAIRMAN RUTHERFORD: And my
19 question was, if you're competing with Keeneland where
20 they have those huge purses, we might get more horses
21 if it was earlier. That was the only question I had.

22 COMMISSIONER CARTER: When does Keeneland
23 open?

24 VICE-CHAIRMAN RUTHERFORD: It opens the
25 first of April.

1 COMMISSIONER CARTER: The first? So
2 that would be their second weekend?

3 VICE-CHAIRMAN RUTHERFORD: It runs two
4 weeks before the Derby. The Derby is always the first
5 Saturday in May.

6 MS. McGOVERN: The Connally, at one -- I
7 think it was 2004 when we moved the Connally into April
8 and that's when it really started picking up steam,
9 where it started getting better, once we moved it out
10 of February and March and into April. We did run it in
11 February and March in 2002 and 2001, I think. I would
12 have to check those dates. But we moved it in 2004 and
13 that's when it started to really start getting some
14 national attention.

15 CHAIRMAN ROGERS: Now, your Connally is
16 on the Saturday --

17 MS. McGOVERN: Saturday, the 7th.

18 CHAIRMAN ROGERS: The way you have it
19 scheduled, it's on Saturday, the day before Easter
20 Sunday.

21 MS. McGOVERN: Yes, sir. We don't -- we
22 did not apply to run on Easter Sunday.

23 VICE-CHAIRMAN RUTHERFORD: Is it run at
24 night or in the day?

25 MS. McGOVERN: It's at night.

1 VICE-CHAIRMAN RUTHERFORD: Night?

2 MS. McGOVERN: Yes, sir.

3 VICE-CHAIRMAN RUTHERFORD: So Lone Star
4 runs during the day? I believe they run during the
5 day. Would that be -- if you overlap two days, would
6 that hurt, in your opinion, since one is running at
7 night and one is running in the day?

8 MS. McGOVERN: We've never been in favor
9 of an overlap. Is it better than overlapping at the
10 same time? Sure. But in our experience, an overlap
11 with any racetrack, whether it be in Texas or outside
12 of Texas, really has not been something that we've been
13 able to work with.

14 We're currently competing with racetracks
15 in other states. We firmly believe that competing with
16 a racetrack within our state is not good for anybody in
17 Texas. The fact that we would be closing a meet and
18 our purses are lower than Lone Star's would make it
19 even harder for us because horsemen that have a horse
20 ready, if they have an opportunity to run in a race at
21 Lone Star for more money or run in the same race at Sam
22 Houston for less money, they're going to stay at Lone
23 Star and finish up that meet. So we don't believe an
24 overlap would be very good for us or for Lone Star.

25 VICE-CHAIRMAN RUTHERFORD: I don't like

1 overlaps either, but is there any way -- they don't --
2 Lone Star doesn't have a big grass race that weekend.

3 MS. McGOVERN: Not that I'm aware of,
4 no.

5 VICE-CHAIRMAN RUTHERFORD: Could you all
6 work your races where they complemented each other?

7 MS. McGOVERN: If we were forced into an
8 overlap, we would do everything we could to make it
9 work for both racetracks. I can tell you, though, it
10 would be forcing us to do it.

11 CHAIRMAN ROGERS: Commissioner Archer?

12 MS. McGOVERN: Yes, sir?

13 MR. ARCHER: I have two questions. One
14 for Mr. Fenner. From a procedural standpoint, are we
15 on shaky ground procedurally talking about '08 in our
16 discussions today? I mean, I'm not saying we shouldn't
17 talk about it. I just want to be sure. I know it's
18 not posted that way. I want to make sure there's not
19 some kind of procedural problem with that.

20 MR. FENNER: Commissioner Archer, I did
21 post, for discussion only, the 2008 race dates for this
22 very reason; and as long as everybody is careful not to
23 make any sort of binding commitments, I don't see a
24 problem. But we do want to be sensitive. The rules
25 nor the act, particularly the rules, don't make

1 provision for setting race dates two years out.

2 Does that answer your question, sir?

3 MR. ARCHER: Yeah. And then I have a
4 follow-up question to that. Is there any problem that
5 you foresee in us -- in any decisions being based on
6 '08 dates for us to be making '07 decisions? Do you
7 follow what I'm saying?

8 MR. FENNER: I do follow what you're
9 saying.

10 MR. ARCHER: All right.

11 MR. FENNER: To the extent that you're
12 basing 2007 dates on a commitment to your 2008 plan, I
13 can foresee a problem with that.

14 MR. ARCHER: I'm sorry?

15 MR. FENNER: I could foresee a problem
16 that if -- if your 2007 allocation is based on some
17 sort of firm commitment about 2008, I think you are
18 getting into a dangerous territory. And obviously that
19 would be later ratified in 2007 when you're committing
20 yourself to 2008. So it would probably be cured, but
21 there's no need to go there.

22 MR. ARCHER: Thank you.

23 CHAIRMAN ROGERS: Do we have any more
24 questions?

25 MR. ARCHER: I have a question for

1 Ms. McGovern.

2 CHAIRMAN ROGERS: Yes.

3 MR. ARCHER: Would you consider backing
4 your meet up -- the Connally Cup up a week? Would you
5 consider that?

6 MS. McGOVERN: Running it in March, the
7 last weekend in March?

8 MR. ARCHER: I mean, do you always run it
9 on Saturday, always?

10 MS. McGOVERN: Yes, sir. Yes.

11 MR. ARCHER: So I mean, the last -- the
12 last day of March is going to cause problems for you?
13 Is that what you're saying? The last day of March is a
14 Saturday, right? That's correct.

15 MS. McGOVERN: I believe the 31st is
16 Saturday.

17 MR. ARCHER: Right.

18 MS. McGOVERN: We believe that it will be
19 a stronger race the week of April, the last Saturday --
20 the first weekend in April. If we thought that that
21 Saturday would be stronger, that's where we would have
22 placed it. I mean, we feel that April has been a good
23 day to run this race. It's proven to be. It's where
24 it's got its graded status. And we don't want to mess
25 with that. When we do something right, we try and keep

1 doing it.

2 MR. ARCHER: Right.

3 MS. McGOVERN: We're not always great at
4 that, but we try to.

5 COMMISSIONER BOYD: Does that pertain to
6 the comments you made earlier about the length of span
7 so horses -- good horses that run need that extra
8 length of span in between the races?

9 MS. McGOVERN: If we ran the Connally on
10 the last Saturday in March, that would leave three
11 weeks between the Fair Grounds race and our race as
12 opposed to four weeks on the first weekend in April.

13 COMMISSIONER BOYD: And you've requested
14 these dates -- this is the first time you've had four
15 weeks between?

16 MS. McGOVERN: Yes. We have always run
17 it in the first or second Saturday of April; but
18 because the Fair Grounds moved the Muniz back, there's
19 now four weeks between the two.

20 MR. ARCHER: You've had three weeks in
21 the past?

22 MS. McGOVERN: Yes. They had run the
23 Muniz closer to our race.

24 MR. ARCHER: The other question that I
25 have is, having looked at the requested March calendar

1 and seeing the overlapping situation, would you
2 consider anything else besides this weekend, knowing
3 that Lone Star may have a problem with NASCAR, opening
4 up that next weekend rather?

5 MS. McGOVERN: I'm not sure our -- I'm
6 sorry. Can you repeat the question?

7 MR. ARCHER: Being that the race date
8 calendar we're looking at has a conflict between the
9 requested dates by Sam Houston and requested dates by
10 Lone Star -- Lone Star has stated in their application
11 that they would have a problem opening the following
12 week, whatever those days are -- that would be the -- I
13 guess the 12th. They want to open on the 5th. They
14 want to open that weekend of the 5th.

15 MS. McGOVERN: Right.

16 MR. ARCHER: Is there -- I mean, I guess
17 what I'm saying is: Would you consider anything else
18 in order to help them accommodate themselves to open
19 that weekend that you run the Connally?

20 MS. McGOVERN: I'm not sure what else we
21 could offer that, as good business people, we know
22 wouldn't hurt us.

23 MR. ARCHER: But you've run three weeks
24 in the past traditionally and now you're running four.
25 I guess I'm having a hard time conceptualizing what

1 causes the problem.

2 MS. McGOVERN: Well, as I said, there is
3 some history with other graded stakes races to show
4 that four weeks is not unusual. We believe it will
5 help recruit horses to that. And it leaves us in
6 April, which we think is an important date for us. It
7 isn't just the three weeks. It's the April date.
8 That's where we've been successful in getting this race
9 graded and that's where we've been successful in
10 growing the strength of this race. And we just don't
11 want to mess with something that we've done right.

12 CHAIRMAN ROGERS: Mr. Rutherford?

13 VICE-CHAIRMAN RUTHERFORD: For the
14 Breeders' Cup, all the major grass races that are preps
15 for the Breeders' Cup -- they have a big race in
16 Canada. They have one at Keeneland and one in New
17 York. They're all three weeks before the Breeders' Cup
18 prep because they think that's the best way to get a
19 horse ready because when you run on the grass, it's
20 more endurance than speed. When you get a speed horse,
21 you want to gear him up and not do much with him where
22 he's jumping out of his skin; and with a grass horse,
23 you don't want that. So that's why all the preps for
24 the Breeders' Cup are three weeks ahead of time, not
25 four or five weeks, because horses get too high. I'm

1 trying to help you.

2 MS. McGOVERN: We have been successful in
3 running the Connally three weeks off the Muniz. We
4 think we'll be more successful running four weeks.

5 CHAIRMAN ROGERS: Any other questions for
6 Ms. McGovern?

7 Thank you.

8 MS. McGOVERN: Thank you.

9 CHAIRMAN ROGERS: Mr. Johnsen?

10 MR. JOHNSEN: Good morning,
11 Commissioners. I'm Corey Johnsen, the president of
12 Lone Star Park at Grand Prairie.

13 And, Mr. Chairman, if I could, I'd like
14 to pass out something just to help us follow the
15 discussion.

16 CHAIRMAN ROGERS: Sure.

17 (Discussion off the record)

18 CHAIRMAN ROGERS: Mr. Johnsen, before you
19 begin -- did you note that Mr. Rutherford was present?
20 Would you note that, please?

21 Go ahead.

22 MR. JOHNSEN: As I mentioned, I'm Corey
23 Johnsen, the president of Lone Star Park; and I also
24 have Drew Shubeck, our general manager, that's here to
25 answer any questions you might have as I go through our

1 presentation.

2 I found it very useful, when I was
3 thinking about this situation, to go back and look at a
4 time line; and I think that it helped me remind me of
5 what's kind of gone on in the past; and I think for
6 some of the new Commissioners, it might help educate
7 them on some of the history. And I'm going to go back
8 to 2004.

9 If you remember that, at that time -- and
10 I do -- we were in the middle of finishing up six
11 million dollars in capital improvements to get ready
12 for the Breeders' Cup which we hosted that fall. We
13 were in the process of installing 35,000 temporary
14 seats. And we were also dealing with a horse disease
15 called vesicular stomatitis which was -- had the
16 potential to really harm our racing.

17 At the time we went through the dates
18 application process, and the staff actually recommended
19 our race date application for 2005. We were very
20 concerned about 2005 because NASCAR was opening up; and
21 we felt that if we opened on April 14th, it would be a
22 great detriment to our business.

23 Then the -- and so we were very busy.
24 The staff made their recommendation on behalf of us and
25 recommended that we open on -- I think it was April

1 7th. And then the Texas Thoroughbred Association voted
2 to recommend Sam Houston's application. And the
3 thought was that the Connally Cup needed to be three
4 weeks after the big prep race at Fair Grounds. And the
5 Texas Racing Commission voted to have Lone Star open
6 the same week as NASCAR. I believe the Commission did
7 what they thought was fair. I believe we tried to do
8 what was best.

9 But when we move forward to the spring of
10 '05, the results were, frankly, much worse than I had
11 ever anticipated. We were down 29 percent in our
12 opening weekend attendance and we were down 19 percent
13 overall for the season.

14 Lone Star Park is a very unique racetrack
15 compared to many tracks in North America. We rely on
16 live attendance for our success. Not only our
17 bottom-line success, but in my opinion the amount of
18 money we generate for our purses. And there are other
19 tracks like us out there.

20 And it was very interesting when I was
21 reading some articles this summer. There were tracks
22 like Monmouth that was down, Arlington Park that was
23 down, I think Del Mar. And it was really interesting.
24 There was a theme in all of them. They all said that
25 we got off to a bad start and we could never get things

1 rolling.

2 And I believe that was the case in 2005.
3 It was the first time that we ever dipped below one
4 million people in our attendance. And it also
5 affected -- and I know this may sound different, but it
6 also affected our simulcast-in handle.

7 What we find is if we can get people out
8 to Lone Star Park and get them interested in our live
9 product, they're more likely to bet on our simulcast
10 product when we don't have live racing. So our
11 business basically, you know, took a nose dive.

12 In 2006 we opened April 13th. And if you
13 remember that dates request, we did not come to the
14 Commission and ask to open a week early; and the reason
15 was is that NASCAR was not the week of April 13th; and
16 we've tried to create as little controversy as possible
17 in our race dates request.

18 Well, in 2006 we were able to arrest a
19 very alarming trend. We were up 17 percent in
20 attendance our opening week. And we had a reasonable
21 race meet, Thoroughbred race meet, in '06.

22 Then as you all know, in the summer of
23 2006, the Texas Racing Commission formed a working
24 group, which I think was an outstanding idea. And the
25 staff -- and I want to just do a little background.

1 John Ferrara and I have known each other since -- I
2 hate to admit how many years, but since the early
3 '80's. And I have tremendous respect for John and his
4 knowledge of horse racing. And he and I have discussed
5 this. And I think it's just safe to say that maybe I
6 disagree with John on this, but I also respect the fact
7 that it's a very, very difficult call. And so the
8 staff recommended against us.

9 And then in August I made a phone call to
10 a friend of mine at Texas Motor Speedway and he
11 informed me that the NASCAR race week would be the week
12 of April 12th.

13 So based on the situation in 2005, it was
14 of -- it alarmed me greatly. And so Drew Shubeck
15 attended the August meeting and frankly -- I'm going to
16 put words in his mouth -- was a little surprised that
17 he didn't get more traction on his argument that this
18 is a very serious situation that affects our bottom
19 line and that of the horsemen's bottom line and we'd
20 really like you to consider allowing us to open April
21 5th. And the staff recommended against that and also
22 the Texas Horsemen's Partnership and Texas Thoroughbred
23 Association recommended against it.

24 So I got involved and I started talking
25 to members of the horsemen's organizations and I tried

1 to bring to bear -- and I tried to understand the
2 long-range plan and I tried to bring to bear some of
3 the resources we have not only at Lone Star Park but
4 Remington Park to assist in this situation.

5 And I also tried to educate them on two
6 things: Number one, the effect that NASCAR really does
7 have on us and what I believe is a 468,000-dollar purse
8 decrease if we open on April 12th; and then also I
9 tried to educate them on our new race dates schedule
10 which we think fits this time in Texas racing and that
11 is a Thursday through Sunday race dates schedule.

12 I think from a profitability standpoint,
13 from horsemen opportunity standpoint, everybody would
14 prefer Wednesday through Sunday, a five-day race week.
15 If you look at a major racetrack in the country,
16 they're racing five days a week. But today we don't
17 have the quantity or the quality of horses to put
18 together a competitive, entertaining race card on a
19 five-day-a-week basis. So that's the reason why we
20 have gone to the Thursday through Sunday
21 recommendation.

22 And when you look at -- and once again, I
23 respect John Ferrara's recommendation; but when you
24 really look at the fact that we believe we're going to
25 lose 468,000 in total purses, that really -- by racing

1 April 5th to July 22nd, 67 days, there's only a two
2 percent daily difference in our purse structure, which
3 I think is minimal. So our purse structure can hang in
4 there with the extra days of racing.

5 I know this Commission has always been
6 fair-minded. I can't help but offer a few comments
7 about the Sam Houston situation.

8 I think the comparison to our graded
9 stakes is irrelevant for a number of reasons, is that
10 we have two of our five graded races are turf races.
11 And it's just -- when you look at the racing calendar,
12 it's just so different. We put those races on -- like,
13 for example, Lone Star Million Day is Memorial Day
14 Monday and always will be; and how they run in, be it
15 Hollywood Park or Churchill Downs, I mean, we look at
16 that but not really. We've got those -- those races --
17 maybe they key off of us. But those races are going on
18 Memorial Day Monday. And then our Dallas Turf Cup has
19 been in the same time forever.

20 I would also tell you that it's a little
21 bit warmer in May -- end of May and June, and that
22 might be a consideration. It's warm everywhere. And
23 sometimes it takes a horse a little bit more to bounce
24 back. Also my experience is a horse bounces back much
25 quicker off a turf race than a dirt race. It just

1 doesn't take as much out of the horses. And my
2 experience in racing is that three weeks is fine.

3 The other thing is -- and I think that --
4 I hope the Commission takes this into account. We had
5 a bad situation in 2005 and it harmed our profitability
6 as a racetrack. We all tried to make the best decision
7 we could for those race dates, but that's a fact. We
8 did have a trend that we arrested in '06, but it's not
9 exactly where anybody would like it.

10 I would tell you that if we open April
11 12th that we will have a decrease between a half a
12 million and a million dollars to our bottom line. And
13 it's been shrinking every year. And I'm not sure that
14 is fair, looking at the big picture. And I have to
15 bring this up because it's something you're going to
16 consider.

17 If Sam Houston gets 10 to 12 days and
18 they get purse money from Retama, I'm telling you -- my
19 experience in racing is live Thoroughbred days are your
20 most profitable time that you race. Also, I would
21 assume that they would get Breeders' Cup day as well.
22 That is a very profitable day. You're going to have
23 high attendance. You're going to have high handle.

24 So to balance this, to look at this in a
25 balance, I would tell you that Lone Star Park -- we

1 need a strong race meet, a strong Thoroughbred race
2 meet in '07, so we can continue to make the
3 improvements we have over the years. We've invested
4 over seven million dollars. We hosted the Breeders'
5 Cup. And we need some assistance in our race dates.

6 And I can look you in the eye and tell
7 you that we can maximize our purses with this April 5th
8 to July 22nd race meet and the Thursday through Sunday
9 schedule.

10 I'd be glad to answer any questions.
11 Again, I want to apologize up front. I don't like to
12 bring controversial matters to this group. It bothers
13 me. But this one is so important, based on our past
14 experience, that I really believe it's necessary.

15 CHAIRMAN ROGERS: Mr. Johnsen?

16 MR. JOHNSEN: Yes.

17 CHAIRMAN ROGERS: Would you elaborate on
18 that 468,000-dollar less purse? How do you calculate
19 that? That's about four percent of your annual purse.
20 How did you get to that point?

21 MR. JOHNSEN: It would be four fewer race
22 days and then it would be a 10 percent decrease in
23 handle on our live product.

24 CHAIRMAN ROGERS: So if you -- I'm just
25 trying to get the numbers down, not have a decision

1 here. But if you didn't have the four less days, if
2 you add them to the end, which I know you're not fond
3 of, or if you put them on a Wednesday, which I know
4 also isn't the preference, but if you had the other
5 four days, how much handle does it actually affect?

6 MR. JOHNSEN: \$180,000 in purse. That's
7 an average week. That's not an open -- I mean, I
8 looked at the average there.

9 CHAIRMAN ROGERS: Okay.

10 MR. ANGELO: Mr. Chairman?

11 CHAIRMAN ROGERS: Yes.

12 MR. ANGELO: I have a question probably
13 from ignorance. But so what you're saying is that you
14 would actually not race against NASCAR. You wouldn't
15 open -- you wouldn't run those days at all?

16 MR. JOHNSEN: Good question. No. We
17 would race those days because of the continuity of not
18 only our racing product we're offering to horsemen but
19 also the continuity that when you start Thursday
20 through Sunday, you have to keep going when you're in a
21 race meet.

22 Let me explain why it's so important.
23 Lone Star Park opening for their Thoroughbred -- spring
24 Thoroughbred meet, is a major news event in North
25 Texas. And we absolutely maximize our publicity when

1 we're in a non-NASCAR week. So it's critically
2 important to us that we get that strong opening because
3 what happens is on -- let's just take that Thursday
4 night, April 5th. I will guarantee you that every TV
5 station will have live telecasts from Lone Star Park
6 that entire night.

7 Well, what's that worth? That's worth
8 hundreds of thousands of dollars because we all know
9 publicity is much more valuable than buying a 30-second
10 ad. And so what you do is you get that momentum
11 going. You get articles in the newspaper and people
12 are aware that you're open. And then that can -- yes,
13 we will be hurt the next week some because when you
14 ever have 200,000 people at Texas Motor Speedway,
15 especially some of your corporate suite entertainment
16 type people will be out there. But I'm comfortable
17 that we can keep things rolling; and in the long run,
18 we've proven before that it works.

19 COMMISSIONER BOYD: Mr. Johnsen?

20 MR. JOHNSEN: Yes.

21 COMMISSIONER BOYD: So what you're saying
22 is that you need this strong opening to have a
23 successful meet and that publicity -- you'll get that
24 publicity, that free hype out there to give you that
25 strong opening to make it through the competition with

1 NASCAR.

2 MR. JOHNSEN: That is correct.

3 COMMISSIONER BOYD: Is that what you're
4 saying?

5 MR. JOHNSEN: Yes. It's that credible
6 message that goes out there that the media delivers for
7 us that has been a critical part of our success through
8 the years.

9 COMMISSIONER BOYD: And how much is
10 history -- how much should we consider historical in
11 racing major dates? Like the Connally Cup. I mean, is
12 a history that important, to develop this history,
13 every time this part of the year we run that major
14 meet? Is that -- is history -- does that play an
15 important role in deciding whether you move it around?

16 MR. JOHNSEN: That's a good point. I
17 would tell you --

18 COMMISSIONER BOYD: So people can count
19 on --

20 MR. JOHNSEN: Yeah. In an ideal world,
21 continuity is great. Things have changed so much with
22 race dates. I mean, who would ever have thought that
23 Sunland Park and Delta Downs and Evangeline Downs would
24 be major competitors to where we are now and that their
25 race dates -- we never even cared about their race

1 dates in the past. And they do. And so I can't -- I
2 can't comment on their placement of specifically the
3 Connally Cup. You know, I think John and Mike and
4 others have commented and Ann have talked about that.

5 COMMISSIONER BOYD: But how about yours?
6 How much does history play a role in yours?

7 MR. JOHNSEN: In our opening or our
8 stakes?

9 COMMISSIONER BOYD: In your stakes.

10 MR. JOHNSEN: On some of them, like Lone
11 Star Million, it's important. Lone Star Derby week
12 moved, you know, a number of times. So Dallas Turf
13 Cup, not as important for us. I mean, it's -- I know
14 I'm not really giving you a concrete answer on that,
15 but it's -- Lone Star Million Day is Memorial Day
16 Monday and it has been for eight years so it's
17 important. We do -- I think we do five or six stakes
18 races on that day. Yeah, five or six. And it's very
19 important to us. The other ones, we've moved them
20 around.

21 COMMISSIONER BOYD: So opening, the
22 publicity is worth more --

23 MR. JOHNSEN: Absolutely.

24 COMMISSIONER BOYD: -- than where you
25 open. The free publicity and not in competition with

1 this major other event is more important.

2 MR. JOHNSEN: Is critically important.
3 To our opening, I can guarantee and tell you that.

4 COMMISSIONER BOYD: Thank you.

5 CHAIRMAN ROGERS: Mr. Johnsen, do you
6 know what your live handle was on Thoroughbreds in
7 '06? Do you know offhand?

8 MR. JOHNSEN: Well, there's kind of three
9 answers to that. You've got simulcast out. You've got
10 live. And you've got -- and you have simulcast in.

11 MR. SHUBECK: Do you want to speak to a
12 percentage basis, what we were down?

13 MR. JOHNSEN: Drew, do you want to come
14 up? Come on up.

15 MR. SHUBECK: Do you have any figures in
16 the binder so I don't have to go from memory to answer
17 specific questions?

18 MS. KING: Not 2006.

19 MR. JOHNSEN: I don't want to give you a
20 bad number. That's the thing.

21 CHAIRMAN ROGERS: Jean, the number that
22 you worked up for me on this spreadsheet that you did
23 last time, where does that number come from?

24 MS. KING: Sammy did it last night.

25 MS. COOK: It was Sammy's.

1 MR. JACKSON: That's 2005.

2 CHAIRMAN ROGERS: What is that? That is
3 just live on-track handle?

4 MR. JACKSON: That's just live on-track,
5 yes, sir.

6 CHAIRMAN ROGERS: Do you know what the
7 live on-track '06 handle was?

8 MR. JACKSON: No, sir.

9 MR. JOHNSEN: I'm going to do this -- I'm
10 going to wing this. But it's around two million
11 dollars per day live. Now we're going to see.

12 CHAIRMAN ROGERS: We're going to see how
13 good your memory is.

14 MR. JOHNSEN: Not bad. Not bad. Live
15 on-track handle was 443 -- 443,000. And export handle
16 was a million four fifty-two average daily handle.

17 CHAIRMAN ROGERS: Okay. Thank you.

18 COMMISSIONER SOWELL: Mr. Chairman?

19 CHAIRMAN ROGERS: Yes.

20 COMMISSIONER SOWELL: I have a question
21 for Mr. Johnsen. I don't know much about horse
22 racing. I know a lot less about NASCAR. Do the size
23 of their purses have the same impact on automobile
24 racing as the size of purses do on the racetracks where
25 horses are running?

1 MR. JOHNSEN: Well, let me see. I'll
2 answer it a couple of ways. Texas Motor Speedway has
3 one of the largest purses of any NASCAR race. But I
4 think theirs is more of a league. I think they have
5 like 35 drivers and they go to all 30 stops and it's
6 set up very differently. It's more like -- frankly,
7 like a football league where -- no, it's not like a
8 football league. Like maybe a PGA golf tournament.
9 You know, the top ones -- it's even different than
10 that. Those top drivers go to every --

11 CHAIRMAN ROGERS: What would it be kind
12 of like?

13 MR. JOHNSEN: You're giving me some hard
14 questions here. I mean, the purses, it has one of the
15 highest purses and the drivers go -- the cars go from,
16 you know, stop to stop and they have about 30 stops.

17 COMMISSIONER SOWELL: What impact does
18 wagering, or the lack of it, have on NASCAR?

19 MR. JOHNSEN: I don't think NASCAR -- I
20 don't think they wager much on NASCAR.

21 COMMISSIONER SOWELL: They certainly
22 don't have pari-mutuel wagering, do they?

23 MR. JOHNSEN: No, they don't have
24 pari-mutuel wagering. That's correct.

25 COMMISSIONER SOWELL: Do you think the

1 same people that like to wager on horse races are
2 attracted to a race where they can't win or lose
3 anything?

4 MR. JOHNSEN: Yeah, I think there's a lot
5 of people that -- they're sports fans. I really do.
6 It's really more about a voice in the marketplace in my
7 opinion, and they just -- they just dwarf us. I mean,
8 you know, it's just -- it's such an event. It comes to
9 town. It comes to town, you know, once in the spring
10 and once in the fall. NASCAR does. And we just
11 can't -- we just can't get any publicity.

12 COMMISSIONER SOWELL: How does NASCAR
13 compare with professional football, for example, in
14 terms of publicity, the Cowboys? How do they --

15 MR. JOHNSEN: They are not as large as
16 the Cowboys, but -- well, let me back up. I would tell
17 you that that week their level of publicity is like a
18 week of Cowboys. But Cowboys, you get that level of
19 publicity for whatever it is, 18 weeks or 20 weeks
20 depending on how long they go in the playoffs. But
21 that one week they really command the airwaves.

22 VICE-CHAIRMAN RUTHERFORD: That's the
23 only thing that's in the newspapers that week, isn't
24 it?

25 MR. JOHNSEN: Correct.

1 VICE-CHAIRMAN RUTHERFORD: Because it's
2 such a big event.

3 MR. JOHNSEN: Correct.

4 VICE-CHAIRMAN RUTHERFORD: That's the
5 main problem.

6 MR. JOHNSEN: And television, Mike. And
7 I'm a big believer in racing is a great television
8 sport and I'm a big believer in a lot of people watch
9 television.

10 And let me offer this one other thing.
11 Lone Star Park attracts more entertainment seekers and
12 sports fans than most racetracks. Most racetracks that
13 I deal with, 90 percent of your attendance, those
14 people are there to gamble. That's what they want.
15 We're different at Lone Star Park. We're new. We're
16 breaking in new people to our sport. We're educating
17 them on that.

18 And we kind of talk about a big funnel
19 that we have, that we have a lot of people that start
20 at the top and then they funnel down and they turn into
21 real serious fans and then they start betting simulcast
22 racing and that's when you really -- that fan is
23 profitable for you and the horsemen.

24 But it takes money and it takes properly
25 laid out marketing and scheduling to get those people

1 in the top of the funnel. And if we don't have that --
2 we're very different than other tracks. If we don't
3 have that, we're not successful.

4 COMMISSIONER SOWELL: Let me understand
5 this now. You're saying that your crowds are different
6 than most racetrack crowds in that your people come to
7 watch horses, not worry about gambling so much?

8 MR. JOHNSEN: Their first -- we have a
9 lot of people that come out because they want to be
10 entertained and they like sports and then the gambling
11 follows. As you educate them on our sport, then -- and
12 I can give you plenty of examples of people that just
13 walked in the door, "I heard about this. This is a
14 great place. Horse racing is really neat. How do I
15 learn more about this?"

16 And then they drop down through the
17 funnel and they start getting more and more involved in
18 the gambling piece of it.

19 VICE-CHAIRMAN RUTHERFORD: Another thing,
20 too. Dallas is a very social town.

21 MR. JOHNSEN: Yes.

22 VICE-CHAIRMAN RUTHERFORD: And it's a
23 social event.

24 MR. JOHNSEN: That's correct.

25 VICE-CHAIRMAN RUTHERFORD: People go out

1 there. Used to be, when I started in racing, they
2 didn't have near as much racing and it was an event and
3 more people went. It was a big social place, like
4 Keeneland, to be seen. All the ladies were wearing
5 their hats and everybody was dressed up. And Dallas is
6 much more social than Houston is.

7 COMMISSIONER SOWELL: Would the same
8 thing apply to NASCAR? Would that be a social event?

9 VICE-CHAIRMAN RUTHERFORD: That's all you
10 hear that weekend.

11 COMMISSIONER STURNS: NASCAR is probably
12 the biggest event in Dallas-Fort Worth.

13 COMMISSIONER SOWELL: I guess what I'm
14 driving at is Dallas is a big city.

15 MR. JOHNSEN: Yes.

16 COMMISSIONER SOWELL: Houston, where I
17 live, is a big city.

18 MR. JOHNSEN: Yes.

19 COMMISSIONER SOWELL: And there are
20 myriad competitive events that happen all the time.
21 And everybody that has an event that they're trying to
22 put on, they would like to look at the calendar and try
23 to eliminate all those dates when some other big job is
24 going to be in town also.

25 You reach the point where it's just not

1 possible. You can't possibly schedule yourself to
2 avoid everybody else's game or whatever it might be.
3 And it seems like in a big city, that is pretty normal
4 to be expected. Certainly it is in all of the other
5 big cities in the country that I know anything about.

6 MR. JOHNSEN: I agree with that except
7 for the exception -- I'm going to call it the
8 exception. You just can't imagine how big this NASCAR
9 race is at Texas Motor Speedway. You've got to see
10 it. And I think it's one of the reasons that the Texas
11 Thoroughbred Association endorsed our April 5th opening
12 because their president, he told me -- he says, "I
13 understand. I know what you guys are up against."

14 It's very unique. Not only do they have
15 200,000 people on their big day. They've got hundreds
16 of thousands of people that go to the preliminary
17 races. It's unbelievable.

18 And I would also tell you that there is
19 some social piece of it. Yeah, you've got the guys
20 that drink beer in the grandstand and whatever, but
21 there's about -- I'm going to say there's -- there's
22 hundreds of suites, and when those people -- you know,
23 they're only going to make, you know, one or two kind
24 of entertainment out decisions per week.

25 And when that's like our opening week and

1 we're trying to get them out because of the social part
2 of it, "Let's go out. It's opening week at the
3 racetrack," if we open the same week as NASCAR,
4 sometimes they've got a 5,000-dollar suite that they've
5 already paid for and they're going there. And they
6 dress up. I mean, it's a very unique even NASCAR
7 experience.

8 CHAIRMAN ROGERS: Mr. Johnsen?

9 MR. JOHNSEN: Yes.

10 CHAIRMAN ROGERS: Let me just ask you a
11 couple of questions kind of from a factual point of
12 view for a second. And I'm sensitive to how big NASCAR
13 is. I know it's huge. But in the numbers that you've
14 given us here where you say that your opening
15 attendance was down 29 percent and your overall
16 attendance was down 19 percent, you're comparing that,
17 I'm assuming, to the 2004 numbers?

18 MR. JOHNSEN: Yes.

19 CHAIRMAN ROGERS: And that has the
20 Breeders' Cup in it, which is one huge day. How does
21 that affect?

22 MR. JOHNSEN: It was against the spring
23 meet in 2004.

24 CHAIRMAN ROGERS: So you're only
25 comparing spring to spring.

1 MR. JOHNSEN: Correct.

2 CHAIRMAN ROGERS: Is it the same number
3 of days? Or is that your average daily attendance is
4 down 19 or is that total?

5 MR. JOHNSEN: It would be average daily.
6 I'm 99 percent sure, but I'm sure it's average daily of
7 the spring meet. Because our -- you know, we had
8 Breeders' Cup and it kind of threw everything off.

9 CHAIRMAN ROGERS: It skews all the
10 numbers.

11 MR. JOHNSEN: I'd like to check that
12 number, but I'm 99 percent sure that's what it is.

13 CHAIRMAN ROGERS: The reason I ask is
14 because I was looking at the live handle numbers
15 because I want to kind of look at that. And of course,
16 you've got a trend that's down every year.

17 MR. JOHNSEN: Yes.

18 CHAIRMAN ROGERS: I mean, that's the way
19 it's going to be, I think, unless something changes in
20 the industry. But you went from about 45 million in
21 '01 to 44 million in '02, to 39 million in '03.

22 MR. JOHNSEN: Right.

23 CHAIRMAN ROGERS: I'm going to skip '04
24 because it's got 56 million in it and I know it
25 includes the Breeders' Cup numbers. But '05 was 31

1 million; and then '06, which we're talking about being
2 a much better year, was 29 million.

3 So the trend, even though the attendance
4 is down from opening week, maybe from the meet, the
5 handle actually is up as opposed to what '06 was if the
6 numbers we had while ago are right.

7 MR. JOHNSEN: In '05, yes.

8 CHAIRMAN ROGERS: '05's handle is
9 actually larger than '06's handle --

10 MR. JOHNSEN: That is correct.

11 CHAIRMAN ROGERS: -- even though we
12 started off with a bad week and all the things that go
13 into it.

14 COMMISSIONER SOWELL: What was the
15 correlation between the opening day and the overall 19
16 percent drop in attendance? I'm a little puzzled at
17 how one day can --

18 MR. JOHNSEN: It was opening week was
19 down 29 percent. The entire week was. So the
20 four-day --

21 COMMISSIONER SOWELL: Then the season was
22 down 19 percent, right?

23 MR. JOHNSEN: That is correct. That is
24 correct.

25 COMMISSIONER SOWELL: But you think it

1 all -- it emanated from the opening weekend?

2 MR. JOHNSEN: I would not tell you that
3 all emanated from opening weekend because there was a
4 trend there. But the reason -- I believe the reason we
5 were down that much was based on the fact that we just
6 never got rolling. We never got our momentum, never
7 got our publicity.

8 COMMISSIONER SOWELL: Do you have any
9 other years that you can make that same comparison or
10 is it just one year that NASCAR wrecked the train?

11 MR. JOHNSEN: I would say that 2005 was
12 the one that it went off track the most.

13 COMMISSIONER STURNS: Would it be
14 possible for you to increase your advertising during
15 those years when you're competing with NASCAR or during
16 that time period? Even though you won't get the market
17 share from the evening news, could you increase your
18 advertising outlay to try to offset that decrease in
19 attention?

20 MR. JOHNSEN: Yes, I think that's -- we
21 would do that, you know, for sure. I mean, there
22 becomes a -- there's a business decision there; and
23 when you're faced with what we would project to have a
24 continued downward trend -- and remember, when you talk
25 about Lone Star Park and bottom-line profitability,

1 which I think should be important to everybody, live
2 attendance is where we make our money. And when that
3 drops, it really harms our profitability.

4 But your point is well taken. You have
5 to -- you have to get out there. And we actually did
6 that in either 2000 or 2002. We spent quite a bit of
7 money and had a reasonable return on that.

8 COMMISSIONER SOWELL: One other thing
9 that occurs to me. And that is that Sam Houston may
10 not have snapped to this; but based on your theory,
11 they've got a big potential problem depending upon when
12 the NFL decides to have its draft day in April, which
13 it does, because, as some of you may not be aware of,
14 draft day in Houston has become one of the biggest
15 events in the world and certainly one of the most
16 controversial that everybody wants to be involved
17 with.

18 So Lord help Sam Houston that draft day
19 doesn't come on the wrong day for them because there
20 are going to be a lot of people watching that next
21 draft day, as they were this past one.

22 So again, the point is there's always
23 something laying out there in the weeds that's going to
24 jump up and bite you if you get too close to it.

25 MR. JOHNSEN: Yes, sir.

1 CHAIRMAN ROGERS: Dr. Carter?

2 COMMISSIONER CARTER: So what would be
3 your response to overlapping race dates on your opening
4 weekend, the end of their meet?

5 MR. JOHNSEN: We would be open to that.
6 We understand the difficulty of the situation for the
7 Commission. I believe that we could work together. We
8 could get our racing secretaries together.

9 I mean, you asked the question. I'll
10 respond. I disagreed with one thing that Ann said; and
11 that is, she said that because there's a differential
12 in purses that a lot of horsemen would want to run at
13 the larger purse.

14 Over the years we've found that not to be
15 true because, as we all know, 60 percent of the purse
16 goes to the winner. So what we've found is there are
17 some horsemen who maybe don't have quite as strong a
18 stable and they would rather race at -- and it's been
19 hard for me to understand this, but they would rather
20 race at a lesser purse where they have a better chance
21 of getting 60 percent than run at a big purse where
22 you've got trainers of national, say, quality and have
23 really strong horses and they may run fifth or sixth
24 and get nothing. So we've found that that is not an
25 absolute like you would think it would especially a few

1 years ago.

2 When they run at Lone Star and they run
3 sixth, seventh, eighth, ninth, they're going to think
4 twice before coming back. I mean, that's just a fact.
5 So we believe that you could do some things -- like
6 let's just take the schedule, for instance. This is
7 what I would propose.

8 I would propose that Lone Star run April
9 5th, that night, by itself. Then on Friday, April 6th,
10 Lone Star, which normally runs at night, I would
11 recommend we run like a twilight card, start at three
12 o'clock or four o'clock so we would not overlap with
13 Houston. And then Houston would come on Friday night
14 and run their card. And then on Saturday we already
15 scheduled a 1:30 post time and so Houston would run at
16 night so we would not run on each other there.

17 And then on Sunday we would propose that
18 we run Easter Sunday because our experience was last
19 year that we were one of the only signals out there in
20 the country and we had a very strong day and we
21 combined that with a marketing promotion with an Easter
22 egg hunt and it makes for a very good day with us.

23 So if you were to vote to allow Lone Star
24 Park to open April 5th through July 22nd, we would be
25 very glad to compromise and cooperate in that manner.

1 I think there's some things that have
2 changed because I haven't been exactly the biggest
3 proponent of overlap, but there's some things that have
4 changed. What I've found at Sam Houston and Lone Star,
5 we have different jockey colonies. That was not the
6 case five, six, seven years ago. Today, in my opinion,
7 it's very different.

8 The other thing that's different is we
9 have more big outfits, more trainers that have a
10 hundred or more horses, and they're very comfortable
11 splitting their stables. They'll have, you know, 40 at
12 one track and they'll have a good assistant and they'll
13 have 50 at another track. So these are some trends
14 that have changed.

15 Let me give you a few other ones. In the
16 old days, we totally were dependent on the Fair Grounds
17 for a majority of our horses. Okay? Anybody that sees
18 our racing today knows that Fair Grounds is just part
19 of it. It's not like it was in the old days. We have
20 Fair Grounds. We have Oaklawn. We have horses coming
21 from Sunland Park. We have Delta Downs. And believe
22 it or not, there's a small track in Oklahoma called
23 Will Rogers Downs and that track is even producing
24 horses that are coming to Lone Star.

25 Now, who would have thought that, say,

1 three years ago, that a track in Claremore, Oklahoma,
2 that, frankly, was shut down, has now been revived
3 because of the addition of slot machines, and they're
4 impacting our racing positively because we're getting
5 horses from there?

6 One thing that also I want to make sure
7 that this Commission knows is that we're making the
8 offer -- we were not open this year in August and
9 September. But I would offer to you that if you're
10 going to do the deal where Retama sends its 12 days to
11 Sam Houston and there's no Thoroughbred racing, it
12 seems to me, in August and September of '07, where are
13 those horses going to stable?

14 And one of the things I did when I talked
15 to the horsemen and I talked to Drew Shubeck and our
16 ownership at Magna, we will stay open as a training
17 center at Lone Star Park to facilitate that because
18 where are these guys going to go? I mean, maybe
19 somebody has figured that out. But I don't know.

20 So we're trying to work with you to make
21 the best out of this 2007 transition year and I think
22 the overlap is a reasonable compromise.

23 CHAIRMAN ROGERS: We don't have any other
24 questions right at this point. Thank you.

25 Mr. Ferrara?

1 MR. FERRARA: As far as the overlap, I
2 want to -- there's actually only one racing day because
3 Sam Houston is not scheduled to run on Sunday. So
4 we're talking about overlap of one day where one
5 racetrack normally runs in the afternoon and one
6 racetrack normally runs in the evening.

7 CHAIRMAN ROGERS: Excuse me. But from a
8 day point of view, if an overlap were done, would there
9 not be an overlap on Thursday, Friday, Saturday?

10 MR. FERRARA: No, I believe -- correct
11 me. I believe Lone Star is talking about opening up on
12 Saturday.

13 MR. JOHNSEN: No.

14 CHAIRMAN ROGERS: No, I don't think so.

15 MR. JOHNSEN: No. It would be
16 Thursday -- no. John, we would open on Thursday, April
17 5th. It's very important to us to have that day out
18 there. It's been very successful in how we've opened
19 in the past.

20 CHAIRMAN ROGERS: So they're really
21 talking about three days of overlap if there were an
22 overlap.

23 MR. JOHNSEN: I'm just going to make this
24 statement just so I'm totally clear. I would not
25 recommend that Houston run on that Thursday night

1 because we -- it's important that we run that Thursday
2 night so that we get that television publicity and we
3 get a good crowd that night. That's when we've always
4 opened. And I would hope that we could be out there by
5 ourselves on that Thursday night in the schedule.

6 CHAIRMAN ROGERS: Mr. Ferrara, do you
7 want to give us the staff's recommendation?

8 MR. FERRARA: Okay. During the committee
9 meetings that we had and the horsemen meetings that we
10 have had, two points have been brought out. One is
11 that we need to run a larger daily purse and, even if
12 that meant cutting back on race days, that they need to
13 run for more money per day. That was -- that came out
14 continuously on our committee meetings. And the only
15 way to do that is to cut back on racing days.

16 Now, the recommended calendar reflects
17 that. All the meets, we recommend they run fewer
18 days.

19 As far as the overlap with Lone Star Park
20 and Sam Houston Race Park, Sam Houston has been working
21 as long as I've been in Texas trying to get the
22 Connally Cup graded and they finally got it graded and
23 it's been running on the first weekend of April. And I
24 didn't want to take the gamble of recommending they
25 move that and lose that grade. And so therefore, the

1 staff recommended they be allowed to run it the first
2 weekend of April.

3 Now, Corey is right. You just can't fine
4 tune these races. That horse that can go to Kentucky
5 and Sam Houston, he's going to decide where to go. If
6 it's two weeks after the Mervin Muniz, three weeks or
7 four weeks, he's going to make that decision. That
8 week is not going to influence his decision.

9 Our recommended calendar does not vary
10 that much from the requested except that we have Retama
11 Park running a 33-day meet. And again, that is because
12 of the -- the meetings that we had, the horsemen need
13 to run for more money; and the only way we could is by
14 cutting down; so we recommended a 33 calendar day, 11
15 weeks.

16 Now, that was before the letter that we
17 received yesterday from Bryan Brown that there may be
18 some sort of commitment between Sam Houston Race Park
19 and Retama Park. But right now the staff does not want
20 to change our recommendations until we have strong
21 support from the breed organizations and the horsemen's
22 organizations that they're in favor of this commitment
23 between Sam Houston and Retama Park.

24 CHAIRMAN ROGERS: So what is the staff's
25 recommendation? Can you kind of lay that out so we

1 have it on the record?

2 MR. FERRARA: As far as --

3 CHAIRMAN ROGERS: Just track by track,
4 what is their recommendation?

5 MR. FERRARA: Okay. We recommend that
6 Manor Downs be given the dates as requested. And
7 again, I just wanted to bring out and go on record, if
8 something happened and there was an overlap between Sam
9 Houston and Lone Star, I think we would ask Manor Downs
10 not to run Thoroughbreds that week.

11 Let me go back to Manor Downs. He
12 originally asked to open up March and he's been opening
13 up the last week in February and he's had no problems
14 filling races. He's had a maiden three-year-old stakes
15 for fillies and the boys and he's had no problem
16 filling. And the reason it's important that he opens
17 up the last week of February is that there's a gap
18 between Manor and the Retama Quarter Horse meet. It's
19 difficult on the horsemen to run Sunday and then have
20 to enter Tuesday. So that's why we asked Manor Downs
21 to move up to the last weekend in February as their
22 opening day. That's the way they've been running for
23 the last two years and there has been no problems.

24 Fredericksburg, again, we -- as
25 requested, we recommend Fredericksburg.

1 Retama, the Quarter Horse meet, we
2 recommend the 21 race days as requested.

3 Sam Houston Quarter Horse meet, we
4 recommend that as requested. They are running three
5 less days and that is because they want to maintain
6 their purse structure. And again, from all these
7 committee meetings, it's come out that it's important
8 that they run for the same money, if not more, and this
9 is the only way that they can run for the same amount
10 of money.

11 The Lone Star Quarter Horse meet is
12 basically the same as they're running this year and
13 last year, so we recommend that you approve the Lone
14 Star Quarter Horse meet in the fall as requested.

15 The Sam Houston Thoroughbred meet, we
16 recommend that you approve the dates as requested.
17 Again, we're talking about the overlap of the first
18 week of April.

19 And again, back to Retama Park, we
20 received that -- there was no way that we could come
21 before the Commission and recommend no racing days at
22 Retama Park in 2007 unless there was some sort of
23 commitment from the associations, the breed groups, and
24 the horsemen. And that's why we are requesting that
25 you approve a 33-day meet, 11 weeks, until we get that

1 backing and support from the horsemen and the breed
2 groups.

3 CHAIRMAN ROGERS: I'm still missing
4 something here. You're talking about an overlap; but
5 on the calendar I see, I don't see an overlap.

6 MR. FERRARA: We're talking about Lone
7 Star -- well --

8 CHAIRMAN ROGERS: Sam Houston, are you
9 recommending that they run through the 7th?

10 MR. FERRARA: Yes.

11 CHAIRMAN ROGERS: Lone Star, your
12 recommendation is --

13 MR. FERRARA: Is that they are granted
14 the days as recommended by the staff.

15 CHAIRMAN ROGERS: And that date begins on
16 the 12th.

17 MR. FERRARA: The dates begin on the 12th
18 and it finishes up on the -- I think it's the 22nd of
19 July. So there will be 63 racing days.

20 CHAIRMAN ROGERS: You participated in the
21 working groups; is that correct?

22 MR. FERRARA: Yes.

23 CHAIRMAN ROGERS: And during the working
24 groups was the -- was the situation with NASCAR
25 discussed on the opening?

1 MR. FERRARA: Yes, it was, by Lone Star
2 Park, yes.

3 CHAIRMAN ROGERS: And was it considered
4 by the people who were in the working group?

5 MR. FERRARA: The committee -- there was
6 very little discussion about not going with the -- our
7 draft calendar. The only discussion came from Lone
8 Star Park to our committee meetings. There was no --
9 there was no opposition for our draft requested
10 calendar through those committee meetings except for
11 Lone Star Park.

12 CHAIRMAN ROGERS: Okay. And was their
13 position pretty fully aired among the people who were
14 there?

15 MR. FERRARA: Lone Star Park's position?

16 CHAIRMAN ROGERS: Uh-huh.

17 MR. FERRARA: Yes.

18 CHAIRMAN ROGERS: Okay.

19 MR. FERRARA: In the last -- our fourth
20 meeting, I did bring up the overlap; but I thought at
21 that time that Lone Star may open up on a Saturday and
22 it would be only one actual day of overlap.

23 CHAIRMAN ROGERS: Okay. Any questions of
24 Mr. Ferrara before we hear from some industry
25 representatives? Okay.

1 MR. ANGELO: Mr. Chairman, I guess I have
2 one question. The overlap problem with another track
3 is more for horses, not people; is that right? I mean,
4 that's the problem?

5 CHAIRMAN ROGERS: At one time --

6 MR. ANGELO: That the horses aren't
7 available to run at both tracks?

8 CHAIRMAN ROGERS: At one time the
9 question also was jockeys, would they be available.
10 Mr. Johnsen says that is not an issue today. And I
11 think that's one of the things that we would need to
12 have a clear understanding of from -- either from the
13 jockeys or from the horsemen, that they feel like -- or
14 from Sam Houston, that there are plenty of jockeys
15 available because that's also a pretty significant
16 issue that would have to be handled. It may or may not
17 be a problem.

18 Ms. King?

19 MS. KING: Mr. Chairman, I want to point
20 out the rule on overlap, since you all are talking
21 about overlap significantly here, which is in Section
22 303.43 of the rules. And it reads "The Commission may
23 not grant overlapping live race dates for the same
24 breed of horse at Class 1 racetracks unless the
25 overlapping is agreed to in writing by the affected

1 Class 1 racetracks." So that's --

2 CHAIRMAN ROGERS: So if they don't agree
3 to it, we could not issue it that way.

4 Okay. On that, I think we're going to
5 take about a 10-minute break.

6 (Recess from 12:01 p.m. to 12:17 p.m.)

7 CHAIRMAN ROGERS: Okay. If we can come
8 back to order, please.

9 Mr. Hooper?

10 MR. HOOPER: Well, Mr. Chairman, I can
11 see already I have to change my script because I was
12 going to start out good morning, but we'll make it good
13 afternoon.

14 CHAIRMAN ROGERS: I just hope you don't
15 turn it into good night.

16 MR. HOOPER: You may have something to do
17 with that.

18 Anyway, good afternoon. Mr. Chairman,
19 Commissioners, my name is David Hooper and I am the
20 executive director of the Texas Thoroughbred
21 Association.

22 First, I want to express a hearty thank
23 you on behalf of TTA to you, Mr. Chairman, for your
24 leadership in supporting the concept of a 2007 race
25 date working group. I also want to express TTA's

1 appreciation of the time and efforts of Commissioner
2 Adams and Commissioner Sowell who led the discussions
3 of all the race date working group meetings as well as
4 some conference call meetings and also to Commissioner
5 Sturns for the interest he showed in participating in
6 the August working group meeting.

7 Second, there are also special thanks to
8 express to the Commission staff, in particular
9 executive secretary Charla Ann King for her leadership,
10 deputy director Sammy Jackson for the tremendous amount
11 of statistical data that he provided, director of
12 racing John Ferrara for his efforts to seek the
13 positions of all interested parties and keep them
14 aligned, and counsel Mark Fenner for keeping us within
15 legal bounds.

16 Considering the present declining state
17 of the Texas racing industry, developing the proper
18 calendar of racing dates for 2007 and the future has
19 been challenging, thought-provoking, time-consuming,
20 and exhausting as the merits of many different ideas
21 have been weighed.

22 Early on the Texas Thoroughbred
23 Association board of directors established as its first
24 goal to reduce the number of Thoroughbred dates,
25 particularly at Retama Park and Sam Houston Race Park

1 in order to be able to increase the average overnight
2 purse structures so that Texas Class 1 tracks would be
3 more competitive with tracks in the neighboring states
4 of Louisiana, Oklahoma, and New Mexico.

5 TTA's second goal was to support a dates
6 schedule that would help preserve the graded stakes
7 status of all presently graded stakes in Texas.

8 TTA's third goal was to attempt to find a
9 way to reposition the location of the Retama Park
10 Thoroughbred meet on the 2008 dates calendar in
11 January, February, and March, which in turn would
12 reposition the Sam Houston Race Park Thoroughbred meet
13 most likely in September, October, November, and
14 December in 2008.

15 In order to accomplish this, 2007 had to
16 be viewed as a, quote, "transition year," unquote, for
17 racing dates with a schedule significantly different
18 than it has been for several years. We believe such a
19 transition can be accomplished with the revised Texas
20 Racing Commission 2007 racing dates schedule prepared
21 and recommended for your consideration today.

22 Let me state TTA's position on the
23 proposed 2007 calendar for the record. The TTA
24 executive committee met yesterday afternoon and, acting
25 on behalf of the board as it is empowered to do,

1 expressed its support for the transition of dates that
2 would be accomplished with the proposed calendar.

3 However, the executive committee, in
4 considering the conflicting requests of Sam Houston
5 Race Park and Lone Star Park for the first weekend in
6 April, voted to support the request of Lone Star for
7 that weekend, thereby positioning the Grade 3 John
8 B. Connally on March 31st rather than April 7th unless
9 Sam Houston Race Park was willing to enter into an
10 agreement to allow April 7th to be an overlapping
11 Thoroughbred race date with Lone Star Park.

12 And I want to reiterate the motion dealt
13 with only April 7th, only the date of April 7th.

14 CHAIRMAN ROGERS: As an overlap?

15 MR. HOOPER: Yes.

16 CHAIRMAN ROGERS: Okay.

17 MR. HOOPER: In general, no one supports
18 an overlap. However, in this one instance Sam Houston
19 would get a date it has requested and Lone Star would
20 avoid opening on a weekend when the NASCAR races at
21 Texas Motor Speedway dominate the media's attention in
22 the Dallas-Fort Worth metroplex.

23 Consider that Lone Star runs its Saturday
24 program in the afternoon and Sam Houston traditionally
25 races at night. Supply of horses is a concern for

1 both; but as it's been previously stated, if the racing
2 secretaries work together to write races with
3 conditions that did not draw from the same pool of
4 horses, the overlap is possible.

5 Supply of jockeys has also been expressed
6 as a concern. But with Sam Houston offering three
7 stakes races on its April 7th card and frequent flights
8 available from Dallas to Houston, there will be several
9 jockeys who would ride at both places in my view.

10 Mr. Chairman, that concludes my
11 presentation on 2007 dates except I do want to affirm
12 support for the Manor application and the Gillespie
13 application.

14 I have material prepared relative to the
15 benefits that Class 1 tracks will derive beginning in
16 2008 by using the 2007 dates schedule as a transitional
17 year. I can put those in the record now or during the
18 discussion item on 2008 dates at your pleasure.

19 CHAIRMAN ROGERS: I don't believe we're
20 going to have a real firm discussion of 2008; so if you
21 want to say something, now would probably be a good
22 time to do it.

23 MR. HOOPER: Okay. I tried to identify
24 the benefits that I felt would come about from a
25 relocation of Retama's meet in January, February, and

1 March and a repositioning of Sam Houston's meet in 2008
2 in the fall of the year, most likely September,
3 October, and November.

4 And first I'll address Retama. And these
5 are the points that I consider benefits: Number one,
6 excellent winter and early spring weather for
7 Thoroughbred racing. Number two, excellent tourist
8 season months for the San Antonio area.

9 Three, strong simulcast interest in the
10 live product due to fewer tracks operating and strong
11 simulcast business thanks to many Kentucky Derby prep
12 races. Four, increased supply of horses due to slimmer
13 racing schedules in the north and east. I think Bryan
14 has already addressed that in response to one question
15 this morning.

16 Five, a place for horses which can't
17 compete with horses running for 300,000 per day at Fair
18 Grounds and Oaklawn Park. Oaklawn's purse structure is
19 anticipated to be about \$290,000 daily this year and
20 Fair Grounds as high as \$350,000. So the lesser horses
21 are going to be looking for a place to race in January,
22 February, and March. And six, management has always
23 expressed a desire to run early in the year.

24 I tried to find similar benefits or
25 benefits that would accrue to Sam Houston with a fall

1 schedule of September through December rather than
2 their traditional schedule which at times has run from
3 as early as October all the way into the end of March
4 and even into April, fully five and a half months or
5 more -- or five months or more. We're down to where
6 we're late November to the first week of April, but
7 even that is over four months.

8 So number one benefit, it consolidates
9 the Thoroughbred dates within a three-and-a-half-month
10 to four-month time frame rather than five months.
11 Number two, it reduces the direct overlap of
12 Thoroughbred dates with Delta Downs from five months to
13 two months. And that's mainly because Delta can't
14 open, by Louisiana law or rules, until sometime in
15 November; and for several years -- for the last few
16 years when Delta has become a competitor of Sam
17 Houston, they've been running head to head, Sam Houston
18 has, against Delta for the whole Thoroughbred meet and
19 at a considerably different purse structure in the last
20 couple of years.

21 Three, this should preserve the graded
22 stakes status of the John B. Connally which can be
23 relocated on the stakes calendar as a Breeders' Cup
24 prep or follow the Breeders' Cup by four or five weeks
25 at a time when there is no longer any turf racing in

1 the northeast or the midwest. Four, it provides
2 Thoroughbred racing on Breeders' Cup weekend every
3 year. It's already been testified that that's a huge
4 weekend to be able to run live.

5 Five, it preserves the traditional
6 location on the calendar for Texas Champions Day, our
7 major Texas championship racing day. Six, when
8 Louisiana Downs closes in early October, it provides an
9 added supply of horses because Louisiana Downs has now
10 gone to a Quarter Horse meet opening in October and
11 therefore doesn't run Thoroughbreds at that time.

12 Seven, it retains the December dates
13 when, you've heard before, group sales and Christmas
14 party business booms. Eight, it eliminates racing in
15 January and February when business has been
16 traditionally poor as you've heard from testimony from
17 Bob Bork in the past and other representatives of Sam
18 Houston.

19 As for Lone Star Park, certainly there
20 are at least two benefits. There would be no more
21 squabble over the first weekend in April. Second, it
22 would appear it would assure at least 60 days of major
23 Thoroughbred racing in Texas. And that's to the great
24 benefit of owners, breeders, stallion owners, and
25 horsemen who can race at Lone Star Park.

1 I'd be happy to try and answer any
2 questions.

3 CHAIRMAN ROGERS: Let me be sure I
4 understand something here. You are -- as the Texas
5 Thoroughbred Association, you are supporting the
6 transition -- that's what we'll call it -- of Retama,
7 which would be the 12 days and transferring those to
8 Houston. You would be supportive of that.

9 MR. HOOPER: Yes, definitely.

10 CHAIRMAN ROGERS: Okay. Any questions,
11 Commissioners?

12 Okay. Thank you.

13 MR. HOOPER: Thank you.

14 CHAIRMAN ROGERS: Mr. Werstler?

15 MR. WERSTLER: Good afternoon,
16 Commissioners. My name is Rob Werstler, executive
17 director of the Texas Quarter Horse Association.

18 First, I'd like to thank Bryan Brown for
19 actually mentioning his Quarter Horse race dates. I
20 think if you check the record, neither Sam Houston nor
21 Lone Star Park ever mentioned what they want to do with
22 their Quarter Horse race dates in 2007.

23 The Texas Quarter Horse Association
24 supports status quo for 2006. We can ill afford losing
25 six race days. It basically calculates to 60 races,

1 which is approximately 600 horses will not have a
2 chance to run or will have one less opportunity to race
3 in Texas in 2007. So we support the status quo at
4 2006.

5 Retama Park has mentioned that they have
6 a grand scheme to help the Thoroughbred purses. And I
7 think I -- I congratulate them for thinking outside the
8 box. The only thing they can come up with for us is to
9 drop three days to maintain purses. I don't know. I
10 didn't hear why Sam Houston wants to drop three
11 purses -- three race days. I imagine it's the same
12 reason.

13 But I heard some interesting dialogue
14 with Lone Star Park, one thing I'd like to point out.
15 Commissioner Sturns, you talked about NASCAR when they
16 were discussing it and you stated that it's the biggest
17 event in the Dallas-Fort Worth area at that time. Also
18 Mr. Johnsen stated that a strong opening is just
19 absolutely necessary for a successful meet.

20 Well, their 2006 Quarter Horse meet opens
21 next weekend. Anybody guess what they're opening
22 against? That's the Texas Longhorn-OU Sooner football
23 game, the Red River Shootout. Can you think of a
24 bigger -- anything bigger in Texas as a sporting
25 event? Certainly not NASCAR. I mean, this is

1 definitely the biggest event in Dallas at this time.
2 But they've moved their meet on to the -- into October
3 without thinking about it.

4 So anyway, I'm here today to ask you to
5 keep it status quo to 2006 and not drop us any race
6 dates.

7 CHAIRMAN ROGERS: I have one question for
8 you.

9 MR. WERSTLER: Yes, sir.

10 CHAIRMAN ROGERS: So philosophically,
11 given the choice between more opportunities to race or
12 racing for larger purses, you would choose the more
13 opportunities to race?

14 MR. WERSTLER: Well, it's a tough
15 question. At this time probably not. But, you know,
16 it probably depends on what the discussion is. We feel
17 that we should be getting -- and that discussion is
18 coming -- a larger percentage that would allow us to
19 keep the 24 race days, would allow us to keep the 38
20 days at Sam Houston.

21 CHAIRMAN ROGERS: But if the option
22 were -- because we're not quite there yet. If the
23 option were you have reduced purses or reduced days, if
24 that were the option, which one of those is preferable
25 to your group?

1 MR. WERSTLER: Well, you know, I don't
2 want to answer the question --

3 CHAIRMAN ROGERS: I don't want to ask
4 it.

5 MR. WERSTLER: I wish I had listened more
6 to Corey when I was working for him.

7 You know, we probably -- we probably
8 haven't discussed that enough. We feel that 21 race
9 dates at a Class 1 racetrack is below what it should be
10 for a Class 1 racetrack. But it's very important to
11 keep the purses at a certain level and it's very
12 important to keep the race dates at a certain level.

13 Understanding the economics, just to move
14 in there for a 21-day race meet is very, very
15 difficult. It costs those guys several thousand
16 dollars to set up their stables. So to ask them to
17 come for 21 days, unless the purses are very good, it's
18 going to be difficult.

19 Now, if you ask them to come for 24 and
20 raise the purses to over 50,000 a day, raise the purses
21 to where they can be competitive, then I would say 21
22 days is fine. But really and truthfully, 21 days at
23 \$40,000 a day, it's going to be very difficult for them
24 to have a race meet.

25 CHAIRMAN ROGERS: Any questions?

1 MR. WERSTLER: Thank you.

2 COMMISSIONER BOYD: I think I do have
3 one, Rob. Even considering this transitional schedule
4 going into 2008, you're still going to stand by --

5 MR. WERSTLER: Well, we haven't even --
6 we haven't been a part of those discussions, any kind
7 of transition, moving into 2008.

8 COMMISSIONER BOYD: Is that by your
9 choice?

10 MR. WERSTLER: No. We've never been
11 invited to any of those discussions.

12 COMMISSIONER BOYD: Thank you.

13 CHAIRMAN ROGERS: Ms. King?

14 MS. KING: I just want to make a
15 clarification on that. The 2007-2008 discussion was
16 really led by Thoroughbreds because of the issues that
17 they raised and their organizations took that up and we
18 were responsive to that. We have heard informally that
19 the Quarter Horses have been talking about that all
20 along people are still kind of looking forward but we
21 haven't had any sit-down discussions yet with the
22 Quarter Horses. And I know Rob and I have talked about
23 potential ideas. And so everybody is looking for that
24 as the next step.

25 COMMISSIONER BOYD: Thank you.

1 CHAIRMAN ROGERS: Mr. Jordan?

2 MR. JORDAN: Good afternoon,
3 Commissioners. My name is Tooter Jordan. I represent
4 the Texas HBPA.

5 On behalf of the Texas HBPA directors, we
6 had a meeting last week and we are -- we are in support
7 of the staff recommendation for the 2007 Quarter Horse
8 dates with one exception. We're really concerned about
9 the fact that there is a 25-day lapse between the
10 ending of Sam Houston's Quarter Horse meet and the
11 beginning of Lone Star's Quarter Horse meet, which is a
12 very tough thing for the horsemen. I mean, we need
13 some support or something and at least some guarantee
14 that there is going to be a place for these guys to go
15 at the end of this Sam Houston meet.

16 In the past Sam Houston has asked us to
17 get off the racetrack five days after the meet
18 started. This year we had a little problem. Drew,
19 with Lone Star, was very good about letting us on a
20 little bit early. But we don't want to see that happen
21 against next year, so there needs to be some discussion
22 or something at least on record stating that we perhaps
23 could have a spot to go.

24 Maybe -- what I would like to see, just
25 from my own looking at it, would be I'd like to see --

1 I'd like to see Sam Houston stay open at least the 14
2 days that they should be required by by lockdown and
3 that would put them staying open until September the
4 22nd and maybe Lone Star Park agreeing to open up as
5 early as September the 17th to allow some transition
6 between the guys having a place to be during that
7 25-day lapse.

8 COMMISSIONER BOYD: So you're not saying
9 for racing. You're just saying for --

10 MR. JORDAN: Yes, ma'am. Yes, ma'am.

11 CHAIRMAN ROGERS: Ms. King, is that
12 anything we even can address? I mean, I understand
13 it's a concern and it is something that needs to be
14 handled. It's not an agenda item here. But is this
15 something that just needs to be worked out among the
16 tracks?

17 MS. KING: I'm going to ask John to
18 respond.

19 MR. FERRARA: This came up last year, the
20 same discussion; and last year Jeff Greco and Bob Bork
21 agreed to work it out so that a backside would be open
22 and available to the Quarter Horse people.

23 I just want to bring out that this year,
24 unless the information I got yesterday was incorrect,
25 they opened up the backside the 11th of September and

1 they don't open until next Friday. So Lone Star opened
2 up, I believe, to make sure they had enough Quarter
3 Horses and I think they opened up maybe to attract some
4 of the New Mexico Quarter Horses.

5 I don't think there will be a problem
6 because of how early Lone Star opens; and last year
7 when we asked them to work together, both associations
8 did.

9 MS. KING: The Commission asked them to
10 work together?

11 MR. FERRARA: Yes. It was brought up at
12 the Commission meeting and Bob Bork got up and said
13 that they would work it out. And they did. And again,
14 Tooter, correct me or not; but there was no time this
15 year that the backside was not open between Sam Houston
16 and Lone Star.

17 MR. JORDAN: No, there wasn't. No, there
18 wasn't. Everything was really good this year. I would
19 just like to have it on record because we are looking
20 at a 25-day lapse for next year.

21 CHAIRMAN ROGERS: Ms. McGovern,
22 Mr. Johnsen, you don't see any problem with that, do
23 you? I'd sure ask you to be sure that that is worked
24 out.

25 Okay. Thank you.

1 Mr. Blanton?

2 MR. BLANTON: Commissioners and Chairman,
3 my name is Terry Blanton. I represent the Texas HBPA,
4 the Thoroughbred side of it.

5 And I'd also -- Chairman, before we get
6 started, I'd like to notify Rob that about four days
7 ago I was at Home Depot and that I give out four free
8 passes to their Quarter Horse opening on October 6th.
9 Okay, Rob?

10 We would like to -- our board meeting, we
11 met yesterday or day before yesterday; and we were in
12 complete agreement with the testify of what Dave Hooper
13 came up with on transitional dates in '07. The only
14 one exception that we are not in agreement with the
15 Texas Thoroughbred Association is that we back the
16 application for Sam Houston to continue with their date
17 in the first weekend of April. So that's the one
18 exception that we had, and we had a unanimous vote on
19 that. And my -- I'm sorry.

20 CHAIRMAN ROGERS: So let me be clear.
21 You are saying that as the Texas Horsemen's
22 Partnership, you are agreeing or in support of the
23 transitional idea of Lone Star -- I mean, of Retama
24 taking 12 days and transferring those and you are in
25 support of that?

1 MR. BLANTON: We are in support of that
2 and we are in support of Retama transferring 500,000 of
3 their purse money to Sam Houston. And Sam Houston has
4 made a commitment that they will add an additional
5 500,000 to that to make that a whole 12-day transition
6 in '07. And that's the primary reason -- since it is a
7 transitional period, that is the primary reason that
8 along with supporting the Connally, a graded event,
9 that we support Sam Houston's request for the opening
10 weekend along with staff recommendations.

11 CHAIRMAN ROGERS: Okay. Is -- okay. So
12 you are supportive in this case of Sam Houston's
13 recommendation.

14 MR. BLANTON: That is correct. It's kind
15 of -- it's really a tough decision. There was a lot of
16 discussion on it. It's like picking your favorite
17 daughter. But that's the reasons we, as a board,
18 supported the Sam Houston request.

19 CHAIRMAN ROGERS: So Sam Houston is your
20 favorite daughter in this case?

21 MR. BLANTON: Well, yes, it is. I'm
22 sitting next to Corey and I live in Grand Prairie. Is
23 that kind of suicidal?

24 CHAIRMAN ROGERS: I understand that. I
25 was watching you.

1 MR. BLANTON: Corey has already stepped
2 on my shoes twice.

3 CHAIRMAN ROGERS: Any questions for
4 Mr. Blanton?

5 Thank you.

6 MR. BLANTON: Thank you.

7 CHAIRMAN ROGERS: Okay. Does Mr. Moore
8 wish to testify?

9 MR. MOORE: My name is Carl Moore and I'm
10 vice-president and a board member of the Texas
11 Thoroughbred HBPA. And I just wanted to report on what
12 Terry had to say.

13 In our discussions the one thing the
14 board is looking forward to is we're looking at the big
15 picture. We're looking at the overall future. And we
16 felt like 2007 is definitely a transition year and we
17 do fully support -- it was a unanimous decision
18 supporting Retama giving the 12 days and the \$500,000
19 to Houston and in that Sam Houston is willing to take
20 those 12 days and open up and give opportunity, if you
21 will, for people to run there next year four days and
22 in that we feel like there was give and take.

23 So that's why we kind of -- if you will,
24 we sided with Houston to get those dates on the first
25 of April or the first weekend of April because

1 everybody is kind of give and taking. And I just want
2 you to know that the big picture to us is we're looking
3 forward to 2008 where Retama will be running the
4 spring, January, February, and March. Then you have
5 Lone Star and you have Houston in the fall. We feel
6 like that's for the better of all horsemen and with a
7 unanimous decision in doing so.

8 So we encourage you to support that. And
9 the key thing is here, we're looking for a better
10 racing community for all; and we feel like in making
11 that transition, if you will, to 2008 to get those
12 tracks in that order, we feel like that's better for
13 all and we feel like it would help our purses and the
14 racing community.

15 That's all I've got to say. Any
16 questions?

17 CHAIRMAN ROGERS: Any questions? Okay.

18 Is there anyone else from this group that
19 would like to speak on this subject?

20 Ms. McGovern?

21 MS. MCGOVERN: Hi. I just had a few -- I
22 just had a few follow-up comments.

23 I kind of got excited there for a second
24 when John mentioned the one-day overlap. That actually
25 might be something that we could work on. An overlap

1 of the Thursday, Friday, and Saturday, though, I just
2 don't think that we'd be able to make that work.

3 I disagree with Corey. I do agree when
4 he says that racing has changed and there are a lot
5 more larger stables. And those large stables don't
6 mind splitting the horses. I do agree with that. But
7 we're dealing with horsemen that have much smaller
8 stables and it's a huge inconvenience to ask them to do
9 that. And they don't. They are going to stay, in my
10 experience, where the purses are larger and finish that
11 meet before they come to us.

12 So an overlap longer than that one day
13 would definitely be something that we would struggle
14 with. But if there is a way to work out a one-day
15 overlap, we would love to talk about that.

16 Corey also talked a little bit about the
17 impact that NASCAR has had on Lone Star's attendance.
18 And I've seen those numbers and it does indicate a
19 large impact, but I think the numbers that should also
20 be looked at are handle.

21 The 2005 year, when NASCAR was running, I
22 believe the Lone Star numbers for handle were actually
23 a little higher than the 2006 year that we're comparing
24 to in attendance. And that might be something that we
25 should discuss a little further when you're talking

1 about the impact of NASCAR on the Lone Star meet.

2 We are fully aware of what a big event
3 can do to a racetrack and how hard it is to market
4 against it. In Dallas, you have to live there to
5 understand how big the NASCAR racing is. Well, in
6 Houston, you have to live there to understand how big
7 the rodeo is. And we run against that every year. We
8 also run against pro football every year. So there are
9 marketing challenges to running against large events,
10 but it can be done.

11 It can be done also if your marketing
12 budget isn't reduced. I'm fairly certain -- and,
13 Corey, I'm not putting words in your mouth. But the
14 2005 marketing budget for Lone Star was reduced
15 significantly that year and that may have had an impact
16 on what marketing was available and that may have
17 affected those attendance numbers. So I would just ask
18 you to consider that.

19 I also want to take this opportunity to
20 apologize to Rob. I fully intended to talk about your
21 Quarter Horse meet. We got caught up in the overlap
22 and I forgot. But we love your meet. We can't wait to
23 start it again. I apologize for missing you.

24 Any questions?

25 CHAIRMAN ROGERS: Commissioner

1 Rutherford?

2 VICE-CHAIRMAN RUTHERFORD: Sam Houston
3 now, that -- the contested weekend, is going to run
4 Thursday, Friday, and Saturday and not Sunday, right?

5 MS. McGOVERN: That's correct. We were
6 planning on closing on Saturday.

7 VICE-CHAIRMAN RUTHERFORD: What if Lone
8 Star ran Friday, Saturday, and Sunday and then added
9 another day -- I'm going to ask Mr. Johnsen, too --
10 before NASCAR started and ran a day on Wednesday the
11 next week? That would get you four days. Would that
12 be any kind of -- that way you'd have a two-day
13 overlap.

14 MS. McGOVERN: Obviously a two-day
15 overlap is better than a three- or four-day overlap.
16 Any overlap is something that we are not going to
17 welcome.

18 VICE-CHAIRMAN RUTHERFORD: Could
19 something like that be worked out? You don't have to
20 run on a Wednesday, but you might want to run on that
21 Wednesday before the NASCAR weekend to get going and
22 keep your momentum going from the weekend.

23 MR. JOHNSEN: Do you want me to comment?
24 Do you want me to come up?

25 VICE-CHAIRMAN RUTHERFORD: I'd like for

1 both of you all to comment on that. I mean, on yours.

2 MS. McGOVERN: As I said, we're
3 uncomfortable with any overlap at all. We think we
4 could make a one-day overlap work. Anything further
5 than that, I think that we'd be stretching ourselves.

6 CHAIRMAN ROGERS: Ms. McGovern?

7 MS. McGOVERN: Yes, sir.

8 CHAIRMAN ROGERS: I need to ask you one
9 question because there's been continual reference to
10 your agreement to take the Retama days and half a
11 million dollars and so forth.

12 MS. McGOVERN: Sure.

13 CHAIRMAN ROGERS: Is that agreement in
14 any way contingent upon how this race date comes out
15 this week?

16 MS. McGOVERN: Not from our standpoint.

17 COMMISSIONER CARTER: Could I ask one
18 question of her before she leaves and before we get
19 onto the split again?

20 CHAIRMAN ROGERS: Certainly.

21 COMMISSIONER CARTER: How would you
22 envision the overlap be structured if we overlap these
23 dates? I assume you'd rather have an overlap than move
24 the race. If you had your preference, which would you
25 choose?

1 MS. McGOVERN: If we had our preference,
2 if there is an overlap more than one day, we would move
3 the race. We would back up to March 31st. It would
4 be, in our opinion, the lesser of two evils. Neither
5 one is what we want, but that would be the lesser of
6 two evils.

7 COMMISSIONER CARTER: Okay. One more
8 question.

9 MS. McGOVERN: Sure.

10 COMMISSIONER CARTER: The reduction in
11 Quarter Horse days --

12 MS. McGOVERN: Yes, sir.

13 COMMISSIONER CARTER: -- is because --

14 MS. McGOVERN: Rob was correct, to
15 maintain the current purse levels.

16 COMMISSIONER CARTER: Okay.

17 MR. JOHNSEN: Corey Johnsen with Lone
18 Star Park.

19 Mr. Chairman, could I address the Quarter
20 Horse thing first?

21 CHAIRMAN ROGERS: Sure. I really think
22 you should.

23 MR. JOHNSEN: And I apologize.

24 COMMISSIONER SOWELL: You need to.

25 MR. JOHNSEN: I shouldn't use the word

1 "thing". The Quarter Horse season. I'm sorry. And
2 we do endorse the staff's recommendation. And we are
3 happy to assist in the stabling issue. I think Rob
4 kind of took a little sarcastic -- Rob has a sarcastic
5 sense of humor, for those of you who don't know that.

6 But I just -- I feel like that the
7 Quarter Horse meet, we've tried to open on Thursdays in
8 the past and get publicity. It just hasn't worked.
9 That's why we went to the Friday. And there are so
10 many issues that involve that in terms of scheduling
11 futurities and trials that that's one of the main
12 reasons we're opening on October 6th.

13 Concerning the overlap, I want to stress
14 this. Drew Shubeck and I are here. We have the
15 authority to negotiate with Sam Houston on an overlap.
16 We're glad to do that.

17 I would tell you that racing the next
18 Wednesday I would have some concern about just because
19 it would go against the continuity of our schedule
20 we're trying to build. And the only time we really go
21 against our continuity is on those holiday weekends of
22 Memorial Day and the July 4th holiday.

23 We're still very concerned about the
24 NASCAR. As a matter of fact, there was a gentleman in
25 the audience from Fort Worth; and his comment was that

1 "You're right. They could be taking off their clothes
2 in the street and the media would still cover NASCAR."
3 And you've just got to go there to believe it. Also
4 our lobbyist, Galt Graydon, is a big NASCAR fan and he
5 can tell you that there's hundreds of suites that are
6 full that weekend.

7 I do want to -- I feel it's important to
8 comment on the Texas Horsemen's Partnership situation
9 because I want you to understand that I do not like to
10 bring controversy to this group. But as of mid last
11 week, the Texas Horsemen's Partnership had a conference
12 call and they voted unanimously to recommend our April
13 5th opening. I don't know what's transpired in the
14 last week. And I respect the fact they have to do what
15 they have to do. But for -- maybe it's part of a
16 bigger deal. I don't know.

17 But I've found -- I didn't want to bring
18 anything to your attention unless I had the Texas
19 Horsemen's Partnership and the Texas Thoroughbred
20 Association endorsement. And somehow we lost that.

21 Let me tell you what happens is that one
22 of the things we're not looking at, in my opinion, is
23 the profitability of Lone Star Park. Terry Blanton and
24 I have had discussions. We've got to do a hundred
25 thousand dollars plus in capital improvements in our

1 barn area and maybe more than that in maintenance.
2 Well, how do you pay for that? You pay for it out of
3 your profitability. And if you're reduced four race
4 days, that's a major deal.

5 We want to be good neighbors. We want to
6 be good partners in the industry. We want to make sure
7 that our training center -- we're open for a training
8 center. That's a hundred thousand dollars right
9 there. We're willing to do those things, but somewhere
10 along the line the profitability of Lone Star Park has
11 to be taken into account.

12 And I would suggest to Mr. Moore and
13 Mr. Blanton that when we talk about give and take, the
14 fact that Sam Houston is going to get 10 to 12 race
15 dates if this thing goes through, provided some purse
16 money, have Breeders' Cup to race on, that's going to
17 be very profitable for that entity.

18 So if there's give and take, I don't
19 understand -- I see not much give to Lone Star Park.

20 COMMISSIONER SOWELL: Mr. Chairman?

21 CHAIRMAN ROGERS: Yes.

22 COMMISSIONER SOWELL: Mr. Johnsen, I'm
23 still curious about the NASCAR thing. And for one
24 thing, I think after a number of years of operation,
25 you have brought to our attention one year, that is,

1 2005. Were there other years where you had the same
2 result? And if so, why have you not brought those to
3 our attention?

4 MR. JOHNSEN: There were other years that
5 we went up against NASCAR, but we had a very successful
6 music concert promotion and we were able to do fine
7 that week. I mean, it was Willie Nelson. It was the
8 first year. We hit it out of the park. But it just
9 didn't work the next years.

10 COMMISSIONER SOWELL: If you can get
11 Willie to clean his bus up, maybe you can have him back
12 there.

13 MR. JOHNSEN: Willie played -- and I
14 think I'm correct. I don't want to misstate this.
15 Willie played in 2005. It just -- we got it that one
16 first year and -- and he may not have played in 2005.
17 But he's played there a number of times. Every year
18 the interest drops off. So we did get lucky that one
19 year.

20 COMMISSIONER SOWELL: Another question in
21 that regard. Ms. McGovern mentioned a minute ago that
22 there was a curtailment of your advertising --
23 marketing budget, I think is what she said, in 2005.
24 Can you tell us about that?

25 MR. JOHNSEN: Yes. Our marketing budget

1 decreased from '04 to '05. That's somewhat
2 understandable because you had Breeders' Cup in '04.
3 We were trying to promote a very unique situation in
4 the fall. And we did have our marketing budget reduced
5 in '05.

6 COMMISSIONER SOWELL: To what extent?
7 Can you tell us that?

8 MR. JOHNSEN: There's so many different
9 ways to look at that. That week, that opening week,
10 very minimum. Overall for the season, about 30
11 percent. But that opening week we hit it as hard as we
12 could. Just nobody listened. I mean, that's --

13 COMMISSIONER SOWELL: Now, what type of
14 marketing are we talking about here? Is that
15 advertising? Is it something other than that? Is it
16 promotional activity? What all is included in that
17 marketing that was curtailed?

18 MR. JOHNSEN: Advertising, promotions,
19 direct sales efforts, direct mail. I mean, they're
20 all -- there's kind of a mix of advertising. It could
21 be incentives for your big players. And today, to the
22 best of my memory, I'd say it was fairly across the
23 board. But I want to reiterate that opening week, you
24 know, we've learned our lesson. We hit it as hard as
25 we could.

1 COMMISSIONER SOWELL: Marketing is one of
2 the many things that I know nothing about; but it would
3 seem to me that if you took a 29 percent hit on the
4 opening that rather than curtail it, you would have
5 piled on a little more wood on the fire in an attempt
6 to overcome that if you had some notion that it was
7 going to impact the entire season. What are your
8 thoughts about that?

9 MR. JOHNSEN: I mean, so let me just make
10 sure I understand the question. You're suggesting that
11 when we saw that we opened slow that we should have had
12 more advertising to play catch up.

13 COMMISSIONER SOWELL: I'm not suggesting
14 that you should have. I'm just asking why you didn't.

15 MR. JOHNSEN: That's your question,
16 though, right?

17 COMMISSIONER SOWELL: Uh-huh.

18 MR. JOHNSEN: I would tell you that when
19 you're part of any business, you have a budget; and
20 especially when you are part of a large corporation,
21 you are not quite as flexible as if it was
22 Sowell-Johnsen Park and we had a lot of cash flow
23 sitting there or we had other resources.

24 There are a lot of advantages to dealing
25 with a large corporation like Magna and it's things

1 like working with Remington Park on scheduling, things
2 like having corporate resources to help us in a lot of
3 other ways. But I would tell you that you lose some
4 flexibility than when you're a partnership or a sole
5 proprietorship.

6 COMMISSIONER SOWELL: I can certainly
7 understand that, but I guess my question would be: You
8 had a budget going in --

9 MR. JOHNSEN: Yes.

10 COMMISSIONER SOWELL: -- that you changed
11 after that first weekend. Is that what happened?

12 MR. JOHNSEN: No, no, no, no. It was a
13 budget that was reduced from the previous year for a
14 number of reasons. Number one, you didn't have the
15 Breeders' Cup to promote. I mean, there was a lot that
16 we had to -- well, there was a lot different in 2004.
17 We had a fall Thoroughbred meeting. We had never had
18 one before. So it was a little bit different
19 situation. So you're correct. We did reduce our
20 budget over 30 percent, but we made that decision in
21 advance.

22 COMMISSIONER SOWELL: Even knowing that
23 looming on the horizon was NASCAR, the great 800-pound
24 gorilla?

25 MR. JOHNSEN: But sometimes,

1 Commissioner, if you have a business and you're looking
2 at -- you project that you're going to be down in your
3 revenues, you have to take a look at that. You have to
4 take a hard look at that in your marketing budget as
5 well. Yes, as I said, we hit it as hard as we could
6 opening week because we had success back in 2002 doing
7 that; but for the rest of the meet, we made that
8 decision on the 30 percent, you know, or whatever it
9 was in February.

10 COMMISSIONER SOWELL: If you had it to do
11 over again, what would you do?

12 MR. JOHNSEN: Well, if it was Johnsen
13 Park and it was my business and I had cash flow, I
14 would probably have hit it with a few hundred thousand
15 more and try to get that momentum back. It's very
16 difficult to do. But if it was my business and I had
17 the money, that's what I would probably have done.

18 COMMISSIONER SOWELL: Was it that you
19 were unsuccessful in convincing management of that
20 approach?

21 MR. JOHNSEN: I don't know if there was
22 much convincing to do. I mean, we had our budget and
23 we lived by it. It wasn't Johnsen Park, so --

24 COMMISSIONER SOWELL: But you're on the
25 firing line. You're the guy that's going to have to

1 answer for performance or lack of it.

2 MR. JOHNSEN: Yeah, but I -- but if it
3 was my money, I'd be more likely to risk it, knowing
4 that I may not get a return. It's much more difficult
5 for me to go to a corporate group and say, you know,
6 I'm going to put my neck on the line here. I mean,
7 it's just a very different situation.

8 COMMISSIONER SOWELL: Thank you.

9 MR. JOHNSEN: Yes, sir?

10 VICE-CHAIRMAN RUTHERFORD: Mr. Johnsen,
11 how much do you think by opening during NASCAR total
12 purses to the horsemen will be lost for the year? Have
13 you all figured that?

14 MR. JOHNSEN: Yes. There were two parts,
15 Mike. We have a number of 468,000, and that is 180,000
16 for an average week because we would lose four days.
17 We would not be inclined to put them on the end or add
18 Wednesdays for all the reasons we've talked. And then
19 I'm projecting a 10 percent decrease in handle on our
20 live product and that would be the rest. So that's
21 where the 468,000 comes from.

22 VICE-CHAIRMAN RUTHERFORD: So the
23 horsemen of Texas -- so what does the horsemen's
24 partnership say to that?

25 MR. JOHNSEN: Look, I -- well, I mean,

1 you can ask them.

2 VICE-CHAIRMAN RUTHERFORD: That's a lot
3 of money to lose to the horses.

4 CHAIRMAN ROGERS: But, Mr. Johnsen, just
5 a few minutes ago when we were discussing this out
6 here, I thought that you said that you would not want
7 to lose those days regardless; even if it meant putting
8 them on the end, that 67 days was very important to
9 you. And that's really -- I mean, I don't know if you
10 count those days twice. Are you saying now that you
11 would prefer -- if you didn't get that week, you'd
12 prefer to cut your deal by the four days?

13 MR. JOHNSEN: I'll tell you. To further
14 elaborate on the conversation we had, I would prefer to
15 have the opportunity to run those four days rather than
16 get shut out of them. And I would ask this question of
17 Mark and Charla Ann, that it seems the history with the
18 Commission is it's much more difficult to come in and
19 add days to a race date schedule; whereas, if you were
20 to give us a certain amount of days and we come back to
21 you after our analysis and dealing with the horsemen, I
22 mean, you would bring them in and we say, you know, I
23 think that it's really -- we're really better off at
24 63. Well, it's going to be easier to cut it back. And
25 so that's where I was going in our discussion. I don't

1 want to do those days in the end of July. We have
2 experience with them and we do very poorly with them.

3 CHAIRMAN ROGERS: Okay. I just wanted
4 some clarity so that we've got all the facts when we're
5 making a decision.

6 Yes?

7 COMMISSIONER BOYD: I've got a question.
8 Corey, I want to ask you to repeat something right
9 quick. You said that for the Quarter Horses starting
10 on a Thursday is not good history for you?

11 MR. JOHNSEN: Correct. Yes. We tried
12 that --

13 COMMISSIONER BOYD: But it's different
14 starting on a Thursday with Thoroughbreds?

15 MR. JOHNSEN: Yes.

16 COMMISSIONER BOYD: I need to understand
17 that.

18 MR. JOHNSEN: It's the popularity of the
19 product. And there's two things. It's the popularity
20 of the product and it's the time of the year in
21 Dallas-Fort Worth. And we tried it for a number of
22 years. And I'd look to Rob. Five years, Rob? Three
23 or -- I mean, at least five years we started on a
24 Thursday? Probably. And we just -- and we tried to
25 get publicity and we tried to get a good turnout and,

1 you know, it's just a little different product. And
2 there are some like Rob who think maybe we don't do a
3 good job in marketing that product, and I respect
4 that.

5 COMMISSIONER BOYD: Maybe you don't have
6 any marketing budget -- advertising budget left in
7 October? Is that what you're saying?

8 MR. JOHNSEN: Well, I mean, there is --
9 well, okay. We're going to talk about our business.
10 And I appreciate the question.

11 When we started with our Quarter Horse
12 meet, we had the same budget in the fall as we did the
13 spring, virtually the same. And as a business, when we
14 did not see a return on investment -- and I'm not going
15 to say it was because of Quarter Horses or maybe it was
16 because of the fall in Dallas-Fort Worth. I don't
17 know. But we did not get a return on investment on
18 that budget. So we cut it back. Okay? And so, yes,
19 you're correct. There is not the same budget on
20 opening week of the Quarter Horses as there is the
21 Thoroughbred based on our past experience.

22 CHAIRMAN ROGERS: I would like at this
23 point -- thank you.

24 I'd like at this point to hear from the
25 guys who were on the working group and just kind of

1 give us your nickel's worth, if you don't mind.

2 COMMISSIONER ADAMS: If I could,
3 Mr. Chairman, I'd like -- if I could, Mr. Chairman, I'd
4 like to just address one thing concerning the numbers
5 we were just talking about and Mike's question about a
6 468,000-dollar loss to the horsemen. And are you
7 testifying that that would be in excess of the money
8 that would be paid to the horsemen were they -- to the
9 horsemen who were operating at the Houston track? In
10 other words, what I'm saying, we don't have an
11 either/or -- I mean, we have an either/or situation
12 here. So the horsemen in Texas, as Mike is seeing it,
13 are not going to be out -- the majority of that 468,000
14 is from the four-day loss at Lone Star.

15 MR. JOHNSEN: Not a majority. It's 180
16 of the 468. A majority is from my belief and my
17 projection that we'll be down 10 percent in our live
18 product.

19 COMMISSIONER ADAMS: So the 180 is from
20 the four days.

21 MR. JOHNSEN: Yes.

22 COMMISSIONER ADAMS: The remaining of the
23 468 is from the 10 percent in your estimation.

24 MR. JOHNSEN: That's correct.

25 COMMISSIONER ADAMS: And if you do not

1 run the four days, then Sam Houston will run the four
2 days with their stakes, with their Grade 3 stakes, and
3 those dollars would be -- there would be a recouping of
4 those \$180,000 at that location, would there not?

5 CHAIRMAN ROGERS: I don't think so
6 because they're not asking for more days. There aren't
7 additional days involved, I don't think.

8 MR. JOHNSEN: If I can, we took
9 averages. We didn't take our best week. Remember when
10 I gave you that 180,000? And so I think Ann could
11 probably tell us on an average day what do they
12 generate for purses and you multiply it times three.

13 MS. McGOVERN: I'm going to go ahead and
14 defer to Mike Vitek for a moment if you'd like some
15 additional explanation on handle and what might be
16 generated with all four days.

17 MR. JOHNSEN: It's three days.

18 COMMISSIONER ADAMS: That's fine,
19 Mr. Chairman.

20 MR. VITEK: I believe, Commissioner
21 Adams, your statements are -- excuse me. Mike Vitek,
22 vice-president of finance for Sam Houston Race Park.

23 COMMISSIONER CARTER: Speak into the
24 mike, please.

25 MR. VITEK: Mike Vitek, vice-president of

1 finance for Sam Houston Race Park.

2 I believe that your assessment is
3 correct, that those days -- if they were cut off of our
4 schedule and replaced at Lone Star, those three days or
5 that 180,000 or roughly some number near to that would
6 be replaced by leaving them on the calendar for us.

7 COMMISSIONER ADAMS: It would be a wash.

8 MR. VITEK: Yes.

9 MR. JOHNSEN: No. Let's talk about it
10 because let's get this right. What do you guys produce
11 in a day of live racing on average for Thoroughbreds?

12 MR. VITEK: \$30,000.

13 MR. JOHNSEN: So times three days, it
14 would be 90,000. So there would be a 90,000-dollar
15 difference. We produce a hundred -- we would produce
16 180 over the four days. They would produce 90 over --
17 and I'm talking about an average four days. They would
18 produce 90 over three days. And I want to make sure
19 I'm -- because that's what I thought it would be
20 approximately.

21 COMMISSIONER ADAMS: I understand that.
22 But if we were -- as a Commission, were going to make a
23 decision based on who's going to produce the most money
24 for the horsemen, you'd be running 365 days a year.
25 You know, none of the other tracks would need to even

1 open. We'd just run everything at Lone Star. So that
2 doesn't hold water with me. That's the point I want to
3 make.

4 VICE-CHAIRMAN RUTHERFORD: That's really
5 not right because you can't -- the market won't stand
6 but so many days a year. So that's not right.

7 COMMISSIONER ADAMS: I know that.

8 CHAIRMAN ROGERS: Okay. Thank you guys.
9 I would like to hear from you all, if you don't mind.

10 COMMISSIONER SOWELL: I'll offer a
11 comment, Mr. Chairman, that --

12 CHAIRMAN ROGERS: If you have any
13 comment. If you don't --

14 COMMISSIONER SOWELL: I do. I do. And
15 it is pretty simple. And that is, we had not nearly
16 the information on this topic in the working group that
17 we've had here today. There's been a lot of
18 information laid out that we were not privy to. At
19 least I certainly wasn't.

20 And my personal view -- I haven't
21 discussed it with anyone else. My personal view was
22 that the answer to the problem was on the horizon
23 because all of us viewed and I think everybody in the
24 working group was pretty much of the opinion -- at
25 least this was my impression -- that 2007 will be a

1 transitional year and it's the last of the present
2 breed. Come 2008, it's probably going to be
3 dramatically different. And in that differential will
4 be included the conflict between Lone Star and Sam
5 Houston about those first few days in April.

6 And so my view was that that one is going
7 to go away pretty soon. And my inclination was -- and
8 I thought there was sort of an unspoken atmosphere of,
9 well, let's let Sam Houston wind up this current era --
10 not error, but e-r-a, this current era -- with leaving
11 the Connally where it was last year because in 2008 the
12 whole thing is going to be changed, including the
13 Connally and everything related to it.

14 So as I say, this is a totally different
15 situation based on the additional information we've
16 heard today. Now, Mr. Adams may disagree with me; but
17 that was my perception.

18 COMMISSIONER ADAMS: No, I don't disagree
19 at all, Sonny. As a matter of fact, we spent numerous
20 hours, some of us hundreds of hours, on this working
21 group. We traveled all over the state of Texas. We
22 were hosted very graciously by each one of the Class A
23 tracks.

24 COMMISSIONER SOWELL: Jesse, if I might
25 just make a pointed observation, we had excellent

1 meals. It's past lunchtime, but I'm not going to
2 criticize the staff. Excuse me. Go ahead.

3 COMMISSIONER ADAMS: And I am
4 disappointed that the information that has come here
5 today was not presented in the format that we had
6 plenty of time to review and come through with.

7 For that reason and for a myriad of other
8 reasons that we talked hours at length about, I think
9 that this recommended revised staff schedule is a
10 schedule that I'll have to support.

11 We addressed tremendous numbers of
12 problems in the industry; and I also felt, when the
13 sessions were over, that it was a consensus that we
14 allow Sam Houston to continue one more year with their
15 Grade 3 race on the weekend that they had previously
16 had it and then knowing full well that more than likely
17 in 2008 everything will be toggled and they will have
18 to move that race to a fall time.

19 And so that's what I got out of the
20 special time I got to spend with all of these guys.
21 And I did enjoy the ability to meet and to learn in
22 depth all of the details and the very difficult
23 considerations that you deal with on a day-to-day
24 basis. And I also saw what the staff went through and
25 what the staff has to deal with and I think that they

1 have come up with a well-rounded, if you will, give and
2 take situation for the 2007 schedule.

3 COMMISSIONER SOWELL: And I'll certainly
4 join Jesse in that. To me, it was extremely
5 beneficial. It's the most positive thing that's
6 happened to me since I've been on this Commission. It
7 was really worthwhile.

8 CHAIRMAN ROGERS: Good.

9 COMMISSIONER SOWELL: It's too bad that
10 everybody couldn't have participated.

11 COMMISSIONER BOYD: Mr. Chairman?

12 CHAIRMAN ROGERS: Yes.

13 COMMISSIONER BOYD: I think that with all
14 this discussion, we could discuss it all day long. I'd
15 like to make a motion.

16 CHAIRMAN ROGERS: Okay.

17 VICE-CHAIRMAN RUTHERFORD: Amen.

18 COMMISSIONER BOYD: I move that we go
19 with the staff-recommended calendar and the revised
20 dates that Retama submitted.

21 COMMISSIONER SOWELL: Second.

22 CHAIRMAN ROGERS: Okay. I'm not sure
23 exactly what that motion is, but let me make this
24 suggestion. Okay? Can we break this down kind of by
25 track so that we are certain that we are voting on what

1 we think we're voting on so it isn't quite as broad?
2 And I'll come back to you for that.

3 For Gillespie, your motion is to accept
4 the staff recommendation --

5 COMMISSIONER BOYD: The revised 2007
6 staff-recommended horse race dates.

7 CHAIRMAN ROGERS: So Commissioner Boyd
8 makes that motion.

9 MR. ANGELO: Second.

10 CHAIRMAN ROGERS: Commissioner Angelo
11 seconds it.

12 Any discussion on that issue?

13 COMMISSIONER ADAMS: Mr. Chairman, we
14 have that revised recommended schedule in front of us
15 in a single form. There is no -- I don't think there's
16 a need to go through every one of these dates and put
17 them down.

18 CHAIRMAN ROGERS: Well, one of the
19 reasons that I think it's kind of important to go
20 through them was because the -- well, no. We have the
21 12 days is what is being --

22 COMMISSIONER SOWELL: It's in here also.

23 COMMISSIONER ADAMS: It's all in here.

24 MR. ANGELO: Mr. Chairman, why don't we
25 go by track, though? Don't you want to do it by

1 track?

2 CHAIRMAN ROGERS: Well, I think we will
3 clearly get the vote one way or the other that we need
4 if we do it by track. I would prefer that.

5 MR. ANGELO: That's the way we need to do
6 it.

7 CHAIRMAN ROGERS: Okay. We have a motion
8 on the table to approve Gillespie Park as it's stated
9 on this schedule.

10 All in favor?

11 COMMISSIONERS: Aye.

12 CHAIRMAN ROGERS: Okay. Manor Downs?

13 COMMISSIONER BOYD: Mr. Chairman, I
14 recommend and make a motion that we accept the revised
15 2007 staff-recommended horse race date calendar.

16 COMMISSIONER SOWELL: Second?

17 MR. ANGELO: I second it.

18 CHAIRMAN ROGERS: Again there's a motion
19 by Commissioner Boyd, seconded by Commissioner Angelo.

20 All in favor?

21 COMMISSIONERS: Aye.

22 CHAIRMAN ROGERS: Okay.

23 COMMISSIONER BOYD: Retama?

24 CHAIRMAN ROGERS: Retama Park.

25 COMMISSIONER BOYD: Mr. Chairman, I

1 recommend and make a motion that we accept the revised
2 2007 staff-recommended horse race date calendar.

3 CHAIRMAN ROGERS: Okay. Second? Is
4 there a second?

5 COMMISSIONER ADAMS: Second.

6 CHAIRMAN ROGERS: Seconded by
7 Commissioner Adams.

8 COMMISSIONER ADAMS: Under discussion,
9 Mr. Chairman?

10 CHAIRMAN ROGERS: Any discussion?

11 COMMISSIONER ADAMS: As part of this
12 motion, as we were advised by legal counsel, we have
13 the ability here to give our blessings to the transfer
14 of those 12 days to Sam Houston. Would the maker of
15 the motion consider including that in the motion for
16 Retama?

17 CHAIRMAN ROGERS: I think we have to -- I
18 think we have to assign the days before we can transfer
19 them. I would be a little reluctant to do it in the
20 same motion. What's --

21 MR. FENNER: You could handle it either
22 way. You could amend the motion to incorporate that or
23 you could handle it separately. Either way would be
24 sufficient.

25 CHAIRMAN ROGERS: It is still an award if

1 you award it and transfer it.

2 COMMISSIONER CARTER: Could I say one
3 thing before we vote on this?

4 CHAIRMAN ROGERS: Yes.

5 COMMISSIONER CARTER: It seems like we
6 got all tied up in the Lone Star, Sam Houston overlap
7 and there's some things that have happened here like
8 this change of 12 days from Retama to Sam Houston. Has
9 that opened up an opportunity to increase the Quarter
10 Horse days at Retama instead of decreasing them? I
11 suspect that the decrease was done at one point, then
12 the 12 days were shifted another day, and we forgot
13 about the three days. Is there a chance to rectify
14 that anywhere?

15 MR. FERRARA: Unfortunately, by changing
16 these Thoroughbred dates, it hasn't created any
17 additional money for the Quarter Horse purses. So we'd
18 go back to they would have to run for fewer dollars.

19 COMMISSIONER CARTER: Okay.

20 CHAIRMAN ROGERS: Okay. So we have a
21 motion to accept the staff-recommended schedule of 12
22 days with an amendment that we then transfer those days
23 to Sam Houston if they work out their agreement.

24 COMMISSIONER BOYD: Correct.

25 COMMISSIONER ADAMS: That's fine with the

1 second.

2 CHAIRMAN ROGERS: There's a second to
3 that from Commissioner Adams.

4 Is that too loose?

5 MR. FENNER: I'm concerned. Are we
6 taking a separate vote on the motion to amend the
7 original motion?

8 CHAIRMAN ROGERS: I personally would
9 prefer to do the motion to award the days because
10 there's a contingency on the agreement. They have to
11 agree to that and sign on to that. So I feel more
12 comfortable awarding the days and then assigning them
13 with a provision so that the days are awarded
14 regardless.

15 MR. FENNER: I understand.

16 CHAIRMAN ROGERS: I feel more comfortable
17 with that if that's okay with you.

18 MR. FENNER: I think that's a good
19 strategy.

20 CHAIRMAN ROGERS: Okay. Would you make
21 your motion that we award the days?

22 COMMISSIONER BOYD: I'll make that
23 motion, Mr. Chairman.

24 CHAIRMAN ROGERS: Thank you.

25 VICE-CHAIRMAN RUTHERFORD: You need to

1 withdraw the other motion.

2 COMMISSIONER BOYD: And I withdraw my
3 first motion.

4 CHAIRMAN ROGERS: I have no idea where we
5 are, but that's close enough. Okay? We have a second
6 to that?

7 COMMISSIONER ADAMS: Yes, you have a
8 second.

9 CHAIRMAN ROGERS: Okay. We have a motion
10 and a second that we approve the 12 days for Retama.
11 And --

12 MR. FENNER: No, I don't think that
13 that's -- I'll come up here and stand.

14 CHAIRMAN ROGERS: Okay.

15 MR. FENNER: As I understand what
16 Commissioner Boyd was -- her motion was to approve the
17 race dates for Sam Houston -- I mean, Retama as
18 outlined in the revised 2007 staff-recommended horse
19 race dates calendar.

20 CHAIRMAN ROGERS: Which includes both
21 Thoroughbred and Quarter Horse.

22 MR. FENNER: It does include both. And
23 it does include the 12 days, so they are still at
24 Retama at this point.

25 CHAIRMAN ROGERS: Okay. So --

1 MR. FENNER: That's the motion.

2 CHAIRMAN ROGERS: I stand corrected. So
3 the motion is that we approve the staff-recommended
4 revised calendar for both Quarter Horses and
5 Thoroughbreds.

6 And there's a second to that?

7 COMMISSIONER ADAMS: That's correct.

8 CHAIRMAN ROGERS: Okay. Any discussion?
9 All in favor?

10 COMMISSIONERS: Aye.

11 CHAIRMAN ROGERS: The motion passes.

12 Okay. Now, I would entertain a motion to
13 transfer those days provided they work out an
14 agreement. It would have our acceptance of the
15 transfer if that agreement is reached.

16 COMMISSIONER BOYD: I do make that
17 motion, Mr. Chairman.

18 MR. BROWN: Can I make a comment?

19 CHAIRMAN ROGERS: Mr. Brown.

20 MR. BROWN: Bryan Brown with Retama
21 Park.

22 I believe Ms. McGovern stated that they
23 were amenable to accepting the days with the half a
24 million dollars purse transfer; so I would appreciate
25 there be no condition to the transfer, that the

1 transfer be approved by the Commission rather than have
2 it conditioned on some future agreement.

3 CHAIRMAN ROGERS: Ms. McGovern?

4 I just -- I just know that if there turns
5 out to be -- I don't know if you can agree to agree.

6 MS. McGOVERN: That's a good question, do
7 we agree to agree. We would agree with a transfer of
8 the days along with the purse money and accepting the
9 12 days. We do want the opportunity to continue
10 discussing how 2008 dates fall in place following this
11 agreement.

12 CHAIRMAN ROGERS: We understand there's
13 no commitment for 2008 dates either from any of you or
14 from us.

15 MS. McGOVERN: Okay. Great.

16 MR. BROWN: Great.

17 COMMISSIONER BOYD: And, Mr. Chairman, I
18 did -- in the letter it says that Retama Park agrees to
19 enter into an agreement with Sam Houston Race Park.
20 And I guess I assumed that they had already reached
21 that agreement on the money and the transfer.

22 CHAIRMAN ROGERS: I know that they have
23 reached that agreement, but until -- I mean, I guess
24 we'd have to ask one of the attorneys in the group.
25 And maybe Mr. Fenner would be the guy. But I mean, can

1 you agree to agree?

2 MR. FENNER: Yes.

3 CHAIRMAN ROGERS: Legally?

4 MR. FENNER: Yes, sir, you can agree to
5 agree, though it would be nice if they came up here and
6 actually said we agree to agree.

7 MS. McGOVERN: Do we have to hold hands,
8 too?

9 MR. FENNER: Yes.

10 MR. BROWN: I've got my arm around you,
11 Ann.

12 MS. McGOVERN: We agree to agree.

13 MR. BROWN: Yes, we do.

14 CHAIRMAN ROGERS: Okay. The motion is to
15 transfer these 12 days to Sam Houston along with
16 \$500,000 of purse money that they're going to have in a
17 separate agreement.

18 COMMISSIONER BOYD: I make the motion.

19 COMMISSIONER ADAMS: Second.

20 CHAIRMAN ROGERS: That motion is
21 seconded.

22 All in favor?

23 COMMISSIONERS: Aye.

24 CHAIRMAN ROGERS: All opposed?

25 Okay. A motion for Sam Houston?

1 MR. ANGELO: Mr. Chairman?

2 CHAIRMAN ROGERS: Yes.

3 MR. ANGELO: The reason why I wanted to
4 separate them was so that we could determine if there
5 is any agreement between the two tracks with respect to
6 an overlap. If there's not, then we can go on. But if
7 there is, I think we ought to least consider that. I'd
8 like to. One day, two days, whatever. I didn't
9 understand from their comments whether they could agree
10 or not.

11 CHAIRMAN ROGERS: I have no problem with
12 them walking out in the hall for a few minutes and see
13 if they can figure that out. I got the impression that
14 that wasn't going to happen. That was really up to Sam
15 Houston because Lone Star has said they would do that.
16 Sam Houston, we have to have their permission or it
17 can't happen.

18 MR. ANGELO: Right.

19 CHAIRMAN ROGERS: So I guess,
20 Ms. McGovern, I'd ask you that question. Is there a
21 reason to talk about this or not?

22 COMMISSIONER ADAMS: Point of order,
23 Mr. Chairman.

24 CHAIRMAN ROGERS: Yes.

25 COMMISSIONER ADAMS: I don't know at this

1 point whether -- now that we've closed this hearing,
2 whether we need to proceed with that. Why don't we --
3 why don't we continue with the --

4 CHAIRMAN ROGERS: Well, I don't know that
5 we have closed a hearing. I mean, we're doing it a
6 motion at a time. I have no problem with proceeding;
7 but I guess I'd just like to hear if that works,
8 doesn't work, whatever.

9 COMMISSIONER ADAMS: I mean, the lady
10 testified that she was not willing to do that. She
11 said it at least three times up here that she was not
12 willing to overlap more than possibly one day. And --

13 MR. ANGELO: But we don't know if one day
14 is acceptable. Maybe one day would be better than
15 none. I haven't heard an answer to that.

16 COMMISSIONER ADAMS: I heard Lone Star
17 say that they were not willing to -- they wanted to
18 start on a Thursday and they preferred to start on a
19 Thursday and they needed to start on a Thursday. So I
20 don't think they're willing to just run one day that
21 weekend.

22 CHAIRMAN ROGERS: I doubt it either, but
23 it takes us 30 seconds to find out.

24 COMMISSIONER SOWELL: Mr. Johnsen, what
25 say ye?

1 CHAIRMAN ROGERS: I recall something that
2 Ms. King said about when the door of opportunity is
3 closing, things sometimes change. And I just was --
4 so --

5 MS. KING: Making sure.

6 CHAIRMAN ROGERS: I don't know where we
7 might be. I just want to be sure before we jump
8 anywhere else.

9 MR. JOHNSEN: Like I said, we have the
10 authority to approve an overlap; and for us, for it to
11 work for us in our market, we would need to open on a
12 Thursday and then race through the Sunday. We'd be
13 willing to race fewer races. We'd be willing to race
14 different times of the day. But for our -- for it to
15 work in our market, that's what would be necessary.

16 CHAIRMAN ROGERS: I just would ask
17 Ms. McGovern one question. That is, is this worth
18 having further discussion or do we need to move on?

19 MS. McGOVERN: No, sir. You can move
20 on.

21 CHAIRMAN ROGERS: Okay. I would
22 entertain a motion on Sam Houston Race Park.

23 COMMISSIONER BOYD: Mr. Chairman, I make
24 a motion that we go with the staff-recommended 2007
25 horse race date calendar with no overlap.

1 COMMISSIONER ADAMS: Second.

2 MR. FENNER: May I clarify? Did you say
3 revised, the revised calendar?

4 COMMISSIONER BOYD: The revised 2007
5 staff-recommended horse race date calendar for Sam
6 Houston.

7 CHAIRMAN ROGERS: That motion is -- that
8 motion is on the table. Is there a second?

9 COMMISSIONER ADAMS: Second.

10 CHAIRMAN ROGERS: Seconded by
11 Commissioner Adams.

12 Any discussion?

13 All in favor?

14 COMMISSIONERS: Aye.

15 CHAIRMAN ROGERS: Okay.

16 MR. ARCHER: No.

17 CHAIRMAN ROGERS: We've got one no.

18 Okay. Lone Star Park, I would entertain
19 a motion.

20 COMMISSIONER BOYD: Mr. Chairman, I make
21 a motion that we accept the revised 2007
22 staff-recommended horse race date calendar in regard to
23 Lone Star Park.

24 COMMISSIONER ADAMS: Second.

25 CHAIRMAN ROGERS: There's a second to

1 that motion.

2 Any discussion?

3 All in favor?

4 COMMISSIONERS: Aye.

5 MR. ARCHER: No.

6 MR. JOHNSEN: Mr. Chairman?

7 CHAIRMAN ROGERS: Yes.

8 MR. JOHNSEN: Is this appropriate to talk
9 about those four days? I mean, it's not really funny.
10 I mean, you know, you and I had talked about it. I
11 mean, we would be willing to add four days to the end
12 of our meet to at least have the opportunity to
13 consider running them. And it's additional purse money
14 and I don't see -- I don't see there's a downside to
15 that.

16 CHAIRMAN ROGERS: Wait a minute. I'm at
17 a loss because this -- okay. This is 63 days.

18 MR. JOHNSEN: Yes. We would like to have
19 67 days through July 29th.

20 CHAIRMAN ROGERS: Let me ask this. We
21 have --

22 COMMISSIONER ADAMS: Then we have an
23 overlap with Sam Houston with Retama.

24 CHAIRMAN ROGERS: I don't think you do.

25 MR. ARCHER: Mr. Chairman, can I ask a

1 question?

2 CHAIRMAN ROGERS: Yes.

3 MR. ARCHER: Mr. Johnsen?

4 MR. JOHNSEN: Yes.

5 MR. ARCHER: Since the motion has already
6 passed regarding Sam Houston and they've got those --
7 they've got that first weekend and it seems apparent
8 that you're not going to get that first weekend of
9 April, do you want to add those days to the end of your
10 meet?

11 MR. JOHNSEN: Yes.

12 MR. ARCHER: And you're amenable to
13 that.

14 MR. JOHNSEN: Yes. Thank you.

15 CHAIRMAN ROGERS: Mr. Ferrara, do you
16 have any comment on that?

17 MR. FERRARA: Again, if they're willing
18 to race an additional week --

19 CHAIRMAN ROGERS: Well, they asked for 67
20 days initially.

21 MR. FERRARA: But now they're asking to
22 run through the --

23 MR. JOHNSEN: July 29th.

24 MR. FERRARA: -- 29th of July? Although
25 we would recommend -- we would not want to take a

1 racing opportunity away from the horsemen and there's
2 no overlap with another racetrack, so we would
3 recommend adding four days at the end.

4 CHAIRMAN ROGERS: I think that would have
5 to come now in a separate motion.

6 MR. ANGELO: I'd move approval.

7 COMMISSIONER SOWELL: Second.

8 CHAIRMAN ROGERS: Commissioner Angelo
9 moves that we add four days to the end of the Lone Star
10 meet, making that 67 days. Is that correct? Seconded
11 by Commissioner Sowell.

12 All in favor?

13 COMMISSIONERS: Aye.

14 CHAIRMAN ROGERS: Okay. The motion
15 passes.

16 Now we get to move to the easy stuff,
17 breed splits. Commissioners, this would be in Tab
18 No. 6 in your folder. And I'd like to hear from
19 Mr. Hooper.

20 MS. KING: Chairman Rogers, do you want
21 for staff to --

22 CHAIRMAN ROGERS: I guess we should do
23 that. I'm sorry. I got carried away in the moment.
24 We'd love to hear the staff recommendation.

25 MS. KING: Well, we don't have a staff

1 recommendation; but what we wanted to do, and as has
2 been mentioned by the Commission members previously, is
3 making sure that the Commissioners understand, you
4 know, what we're venturing into. And I'm going to ask
5 Sammy to orient you to the decision that you're about
6 to make. So Sammy had provided some materials to you
7 in the past and I just wanted him to go over those
8 briefly to kick it off.

9 MR. JACKSON: Good afternoon,
10 Commissioners.

11 This agenda item is covered under Section
12 321.505, allocation of purses from simulcast revenues.
13 In that portion of the rule, it stipulates that an
14 association shall recommend the percentage by which it
15 will divide the purse revenue generated from
16 simulcasting among the various breeds of horses. The
17 percentages are subject to the approval of the
18 Commission.

19 Before recommending the percentages, the
20 association shall receive information from the
21 organizations recognized by the Commission or in the
22 act as representatives of horse owners, trainers,
23 and/or breeders.

24 And additionally, when requesting
25 Commission approval of the percentages, the association

1 shall present studies, statistics, or other
2 documentation to support its proposed allocation of
3 funds.

4 I'd like to comment. I believe that rule
5 was written a specific way because of the financial
6 impact of this decision to our industry. Projected for
7 2007, I've estimated that 29.9 million dollars will be
8 generated for purse money at the five horse
9 racetracks. Of that 29.9 million, 76.4 percent or
10 22.84 million will come from simulcasting operations.
11 That is the money that you will be allocating today
12 based on these percentages.

13 Staff's efforts on this have been very
14 lengthy. In taking upon the race date working group,
15 we commingled in with this this actual issue. We've
16 worked on it since April 5th, 2006, went through four
17 race day working groups that culminated at the final
18 race day working group where the information included
19 underneath Tab 6, starting on, I believe, Tab 6-27 and
20 28, shows the percentage breakdowns whereby what purse
21 levels would be if you allocated simulcast purse money
22 among various different splits.

23 Each of the racetracks have submitted
24 their requests and made recommendations for the 2007
25 year. In summary, most of the tracks have requested

1 that we continue the splits as they've been approved
2 for calendar year 2006.

3 The only exception is Manor Downs, who
4 has requested to change their splits, whereby moving
5 from 80/20 after the minor breed allocation, where 80
6 percent is currently going to Quarter Horse, to a 74/26
7 allocation, thereby giving more purse money for their
8 Thoroughbred levels. And as our conversation in the
9 working group effort through Mr. Phillips -- and I'm
10 sure he'll testify to later -- is their intention is to
11 help stimulate some of their stakes programs in their
12 Thoroughbred racing.

13 The last thing I would like to add on
14 this is that we have made a huge effort in this area
15 this year to make sure and go over all the information
16 that's included in this packet with everyone who is
17 interested on this subject. I've answered countless
18 questions to both the industry as well as several of
19 the Commissioners. And I really did appreciate the
20 opportunity to go over this because this does become a
21 complicated process as we move down it.

22 I think that it was a very positive and
23 rewarding experience that we went through on this
24 subject and I think everyone is better prepared to make
25 discussions and discuss this item today. And I'd be

1 happy to answer any questions that you have.

2 I would also say that, as in the past,
3 staff does not make a recommendation on this area but
4 besides be informational and answer questions on it.

5 Thank you, Mr. Chairman.

6 CHAIRMAN ROGERS: Any questions of
7 Mr. Jackson?

8 Mr. Hooper?

9 MR. HOOPER: Mr. Chairman, before I
10 begin, do you want the breed organizations to --

11 CHAIRMAN ROGERS: No. Let me back you
12 back up. I'm sorry. I got wound up enough in this
13 other issue that I just sort of lost track of where the
14 heck I'm supposed to be. So if you don't mind, we're
15 going to have you wait just a moment.

16 MR. HOOPER: I'm so surprised at that.

17 CHAIRMAN ROGERS: Since the tracks are
18 making these recommendations, maybe we should hear from
19 them first and hear what they recommend, although
20 Mr. Hooper's opinion is vitally important.

21 We'll hear from Gillespie Park, please.

22 Mr. Sherwood?

23 MR. SHERWOOD: I was outside changing my
24 flight; so I guess we're talking about breed splits,
25 right? I really was. I just walked in.

1 CHAIRMAN ROGERS: Whatever you'd like to
2 talk about will be just fine.

3 MR. SHERWOOD: I was waiting for the
4 round girl, like from a boxing match, to come out with
5 Round 2. And to appease Rob a little bit, we are a
6 mixed meet; so it was implied when I came up here and
7 talked about our dates that we run Quarter Horses,
8 too. So I wanted to make sure he understood that.

9 We sent a letter in about our breed
10 splits. We'd like to keep them the same as we've had
11 since we started simulcasting there in 2000, which is
12 one and a half percent to minor breeds, 6.89 -- or
13 68.95 percent to Quarter Horses, and 29.55 percent to
14 Thoroughbreds. That's really worked well for us for
15 the kind of race meet and the program that we put
16 together and we've been able to fund purses and have
17 fairly successful race meets.

18 And we would also ask that the TXRC
19 cross-species escrowed purse be split the same as it
20 has been in the past few years, two percent to minor
21 breeds, 68.6 to Quarter Horses, and 29.4 to
22 Thoroughbreds.

23 Has anybody got any questions that I need
24 to answer?

25 CHAIRMAN ROGERS: Any questions?

1 COMMISSIONER ADAMS: Yes, I have a
2 question.

3 CHAIRMAN ROGERS: Yes.

4 COMMISSIONER ADAMS: As far as your minor
5 breed program, approximately how many minor -- how many
6 races do you run in your eight days for minor breeds?

7 MR. SHERWOOD: We had -- we tried to run
8 more than what we've done. We had races in the
9 condition book just like strictly for Paints, and
10 they've never filled. We do have a Paint stakes that
11 we run that seems to go every year. And then being a
12 mixed breed meet, the Paints are also allowed to run
13 with the Quarter Horses in those races as well. So to
14 answer your question, one a year.

15 COMMISSIONER ADAMS: So you're running
16 eight days, approximately, what, 12 -- you're running
17 12 races a day, are you not?

18 MR. SHERWOOD: We're running averaging 12
19 a day, yes. Could do 16, but 12.

20 COMMISSIONER ADAMS: So you're running a
21 little over a hundred races. And if there is a
22 mixed-breed horse entered in a -- if a Paint were to
23 run in a --

24 MR. SHERWOOD: Mixed-breed race?

25 COMMISSIONER ADAMS: -- mixed-breed

1 race -- in a Quarter race, this -- how would the monies
2 be handled?

3 MR. SHERWOOD: The purse money on a
4 mixed-breed race is taken completely out of the Quarter
5 Horse fund. So if a Paint runs in that race and runs
6 in the top five, his portion is actually out of Quarter
7 Horse purse money.

8 COMMISSIONER ADAMS: Okay.

9 MR. SHERWOOD: That's the way the
10 mixed-breed meets are set up.

11 COMMISSIONER ADAMS: You made a statement
12 that when you did have, other than your stakes race,
13 Paint horse or --

14 MR. SHERWOOD: In the condition book they
15 received one entry this year that I remember. The
16 other years I can't remember, but never more than
17 three.

18 COMMISSIONER ADAMS: It doesn't surprise
19 me, though, when you're offering a 1900-dollar minor
20 breed purse.

21 MR. SHERWOOD: No. The purse for the
22 race that was in the condition book for the Paint race
23 was the same as it was for the Quarter Horses exactly.

24 COMMISSIONER ADAMS: Okay. Thank you,
25 sir.

1 CHAIRMAN ROGERS: Mr. Phillips?

2 MR. PHILLIPS: Commissioners, I'm Howard
3 Phillips, president of Manor Downs.

4 Our request for our breed split is one
5 and a half percent to minor breeds and then the
6 remainder split 74 percent to Quarter Horses, 26
7 percent to Thoroughbreds. That's a return to our first
8 full year as a Thoroughbred racetrack.

9 CHAIRMAN ROGERS: Any questions of
10 Mr. Phillips?

11 Thank you.

12 Mr. Johnsen?

13 MR. JOHNSEN: Drew is going to do it.

14 CHAIRMAN ROGERS: Mr. Shubeck?

15 MR. SHUBECK: My name is Drew Shubeck.
16 I'm vice-president and general manager of Lone Star
17 Park.

18 I think you are all in receipt of my
19 letter that we're suggesting no change for the 2007
20 splits between breeds. It would be the 85/15 that Lone
21 Star Park has had for a long time now.

22 I've only been with Lone Star Park since
23 February, so I've never worked through a Quarter Horse
24 season. I'm looking forward to that to start over the
25 next couple of weeks.

1 Included in my letter, I looked at some
2 other statistics that we have for Quarter Horses
3 because at Lone Star Park nonwagering revenue is very
4 important to our business and we do a great job with
5 catering and group sales and people have a great
6 experience in our Silks restaurant, in our box seat
7 areas, and in our private suites. So I included some
8 of these revenues just to show there's a pretty big
9 disparity between the Thoroughbreds and the Quarter
10 Horse meets.

11 It's a little bit different flavor. A
12 lot of the people that enjoy Quarter Horse racing, I
13 think they enjoy most going downstairs into the main
14 line areas, watching the horses from the rail, watching
15 the horses saddle in the paddock. So we really don't
16 see a lot of nonwagering revenue from these types of
17 patrons.

18 We still have our core group of
19 individuals that likes to go to the simulcast
20 pavilion. They'll enjoy some Quarter Horse racing over
21 there as well. But we really just don't see the big
22 energized crowds as we do for the Thoroughbred meet.

23 I want to make something else understood,
24 that we don't run out of marketing money. As Corey
25 alluded to earlier, we budget for these things well

1 over a year in advance in some circumstances. We put
2 dollars where we think we'll get the most return for
3 our investment. And we really haven't experienced a
4 great return on our investment during that part of the
5 year.

6 And quite frankly, it could be the time
7 of the year. We did put some thought into changing
8 when the Quarter Horse meet was -- or will be raced at
9 Lone Star Park. During the working group I did suggest
10 putting it onto the tail end or maybe racing it before
11 our Thoroughbred meet started. That would allow Lone
12 Star Park to only do one big hiring for the year.
13 Through the attrition of employees that are seasonal,
14 we would still retain enough of them to run a
15 respectable Quarter Horse meet after our Thoroughbred
16 meet concluded.

17 So that's not off the table. We'll look
18 at that in 2008. Texas has a fine tradition of Quarter
19 Horse racing and I see no reason why the slide should
20 continue that far into the future. But we need to take
21 a harder look at it.

22 If anyone from the Commission has any
23 questions?

24 CHAIRMAN ROGERS: I'd just like to make a
25 comment. I appreciate your proposal on how you did

1 your breed splits. You gave us, I think, the -- both
2 the best and most definitive information and the best
3 justification for where you are than any other thing
4 that was presented and it's really what I wish we had
5 kind of gotten from everybody else. But you did a
6 great job with that. So thank you.

7 MR. SHUBECK: Thank you. Again, I
8 promised in my letter that we are going to do some type
9 of marketing study to see what we can do better in our
10 market with Thoroughbred and Quarter Horse racing. So
11 I think you'll see a lot more statistics from us in the
12 future.

13 CHAIRMAN ROGERS: And you said you would
14 share that with both the horsemen's organization and
15 with us and that would be very helpful.

16 MR. SHUBECK: Absolutely.

17 CHAIRMAN ROGERS: Thank you.

18 Any questions of Mr. Shubeck? Yes.

19 COMMISSIONER BOYD: Mr. Shubeck, I again
20 want to mirror what Chairman Rogers said on your report
21 here. I really do appreciate it. You went into a lot
22 of detail for us. And after all, that's what we need
23 to make our decision is more information.

24 MR. SHUBECK: That's correct.

25 COMMISSIONER BOYD: But I want to ask you

1 a clarifying question about crowds. Corey Johnsen
2 stood up here and said how important that crowd is to
3 get the population in the stands. Do you agree that
4 it's that important as well for the Quarter Horse
5 meets?

6 MR. SHUBECK: Absolutely. There's no
7 question about it. You need to get people involved in
8 the racing, excited about the racing. That's why we
9 are suggesting -- and that's for another meeting --
10 some capital improvement put into the building that
11 addresses some concerns I have with the main line areas
12 and expanding areas around the paddock and things like
13 that to make amenities for customers that might not
14 just want to go upstairs and sit in the Silks all
15 evening. They want a different kind of experience when
16 they come out to the track and we want to try to tailor
17 the racetrack to what they expect.

18 COMMISSIONER BOYD: How much attention --
19 or how much do you gain from a crowd? I see that
20 you've put -- you spent some time analyzing, excuse me,
21 group sales, admissions, attendance, sponsorships,
22 programs.

23 MR. SHUBECK: That's right.

24 COMMISSIONER BOYD: So you give some
25 weight to live racing, correct?

1 MR. SHUBECK: There's no question about
2 it. Lone Star still enjoys people that like to come
3 out for a nice experience. They're still willing to
4 pay for parking, pay for admission, get programs, and
5 pay upcharges to go in the clubhouse and to the Silks
6 dining room. So that shows that our market people have
7 money and they're willing to spend. And it's not
8 necessarily on gambling. Maybe they'll wager a few
9 dollars when they come out, but not necessarily like
10 customers I'm experienced with in the east.

11 We know, when I was at Monmouth Park and
12 the Meadowlands, you open the doors and the per cap is
13 \$260 a head. They come in. They know what to do.
14 They don't necessarily want to pay for amenities at the
15 racetrack.

16 I think in the Midwest and in Dallas and
17 the south here, people want to have a better experience
18 than that. They're willing to pay a high charge for
19 valet parking. They're willing to pay for admission if
20 the surroundings are comfortable and inviting. So I
21 think we have to play to our audience and we have to do
22 the best we can.

23 COMMISSIONER BOYD: And the Quarter Horse
24 audiences, they impact your bottom line like the
25 Thoroughbred? I mean, not talking about numbers really

1 because there's probably more in a Thoroughbred
2 audience or not?

3 MR. SHUBECK: That's correct. I mean,
4 you still have fixed costs and they're tough to
5 overcome; but once we get an attendance in the building
6 over a certain number, then the profits do come. Right
7 now we don't have that, but I think if we had more
8 amenities for people that they might start coming out
9 in higher numbers in the future.

10 COMMISSIONER BOYD: So you do see a
11 benefit to your bottom line in live racing crowds.

12 MR. SHUBECK: Yes. As long as you have
13 enough to pay for your fixed costs.

14 COMMISSIONER BOYD: I understand. Thank
15 you.

16 MR. SHUBECK: Okay.

17 CHAIRMAN ROGERS: Any other questions?
18 Thank you.

19 MR. SHUBECK: Thank you, Chairman.

20 CHAIRMAN ROGERS: Mr. Brown?

21 MR. BROWN: Bryan Brown with Retama Park,
22 one of the groups that successfully made Lone Star Park
23 look real good just a second ago.

24 We proposed that we keep breed splits the
25 same and we did so because we don't think in today's

1 times that either board -- either breed can afford to
2 lose purse money. On the Quarter Horse side, breeding
3 in the state has declined over the past several years
4 quite a bit. The same thing on the Thoroughbred side.
5 Both breeds need more purse money, not less. And
6 unfortunately, changing the breed split would take
7 one -- take a chunk of money from one and give it to
8 the other.

9 The reason for -- the statistical reason
10 for our decision is the vast preponderance of simulcast
11 handle that is on the Thoroughbred product; in addition
12 to that, the profitability of our meet. Our
13 Thoroughbred outbound handle is about five times what
14 the Quarter Horse handle is, outbound handle. There's
15 a lot of reasons for that, but that's the fact of the
16 matter and that really impacts our bottom line.

17 Our Quarter Horse average daily live
18 handle is higher than the Thoroughbred handle. In the
19 Quarter Horse meet, we race three days a week in the
20 spring. In the Thoroughbred meet, we race four days a
21 week in the fall. So the Quarter Horse meet has a
22 great advantage in terms of average daily live handle
23 over the Thoroughbred meet.

24 We spend just as much money -- in fact, I
25 can -- I haven't seen the statistic, but I can

1 reasonably tell you that we spend more money per week
2 in the Quarter Horse meet on marketing than the
3 Thoroughbred meet. A lot of that is the time of the
4 year. It's a great time of the year. We have the
5 three Triple Crown races that time of the year. The
6 weather is phenomenal. It's nice and cool. We do
7 everything we can to make the Quarter Horse meet work,
8 as we do with the Thoroughbred meet.

9 But in our opinion, given the
10 profitability of the Thoroughbred meet versus the
11 Quarter Horse meet, given that the outbound handle is
12 so much larger for the Thoroughbred product than the
13 Quarter Horse product, and given that simulcast handle
14 on track is predominantly Thoroughbreds, we recommend
15 that there be no change made.

16 CHAIRMAN ROGERS: Any questions for
17 Mr. Brown?

18 MR. BROWN: I'd be happy to answer any
19 questions.

20 COMMISSIONER BOYD: I have a question.

21 CHAIRMAN ROGERS: Yes.

22 COMMISSIONER BOYD: Mr. Brown, are you
23 familiar with the language in 321.505, allocation of
24 purses and funds for Texas-bred incentive programs?
25 Are you familiar with that language?

1 MR. BROWN: With the ATB portion of
2 that? I've read it. Yes, I am. Yes, I am.

3 COMMISSIONER BOYD: No. 3 under that,
4 under purses, says that when requesting Commission
5 approval of percentages, the association shall present
6 studies, statistics, and other documentation to support
7 its proposed allocation of funds. Did I miss that in
8 here from you?

9 MR. BROWN: No. We did present the
10 statistics that are on the back of our letter as far as
11 on-track simulcast handle. We did not present a study
12 of any sort. We did not.

13 MS. KING: It's front to back.

14 MR. BROWN: It's a Texas Racing
15 Commission -- it says Texas Racing Commission Simulcast
16 Handle Wagered at Each Horse Racetrack.

17 COMMISSIONER BOYD: Sorry.

18 My point is, you know, with our group
19 meetings, we've been pretty seriously hitting, I think,
20 that we're trying to move in a new direction. And we
21 need all the information that we can gain from you to
22 make these decisions.

23 MR. BROWN: Right.

24 COMMISSIONER BOYD: So those studies,
25 which some have done better than others at providing

1 that -- the Paint horses did a real good job and I
2 appreciate Lone Star's stab at it. But I guess what
3 I'm trying to say is that I would have expected a
4 little bit more. This is a tough decision for us
5 and --

6 MR. BROWN: It's a very hard decision.
7 Also understand in that rule, the breeds need to come
8 to us with the same type of information. Okay? I
9 received nothing from the Quarter Horse Association
10 prior to getting this package, not a thing. I received
11 a lot of information from the Texas Thoroughbred
12 Association.

13 I received a proposal from the Texas
14 Thoroughbred Association for the Southwest Racing
15 Series, which is, to me, an evolutionary idea that
16 Mr. Hooper came up with where we'd have different races
17 across the states in the southwest, Arkansas,
18 Louisiana, Texas, New Mexico, and Oklahoma hopefully
19 ultimately, which is going to require purse money. So,
20 you know, a lot of what I could have presented to this
21 Commission could have been presented to me first.

22 I wouldn't know how to do a study. I
23 mean, I know the rule requires it. I wouldn't even
24 know where to start to do a study. I don't know what
25 you would study. You could study breeding, but we all

1 know that the numbers look bad for each breed.

2 And I understand that rule. I just --
3 I'm not sure what we could do beyond just giving you
4 the numbers. And I know there's not a lot of
5 information here and I didn't want, you know, you to
6 think we didn't look at that rule or do anything. But
7 I don't know what else we would have provided.

8 COMMISSIONER BOYD: This is one question
9 I have on the back side of your proposal. In 2005,
10 Quarter Horse -- Quarter Horse simulcasting dollars
11 went up actually from the year before. In 2004 they
12 were at 6.21 percent and in 2005 they went to 6.49
13 percent. In 2003 they were at 5.27 percent at Retama.
14 Can you give me a clue as to maybe why?

15 MR. BROWN: I really have no idea. I
16 mean, I think it could be a combination of our patrons
17 seeking out the Quarter Horse product more. I mean,
18 that would be a reasonable guess at that. It could be
19 that there's more signals out. I think -- some of the
20 Delta races I know have gotten a lot more attention
21 from our patrons because they're higher purses. So it
22 could be a number of things.

23 COMMISSIONER BOYD: Well, it's strange to
24 me that in '03 it went from 5.27. In '04 it went to
25 6.21. In '05 it went to 6.49 percent. So that gives

1 me kind of an indication that the Quarter Horses at
2 Retama are doing better.

3 MR. BROWN: Clearly, if you look also,
4 greyhound wagering as a percentage of the total went
5 from 13 percent in 2003 down to 12.4. I don't know if
6 that was a shift from greyhounds to Quarter Horses. I
7 can't tell you. The Thoroughbred wagering as a
8 percentage of the overall wagering stayed pretty
9 constant, 79.18 percent to 78.5, very, very similar
10 numbers. That's about half a percent, six-tenths of a
11 percent different.

12 And without looking at the other numbers,
13 Commissioner, I mean, it's just hard to tell where it
14 came from. I couldn't give you a good answer.

15 COMMISSIONER BOYD: Okay. Thank you.

16 MR. BROWN: But that's clearly one of the
17 things we look at, so you're right to bring it up.

18 COMMISSIONER ADAMS: Mr. Brown, the staff
19 has prepared for us regional three-year comparisons on
20 the ranking of major tracks across the country
21 regarding their Thoroughbred purse level and their
22 Quarter Horse purse level. And I notice that in the
23 case of Retama, you're ranked -- of the 18 tracks that
24 were considered, you were ranked No. 12 on your
25 Thoroughbred purses. You're ranked No. 14 in your

1 Quarter Horse purse.

2 Can you enlighten me on why if we were --
3 if we were fairly administrating this purse, this 22.8
4 million dollars, why you would be ranked considerably
5 lower in your purses to Quarter Horses?

6 MR. BROWN: I really can't answer your
7 question. I don't know the -- you know, without
8 looking, I haven't seen -- or I haven't paid a lot of
9 attention to that. I haven't got to see it even. I
10 just have not focused on it and I apologize.

11 COMMISSIONER ADAMS: It was curious to me
12 because of the 18 tracks, every major track that was
13 considered, their Quarter Horse purse was equal to or
14 better rating-wise. Their Thoroughbred purse was equal
15 to or better -- their rating was the same or better on
16 their Quarter Horse track, on the Quarter Horse purse,
17 with the exception of the three Class A tracks in
18 Texas. Yourself and Lone Star and Sam Houston were
19 considerably lower on the Quarter Horse purse offer.

20 And that is -- in my opinion, that's a
21 direct correlation to this purse split. And it tells
22 me, when you're looking at tracks across the country,
23 that we do have a problem here in Texas with the Class
24 A tracks not allocating enough money to Quarter Horse
25 racing. These are national statistics. These are --

1 the staff has put them together, showing us three
2 different years of comparison.

3 And there's not an exception. Every
4 track is equal to or better, their purse -- their
5 rating, except the three Class A tracks in Texas. And
6 that sends up a red flag to me that we are short on
7 Quarter Horses in Texas. And of all places to short
8 Quarter Horses, here in Texas is where the Quarter
9 Horse was started. This is where we started breeding
10 Quarter Horses. I just didn't know whether you were
11 aware of that.

12 MR. BROWN: I certainly am now.

13 COMMISSIONER CARTER: I had a question
14 for Mr. Brown. The racing dates which we just
15 approved, you're not going to have any Thoroughbred
16 racing next year.

17 MR. BROWN: That's correct.

18 COMMISSIONER CARTER: So what's going to
19 be done with the Thoroughbred portion of this money
20 from simulcasting? Are you going to have simulcasting
21 during the Quarter Horse meet?

22 MR. BROWN: Yes, sir. What we would do
23 is obviously transfer a half a million dollars to Sam
24 Houston. We would also build up a purse account so
25 that our purses in 2008 would be sufficient, in our

1 view, to attract a large number of horses to the meet.
2 So it would be built up and used in 2008.

3 COMMISSIONER CARTER: Okay.

4 CHAIRMAN ROGERS: Any other questions?

5 Thank you.

6 MR. BROWN: Thank you.

7 CHAIRMAN ROGERS: Ms. McGovern?

8 Mr. Vitek?

9 MR. VITEK: Good afternoon,
10 Commissioners. Mike Vitek, vice-president of finance
11 with Sam Houston Race Park.

12 Mr. Bork asked me to send his regrets.
13 He assures me that he really did want to be here
14 today.

15 CHAIRMAN ROGERS: We're all really moved
16 by that.

17 MR. VITEK: As am I. I certainly
18 appreciate his absence and hope he's having fun.

19 I do have a handout to supplement the
20 schedule that -- from Mr. Bork's letter. Is it okay
21 that I hand that out?

22 MS. KING: Yes.

23 MR. VITEK: As the vice-president of
24 finance, maybe I spend a little bit more time with
25 numbers than Bryan; but I think the answer to your

1 question, Commissioner Boyd, was the transfer of
2 Quarter Horse dates to Sam Houston Race Park in 2004
3 where we made a major commitment to the Quarter Horse
4 industry and ran all those dates which probably propped
5 up the simulcast handle on Quarter Horses during that
6 time period.

7 COMMISSIONER BOYD: Thank you.

8 MR. VITEK: This brief schedule just
9 shows the number of -- from the most recently completed
10 year of 2005, Sam Houston's live race dates broke down
11 82 and 38 Thoroughbred, Quarter Horse at 68 percent and
12 31.

13 Similar to the arguments that you've just
14 heard from Bryan Brown and Drew, our numbers, while we
15 do spend significantly more marketing for the Quarter
16 Horse meet and certainly than -- on a per-day basis
17 than our Thoroughbred meet and we will continue to do
18 that and to maintain our strong marketing support
19 through the summers and our concert series.

20 Our wagering statistics indicate a strong
21 preference for Thoroughbreds when you look at these
22 handle numbers. The off-track handle, similar to
23 earlier testimony, was, you know, roughly five, six to
24 one. It's 92 and a half percent in 2005 on
25 Thoroughbreds. Our simulcast-in horse handle, so folks

1 at our racetrack wagering on simulcasting, is 87
2 percent Thoroughbreds and about six and a half percent
3 on Quarter Horses.

4 So with that in mind and maintaining our
5 business model and to support the racing calendar that
6 was just approved going forward into 2007, we would
7 also request that the breed splits for simulcasting
8 dollars be maintained in the same level as they were in
9 2006.

10 CHAIRMAN ROGERS: Questions?

11 Thank you.

12 COMMISSIONER ADAMS: Mr. Chairman?

13 CHAIRMAN ROGERS: Yes.

14 COMMISSIONER ADAMS: A question regarding
15 the last category where you're speaking to the 87.2
16 percent. That is based on actual dollars bet,
17 correct?

18 MR. VITEK: Yes, sir.

19 COMMISSIONER ADAMS: And what was
20 offered? What percentage of the races that you offer
21 were Thoroughbred races?

22 MR. VITEK: I don't have a direct answer
23 to that, although I will tell you that I think Sam
24 Houston has a pretty well-known reputation of taking as
25 much product as is available. So to the extent that

1 Quarter Horse racing was available in the United
2 States, we were pretty much showing it. I don't know
3 if staff has any knowledge of any racing not taken, but
4 I believe we took as much available product as was out
5 there.

6 COMMISSIONER ADAMS: But isn't there
7 considerably more Thoroughbred product out there to
8 take?

9 MR. VITEK: Absolutely. Quarter Horse
10 racing is not shown from a number of states.

11 COMMISSIONER ADAMS: Okay. Thank you.

12 CHAIRMAN ROGERS: Mr. Hooper, I've been
13 anxiously awaiting to hear from you for some time.

14 MR. HOOPER: I can't understand why.

15 Once again, Mr. Chairman and
16 Commissioners, I'm David Hooper, executive director of
17 the Texas Thoroughbred Association.

18 The Texas Thoroughbred Association
19 supports the breed split applications that have been
20 submitted by the respective Texas tracks for
21 Thoroughbreds and Quarter Horses after the breed splits
22 for the Arabians and Paints.

23 In effect, the Thoroughbred and Quarter
24 Horse breed splits after the allocations to the minor
25 breeds boil down to Lone Star Park, 85 percent

1 Thoroughbred, 15 percent Quarter Horse; Retama Park and
2 Sam Houston Race Park, 80 percent Thoroughbred, 20
3 percent Quarter Horse; Manor Downs, 26 percent
4 Thoroughbred, 74 percent Quarter Horse; and Gillespie
5 County Fair, 30 percent Thoroughbreds, 70 percent
6 Quarter Horse.

7 Once again considering the declining
8 state of the Texas racing industry, it is important to
9 maintain the status quo of breed splits at each Texas
10 track as we enter the critical year of 2007 with the
11 legislature in session.

12 Maintaining the breed splits as requested
13 by the Class 1 tracks is especially important because
14 any loss of revenue flowing to Thoroughbred purses will
15 serve as a further disincentive for owners to race in
16 Texas.

17 This should be a business decision. The
18 track representatives have already stated for the
19 record the percentage of play on their respective
20 exported simulcast signals, and the percentages will
21 overwhelmingly favor the Thoroughbred product.

22 In addition, 80 percent of the wagering
23 in Texas is on the imported simulcast product and only
24 approximately 20 percent on the live product. In the
25 last three years, Thoroughbred simulcast signals have

1 accounted for approximately 80 percent of the handle at
2 Texas tracks according to Texas Racing Commission
3 records. Greyhound signals have accounted for
4 approximately 11 percent, Quarter Horse signals
5 approximately five percent, and harness racing signals
6 approximately three percent and yet live pari-mutuel
7 harness racing is not even legal in Texas.

8 There's another area of concern if there
9 is any reduction in the breed split allocations to
10 Thoroughbreds at each Texas track. According to
11 additional statistical data prepared by your staff for
12 the 2007 race date working group, the average purses
13 paid per race in Texas compared with tracks in
14 neighboring states has resulted in the following
15 changes in track rankings for Thoroughbreds: Lone Star
16 ranked fifth in 2005 after ranking fourth in 2004 and
17 2003. Sam Houston Race Park ranked 11th in 2005 after
18 ranking ninth in 2004 and 2003. Retama ranked 12th in
19 2005 after ranking 11th in 2004 and 2003. Manor ranked
20 16th in both 2005 and 2004 after ranking 15th in 2003.
21 Gillespie ranked 17th in 2005 after ranking 15th in
22 2004 and 16th in 2003.

23 That's a decline of five for five. All
24 five Thoroughbred meets have declined in comparison
25 with the purses per day at the racetracks in the

1 neighboring state.

2 Unlike the Thoroughbred track rankings,
3 Quarter Horse track rankings from meet to meet are down
4 at only a couple compared with the out-of-state
5 tracks. One position championed by the Texas Quarter
6 Horse Association representatives, according to their
7 letter, is that the breed splits should be based on
8 attendance and handle for live racing at Texas tracks.

9 This is the equivalent of a horse racing
10 with blinkers, blinkers on, thereby restricting his
11 vision only to what can be seen directly in front of
12 him. Breed splits cannot be solely based on only one
13 factor.

14 And I'd like to call upon one of my
15 staffers, Shelby Downs, to bring up a chart because
16 what I put together on this chart is a comparison from
17 the race date working group material that was prepared
18 by the Texas Racing Commission staff -- come on over,
19 Shelby, over here -- that will show you comparisons.
20 And these are right from your material -- the material
21 prepared by the staff as I said.

22 (Discussion off the record)

23 MR. HOOPER: On race days we've declined
24 six, Quarter Horses have declined eight. That's an
25 advantage for Quarter Horses.

1 Number of races, this is from 2003 to
2 2005. The number of races for Thoroughbreds have
3 declined 164. The number of races for Quarter Horses
4 have declined 51.

5 Number of starters, the number of
6 Thoroughbred starters have dropped 2,104. The number
7 of Quarter Horse starters have dropped 617.

8 Number of distinct starts, that's where
9 you count every horse that starts the first time. He's
10 counted once and that's all. Number of distinct
11 starters, Thoroughbreds are down 1,148. Quarter Horses
12 are down 624.

13 Total purses paid, Thoroughbreds are down
14 \$2,451,797. Quarter Horses are plus \$124,607.

15 Average purse per day, Thoroughbreds are
16 down \$7,598. Quarter Horses are up \$7,161.

17 Average purse per race, Thoroughbreds are
18 down \$55. Quarter Horses are on the plus side by
19 \$460.

20 Any change you make in the Thoroughbred
21 allocation is going to result in further declines in
22 what the Thoroughbreds are showing here compared to the
23 Quarter Horses. And I ask you -- I plead with you to
24 consider that as you're deciding on the breed split
25 allocations today.

1 I'd be happy to answer any questions.

2 CHAIRMAN ROGERS: Questions for

3 Mr. Hooper? Yes.

4 COMMISSIONER ADAMS: Mr. Hooper, you
5 commented on the rankings that I had spoken earlier
6 about; and I just wanted to point out that if you'll
7 look very closely at those rankings, you'll see that
8 Zia, Zia Park, did not run in '03 and '04. Therefore,
9 there was no slip in the ranking of Lone Star. Lone
10 Star was fourth in '03 because there was no Zia. Had
11 Zia run in those two years, the ranking would have
12 stayed the same. And consequently, it pushed every one
13 of the tracks below Zia down one notch which it would
14 not have slipped.

15 So I take a little bit of -- I take a
16 little bit of concern in that comment that you made. I
17 don't feel that they have slipped dramatically
18 according to these stats.

19 MR. HOOPER: And your observation is
20 correct. I think that, you know, once again, it's --
21 it's another indication of where we are in this
22 industry today. And it doesn't matter whether it's
23 Thoroughbred or whether it's Quarter Horses. We get a
24 brand-new track in Hobbs, New Mexico, which is right
25 across the West Texas line. And why was it put there?

1 It was put there so that it could draw people from West
2 Texas to play not only at the racetrack but also at the
3 casino at Zia. And already in the first year their
4 average purse per race is higher than our best
5 Thoroughbred track. And the Quarter Horses have the
6 same problem with Zia over there.

7 CHAIRMAN ROGERS: Any other questions?

8 MR. HOOPER: Yes, sir, Dr. Carter.

9 COMMISSIONER CARTER: I think these are
10 interesting numbers; but I would ask you, those are all
11 declines from what? What is the beginning numbers? Do
12 they all start out at a thousand and then decline that
13 number? Or what's the proportionate decrease in each
14 breed? Do you know that?

15 MR. HOOPER: Proportionate decrease in
16 each breed? I do not know.

17 COMMISSIONER CARTER: How many
18 Thoroughbred starters were there before we lost 2,000?
19 And how many Quarter Horse starters were there before
20 we lost 600?

21 MR. HOOPER: Can I ask --

22 COMMISSIONER CARTER: Do you know?

23 MR. HOOPER: I don't know off the top of
24 my head, but I'd like to ask one of your staffers if --
25 was that in the material? And if it was, Sammy, is --

1 I have my working group booklet with me. Okay. Let me
2 go back to it.

3 COMMISSIONER CARTER: What I'm getting at
4 is: Are we declining by 50 percent in both or are we
5 declining by 30 percent in one which is a larger
6 number? Percent decline is what I'm getting at. And I
7 guess I wasn't on the working group, so I didn't see
8 those numbers. I apologize.

9 MR. HOOPER: If I can take a minute to
10 try and find this.

11 COMMISSIONER CARTER: The reason I ask
12 that -- and I'm sure you can listen to me as you look.
13 I realize the Thoroughbreds and Quarter Horses are both
14 suffering in Texas right now compared to our
15 neighboring states because of a number of reasons. But
16 those numbers would lead you to believe that
17 Thoroughbreds are suffering more than the Quarter
18 Horses. And I'm sure that Mr. Werstler is going to get
19 up there and tell us that's not the case.

20 But you had the numbers in front of you;
21 and so, you know, if Thoroughbreds are down 60 percent
22 and Quarter Horses are down 20 percent, then that means
23 more to me than 2,000 and 600.

24 MR. HOOPER: Can you go back to your
25 original question?

1 COMMISSIONER CARTER: Number of
2 starters. Thoroughbreds are down 2,000 from what
3 beginning number?

4 MR. HOOPER: Thoroughbreds are down from
5 20,080 in 2003 --

6 COMMISSIONER CARTER: 20,080.

7 MR. HOOPER: -- to 17,976 in 2005.

8 COMMISSIONER CARTER: So they're down 10
9 percent.

10 CHAIRMAN ROGERS: 11 percent.

11 COMMISSIONER CARTER: Quarter Horses are
12 down 600 from what starting number? Number of
13 starters.

14 MR. HOOPER: In 2003, 11,970. In 2005,
15 11,353.

16 COMMISSIONER CARTER: Thank you. That's
17 what I was after.

18 MR. HOOPER: Thank you for the question.

19 CHAIRMAN ROGERS: Any other questions?

20 Thank you.

21 Mr. Werstler, unless you're going to use
22 this chart, I'll let him take it with him.

23 MR. WERSTLER: Mr. Chairman, I'm going to
24 defer to Dr. Neff.

25 CHAIRMAN ROGERS: Yes. That would be

1 good. Thank you.

2 MR. WERSTLER: I'll go after him if
3 that's all right.

4 CHAIRMAN ROGERS: Okay.

5 MR. NEFF: I'm Dr. Neff. I'm a
6 veterinarian on the backside of Retama Park and Sam
7 Houston Race Park Quarter Horse meet. I also have a
8 handout.

9 When I first got involved with this, it
10 started in a tack room at Retama Park. I was asked
11 what we could do to possibly raise a little bit of more
12 money for the Quarter Horse racing to help keep our
13 horses here within the state boundaries and to have
14 that money be spent here in the State of Texas.

15 I went to a couple of working group
16 meetings. I got invited to those and enjoyed a lot of
17 discussion, got to meet a lot of people in this.

18 I want to address one point that
19 Mr. Hooper made while ago when he was talking about,
20 Dr. Carter, on the decline of the Thoroughbreds. It's
21 kind of like a pasture. Quarter Horse people have been
22 cutting their days for the last several years. The
23 Thoroughbreds are just now starting to cut a dramatic
24 cut of some of the dates. We're finally getting down
25 to a sustainable level of what we can support here.

1 That's why there's been such a dramatic decline in the
2 last couple of years in Thoroughbred racing because
3 we're finally getting down to where we need to be that
4 we will support.

5 The handout that I gave you, I want to
6 just explain that to you. The current splits, they
7 keep talking about an 80/20. It's actually a 78.40
8 percent for the Thoroughbreds and it's a 19.60 for the
9 Quarter Horse at Retama. The same thing at Sam
10 Houston. At Lone Star Park it is -- the current split
11 is 83.94 for the Thoroughbreds and it's 14.81 percent
12 on the Quarter Horse.

13 The criteria -- Sammy, we had talked to
14 him earlier and they sent us a letter saying that
15 there's a procedure the Commission looks at when they
16 go through this to decide how to do these breed
17 splits. We called the staff and we asked them what is
18 that procedure? What -- is there a manual? Is there a
19 list of things that -- criteria that we all write down
20 when we compare the two breeds? How is this done?

21 They said they didn't have that, that it
22 is in the Racing Act that the tracks are supposed to
23 submit statistical data, criteria, anything that will
24 justify their breed split.

25 So we have come up with some statistical

1 data of our own that we felt like were very important
2 when comparing the two breeds. On Retama Park --

3 COMMISSIONER CARTER: Excuse me one
4 second. Sorry to interrupt. You keep saying "we".
5 Who's "we"?

6 MR. NEFF: We would be Tooter Jordan and
7 I, the backside, some of the people on the backside,
8 not a breed association.

9 COMMISSIONER CARTER: Thank you.

10 MR. NEFF: The first page with Retama
11 Park is going to be incorrect now that Retama is not
12 running any dates next year, so we will have a hundred
13 percent of the Quarter -- the Quarter Horses will run a
14 hundred percent of the live races over there. But had
15 they kept their 42-day meet, I just want to go over it
16 just like that.

17 We looked at racing opportunity. Racing
18 opportunity in our eyes was defined as the number of
19 race days allocated, the number of race days run, and
20 the total number of races run. And we also wanted to
21 look at local market and demand. You know, what is
22 your local market? What is the public demanding in
23 that area for live racing?

24 And when looking at those numbers, Sam
25 Houston and Retama Park, it was just equal demand live

1 handle compared to live attendance for both breeds.
2 There wasn't this big skewed difference that keeps
3 being put out there that 20,000 people show up at the
4 Thoroughbred day and bet a million dollars and a
5 hundred people show up at the Quarter Horse meet and
6 they bet 50 bucks.

7 It's not skewed like that. There is
8 local demand in the Retama market. Their market is
9 Bexar County, surrounding counties in South Texas. Sam
10 Houston is the Harris County and surrounding counties.
11 That is their local market. Ruidoso's market is West
12 Texas and the Panhandle. It's a different situation of
13 what is coming to these races.

14 And when we looked at the statistics
15 prepared by Sammy, our handle and our average daily
16 attendance were just as good, if not better, in most
17 instances. And that has got to contribute to the
18 bottom line of Retama Park because we have people
19 coming out there -- maybe they're not betting the two
20 dollars; but they're paying admission, they're buying
21 the programs, and they're buying concessions,
22 concessions being one of the most important portion of
23 any major sporting facility.

24 Corey Johnsen alluded earlier. He said
25 that live racing is where we make our money, from live

1 attendance is where we make our money. He said also
2 live attendance also -- it affects and influences our
3 simulcast handle in that if those people come out and
4 enjoy the live races, then they may come back and
5 bet -- come here and participate and bet on the
6 simulcast races when we're not running live.

7 What we're trying to do here or what
8 we're wanting, we're wanting to be a little more
9 competitive with the neighboring states. We feel like
10 a small percentage increase on our side will help us do
11 that.

12 We had prepared a chart. I know
13 Commissioner Adams and Commissioner Sowell had copies
14 of the chart where we compared what the open-bred races
15 at Delta Downs were running for and Ruidoso Downs,
16 Remington Park, Sunland Park, at the various ones. At
17 Delta Downs, a two-year-old maiden race this past year
18 was running at a 5800-dollar purse. Louisiana-bred
19 were running at 20,000 plus. The State breed program
20 is very, very strong in Louisiana.

21 But we have open horses leaving here in
22 Texas and going to Louisiana to run at a 5800-dollar
23 purse because all we're offering at Retama is a 48,
24 5,000 at Sam Houston, 5500 at Lone Star. A small bump
25 there would put us in competition with them, if not

1 even a little bit more than them.

2 No, the trainers -- Bryan Brown asked me,
3 "Are you going to tell me if we give you all more
4 money that these trainers, Janet Van Bebber, the Heath
5 Taylors, these people are going to come from out of
6 state and come back home and participate at our meet?"

7 No, we're not going to guarantee that;
8 but we have horses that are in their stables that the
9 owners live in Fredericksburg, Texas, and they've
10 elected to go over there because the money is a little
11 bit better in the open race. If we can get that money
12 up a pinch here at Retama Park, Sam Houston, and Lone
13 Star, that owner would elect to choose a different
14 trainer and maybe keep that horse at home.

15 And that's what we're trying to do.
16 We're trying to keep our horses. We've got this big
17 exodus going on of horses going out of state. And
18 we're trying to slow it down. And with a little help
19 we can. We feel that a split -- a 10 percent increase
20 at Retama Park, a 10 percent increase at Sam Houston
21 Race Park, and a six percent increase at Lone Star Park
22 would deliver that for us.

23 Any questions?

24 CHAIRMAN ROGERS: I have a comment or
25 two.

1 MR. NEFF: Yes, sir.

2 CHAIRMAN ROGERS: I appreciate the work
3 you put together on this. I have a problem with the
4 whole process, just as a statement here, of breed
5 splits because you alluded to the no criteria. This
6 particular deal is kind of like playing Blind Man's
7 Bluff. It's the most arbitrary procedure I've actually
8 ever been involved with. And there is no way to cut
9 the baby. I mean, you can't help one without hurting
10 one. It's a zero-sum game and you can't improve it.
11 And there really is not good criteria for it.

12 The way that -- on the next split that
13 we're going to do, there is some criteria and it's to
14 be sure that the breed -- we're supposed to take into
15 account what's going on with the breeds.

16 In this particular instance, this is a
17 deal where the associations recommend it; and I see it
18 more as a business decision; and I know it affects
19 every horseman. And I have an affinity for the plight
20 that the Quarter Horse people are going through and it
21 is a very difficult deal.

22 But I think the next -- and I guess I'm
23 saying this for the benefit of Commissioners more than
24 I am for you -- is the next division that we have of
25 the ATB funds are a whole lot more -- the criteria

1 we're supposed to use for that really takes into
2 account what's happening with the breeds a lot more
3 than what this one does.

4 This one really, I think, is more of the
5 association gives the recommendation and we can
6 arbitrarily do anything we want with it, but it's more
7 of a business decision and process.

8 I took a really hard look at this over
9 the last couple of days to try to find ways to justify
10 why this should be a certain way. It just depends on
11 how you want to look at it. The numbers that you have
12 presented us with and the Quarter Horse people have
13 presented us with are very compelling, particularly on
14 a per-day live basis. And I think our goal is to
15 improve live racing in Texas. But it also has to be
16 that every track has to be able to survive and make
17 that work.

18 When you look at handle on a per-day
19 basis, in some of the places like Retama, they look
20 very close; but if you look at a handle on an
21 annualized basis, you've got twice as many Thoroughbred
22 days as you do Quarter Horse days; so if it were live
23 handle, it's skewed by 50 percent. It's still a
24 three-to-one or a four-to-one basis as opposed to being
25 a pretty even basis.

1 This is an area that I really wish, as a
2 Commission, we would come up with criteria that makes
3 sense for how we make this decision because this -- you
4 know, the industry has had a four- or five-year
5 agreement, three years for sure; and that's pretty easy
6 because they've all gotten together and made that fit.

7 But it's very, very arbitrary from this
8 end. There isn't any good criteria. And I could look
9 you in the eye and say that if we help you, we're going
10 to hurt somebody else down the line; and if we help
11 them, we're going to hurt you.

12 And so I don't particularly like being in
13 that position without having some criteria to rely on
14 other than who's your favorite sister. You know,
15 that's not -- the criteria we used while ago. That's
16 not a good way to determine how this is. And so I just
17 want to make that comment before we get a whole lot
18 further.

19 You've made some pretty good arguments
20 here. I think it's a little flawed in just daily. But
21 if you look at -- you know, should you consider
22 simulcast handle? Is that the criteria you ought to
23 use since this is simulcast money? Well, if you do,
24 how do you look at harness races? It's not
25 Thoroughbreds. It's not Quarter Horses. Do you just

1 look at live because that's the patrons that you're
2 bringing in?

3 You know, if you look at simulcast, your
4 numbers ought to be less than half what they are. If
5 you look at live, your numbers, you could say they
6 might be 25 percent more than they are. So I don't
7 have a good criteria for how to look at this, but I'm
8 not real comfortable with making large adjustments in
9 what has been an industry standard for a number of
10 years without setting some criteria first.

11 And so I appreciate the testimony and
12 we're going to hear everybody's testimony today in this
13 process, but I would really like for this Commission to
14 take a good look at what -- how we really ought to look
15 at this. And I think we ought to look at -- have our
16 staff get with the tracks, who are supposed to make
17 this recommendation; and I would encourage the breed
18 organizations to spend more time with the tracks
19 justifying their position as opposed to justifying it
20 here because really the tracks are who make the
21 recommendation and you all should be providing the
22 information to them and they ought to, in turn, be
23 providing us the information that you provide whether
24 they agree with your conclusion or not.

25 So I would challenge the tracks to gather

1 the information from the breed organizations and the
2 breed organizations to supply that information to the
3 tracks so that we might be able to make a better
4 decision because I don't think any decision we make is
5 a good decision on this for everybody.

6 That's my sermonette and I appreciate you
7 listening to it.

8 COMMISSIONER SOWELL: That will be the
9 last time you volunteer.

10 CHAIRMAN ROGERS: I'm glad you wanted to
11 come first.

12 MR. NEFF: That's all right.

13 CHAIRMAN ROGERS: Mr. Werstler?

14 MR. WERSTLER: Good afternoon again,
15 Commissioners, Rob Werstler, Texas Quarter Horse
16 Association.

17 Mr. Hooper brought a poster board. I
18 brought Dr. Neff. I thought you could ask questions
19 there.

20 I'd also like to thank Mr. Blanton for
21 giving his four passes out at Home Depot for the
22 Quarter Horse meet. We'll be looking forward to the
23 increased attendance and handle this opening weekend.

24 It's funny what you prepare for these
25 meetings and then what you hear and you're writing your

1 notes, so excuse me if I kind of jump around. Most of
2 the numbers that I'll refer to have been in the
3 packet. I didn't bring any new ones.

4 But one thing I'd like to touch on first,
5 Commissioner Rogers, is you're talking about it is a
6 business decision.

7 CHAIRMAN ROGERS: For everybody, you
8 included.

9 MR. WERSTLER: Right. But there's an
10 angle that I don't think anybody has thought about in a
11 while. But for the racetracks, you're absolutely
12 right. But say you are a person that wants to get
13 involved in horse racing and you don't know if it's
14 going to be Quarter Horse racing or Thoroughbred
15 racing. But you start -- you decide you're going to
16 look at it a year and decide what's more cost effective
17 or how you can make back your investment faster.

18 And you look at the condition books for
19 the Quarter Horse meet. And a maiden race, for those
20 of you that don't know, is a race for horses who have
21 never won a race. That's where they go the first
22 time. Our maiden races in Texas are around \$5,000 for
23 Quarter Horses. They're anywhere from 15 to 28
24 thousand, I believe, for Thoroughbreds. So right off
25 the bat, we're kind of behind the eight ball. The

1 Quarter Horse industry is behind the eight ball trying
2 to draw new business into our industry.

3 I would also -- in talking about our
4 agreements, I'd like to apologize to the Commission. I
5 wish we could have come here today. Last year -- I've
6 been working for the Texas Quarter Horse Association
7 since 1998 and last year was the first time I've come
8 before you to ask for a bigger split.

9 We had three-year agreements since 1998.
10 Well, it was a three-year agreement and then we kept
11 agreeing to it. And we wouldn't be here today before
12 you if it wasn't absolutely necessary.

13 Touching on what Dr. Neff spoke about, if
14 you look at the numbers that are in the packet provided
15 by staff, you can change those breed splits a small
16 percentage, five to 10 -- Dr. Neff was talking 20,
17 depending on what the racetrack is. At Retama it would
18 have to be much bigger. At Lone Star it could be much
19 smaller -- to get our purses to where they're
20 competitive, to where we're giving away enough money
21 per day for -- we're giving enough money per race. It
22 doesn't take a whole lot of changing in those breed
23 splits.

24 Years ago, when I first started here in
25 '98, we ran 100 percent Quarter Horses at Manor

1 Downs. I believe it was 36 days. Correct me if I'm
2 wrong, Howard. And we received 100 percent of the
3 simulcast split -- of the simulcast money. A few years
4 ago the Commission required Manor Downs to increase the
5 size of their oval, thereby allowing accommodating
6 Thoroughbred racing. We've lost between anywhere,
7 depending on what year it was, 20 to 30 percent of the
8 simulcast split at the racetrack plus now we're running
9 an 18-day mixed meet. We've never been allowed to make
10 up that 20 to 30 percent that we lost at Manor Downs.

11 When we were working on breed splits
12 years ago, I was told that the fact that Quarter Horses
13 received 100 percent of the simulcast money at Manor
14 Downs, it really hurt us in trying to get a bigger
15 percentage at the other Class 1 racetracks.

16 One other thing I'd like to point out, at
17 Lone Star Park years ago, officials from Lone Star Park
18 came before this Commission and said giving 15 percent
19 to the Quarter Horse purses, they would still be able
20 to provide the largest Quarter Horse purses in the
21 United States at 15 percent.

22 Well, as Commissioner Adams pointed
23 out -- it was an excellent observation, I might add --
24 not only are they not number one in the United States,
25 not even close, they're not number one in Texas.

1 So I would also like to see Quarter Horse
2 purses afforded a larger split. It might help us
3 regain some of those race days that we've lost today.
4 That could be a possibility. If you -- well, I won't
5 go into the numbers.

6 Also you talked about the breed splits
7 being arbitrary. They were arbitrary when they became
8 80/20, 85/15. As I said before, we were just trying to
9 come to agreements as an industry. We were pretty much
10 at ground zero at the time.

11 As far as the simulcast numbers being so
12 lopsided towards Thoroughbreds, I, for one, also agree
13 that it should be based on live numbers because of
14 things like harness racing. I did a study a few years
15 ago that showed that if you attended a racetrack, a
16 Class 1 racetrack, every day, you had over 4,000, I
17 believe was the number -- 4,000 more opportunities to
18 watch and wager a Thoroughbred race than you do a
19 Quarter Horse race. So you can see why those numbers
20 are skewed that way.

21 Again, I think if we get to those, there
22 are achievable breed splits that will allow us to
23 recapture, as Dr. Neff stated, some of the Texas horses
24 that have left Texas, some of the Texas horsemen that
25 have left Texas.

1 Louisiana Downs -- well, Delta Downs in
2 Louisiana, their open purses, the way they have their
3 law written, most of the money goes into -- is
4 restricted for Louisiana-bred horses so you must be a
5 Louisiana-bred to run in those races. And they are
6 huge.

7 The open races are bigger than our purses
8 in Texas. By tweaking those breed splits, we can get
9 our purses up over what they are for the open purses at
10 Delta Downs. I really think that will help keep Texas
11 horsemen and Texas horses in Texas. It might help us
12 bring some of them back.

13 And so I also am looking to change these
14 splits. Dr. Neff has recommended 10 percent at Retama
15 Park, 10 percent at Houston, and I believe six percent
16 at Lone Star Park. Mine were similar.

17 CHAIRMAN ROGERS: At the risk of
18 belaboring this, did you participate with the tracks in
19 pitching them what you thought your breed splits should
20 be individually and specifically with the tracks?

21 MR. WERSTLER: Yes.

22 CHAIRMAN ROGERS: So each one of the
23 tracks knows exactly what you thought the breed splits
24 should have been.

25 MR. WERSTLER: Yeah. Not to be --

1 CHAIRMAN ROGERS: I mean, I know over the
2 years you have. You've been very firm on the subject.

3 MR. WERSTLER: We always do.

4 CHAIRMAN ROGERS: But specifically on
5 this issue, did you give them something that says this
6 is what it is and what it should be?

7 MR. WERSTLER: No, we did not offer them
8 any studies. We did -- other than these working groups
9 that I might add as well have been excellent. The
10 information we've gathered have been excellent, great
11 open lines of communication.

12 CHAIRMAN ROGERS: But there wasn't a lot
13 of breed split discussion in the working group, was
14 there?

15 MR. WERSTLER: Quite a bit. As a matter
16 of fact, one meeting it was basically the lion's share
17 of the comments.

18 CHAIRMAN ROGERS: Okay.

19 MR. WERSTLER: Are we going to also speak
20 on escrowed purse account and Texas-bred? Do you want
21 me to speak now or do you want me to come back up?

22 CHAIRMAN ROGERS: We're going to speak on
23 Texas-bred in a few minutes.

24 MR. WERSTLER: Okay. How about the
25 escrowed purse account?

1 CHAIRMAN ROGERS: The escrowed purse
2 account we're not doing today.

3 MR. WERSTLER: We're not doing today?

4 CHAIRMAN ROGERS: We're not doing the
5 escrowed purse account today. It's not on the agenda.
6 It's just discussion only.

7 MR. WERSTLER: Any questions?

8 CHAIRMAN ROGERS: If you'd like to
9 discuss it, you can; but it's not an agenda item to
10 do.

11 COMMISSIONER CARTER: I have one question
12 for Mr. Werstler. It seems -- I have a pretty good
13 memory sometimes, but it has holes in it. And last
14 year you gave some data about percentage changes at the
15 track that showed what it would decrease Thoroughbred
16 purses and what it would increase Quarter Horse
17 purses.

18 MR. WERSTLER: Yes.

19 COMMISSIONER CARTER: You did that last
20 year, which stuck in my head a little bit. I don't
21 have the exact numbers. But I was impressed by the
22 fact that a little change made a little difference to
23 one party and a big difference to another party. Do
24 you still have all that data?

25 MR. WERSTLER: I do. As a matter of

1 fact, it's in the packet in these numbers right here.
2 A-1 is Lone Star, which basically changing from an --
3 I'm sorry. 6-27.

4 COMMISSIONER CARTER: 27?

5 MR. WERSTLER: Yes.

6 COMMISSIONER CARTER: I didn't see that.

7 MR. WERSTLER: By changing a five percent
8 there -- and that is based on their 67 days. I really
9 did most of my work on the 63 days. But even at 67,
10 changing from 85/15 to 80/20 would increase our purses
11 from 40,000 a day to 56,000 a day. It would decrease
12 theirs from 17,554 to 17,064. Our purses would -- our
13 per-race purse would increase \$1,560 and theirs would
14 decrease \$490. So it puts our purses -- our daily
15 purse structure up over 56,000 and keeps theirs in the
16 170 range.

17 COMMISSIONER CARTER: That's adequate.

18 MR. WERSTLER: Okay. You know, the
19 numbers are --

20 COMMISSIONER CARTER: I'm sorry. This
21 table was in here. I just didn't get that number.

22 MR. WERSTLER: The numbers are as good on
23 the others. 6-33 is Retama's and 6-39 is Sam
24 Houston's. Now, that basically allows us to offer over
25 \$50,000 a day in purses which I think makes us

1 competitive.

2 CHAIRMAN ROGERS: I would note, just as
3 you're doing those numbers, that the number that is the
4 most skewed and the one that makes the least difference
5 here and the biggest difference there is Lone Star
6 because they're 85/15 as opposed to 80/20. But in --
7 and it makes a bigger difference because there's a lot
8 more dollars involved.

9 But probably, at least in my opinion,
10 they've got the best justification of keeping them
11 lower than anybody else has because all of the other
12 things that they presented us with shows that all their
13 money is in Thoroughbreds, in all their auxiliary
14 profits and all of their running the track and all of
15 their simulcasts and their live handle, in pretty much
16 every avenue. So the one that makes the most
17 difference is the one that is the one that's least
18 difficult -- I mean, least easy to justify.

19 Go ahead.

20 VICE-CHAIRMAN RUTHERFORD: Rob, we have a
21 pie of 86 percent of our purses from simulcast. In my
22 opinion, if you drop the Thoroughbred purses, you're
23 going to have lesser horses running in Texas and the
24 people that buy our simulcasts are not going to bet on
25 them as much so we're going to have a smaller pie and

1 the Quarter Horse people are going to get less money.
2 That's just my opinion.

3 MR. WERSTLER: Well, you know, what the
4 Thoroughbred meet at Lone Star does has no bearing on
5 our purses. All of that -- all of that money goes --
6 that's generated live goes to the Thoroughbred purses,
7 not the Quarter Horse purses. The only thing we're
8 talking about today is what's bet in-state on
9 out-of-state signals basically.

10 VICE-CHAIRMAN RUTHERFORD: Texas people
11 love their Quarter Horses; but in other states, they're
12 not as popular. So we have to depend on getting
13 revenue from New York, California, and other places on
14 simulcasts; and if we lower our product here, our pie
15 is going to be smaller.

16 MR. WERSTLER: But that's not our pie.
17 That's the Thoroughbreds' pie.

18 VICE-CHAIRMAN RUTHERFORD: No, it's
19 partly yours.

20 MR. WERSTLER: No, ours doesn't have
21 anything to do with that.

22 VICE-CHAIRMAN RUTHERFORD: Anyway, so the
23 pie goes down. And if you were getting 50 percent of
24 the simulcast, you might be getting less money. I'd
25 rather have two percent of a million dollars than I

1 would 50 percent of a hundred thousand.

2 MR. WERSTLER: Just a point of
3 clarification. What's bet on Belmont Park in New York
4 at Lone Star Park -- I'm sorry. What's bet on the
5 Thoroughbreds at Lone Star Park at Belmont Park,
6 Quarter Horses get nothing of that. That's bet on
7 their live product. So if their purses were to go
8 down, it wouldn't bother us at all. But back to your
9 original question --

10 VICE-CHAIRMAN RUTHERFORD: We have a
11 total of 86 percent. I think by taking money away from
12 Thoroughbreds that you're going to hurt yourself.

13 MR. WERSTLER: But I don't see how.

14 VICE-CHAIRMAN RUTHERFORD: If you didn't
15 have Thoroughbred racing, you would not have Lone Star
16 Park and you would not have Sam Houston and you would
17 not have Retama. You'd be racing at Manor. And I'm
18 not knocking Manor. But the economics of it, you
19 couldn't build that big a racetrack.

20 MR. WERSTLER: Well, truthfully, if you
21 want to go back to there, the Quarter Horse people
22 allowed the law to be changed from 50/50. If you ran
23 50 Thoroughbreds, you had to run 50 Quarter Horses.
24 They allowed that law to be changed to reasonable
25 access that even allowed the Class 1 tracks to come to

1 Texas in the first place.

2 But back to your original question,
3 dropping the per-race purse from \$17,554 down to
4 \$17,064, which is dropping it \$490, I don't see that
5 changing at all what Thoroughbreds you're going to be
6 allowing a track to race -- racetrack.

7 VICE-CHAIRMAN RUTHERFORD: I haven't
8 studied your numbers and I don't know if they're
9 correct or not.

10 MR. WERSTLER: These are staff's.
11 They're in the packet.

12 CHAIRMAN ROGERS: Any other questions?

13 MR. WERSTLER: Thank you.

14 CHAIRMAN ROGERS: We're going to take a
15 couple of minutes before we listen to any more.

16 (Recess from 2:41 p.m. to 2:54 p.m.)

17 CHAIRMAN ROGERS: If we can start again,
18 please.

19 Mr. Blanton, would you like to talk to
20 us? Were you on this subject?

21 MR. BLANTON: Actually I do not have any
22 comments on this particular subject.

23 CHAIRMAN ROGERS: Okay.

24 COMMISSIONER BOYD: Mr. Chairman?

25 CHAIRMAN ROGERS: Yes.

1 COMMISSIONER BOYD: May we ask Sammy to
2 clarify the exchange that was going on when we --

3 CHAIRMAN ROGERS: Yes. A little
4 clarity. Sammy, if you'd give us a little clarity on
5 the conversation that Commission Rutherford was having
6 with Mr. Werstler. The money that we are dividing
7 actually comes from where or doesn't come from where?

8 MR. JACKSON: The money that we're
9 carving up today on this agenda item is from simulcast
10 operations conducted at each of the racetracks
11 themselves. These are for signals that are brought
12 into their facility regardless of it being a Texas
13 signal, a greyhound signal, a Standardbred signal,
14 whatever it is. Money that comes in -- all the
15 simulcasting dollars wagered from that that's allocated
16 to purses is what we're carving up today. Now, that is
17 what we call import simulcasting.

18 Export is what happens when we take our
19 races and ship them to another site, Belmont Park out
20 of state or Kentucky or California or wherever.
21 There's also additional money that comes back to that
22 racetrack if that signal is sent to a Texas track.

23 There's two sources of money off of an
24 export of a Texas signal: The money that goes back to
25 the sending racetrack, what we call the export fee, and

1 the money that stays at the racetrack for purses.

2 Any money that's earned off of a live
3 product that goes back to the sending track or stays at
4 the sending track stays with the product that it was
5 wagered on. There is no need for a split decision on
6 that.

7 So what we're talking about today is the
8 money that stays at a Texas racetrack and is earned for
9 purses, according to the statute, from simulcast
10 operations.

11 Does that help a little?

12 COMMISSIONER BOYD: Yes.

13 CHAIRMAN ROGERS: I think so. Thank
14 you.

15 Do we have anybody else that would like
16 to weigh in on this subject?

17 Yes, Mr. Jordan.

18 MR. JORDAN: Tooter Jordan with the Texas
19 HBPA.

20 You know, a little earlier it was
21 mentioned that there might not have been a whole lot of
22 input or talk about these situations in our working
23 groups. And there probably was and one of the reasons
24 was probably because it was my fault. I subsequently
25 stood up and wanted to find out why the change was made

1 and where it was made from. And at that point in time
2 no one could explain it to me and it took a period of
3 about two months to really get a substantial amount of
4 information to where I could kind of see where this was
5 all coming from.

6 And just looking at what has happened in
7 the past from where it was changed, I think there was
8 probably a lot of different things out on the table,
9 maybe concessions being made from both sides, that
10 still are holding -- holding true today. And I'm just
11 wondering if it's not -- you know, not time to take
12 some -- a good hard long look at this and see if the
13 same statistics that were brought -- that brought this
14 about six years or seven years ago still holds true
15 today and whether we're still trying to make the same
16 deals that we were trying to make out of this room
17 because I think a lot of that is probably what went
18 into consideration back when it went from a hundred
19 percent of what you run for to what it actually is now,
20 arbitrarily or not, you know.

21 I have to -- you know, looking at it from
22 a representative of HBPA -- and I do understand fully
23 that taking money out of one man's pocket and putting
24 it in the other is not what we're supposed to be doing
25 here. It's a matter, I think, of having a pocket to

1 put it in. Some of them do and some of them don't, you
2 know.

3 I can see horses leaving our state every
4 day. Every day the Quarter Horses are leaving the
5 State of Texas. They're going to run at better
6 purses. We have an exceptional breed in our Quarter
7 Horses. They can go. That's one of the things about
8 the Quarter Horses. They can go out of state and be
9 competitive.

10 I don't know that the Thoroughbreds can.
11 Are we trying to keep the Thoroughbred breed alive
12 here, the Texas Thoroughbred breed within themselves?
13 It looks to me like when a Thoroughbred race is run and
14 a big one is run and it's won, it usually comes from
15 someone out of state. Is that what we're trying to
16 do? I don't think so. I don't think that was our
17 intent.

18 I do -- my own personal, whether it be
19 the right or wrong thing, I really think you should
20 take into consideration that this little bit of split
21 would make a whole lot of difference in the Quarter
22 Horse breed to where I don't see that it makes a huge
23 difference in what they're running for on a daily purse
24 structure during the Thoroughbreds.

25 It's a matter of surviving. It's a

1 matter of going broke. And I know that both breeds are
2 suffering. You know, it's not just the Quarter Horse
3 people that are suffering. I know the Thoroughbred
4 people are suffering, too. But when you look at it as
5 an industry, you're looking at a Quarter Horse industry
6 that's just about to go broke.

7 Any questions?

8 CHAIRMAN ROGERS: Thank you for your
9 comments.

10 Anybody else?

11 Commissioners that were on this working
12 group, do you have a comment?

13 Don't run over me here.

14 VICE-CHAIRMAN RUTHERFORD: They're
15 eating.

16 CHAIRMAN ROGERS: You don't have to have
17 one.

18 COMMISSIONER SOWELL: I'll help you out,
19 Mr. Chairman. The system we have now, to me, is not
20 fair. On the other hand, it's not fair to take away
21 from one and give to the other. So without backing up
22 and starting all over again to come up with some
23 entirely different concept, I don't think we can solve
24 the problem today. I think it's going to take some
25 research and some good faith on both sides to work it

1 out. But I think that's something that the breeds
2 ought to go to work on and see if they can't come up
3 with something that is at least more fair than what we
4 have now.

5 COMMISSIONER ADAMS: May I say,
6 Mr. Chairman, that Sonny and I did attend all of the
7 same meetings and we heard all of the same data; but in
8 this particular case, we probably came down with a
9 completely opposite opinion of the situation.

10 There's no question that both breeds are
11 suffering, both breeds need a shot in the arm. But
12 personally, I'm of the opinion that just a little bit
13 of help for the Quarter Horses in this arena would not
14 dramatically hurt Thoroughbreds, would not turn
15 Thoroughbreds out of Texas, but would help the Quarter
16 Horse industry immensely.

17 When I sit here and look at the average
18 purse per day, I just can't imagine how we got here. I
19 can't -- I just can't imagine how we got to a place
20 where at Retama, for instance, they're running for
21 \$83,134 a day, talking about going to a hundred
22 thousand dollars a day in 2008 in the Thoroughbred
23 market, and we're running for 42,000 for Quarter
24 Horses.

25 That's San Antonio, Texas, the heart of

1 the Quarter Horse industry, the heart of Quarter Horse
2 raising in Texas. The Quarter Horse was founded and
3 born not 150 miles from there.

4 I saw the Quarter Horse owners, when we
5 were trying to pass pari-mutuel, give their last nickel
6 and work their last hour of the day to try to get
7 pari-mutuel passed. I don't know, if you had told them
8 then that Thoroughbreds were going to get 80 percent of
9 the split, whether they would have worked nearly as
10 hard. They were there when you needed them, but now it
11 doesn't seem like you need them anymore.

12 I see a move on the part of the three
13 Class A tracks just to do nothing to try to keep their
14 Quarter Horse operation alive. It's sad. It just
15 looks like they're turning their back on them for
16 whatever reason. And so I'm in favor of some kind of a
17 move, even if it's just a small move, to try to help
18 the Quarter Horses.

19 CHAIRMAN ROGERS: Other Commissioners'
20 comments?

21 COMMISSIONER CARTER: I have one question
22 I wanted to ask of Howard Phillips from Manor Downs, if
23 I could.

24 MR. PHILLIPS: Yes, Commissioner.

25 COMMISSIONER CARTER: It took me a little

1 while to think about this after you sat down. But
2 you're really the only person that's proposing much of
3 a change in the split.

4 MR. PHILLIPS: That's correct.

5 COMMISSIONER CARTER: And what criteria
6 did you use to make that decision at your racetrack to
7 propose that change?

8 MR. PHILLIPS: Well, Commissioner, two
9 things. One, when Sammy asked for -- for him to do the
10 projections that you've got in front of you, he needed
11 our ending balances at the end of live racing in both
12 Thoroughbred and Quarter Horse purse accounts. And
13 then he also asked for our projection, what we thought
14 we would have in those purse account balances December
15 31st.

16 I gave him those numbers and they
17 actually skewed the Thoroughbred side because we have
18 had ATB money accumulate that we have not gotten an ATB
19 Thoroughbred race to go.

20 Let me take you to where we are now.
21 After we completed the oval, our first full year of
22 operation, our split was 74/26, 74 to Quarter Horses
23 and 26 to Thoroughbreds. And that's where we assumed
24 we were going to stay. And without going into all the
25 details but for whatever reason, it didn't. And we're

1 trying to get back to that now because what we've had
2 to do in the last three years is just every year just
3 gut the stakes program, where we're running a few day
4 races and we just don't really have a stakes program
5 for the Thoroughbreds. We have a great one for Quarter
6 Horses.

7 In our working group, which I have to
8 commend Commissioner Adams and Sowell that were there,
9 everybody that was there, we identified all our
10 competing tracks around the state that are adjacent to
11 us; and one of the things that came up -- I think this
12 is right -- that Quarter Horse purses need to be,
13 without added money, \$70,000 a day for us to compete
14 with everybody.

15 Well, if you'll look at Manor Downs'
16 numbers, you'll see we can go to 74/26 and we're still
17 over \$70,000. So we're able to compete with any
18 Quarter Horse track in our area right now with our
19 purse levels going to 74/26. And I think that's about
20 as good as it gets.

21 COMMISSIONER CARTER: So you feel that
22 it's helping the Thoroughbreds more than it's hurting
23 the Quarter Horses to make the change.

24 MR. PHILLIPS: Yes. I don't think it's
25 going to hurt Quarter Horses at all.

1 COMMISSIONER CARTER: Okay.

2 CHAIRMAN ROGERS: Other comments from any
3 other Commissioners?

4 COMMISSIONER CARTER: I would like to
5 make a statement based upon that. We're so reluctant
6 to change other tracks for fear of hurting the
7 Thoroughbred purses even if we'll help the Quarter
8 Horse purses more than we hurt the Thoroughbred
9 purses. But yet we have a track proposing exactly the
10 opposite and we don't seem so concerned.

11 And I think if we allow that track to go
12 in that direction, we ought to be looking at some of
13 the other tracks to go in the other direction and see
14 if we can't give a little bit of boost to the Quarter
15 Horse without really hurting the Thoroughbreds very
16 much at all.

17 And I don't think -- when we're talking
18 about that pie, I think the explanation is that we're
19 talking about what we sell, what we sell on that day of
20 racing; and I think that -- I think that we need to
21 show a little consideration for the Quarter Horse breed
22 in making this decision. I really believe we should.
23 And I used to raise and sell Thoroughbreds, for the
24 record.

25 CHAIRMAN ROGERS: Well, I may get shot

1 down with this thought and I hate to be the person who
2 seems to be anti-Quarter Horse in this panel because I
3 actually spent last night really trying to find a way
4 to justify an increase in Quarter Horses. And when you
5 have zero criteria to do it with other than just
6 arbitrarily saying I'm going to do that, it's pretty
7 hard to find that way to do it in this segment.

8 Now, in the next segment, the next thing
9 we're going to vote on, the ATB money, it's a smaller
10 pie; but I think if we were going to help a breed, that
11 would be where you ought to really consider that as
12 opposed to in this segment that really has the
13 associations making the recommendation on how to divide
14 the money.

15 I tried last night to put myself in the
16 Quarter Horse position because I know how tough life is
17 for you guys and I've heard testimony of it at finance
18 committee meetings and I've heard testimony here for
19 several years. And I absolutely believe you. But when
20 I look at the economics of where the money -- how the
21 money is generated at the tracks, I could not find a
22 way to figure out how to justify more cash.

23 And I will take Lone Star as an example,
24 the most skewed track in the state, if you wanted to
25 look at how the disparity is. And if you just base it

1 on live handle, just live handle, you could probably
2 get that percentage from 15 to 20. But if you base it
3 on any other criteria, you could probably get that
4 percentage down to about six or less. And when you put
5 in there the ATB money at a 30 percent rate, which is a
6 whole lot more than the money that -- how it's
7 generated, I mean, if this were just helping one group
8 without hurting another, I'd have no problem with it at
9 all. But that's not the case.

10 I agree with your rationale that if you
11 can help one a lot and hurt one a little, it's not
12 necessarily a bad deal. And that's been my thought for
13 the last six years. But I don't think this particular
14 deal is the place to do that. I think if you're going
15 to do it, you need to do it in the ATB money that's
16 supposed to help Texas-bred animals, not how you
17 operate the tracks and how you run the industry.

18 That's my nickel's worth. I don't mind
19 anybody objecting to it, but that's it.

20 VICE-CHAIRMAN RUTHERFORD: One thing I
21 might add, the change -- the only change was done by
22 the track. It wasn't done by the Commission or the
23 breeders. The tracks elected to make that change. So
24 I guess I don't know if we should be micromanaging the
25 racetracks. Manor Downs made the decision to change --

1 to hand a little bit to the Thoroughbreds and take it
2 away from the Quarter Horses.

3 CHAIRMAN ROGERS: I would say this.
4 Whatever motion comes out and whatever we decide on, I
5 still would like to get the Commission staff to try to
6 come up with some criteria that we can use because if
7 it is a get the groups together and work it out, one of
8 them can't win without the other losing. So you have
9 two people and both of them -- or two groups and they
10 both have a vested interest and I can't see either one
11 saying, geez, let me take a little less and let me have
12 a little more. So I think we're going to have to find
13 some criteria that we can actually justify how we're
14 doing this, whether it's too little or too much.

15 Yes, sir?

16 MR. ANGELO: Mr. Chairman, I agree with
17 what you said, that I don't -- I don't feel that I've
18 got the basis for making any changes from what they're
19 recommending. I'd like to move to approve the
20 recommendation that's been made.

21 CHAIRMAN ROGERS: We have a motion by
22 Commissioner Angelo to approve as requested by the
23 associations.

24 Is there a second to that?

25 VICE-CHAIRMAN RUTHERFORD: Second.

1 CHAIRMAN ROGERS: Seconded by
2 Commissioner Rutherford.

3 Is there some discussion?

4 All in favor?

5 COMMISSIONERS: Aye.

6 CHAIRMAN ROGERS: All opposed?

7 COMMISSIONER ADAMS: No.

8 COMMISSIONER CARTER: No.

9 CHAIRMAN ROGERS: We better call the
10 roll, please.

11 MS. GIBERSON: Jesse Adams?

12 COMMISSIONER ADAMS: No.

13 MS. GIBERSON: Treva Boyd?

14 COMMISSIONER BOYD: Yes.

15 MS. GIBERSON: Kent Carter?

16 COMMISSIONER CARTER: No.

17 MS. GIBERSON: Earnest Angelo?

18 MR. ANGELO: Yes.

19 MS. GIBERSON: Mike Rutherford?

20 VICE-CHAIRMAN RUTHERFORD: Yes.

21 MS. GIBERSON: Sonny Sowell?

22 COMMISSIONER SOWELL: Yes.

23 MS. GIBERSON: Jimmy Archer?

24 MR. ARCHER: Yes.

25 MS. GIBERSON: Louis Sturns?

1 COMMISSIONER STURNS: No.

2 MS. GIBERSON: Dyke Rogers?

3 CHAIRMAN ROGERS: Yes.

4 The motion passes.

5 MR. WERSTLER: Can I get a point of
6 clarification? Was that a -- you did drop us six
7 percent at Manor?

8 CHAIRMAN ROGERS: It was approved as
9 recommended by the association.

10 MR. WERSTLER: And that was the 74/26?

11 CHAIRMAN ROGERS: It is the 74/26 at
12 Manor.

13 Okay. We have an allocation of the ATB
14 money.

15 Mr. Jackson, would you lay out this
16 issue, please?

17 MR. JACKSON: Yes, Mr. Chairman.

18 Under, again, Section 321.505, allocation
19 of funds from Texas-bred incentive programs from
20 simulcasting, the Commission shall determine the
21 percentages by which Texas-bred incentive program funds
22 generated from simulcasting is divided amongst the
23 various breeds of horses.

24 Before determining the percentages, the
25 Commission shall receive information from the official

1 breed registries designated in the act and the
2 associations. In determining the percentages, the
3 Commission shall consider the effect of the proposed
4 percentages on the state's agricultural horse breeding
5 and horse training industry.

6 The staff has prepared similar splits
7 that were underneath the section for simulcast purse
8 allocation underneath this tab for your review and they
9 begin on Section -- Tab 7-21.

10 The staff estimates that 4.457 million
11 dollars will be generated in ATB money from the five
12 Texas horse tracks. 86 percent of that, or 3.845
13 million, will come from simulcast operations. That is
14 the impact of the decision on the allocation that you
15 will make today.

16 The staff's efforts in this area to
17 facilitate discussion were held with one meeting prior
18 to the August 23rd race day working group meeting at
19 Sam Houston Race Park where the information that's
20 included in the packet were handed out to all the breed
21 registries who did attend that function as well as
22 Commissioner Sturns, Commissioner Sowell, and
23 Commissioner Adams.

24 I would point out that there was a great
25 deal of discussion about the criteria that's to be

1 considered at that meeting and Commissioner Adams
2 pointed directly to several of the breed registries and
3 asked them to submit information in this packet today
4 about how the agricultural and economic impact of this
5 money participated to their registry.

6 The staff has no recommendation on this
7 item, as we have not had in years past, but is
8 available for any questions that you may have.

9 CHAIRMAN ROGERS: Thank you,
10 Mr. Jackson.

11 This particular pot of money does have in
12 it the consideration of its effect on the breeds and on
13 the breeding industry and that is one of the criteria
14 that we're supposed to consider in this particular
15 item.

16 I need a point of clarification, too,
17 please. The escrowed purse account that we are not
18 handling today, that is also under our discretion to be
19 able to help particular breeds if we should choose to
20 do that. Is that correct?

21 MR. FENNER: Yes, sir.

22 CHAIRMAN ROGERS: And we will be handling
23 that in our next meeting. That's a smaller pot.
24 That's about 1.2 million dollars. This pot here is
25 four point what? It's 4.4 million?

1 MR. JACKSON: 4.4 in total and the amount
2 from simulcasting is 3.8 million.

3 CHAIRMAN ROGERS: It's about 4.4 in
4 total.

5 Okay. The breed associations.
6 Mr. Hooper?

7 Commissioners, there is a handout in your
8 packet on this, on ATB funds, and what the current
9 splits are and how much difference it makes if you
10 adjust those. It's this one here. It's a loose one.
11 Do they have this? Does everybody have this?

12 MS. KING: They should.

13 CHAIRMAN ROGERS: Let us find this, if
14 you would, because we'll be able to operate much better
15 looking at it.

16 (Discussion off the record)

17 CHAIRMAN ROGERS: There are two sheets
18 we're working from. This is one, accredited
19 Texas-bred, and the other is this worksheet here.

20 Go ahead, Mr. Hooper.

21 MR. HOOPER: I don't know whether I like
22 being the lead-off hitter on this subject or not.

23 CHAIRMAN ROGERS: Somebody has got to
24 be.

25 MR. HOOPER: I'd rather be the cleanup

1 hitter. But we'll try and make an impact anyway.

2 Once again, Mr. Chairman and
3 Commissioners, I am David Hooper, executive director of
4 the Texas Thoroughbred Association.

5 The Texas Thoroughbred Association
6 supports a continuation of the breed split allocation
7 of 70 percent to Thoroughbreds and 30 percent to
8 Quarter Horses of the revenue accruing to the
9 Texas-bred incentive fund program after the breed split
10 allocations to Arabians and Paints for the calendar
11 year 2007.

12 The justification for the continuation of
13 the Thoroughbred/Quarter Horse 70/30 Texas-bred
14 incentive fund split is supported by the following
15 actions of the Texas Thoroughbred Association to
16 fulfill its statutory mandate to make decisions that
17 will help to improve the quality of Thoroughbred racing
18 and breeding in Texas during this period of declining
19 business at Texas tracks accompanied by the increased
20 competition from neighboring states where slots-fueled
21 breed incentive programs are outpacing, almost
22 outdistancing, the Texas-bred incentive program.

23 In 2001 -- a little history to show how
24 we have tried to address some of the problems that have
25 existed on the Thoroughbred side as the breed

1 registry.

2 In 2001, Texas Thoroughbred Association
3 introduced legislation to eliminate the mandatory every
4 other year breed-back requirement, effectively enabling
5 any Thoroughbred foaled in Texas or born in Texas out
6 of an accredited Texas-bred mare to be eligible for
7 accreditation. Passage of this legislation has helped
8 to keep many of the best Texas-bred Thoroughbred
9 broodmares within the state, rather than leaving for
10 Kentucky or another state, and within the ATB program.
11 And the percentage of Texas-bred foals that are
12 accredited has risen from 72.5 percent in 2000 and has
13 increased every year but one since then until the
14 percentage reached a high of 80.3 percent with the 2004
15 foal crop. And those are the latest statistics
16 available.

17 In conjunction with the breed-back
18 legislation, the TTA incorporated an owners' bonus
19 award to be paid to the owners of accredited
20 Texas-breds which finished first, second, or third in
21 open company races in Texas, those races not being
22 restricted to Texas-breds. The owners' bonus, by the
23 way, is deducted off the top of ATB awards with 10
24 percent distributed in 2002, increasing by two and a
25 half percent annually, until it is capped at 25 percent

1 in 19 -- in 2008.

2 The percent this year is 20 and the
3 amount of return to owners from the owners' bonus
4 provision has grown from \$258,795 in 2002 to \$466,449
5 in 2005.

6 As it was intended, the owners' bonus has
7 incentivized owners and trainers of ATB horses to run
8 in open company races at Texas tracks and their entries
9 have helped to fill many races that otherwise would not
10 have been run. The owners' bonus has encouraged the
11 breeding of more competitive Texas-bred horses in open
12 company.

13 In addition, working with the racing
14 secretaries of each Class 1 Texas track, the TTA has
15 provided an extra allowance condition for ATB horses
16 running in open company races whereby they can win
17 their first two races in restricted Texas-bred company,
18 then come back against open company without the
19 restricted wins counting against them. This gives
20 owners of ATB horses, ATB Thoroughbreds, an opportunity
21 to have greater earnings potential and it also makes
22 them more marketable in the sales ring.

23 Also, a few years ago the TTA-sponsored
24 Texas Stallion Stakes Series was -- underwent
25 considerable revision to make it a million-dollar

1 program of eight stakes, each worth \$125,000, for
2 two-year-olds and three-year-olds sired by nominated
3 Texas stallions. This was an inducement to Texas
4 stallion owners and to make Texas-sired offerings more
5 marketable in the sales ring.

6 The TTA is presently working on expanding
7 the Texas Stallion Stakes Series to five states,
8 divided by six, by adding a turf race beginning with
9 the 2008 foal crop in the 2010 Texas Stallion Stakes
10 Series.

11 As Bryan Brown mentioned earlier, TTA
12 also recently rolled out a new proposal to create a
13 Southwest Racing Series to involve Class 1 tracks in
14 Texas and tracks in neighboring -- in the neighboring
15 states of Louisiana, Arkansas, Oklahoma, and New
16 Mexico, with the races in the series proposed to be
17 restricted to those horses that are accredited or
18 registered for the respective breeder incentive
19 programs in the participating states.

20 In other words, no Kentucky-breds can run
21 in the program as it's proposed because it's going to
22 be restricted to Texas-breds -- accredited Texas-breds
23 and horses registered for the Louisiana breeding
24 program, New Mexico breeding program, Arkansas breeding
25 program, and Oklahoma breeding program.

1 I am pleased to tell you that the early
2 response to the proposal, which was laid out in a major
3 conference call within the last month, that the tracks
4 that have committed include all three Class 1 tracks in
5 Texas, Remington Park. Delta Downs has a definite
6 interest. And Zia Park at this time also has an
7 interest.

8 We've approached the other tracks in each
9 of the states and we expect some additional commitments
10 and the possibility of rolling out this program as
11 early as next year, which, again, will give owners with
12 accredited Texas-bred horses an opportunity to run for
13 purses that are projected to be a hundred thousand
14 dollars at whatever track is hosting the event.

15 You don't get too many opportunities to
16 run Texas-bred Thoroughbreds for a hundred thousand
17 dollars. When they run out of state, obviously they
18 weren't eligible for the ATB program; but when they run
19 at a host track in Texas, they will be eligible for the
20 ATB program. Just like at the host track in Louisiana,
21 Louisiana-breds get to add on incentive -- their
22 incentive program and run for monies in their incentive
23 programs whereas they wouldn't get to do that when they
24 run at a Texas host track.

25 I also want to touch base on -- you know,

1 there's a statutory requirement that every racetrack in
2 Texas offer two races per day for accredited
3 Texas-breds. I am pleased to tell you that each Texas
4 Thoroughbred track for some period of time has met that
5 requirement. And one of the races has to be a maiden
6 race. They've met that requirement, too. We track
7 that as the breed organization.

8 Sam Houston actually ran 68 days -- or
9 I'm sorry. Let me back off from that. But I can
10 assure you every Texas track has met that requirement.
11 I don't know that the Quarter Horses can tell you the
12 same thing. I know they've had trouble filling their
13 ATB races.

14 And, Commissioner Adams, you made a
15 reference earlier to the loss of Quarter Horses. It's
16 not unique to the Quarter Horse side of the industry.
17 I have the statistical data here relative to the foal
18 crops for Texas for Thoroughbreds. And we have been
19 declining every year since 2000, at which time we
20 registered 2,034 foals with the Jockey Club. The most
21 recent statistics through 2004 show that we registered
22 1704 with the Jockey Club.

23 We traditionally, for 15 years, were 15th
24 on the national list of foals registered with the
25 Jockey Club. For 15 years we were fourth. We have

1 dropped back behind New York last year and we will drop
2 behind Louisiana this year, which is a direct
3 reflection of the competition that we have from
4 Louisiana.

5 I have statistics relative to stallions.
6 The number of stallions serving one or more mares,
7 according to the Jockey Club records, has declined for
8 Texas Thoroughbreds from 467 in 1999 every year down to
9 339 in 2005.

10 Now, I can tell you we aren't alone. The
11 Kentucky sire crop, believe it or not, the number of
12 stallions registered with the Jockey Club that service
13 one or more mares in Kentucky, has been declining. And
14 that's true in some of the other major breeding states
15 of California and Florida, where it is not true in
16 places like New Mexico and Louisiana, our neighbor
17 states.

18 On the mares bred side, in 2000 we bred
19 3,662 mares according to the Jockey Club records. In
20 2005 we bred 2,905 and I expect that number is going to
21 be around 2800, maybe 2750, for 2006.

22 I've already discussed the foal crop.
23 Those declines are caused by the terrific amount of
24 money going to the breed programs in Louisiana and New
25 Mexico in particular and it's caused an exodus of Texas

1 Thoroughbreds to the neighboring states. So we aren't
2 alone with the Quarter Horse Association. We're
3 actually -- I would imagine they could provide you with
4 numbers that are very similar to what I've just given
5 you. And it is not a pretty picture.

6 And I was pleased that your executive
7 secretary invited me to testify on the restoration of
8 the breed program to the Texas Racing Commission budget
9 when a hearing was held involving the Legislative
10 Budget Board and a representative of the Governor's
11 office as well.

12 And accompanying the declines that I
13 mentioned, I also tried to bring out how there existed
14 a ripple effect relative to employment and cited how
15 many -- for every three mares that are out there with a
16 foal at their side, you need one employee. For every
17 yearling that you've got, you need -- every three
18 yearlings, you need one employee. For every six mares
19 that are empty, you need one employee and so on. And
20 so you lose mares, you lose yearlings going to other
21 states, and it goes right back to a decline in
22 agricultural employment plus expenses for goods and
23 services and whatever is necessary to maintain a
24 breeding operation.

25 I'm pleased to be able to provide you

1 with this information to show the TTA's efforts to
2 provide more opportunities for owners of accredited
3 Texas-bred Thoroughbreds to be successful, which in
4 turn goes to the benefit of breeders and stallion
5 owners participating in the ATB program.

6 Section 321.505(b)(2) governing the
7 Texas-bred incentive program funds seeks information on
8 the effect the proposed percentage allocations will
9 have on the state's agricultural horse breeding and
10 horse training industry. And in support of TTA's 70
11 percent ATB allocation, TTA is pleased to furnish the
12 following information to you in compliance with the
13 provisions cited earlier involving racing Thoroughbreds
14 and Quarter Horses.

15 Concerning the economic impact to the
16 Texas Thoroughbred, the American Horse Council
17 contracted with Deloitte, a highly respected economic
18 research firm, to undertake a study of the economic
19 impact of the horse industry in the United States. TTA
20 helped to underwrite the cost of a breakout of that
21 study for the State of Texas.

22 Some pertinent statistics from the tables
23 in that study show -- and I have copies from this
24 report if you'd like them. One, from Table 9, titled
25 Direct Effect on Full-time Equivalent Employment by

1 Breed and Activity, for the racing category,
2 Thoroughbreds, 6,079; Quarter Horses, 898; other
3 horses, 1,034.

4 From Table 10, titled Total Effect on
5 Full-time Equivalent Employment by Breed and Activity,
6 for the racing category, Thoroughbreds, 12,126; Quarter
7 Horses, 3,490; other horses, 2,250.

8 For the reasons stated, the TTA requests
9 affirmation of the 70 percent Thoroughbred, 30 percent
10 Quarter Horse Texas-bred incentive fund split for 2007
11 after the breed splits for the Arabians and the
12 Paints.

13 CHAIRMAN ROGERS: Any questions for
14 Mr. Hooper?

15 COMMISSIONER SOWELL: Dave, were there
16 any other requirements other than -- for these
17 interstate races, any other requirements than being an
18 accredited Texas-bred?

19 MR. HOOPER: Are you talking about the
20 proposed new Southwest Racing Series?

21 COMMISSIONER SOWELL: Yes, uh-huh.

22 MR. HOOPER: No. Just the horse would
23 have to be registered in the other states for their
24 particular breed program. Otherwise they'd be
25 ineligible. If we had a Texas-bred that wasn't

1 eligible for accreditation, it couldn't participate.

2 COMMISSIONER SOWELL: Otherwise it's an
3 open race.

4 MR. HOOPER: Well, it's restricted -- it
5 would be termed, in our classification, as a restricted
6 race because it's limited to horses bred in Texas,
7 Louisiana, Oklahoma, New Mexico, and Arkansas. And
8 they also have to be eligible for the breed programs in
9 those states. And so you couldn't have a Kentucky-bred
10 or a Florida-bred that was in -- or any other state
11 bred.

12 COMMISSIONER SOWELL: But no age or
13 anything like that.

14 MR. HOOPER: Well, we haven't gotten to
15 the points of -- I have asked the tracks to submit --
16 give some kind of indication of the types of races and
17 on what surface that they'd like to run and at what
18 distance. And I've gotten response, as a matter of
19 fact, from all three Texas tracks because the series
20 was proposed not for two-year-olds. We've got enough
21 good races for two-year-old Texas-breds.

22 So it's proposed for three-year-olds and
23 three-year-olds and up, for not only colts and geldings
24 but also for fillies and mares, and at different
25 distances that may be as short as five furlongs at

1 Delta Downs but as long as a mile and an eighth maybe
2 someplace else. All three Texas tracks have responded
3 with an indication they'd like to run one of the races
4 that would be a turf race and probably over a distance
5 of ground, a mile or more.

6 CHAIRMAN ROGERS: Mr. Angelo?

7 MR. ANGELO: Louisiana and New Mexico,
8 for instance, have other sources of funds than those
9 that we have to supplement their program?

10 MR. HOOPER: Yes. Thanks to the slots
11 legislation in New Mexico that located slots at New
12 Mexico racetracks, thanks to not only video lottery
13 terminals or slot machines at the Louisiana tracks but
14 also from the video poker in Louisiana, there are
15 revenue streams that flow to not only purses but
16 especially to the breed programs. In fact, it's
17 really -- it's weighted -- it's not a good balance.
18 When others have testified that, you know, we're
19 running here at \$5,000 for Texas-breds and they're
20 running for \$18,000 in Louisiana for Louisiana-breds,
21 or \$28,000, it's really out of balance over there and
22 it really does put us at a considerable disadvantage.

23 CHAIRMAN ROGERS: Thank you, Mr. Hooper.

24 MR. HOOPER: Thank you.

25 CHAIRMAN ROGERS: Did you have a question

1 you want to ask?

2 I wanted to ask Sammy, these numbers on
3 the Texas-bred, the 4.4, does that assume that we're
4 going to have our budget restored?

5 MR. JACKSON: Yes, sir.

6 CHAIRMAN ROGERS: Just for information on
7 our --

8 MR. JACKSON: Mr. Chairman, let me point
9 out that since this is for the calendar year 2007 --

10 CHAIRMAN ROGERS: It's already there?

11 MR. JACKSON: The majority of it's
12 there. Because our budget is on a fiscal year which
13 will be September 1 through August 31, the majority of
14 the money would be in there.

15 CHAIRMAN ROGERS: Commissioners, just
16 kind of FYI, part of our budget request was a 10
17 percent reduction in this fund, which we have gone to
18 both the House LLB -- the Legislative Budget Board and
19 to the Senate Finance Committee and asked for those
20 funds to be restored. Since they are economic
21 development funds, they need to be restored. And
22 Mr. Hooper and Mr. Werstler attended those meetings.

23 COMMISSIONER BOYD: Mr. Hooper, can you
24 expand on full-time equivalent employment? Tell me
25 exactly what you mean by -- in what areas are the

1 employment statistical information coming from?
2 Because one of my concerns and one of the things that I
3 weigh in on is the impact of each breed on the economy
4 of Texas, you know, how that -- after a Thoroughbred
5 horse is through racing -- and I think you and I have
6 talked about that before -- how it enters into the
7 Texas economy after that.

8 So on this equivalent employment, I'd
9 like to know exactly what you mean by that or what the
10 report means by that.

11 MR. HOOPER: Well, I tell you what. Let
12 me give you a copy of the page that I have here.
13 Okay? Because we'll just walk through it.

14 CHAIRMAN ROGERS: Let me ask this. Would
15 there be any difference between having a Thoroughbred
16 and having a Quarter Horse as far as employment? I
17 mean, I'm assuming that it's important to both breeds,
18 that they're both valuable to the economy. Is one
19 supposedly more valuable than the other?

20 MR. HOOPER: I don't --

21 COMMISSIONER BOYD: Before you answer,
22 may I just interject? Maybe not as much in this as I
23 am interested in how each breed stays active within our
24 Texas economy after they are through with the
25 racetrack. Does that make sense?

1 MR. HOOPER: Yes.

2 COMMISSIONER BOYD: Because I think for
3 Texas that is an important issue. For us I think that
4 needs to be an important issue.

5 MR. HOOPER: And I cited the statistics
6 that are in these tables from the racing side because
7 you are the Texas Racing Commission and we're talking
8 about the regulation of racing.

9 But there is no question, as you and I
10 discussed last week, there are second lives for
11 Thoroughbreds as well as Quarter Horses who leave the
12 racetrack. And for instance, I think I mentioned to
13 you Kelso, a five-time horse of the year back in the
14 1960's, became -- Mrs. Dupont made him a dressage horse
15 and he actually won some competitions and so on.

16 But there are other less high profile
17 horses that become hunter jumpers. They become
18 pleasure horses. They become police horses. They
19 become -- Danny Pish just recently retired Boots on
20 Sunday, re-retired him, and is now using him as his
21 pony and so on. So there are a lot of additional uses
22 after the horse leaves the racetrack, if he does leave
23 the racetrack.

24 And this Table 9 does -- on direct effect
25 on full-time equivalent employment by breed and

1 activity, does break down other areas as well, showing
2 recreation, other -- for Thoroughbreds, Quarter Horses,
3 and other horses; and certainly when you get to the
4 showing, the Quarter Horses jump up significantly.
5 They're almost double the size of Thoroughbred activity
6 on at least the employment aspect: 2753 for
7 Thoroughbreds, 5,058 for Quarter Horses, and 4922 for
8 others; recreation, 1225 for Thoroughbreds, 1,036 for
9 Quarter Horses, 2403 for other horses; and just a
10 catchall other, 505 Thoroughbreds, Quarter Horses 4113,
11 and other horses 2151.

12 And then you get over on Table 10 that I
13 referred to, total effect on full-time equivalent
14 employment by breed and activity, Thoroughbreds,
15 Quarter Horses, other horses, racing, showing,
16 recreation. I don't need to go through the numbers.
17 They're right there for you.

18 And how you define full-time equivalent
19 employment, I would say you define it very similarly to
20 what ends up in your Texas Racing Commission that's
21 considered full-time equivalent employment.

22 COMMISSIONER BOYD: Thank you very much.

23 MR. HOOPER: Thank you very much for your
24 time and consideration today.

25 CHAIRMAN ROGERS: Thank you, Mr. Hooper.

1 Mr. Werstler?

2 MR. WERSTLER: Good afternoon again,
3 Commissioners. Rob Werstler, Texas Quarter Horse
4 Association.

5 I also have this study. Most of the
6 numbers Mr. Hooper alluded to were for racing, not
7 total. To answer your question, Commissioner Boyd, as
8 far as after -- horses that are used for other things,
9 in Texas there's 979,000 horses. Of those, 148,100 are
10 Thoroughbreds; 453,600 are Quarter Horses. So you can
11 see there's going to be a lot more Quarter Horses used
12 in other things -- other facets of the industry than
13 there would be Thoroughbreds just by the sheer
14 numbers.

15 Plus, there's probably some argument
16 here; but I think the statistics show that a Quarter
17 Horse is probably more versatile than a Thoroughbred.
18 Most of your rodeo horses, roping horses, cutting
19 horses, reining horses are Quarter Horses.

20 COMMISSIONER BOYD: I just know more
21 about that because I'm in that part of the country and
22 in San Angelo we spend a whole lot of money building
23 arenas to attract us on a circuit which involves
24 Quarter Horses more than Thoroughbreds. So that's why
25 I need the information more from Mr. Hooper but I

1 certainly welcome it from you as well and I appreciate
2 it very much.

3 MR. WERSTLER: Right. Some of the other
4 numbers as well, the racing numbers that were in this
5 study, Deloitte, that we also helped fund, the
6 Thoroughbreds have the Jockey Club, dedicated to
7 racehorses basically. I mean, most of them. And those
8 are the numbers that they use. Whereas the American
9 Quarter Horse Association is not. It's just dedicated
10 to all Quarter Horses. And there's a small -- a
11 percentage, a smaller percentage, that is for racing.

12 So when they ask -- when they went
13 looking for these numbers, they didn't get correct
14 numbers. These small numbers of Quarter Horses in the
15 state for racing were skewed. The American Quarter
16 Horse Association, it sometimes is difficult for them
17 to know if this horse was going to be used for racing
18 or pleasure until he's actually raced, actually shows
19 up in a chart.

20 Also, Mr. Hooper basically gave my
21 argument exactly as to why we need more accredited
22 Texas-bred money. Last year I came before you and said
23 we needed -- we thought that it should be split 50/50
24 because we didn't feel that the Texas Thoroughbred
25 Association should be allowed to market their product

1 three times more than we can.

2 Some of the programs he alluded to
3 earlier -- and I applaud him. He's always been
4 proactive in that, even when I knew him in Kentucky.
5 They're great programs. They have the money to do
6 those. We don't.

7 He also stated that we have trouble
8 making the mandated two accredited Texas-bred Quarter
9 Horse races per day. We do. We don't do it. It's the
10 law. You're supposed to write two a day. Several
11 tracks don't make it. And we've lost so many
12 accredited Texas-breds because our purses have dropped
13 so low and the incentives have dropped so low, they've
14 left the state.

15 So, you know, talking about an exodus, we
16 can show it. Now, they don't have any problems filling
17 their two a day. Plus, they run a lot more races than
18 we do. So you can imagine what our decline is, the
19 fact that we can't fill two races a day.

20 Years ago -- I think Commissioner Adams
21 brought it up at our last race dates meeting, asked how
22 the breed splits were decided. And I found a sheet
23 that shows that it was basically based on how many live
24 days you were racing. So the Quarter Horses used to
25 get the lion's share of it. And it shows the charts.

1 That has changed over the years to where -- now, this
2 was from '90 to '97, I believe, is the chart I had.

3 So I was prepared to come before you
4 today and agree -- since we run 33 percent of the
5 races, we should get 33 percent of the accredited
6 Texas-bred money. It's only three percent. It's not
7 much. But it makes sense. You can justify doing it.
8 But now that we've lost six percent at Manor in purses,
9 it's basically just going to be a drop in the bucket.
10 We're already -- we're already fighting from in a hole
11 just from what's transpired today, a bigger hole.
12 We're in a bigger hole than the Thoroughbreds are.

13 So I guess I'm here today to ask for a
14 60/40 split for ATB, 40 percent for Quarter Horses.

15 CHAIRMAN ROGERS: How many dollars did
16 you lose at Manor?

17 MR. WERSTLER: I think it ends up about
18 70,000.

19 CHAIRMAN ROGERS: How much?

20 MR. WERSTLER: 70.

21 CHAIRMAN ROGERS: 70,000.

22 MR. WERSTLER: I just glanced at that
23 chart earlier. It would probably take me a half an
24 hour to find it here.

25 Anyway, with that, I'll entertain any

1 questions. I had some statistics in there as well, but
2 I won't go into those. You've had lots of time to look
3 at them if you have any questions. Here's the -- no.
4 I'll find that and answer your question.

5 Is Manor Downs two percent to minor
6 breeds?

7 MR. JACKSON: ATB money?

8 MR. WERSTLER: No. He asked how much we
9 lost in the simulcast split.

10 MR. JACKSON: About 80,000.

11 MR. WERSTLER: About 80,000, okay.

12 CHAIRMAN ROGERS: So if you were going to
13 break even, you'd have to have two percent to do that
14 if you were only breaking even.

15 MR. WERSTLER: So as far as an economic
16 impact in the State of Texas, Quarter Horses, the
17 Quarter Horse industry is much, much bigger than the
18 Thoroughbred if you're talking Quarter Horses versus
19 Thoroughbreds.

20 CHAIRMAN ROGERS: Any questions?

21 Does anybody else want to weigh in on
22 this subject?

23 MR. WILSON: I'm Ed Wilson with the Texas
24 Arabian Breeders Association, and I would like to
25 address this because I feel like the minor breeds have

1 been getting the short end of this now for quite some
2 time.

3 A few years back we sat down to negotiate
4 the breed -- the simulcast split, and we went from one
5 and a half between the Paints and Arabians to two
6 percent at Retama and Sam Houston. In all the
7 discussion -- we got an extra quarter of a percent also
8 at Lone Star at that time.

9 In all the discussions, it never got
10 around, in my mind, to think about bringing up the
11 accredited Texas-bred funds, nor did I think about
12 Manor Downs. So when the meeting was over, we had all
13 agreed that we would go to two percent at Sam Houston
14 and Retama and one and a quarter at Lone Star on the
15 simulcast. Well, in my shortness, I was thinking in
16 terms of we would go to those two percent on the ATB
17 money also. That didn't happen.

18 About -- I believe it was three years ago
19 the horse groups got together and when we had some hope
20 of getting VLT's and we looked at what would be an
21 equitable split for the different breeds. At that time
22 we looked at -- basically we looked at -- as Rob said
23 while ago, we counted the number of races that each
24 breed ran.

25 We didn't really have all the statistics

1 at that time for what the Paints had, but we did look
2 at the Arabians. We were running a little over two
3 percent of the races; and the Paints were running, we
4 estimated, a little under one percent. So we agreed at
5 that meeting that the Arabians would get two percent of
6 the accredited Texas-bred money, the Paints would get
7 one, and that the other two breeds would split -- 70/30
8 was their agreement on that. And we're not trying to
9 get into that part of the agreement here.

10 So I would like to propose that you give
11 us the two percent and the Paints -- and I'll say this
12 for them. Karen and I have talked about it. She may
13 have something else to say. But I'd like to recommend
14 that you all do bring it so we will be more in line
15 with what's actually happening when we're running.

16 You asked about the impact. It was
17 amazing to me. I had no idea there was so many
18 Arabians horses left in the State of Texas as they
19 are. But the report was there in your packet to look
20 at if you want to take a look at that.

21 Also, I didn't put anything in there
22 about the half Arabian registry. I did find out some
23 information since then. There is about 7500 half
24 Arabians registered according to the registry in
25 Denver. And then there is another 232 what's called

1 Anglo Arabs, which are half Arabian, half
2 Thoroughbred. And in the 7500, a lot of those are
3 Paints because that's a very -- the Arabian-Paint cross
4 has been a very popular show horse especially on that.

5 So I would like to ask that you consider
6 giving the Arabians two percent and at least one
7 percent for the Paints. If you look at the number of
8 races that we're running, we would run, as I said, just
9 barely -- we run a little over two percent and the
10 Paints run right at one percent, is the best I could
11 calculate on it. And I'm not -- Karen and I have
12 talked about this back there, so I'm not putting
13 something -- I'm not trying to sell something she's not
14 aware of.

15 VICE-CHAIRMAN RUTHERFORD: How many
16 accredited broodmares do you have that are Arabian?

17 MR. WILSON: We have about -- I had that
18 statistic and I didn't bring it with me. There's
19 somewhere in the vicinity of a thousand all total.
20 Since the organization started, we've accredited right
21 at a thousand broodmares.

22 COMMISSIONER CARTER: Those Anglo
23 Arabs --

24 MR. WILSON: They cannot race, no. An
25 Arabian has to be a full blood to race. It sure does.

1 COMMISSIONER STURNS: So the Arabian and
2 the Paint are in agreement on the split?

3 MR. WILSON: Well, I don't know. I'll
4 let Karen speak for herself. But we both have talked
5 about it and we felt like this was fair on it. And if
6 she wants to come with something else, I don't -- that
7 would be fine with me. I'm not trying to speak for
8 her, but I don't want to be unfair to her either.

9 CHAIRMAN ROGERS: You're currently
10 getting one and a half percent?

11 MR. WILSON: We're now currently getting
12 one and a half percent between us.

13 CHAIRMAN ROGERS: Right. So you're
14 asking for a doubling of your amount basically.

15 MR. WILSON: That's exactly right, yes.
16 And that would put us in line with the amount -- pretty
17 much with the amount of races that each breed is
18 running at the tracks.

19 MR. JACKSON: Mr. Chairman?

20 CHAIRMAN ROGERS: Yes.

21 MR. JACKSON: If I may add a comment at
22 this point.

23 Today we will need to decide the split
24 between minor breed as to who gets what between the
25 Arabians and the Paints. And in your packet, on Tab

1 7-28 I included a worksheet for you to review, which is
2 based in the past on how we split that money based on a
3 calendar year's worth of starts between those two
4 horses and come up with a percentage and what that
5 would be between the two. And I put that in your
6 packet for you to review today as well.

7 I do know that there was a great deal of
8 talk about this in our working group between Arabians
9 and the Paints on this very issue and they may want to
10 talk about that day today about how they split this
11 amount of minor breed between the two.

12 It is important that we do that today
13 because this money is actually collected by the Racing
14 Commission and it must be paid out to them
15 individually. And so if we don't do that, there's no
16 way for us to distinguish how much we send to Ed Wilson
17 here who represents the Arabians for them to make
18 payout, how much we send to Karen here of the American
19 Paint Horse Association for them to pay out.

20 I just thought I'd add that and I
21 apologize for not including it earlier in my beginning
22 remarks.

23 MR. WILSON: While you have reference to
24 it, in the past we have looked at the total number of
25 starts made by Arabian versus the total number of

1 starts made by Paints; and then we split that up and
2 then it was divided out; and this next year it would be
3 72.862 to Arabians, 27.138 to the Paints based on the
4 total number of starts that we both made together.

5 Is that correct?

6 MR. JACKSON: That's correct.

7 CHAIRMAN ROGERS: So it's basically
8 70/30?

9 MR. WILSON: Sir?

10 CHAIRMAN ROGERS: It's basically 70/30?
11 Is that what you're saying?

12 MR. WILSON: Yes.

13 COMMISSIONER BOYD: Mr. Wilson, I hope
14 this is not an unintelligent question; but I've asked
15 this question of several other people. Explain to me
16 why there are no Arabians starting, again, at Gillespie
17 and Manor. Is it because of the track?

18 MR. WILSON: We ran one race at
19 Gillespie; and to my knowledge, they've never written
20 us another race. That was several years back.

21 At Manor Downs, I believe it was three
22 years ago, we had quite a gap between the time Sam
23 Houston closed and when we were starting running at
24 Retama. I talked with Mr. Phillips at that time in
25 regard to races that we felt like we had horses to

1 fill.

2 The first race, we did not realize that
3 they had a two-week -- that you enter two weeks out on
4 theirs, so we had horses that didn't enter the race.
5 Then our races were all written as extras. They had
6 the regular book races and ours were extras. And so we
7 were only given one race during that period of time.

8 And then last year, I believe it was, I
9 talked with him about the possibility and he said he
10 had already committed all the money to the Paints for
11 their program that they were running down there. So we
12 didn't say anything else about it. We just took our --
13 turned our horses and give them a little break and went
14 back to Retama when they opened up.

15 But we did run one race at both places.

16 CHAIRMAN ROGERS: Any other questions?

17 Anybody else that would like to weigh
18 in?

19 MR. HOOPER: Mr. Chairman, members of the
20 Commission, I think I need to respond to Rob's
21 comments. And I hate for us to be in a trade-off
22 situation.

23 I realize that Thoroughbreds were
24 allocated six more percent, from 20 to 26, at Manor
25 Downs. I can assure you, any loss of ATB revenue or

1 decline in the percentages from 70/30 to 60/40 as Rob
2 proposed in light of the loss at Manor Downs affects a
3 lot more of our members than a six percent increase in
4 purses at Manor Downs.

5 And, you know, the subject of Lone Star's
6 preeminence purse-wise on the Thoroughbred side and
7 whether or not to change breed splits at Lone Star
8 where it's 85/15 -- and we're the big beneficiaries of
9 that. There's no question. But I'm going to tip my
10 hat to the Quarter Horse side. Their highest purses
11 are at Manor Downs and you've taken purse money away
12 from their best meet and you left ours whole at Lone
13 Star Park.

14 And when I say that a much higher
15 percentage of our people are affected by a loss of some
16 percent on the ATB side, I'm talking about some owners,
17 breeders, and stallion owners who are right on the
18 brink of deciding to get out of the business. And if
19 you cut the ATB program for them on the Thoroughbred
20 side and what they get in the way of owner, breeder,
21 and stallion awards, it has a much greater effect on
22 them than running for higher purses at Manor Downs
23 where not a lot of Thoroughbred people race for one
24 reason or another.

25 Now, you know, we've dealt with Manor

1 Downs for a long while and it's the oldest pari-mutuel
2 operation still in existence and it's a viable entity
3 within the overall picture. But it has also been an
4 anomaly. Rob mentioned earlier, when he came to town,
5 there were 35 racing dates out there. There are 18
6 now. They were all Quarter Horse dates when there were
7 35. They're now mixed between Thoroughbreds and
8 Quarters. A much higher percent of Quarters, but
9 nonetheless we average about two and a half races per
10 day. When I came to town a couple of years earlier
11 than him, I believe they even had more racing
12 opportunities out there, more racing dates, and it was
13 all Quarter Horses.

14 The Texas Racing Commission, in its
15 wisdom, decided that Manor needed to increase the size
16 of its track, and that was accomplished at great cost
17 so the Thoroughbreds could participate out there. And
18 we welcomed that opportunity. But we've also gotten
19 down to 18 racing days. We probably should be running
20 more racing days out there.

21 There's another problem or another -- I
22 want to refer to Manor as an anomaly, so to speak.
23 Only once has Manor ever tried to simulcast its
24 signal. We've heard how much simulcast is part of the
25 business these days, that 80 percent of the handle is

1 on simulcasting. And tracks whose engine -- business
2 engine used to be driven by the live product, now the
3 live product has been joined in tandem or maybe even
4 more influenced by simulcasting.

5 And Manor has always protested, "We can't
6 afford to simulcast." Well, you know what? If Blue
7 Ribbon Downs can send its signal out of Sallisaw,
8 Oklahoma, and other small-time tracks can send their
9 signal out and they get into -- you know, it costs to
10 get up on the bird. But once you get up there, that
11 cost is fixed. And the greater number of opportunities
12 that you can have out there for someone to take your
13 signal, the more handle you're going to generate. And
14 we've got a lot of people in the Valley who would like
15 to bet on the Manor Downs product, maybe at Retama
16 Park, or elsewhere in the state as well as out of state
17 where Quarter Horse racing exists.

18 We have another problem purse-wise. We
19 like the increase in purses at Manor Downs, but the
20 fact is that the last meeting at Sam Houston in the
21 spring was affected by the overlap of Thoroughbred
22 purses -- Thoroughbred racing opportunities at Manor
23 Downs because the comparable races at the lower end of
24 the scale, the cheap claiming races with conditions
25 that were offered for the same horses at Sam Houston as

1 they were at Manor, the purses were higher at Manor,
2 higher at Manor, a Class 2 track, over a Class 1. That
3 does not make sense. It impacted the number of
4 starters at Sam Houston.

5 I saw -- I go to Manor fairly frequently,
6 especially when they're running live; and obviously I'm
7 interested in the Thoroughbred product when it's
8 running live out there. I never saw so many Sam
9 Houston past performances in the horses that started at
10 Manor this last spring as I saw this past year.

11 And now you've given us a purse increase
12 out there. That's going to make the competition, when
13 Manor overlaps with Sam Houston with the Thoroughbred
14 product, even greater and tougher for Sam Houston to
15 fill races.

16 So I guess I'm coming down to request
17 that maybe you reconsider the breed split allocation at
18 Manor Downs and go back to what it was so that no one
19 changes next year and we go to 20/80.

20 While I know I'm giving up something and
21 I may take heat for it, I can buy Rob's suggestion that
22 the ATB revenue be split roughly 66 and two-thirds, 33
23 and a third, because that's approximately -- we run
24 about two-thirds of the races to their one-third when
25 you just combine the two breeds.

1 I appreciate the opportunity to come back
2 before you, Mr. Chairman and members of the Commission;
3 but I really think this is -- this is really critical
4 for a number of our members, really critical.

5 People like Gene Palmieri, our first
6 vice-president, if something doesn't happen in the
7 legislative session, he's not going to be operating his
8 business where he stands two stallions and runs a
9 breeding farm and that's his sole business.

10 Dr. Ken Quirk, who's been in this
11 business for years, just lost Little Expectations to
12 Kentucky because Little Expectations sired the winner
13 of the futurity stakes, a Grade 2 at Belmont Park last
14 year. He's real borderline on staying in the business
15 because the number of mares that he used to breed at
16 350 per year has dropped to about 145 and 150.

17 And we can't afford to lose those type of
18 people and we can't afford to lose a lot of other
19 people who are right on the border.

20 CHAIRMAN ROGERS: You have thrown us a
21 pretty good curve in this process. I kind of wish you
22 hadn't. You said that you would support this while ago
23 and now you're unsupporting.

24 COMMISSIONER SOWELL: Wait until you see
25 his slider.

1 MR. HOOPER: I quit pitching a long time
2 ago.

3 CHAIRMAN ROGERS: It's been a long time
4 since I heard somebody from the Thoroughbred
5 association stand up and say let's give the Quarter
6 Horse people more money. I think all of us would be in
7 favor of doing that if that was the case. But I'm a
8 little surprised. And I don't know what any
9 Commissioner thinks about going back and revisiting.
10 I'm open to talking about it.

11 COMMISSIONER CARTER: Would you throw in
12 a couple of percent from your share of Lone Star?

13 CHAIRMAN ROGERS: And I don't know
14 whether Rob would rather take his chances on getting a
15 bigger number from ATB money than he would on the other
16 if that were the case. I don't know what anybody feels
17 on this issue.

18 MR. HOOPER: Well, we're all representing
19 our respective organizations and breeders and owners
20 and so on, as it is our job to do. We also -- we want
21 to work together. We've got a major task ahead of us
22 in the next few months and we need to be together and
23 we need to be seeing that we can do whatever we
24 possibly can to get meaningful legislation that will
25 take us out of the situation that we've been in all day

1 today. Then we can argue about how to split up a much,
2 much bigger pie, which sure will be a lot more fun than
3 this has been.

4 CHAIRMAN ROGERS: Two things.

5 Thank you.

6 Mr. Werstler, would you like to respond
7 here? We're swimming in this ocean. We'd like both
8 directions before somebody says good night.

9 MR. WERSTLER: I appreciate it. I know
10 you guys have probably seen more of me than you ever
11 care to see ever again today.

12 I appreciate Mr. Hooper's remarks. I'd
13 like to point out a couple of things. And he makes a
14 good point. That did happen at Manor this year, where
15 Sam Houston had trouble closing entries. As a matter
16 of fact, they didn't close one day. They had to hold
17 entries over to the next day to close entries.

18 However, you know, you can hear in his
19 voice that he's appalled that Manor Downs is offering
20 higher Thoroughbred purses than a Class 1 racetrack.
21 Imagine how we feel that our number one racetrack in
22 the state is a Class 2 racetrack. It's not Lone Star,
23 Houston, or Retama. It's Manor. And it's an 18-day.
24 And that's nothing against Manor. I'm just, you know,
25 pointing that out. Also, our highest purses are

1 there.

2 But one other thing I'd like to point out
3 that I didn't bring up earlier, the fact that Retama
4 Park is not racing next year Thoroughbreds, it makes
5 the percentage higher than 66/33 of Quarter Horses
6 racing Quarter Horse race days in Texas next year. So
7 that's another thing you guys can chew on.

8 Anyway, thank you for the opportunity to
9 be here.

10 CHAIRMAN ROGERS: Pushing your luck,
11 huh? Just kidding.

12 Mr. Phillips, I expect that we should
13 hear something here and then we're going to close this
14 down and we're going to discuss this and we're going to
15 go home shortly.

16 MR. PHILLIPS: Okay. Rob, your argument
17 about taking a little bit, the average daily Quarter
18 Horse purse in this state outside of Manor Downs is 40
19 to 45 thousand a day without added money. 40 to 45.
20 We run for 70. In our meetings that we had on race
21 dates around the state, if you can hit 70, you can
22 compete with anybody. We can compete with Remington,
23 who we will be running against next year, even if we
24 change the -- as we've changed the percentage. Your
25 own argument is exactly what I used for a reason to do

1 this.

2 And, Hooper, you had some kind of
3 misdirection on Manor. We run 18 days, but we run
4 220-plus races. That's equivalent to 22 days of
5 racing. Now, I'm sorry if we're supposed to be
6 embarrassed because we have the highest Quarter Horse
7 purses and we're going to maybe have purses that are
8 higher than Sam Houston's the five races we run a
9 weekend. But maybe you all should take a hint.
10 There's ways to do this to survive. And the horsemen
11 are coming into our races because they get paid.

12 And, Hooper, I don't know what bug you
13 swallowed; but I mean, is it because after Monday,
14 Columbus Day, we're going to close on Mondays until
15 after the first of the year and you're not going to
16 have anywhere to go?

17 I'll be glad to answer any questions, but
18 this has gotten way to left field.

19 Yes, ma'am?

20 COMMISSIONER BOYD: Why are we not
21 simulcasting?

22 MR. PHILLIPS: Because we don't do enough
23 business on those Mondays. Between hunting and
24 football, the cost-benefit doesn't -- as Corey would
25 say, the return on investment isn't there. But that's

1 for the fall, Mondays in the fall, not every day.

2 COMMISSIONER CARTER: Tell me again, how
3 much is this going to help the Thoroughbreds in your
4 market by changing this percentage that we already
5 voted to do?

6 MR. PHILLIPS: This will allow us to
7 bring back our stakes program which we just wiped out
8 essentially. We just hammered it down and down and
9 down to nothing for the Thoroughbreds. It will allow
10 us to bring it back.

11 COMMISSIONER CARTER: How many stakes?

12 MR. PHILLIPS: I'm sorry?

13 COMMISSIONER CARTER: How many stakes?

14 MR. PHILLIPS: Probably three. Just
15 three stakes.

16 COMMISSIONER CARTER: And will it remove
17 any Quarter Horse stakes?

18 MR. PHILLIPS: No. It won't have any
19 effect on Quarter Horse purses. We'll still be able to
20 hit that 70,000-dollar target which we all identified
21 collectively as you can compete with anybody in our
22 area as a Quarter Horse. We'll still have that. We
23 can attain that. So it's your argument.

24 MR. WERSTLER: Since I'm being looked at
25 and I guess I'm in this conversation, I would like to

1 point out that according to Sammy's charts, changing --
2 I mean, we had the best Quarter Horse meet at Manor
3 that we've had in a long, long time this year.
4 Everything went well. It was a great meet. Mother
5 Nature cooperated.

6 By changing these percentages, in effect,
7 he's changing his per race \$131 for the Thoroughbreds.
8 \$131. So we're going through all this for \$131 for
9 each Thoroughbred purse which is not going to draw any
10 more Thoroughbreds for those races.

11 However, what Mr. Phillips did just say,
12 he's planning on taking all of that money that you gave
13 him, popping it into his stakes program, three stakes
14 races. So chances are, what's going to happen is it's
15 going to be guys that are coming -- see that money,
16 come from Houston, get the money, and then go back to
17 Houston.

18 MR. PHILLIPS: To clarify, yes, we will
19 go to stakes, but the Thoroughbreds keep raising -- a
20 black type race, they keep raising the amount. I think
21 when we started it was 25,000. Now it's 45?

22 MR. HOOPER: 45 next year.

23 MR. PHILLIPS: 45 next year. So you can
24 see the problem. We're going to have a black type race
25 and we're hoping maybe we'll have two of the three

1 stakes races maybe get black type. We need the purse
2 money to do that. We're not talking about raising each
3 race \$130. We're talking about restoring a stakes
4 program that was basically gutted.

5 I mean, I'll be glad to answer any other
6 questions. This is a -- Manor isn't the issue here
7 that I know of except that it's an easy scapegoat for
8 other people's problems.

9 CHAIRMAN ROGERS: Well, we've missed you,
10 Howard.

11 MR. PHILLIPS: You know, this was going
12 good until 2:45 and it's been downhill since then.

13 CHAIRMAN ROGERS: I think what we need to
14 do at this point is we probably need to hear from some
15 Commissioners on what your thought process is through
16 this program so we have some idea where we're headed.

17 I would invite first the people who were
18 on this working group to have some discussion, please.

19 COMMISSIONER ADAMS: Well, Sowell has led
20 off.

21 COMMISSIONER SOWELL: I will say one
22 thing, Mr. Chairman.

23 CHAIRMAN ROGERS: It has not been a dull
24 meeting?

25 COMMISSIONER SOWELL: I am not confused.

1 I just don't know what's going on.

2 COMMISSIONER ADAMS: What you've seen
3 here in the last how many hours is very typical of what
4 we talked about and what we did in meeting after
5 meeting after meeting getting here. As Commissioners
6 in this special group, we heard just a myriad of
7 different approaches and problems with every solution
8 that you try to achieve. There was always three
9 reasons why you couldn't fix a problem -- more reasons
10 why you couldn't fix it than why you should.

11 And so in my particular case, I haven't
12 heard anything here today that made me change my mind
13 from what I had already decided before I came here.
14 Unfortunately, you didn't all get a chance to hear all
15 of that and so you're hearing it for the first time.

16 As far as this particular split, I'm of
17 the opinion -- and when I look at overall impact,
18 agricultural impact of the horse -- different horse
19 breeds on the Texas economy, which is what I understood
20 that we were supposed to look at, I see no reason why
21 this thing shouldn't be a 50/50 split. I'm willing to
22 do a 60/40. I think anything short of 60/40 is not
23 fair.

24 On the minor breed split, there was a big
25 argument about the fact that the Arabians run more

1 often. They're capable of running more starts than the
2 Paints. And consequently, you've got just as many
3 Paint running horses. You've just got twice as many
4 Arabians starts. And so what is the economic impact of
5 the Paint industry versus the Arabian industry on the
6 State of Texas? They're equal. They ought to split
7 the pie right down the middle in my opinion. And I
8 have absolutely no problem with allocating three
9 percent of the pie to them.

10 So my vote is going to be one and a half
11 for the Paints, one and a half for the Arabians, 60 for
12 the Thoroughbreds, and 40 for the Quarter Horses.

13 CHAIRMAN ROGERS: We do have one person I
14 left out who gave me a card; and before we move on, I
15 think we need to hear from her; and that's with the
16 Paint association. And I apologize for not recognizing
17 you while ago. This other was just fascinating enough
18 I got lost.

19 MS. UTECHT: I know. I was just waiting
20 for all that to calm down.

21 Karen Utecht, Texas Paint Horse Breeders
22 Association.

23 I did -- like Commissioner Adams had
24 said, we did want to come before you all and ask for
25 the minor breed Arabians and Paints to be separated and

1 stand on their own with a smaller percentage of that
2 three percent and we feel like half and half.

3 In speaking with Retama, they did
4 offer -- since we had not been allowed before to have
5 any races at Retama, they have now offered to do a
6 futurity, offer a Paint futurity for us. So we will
7 try that and see if we can build up some more starters
8 for the Paint breed in that.

9 And that's really all that we had come
10 before unless you all have any other questions for the
11 Paints.

12 CHAIRMAN ROGERS: Thank you.

13 Okay. Other Commissioners? We've heard
14 what Commissioner Adams thinks. Commissioner Angelo?
15 Commissioner Rutherford?

16 VICE-CHAIRMAN RUTHERFORD: In the future
17 are we just going to take arbitrary numbers or are
18 we -- I think we need to tie it to some kind of
19 formula.

20 CHAIRMAN ROGERS: I completely agree with
21 that. I think on the other one we definitely will have
22 a formula.

23 VICE-CHAIRMAN RUTHERFORD: I have no
24 idea. Thoroughbreds are what percent and Quarter
25 Horses are 33 percent? Did they say --

1 CHAIRMAN ROGERS: Of the starters in the
2 past, it's been about 67/33? Are you agreeing with
3 that number?

4 MR. WERSTLER: Not for 2007. Now that
5 Retama is not racing, it's got to be closer to 60/40.
6 I'm sure Sammy -- I didn't write down how many -- I
7 didn't write down how many races for the
8 Thoroughbreds. So if you're going by race days,
9 whatever you allotted for the Thoroughbreds and Quarter
10 Horses, see what it splits up.

11 CHAIRMAN ROGERS: Well, that was the
12 question. I don't know that we are going by that, but
13 that was the question.

14 MR. WERSTLER: Right. It had been, last
15 year, 2005, 66/33. Now it's about that, too. But
16 since Retama won't be --

17 VICE-CHAIRMAN RUTHERFORD: 2005 was 33?

18 MR. WERSTLER: It was about 66/33.

19 VICE-CHAIRMAN RUTHERFORD: How much was
20 the Thoroughbred? How many -- what percentage was
21 the --

22 MR. WERSTLER: 2005, the Thoroughbreds
23 ran about 66 percent of the races; Quarter Horses ran
24 about 33 percent.

25 VICE-CHAIRMAN RUTHERFORD: And the minor

1 breeds, how much?

2 MR. WERSTLER: I don't know. It's a
3 pretty small percent.

4 CHAIRMAN ROGERS: The three percent is
5 what they were saying.

6 VICE-CHAIRMAN RUTHERFORD: Three?

7 MR. WERSTLER: Now, for 2007, what you
8 just allotted -- what you just allotted for 2007, it's
9 going to be -- it might even be over 60/40. Quarter
10 Horses may even be running more than 40 percent. But I
11 didn't write those numbers down.

12 VICE-CHAIRMAN RUTHERFORD: I don't think
13 we can guess what's coming up. We need to go back a
14 year and do it on the actual numbers.

15 COMMISSIONER SOWELL: Let's see if Sammy
16 has a perspective.

17 CHAIRMAN ROGERS: There's 12 days
18 allocated on that. It's not at zero. There's 12
19 days.

20 (Discussion off the record)

21 COMMISSIONER ADAMS: Mr. Chairman, if I
22 might, while we're waiting on Sammy, can we discuss
23 this --

24 COMMISSIONER SOWELL: Sammy is ready to
25 speak.

1 MS. KING: Not yet.

2 COMMISSIONER SOWELL: Not yet? Okay.

3 Excuse me, Sammy. You took a deep breath on me there.

4 CHAIRMAN ROGERS: Go for it, Commissioner
5 Adams.

6 COMMISSIONER ADAMS: I am not in favor of
7 revisiting the issue of the vote that we've already
8 taken. I don't know what any other Commissioners feel,
9 but I don't want to go there. So I think we should
10 decide on this issue and be done with it.

11 CHAIRMAN ROGERS: If there's no motion to
12 revisit it, it won't happen.

13 COMMISSIONER SOWELL: Right now I think
14 what we're looking for, Mike, is a formula. Isn't that
15 what you had suggested? Which I think is a good idea.

16 VICE-CHAIRMAN RUTHERFORD: So we can
17 fairly do it every year.

18 CHAIRMAN ROGERS: Any thoughts down here
19 on this end of the table?

20 COMMISSIONER STURNS: Not other than the
21 fact that we don't have any real criteria. So it's the
22 same sentiment that was expressed earlier.

23 COMMISSIONER SOWELL: Don't give up on
24 Sammy yet. Sammy might pull a rabbit out of the hat.

25 COMMISSIONER STURNS: I hope he can help

1 us with the criteria to use to make a decision.

2 COMMISSIONER CARTER: I think Sammy will
3 give us the percentage of Quarter Horse days versus
4 Thoroughbred days and we can use that as a guideline.
5 But, you know, maybe we ought to use the same system we
6 used for the other split, which we didn't have one. We
7 picked some numbers out of the air and we went with
8 them.

9 CHAIRMAN ROGERS: This one at least has
10 some criteria, although it is loosely worded.

11 COMMISSIONER CARTER: That's right.

12 MR. JACKSON: Mr. Chairman, if I -- on
13 your revised recommended race date calendar that was
14 passed out, there's an estimation based on criteria
15 that was given to us by the racetracks when they
16 requested their race dates on how they would run
17 races. And on there, it breaks out what we project to
18 be the race counts to be based on the date requests.
19 And on the revised one, we adjusted it for the 12 days
20 for Retama. We show that reflected underneath Retama.

21 So if I take the numbers on there and
22 take the Thoroughbred and Quarter Horse individually
23 and come up by that total number, 2,685 that's
24 reflected on there, it comes up 56 percent
25 Thoroughbred, 41 percent Quarter Horse, and three

1 percent minor breed.

2 COMMISSIONER SOWELL: I move we allocate
3 on that basis.

4 COMMISSIONER ADAMS: Second.

5 COMMISSIONER STURNS: Second.

6 VICE-CHAIRMAN RUTHERFORD: I didn't hear
7 what he said.

8 CHAIRMAN ROGERS: He said three percent
9 minor.

10 VICE-CHAIRMAN RUTHERFORD: Thank you.

11 MR. JACKSON: And just to break down
12 further, the minor breed breaks out about 50/50 based
13 on what I have here.

14 CHAIRMAN ROGERS: So there is a motion
15 made by whom?

16 COMMISSIONER SOWELL: Me.

17 CHAIRMAN ROGERS: By Commissioner
18 Sowell. Seconded by --

19 COMMISSIONER ADAMS: Adams.

20 CHAIRMAN ROGERS: We can't all second
21 it. By Commissioner Sturns.

22 MR. ANGELO: Could we repeat those
23 percentages?

24 CHAIRMAN ROGERS: Yes. That that be
25 divided 56 percent Thoroughbred -- it's been a long

1 day, folks -- 41 percent Quarter Horses, and three
2 percent minor breeds. That's the motion and the
3 second. And --

4 VICE-CHAIRMAN RUTHERFORD: Can we have
5 discussion?

6 CHAIRMAN ROGERS: And that the three
7 percent on the minor would be split 50/50. That's the
8 motion.

9 COMMISSIONER SOWELL: That's the motion.

10 VICE-CHAIRMAN RUTHERFORD: Can we have a
11 discussion?

12 CHAIRMAN ROGERS: There's a motion on the
13 table and a second. Let's have a discussion.

14 VICE-CHAIRMAN RUTHERFORD: Should we say
15 something about making this the formula that we should
16 stay with so the next meeting we have it will be
17 shorter?

18 CHAIRMAN ROGERS: I think that we -- I
19 think we put that in to the staff to bring us back
20 recommendations for future use and to put this whole
21 breed split together in one shot. Let's talk about
22 it. Because we have another allocation to make next
23 meeting on escrowed purse accounts.

24 Okay. There is a motion --

25 COMMISSIONER CARTER: Can I get a

1 clarification of this? Before we were talking three
2 percent split 50/50 and a 60/40 split. That's what
3 Mr. Werstler proposed. Now it's turned into what?
4 56/40?

5 CHAIRMAN ROGERS: No. 41. His split is
6 about two percent bigger than he asked for.

7 Okay. Is there any other discussion?

8 Okay. There is -- all in favor of this
9 motion say aye.

10 COMMISSIONERS: Aye.

11 CHAIRMAN ROGERS: The motion passes.

12 The only thing that's left for us to do
13 today is to set a date for the next meeting. And the
14 proposed dates are December 12th, 13th, and 14th.
15 That's a Tuesday, Wednesday, or Thursday. If those
16 dates work --

17 MS. KING: Wait. We still have one more
18 item on the agenda.

19 CHAIRMAN ROGERS: I thought it fell off.
20 I thought you had withdrawn that item.

21 MS. McGOVERN: We would like to withdraw
22 it and didn't know if we had to present that formally
23 or not.

24 CHAIRMAN ROGERS: No. It just doesn't
25 happen.

1 MS. KING: Thank you, Ann.

2 CHAIRMAN ROGERS: Thank you.

3 MR. ANGELO: Mr. Chairman, that was
4 November we're talking about?

5 CHAIRMAN ROGERS: No. We're talking
6 about December. And if those dates don't work, then
7 we're going to put off setting that date until -- well,
8 we'll poll Commissioners and find out when we can do
9 it. December 12th, 13th, or 14th.

10 MR. ANGELO: 12th to 14th?

11 CHAIRMAN ROGERS: Is there any of those
12 dates that don't work for somebody?

13 MR. ANGELO: The 13th.

14 COMMISSIONER SOWELL: The 13th won't work
15 for him, but it will for everybody else.

16 CHAIRMAN ROGERS: Dr. Carter?

17 COMMISSIONER CARTER: I'm out all those.

18 CHAIRMAN ROGERS: You're out all three.

19 COMMISSIONER BOYD: What date does the
20 12th, 13th, 14th fall on?

21 CHAIRMAN ROGERS: Tuesday, Wednesday, and
22 Thursday. Does it work on the 12th or the 15th?

23 COMMISSIONER BOYD: Mine doesn't work on
24 the 12th.

25 COMMISSIONER CARTER: I'm going to be out

1 for almost three weeks.

2 VICE-CHAIRMAN RUTHERFORD: Where are you
3 going?

4 COMMISSIONER CARTER: Utah.

5 VICE-CHAIRMAN RUTHERFORD: When are you
6 leaving? What date?

7 COMMISSIONER CARTER: It would be
8 probably about the 8th or the 9th.

9 CHAIRMAN ROGERS: Do you have a thought?

10 MS. KING: Well, that week of December a
11 lot of people go to Tucson for the industry -- race
12 industry conference. That was why folks were staying
13 away from that week. I haven't talked to anybody
14 specifically or taken any kind of inventory of who's
15 going and who's not going.

16 CHAIRMAN ROGERS: Well, based on our work
17 schedule, we've got some things that either might be
18 able to happen in November or they might be able to
19 happen in December. So if we're going to put these off
20 until the latter date, we might have to move back up
21 into November.

22 MR. ANGELO: I'm sorry the 13th wouldn't
23 work for me. I was the only one that had a problem
24 with it.

25 CHAIRMAN ROGERS: No, there's two people

1 that have a problem with it. Or we can tentatively set
2 this for the 14th and decide to move it?

3 MR. KING: Right. And I can take an
4 inventory about the week that you're going to be gone
5 to see if people are going to be gone.

6 COMMISSIONER CARTER: If you want to pick
7 a day and then I can -- I can either make it or I
8 can't.

9 COMMISSIONER SOWELL: So we're going to
10 go for the 14th and then see if we need to change it
11 later?

12 CHAIRMAN ROGERS: We're going to go for
13 the 14th and see if we need to change it if that's
14 okay. So that's where we are.

15 Is that it?

16 COMMISSIONER SOWELL: Sounds good.

17 CHAIRMAN ROGERS: We're adjourned. Thank
18 you.

19 (Proceedings concluded at 4:28 p.m.)
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25

1 STATE OF TEXAS)

2 COUNTY OF TRAVIS)

3

4 I, SHERRI SANTMAN FISHER, a Certified Shorthand
5 Reporter in and for the State of Texas, do hereby
6 certify that the above-captioned matter came on for
7 hearing before the TEXAS RACING COMMISSION as
8 hereinbefore set out.

9 I FURTHER CERTIFY that the proceedings of said
10 hearing were reported by me, accurately reduced to
11 typewriting under my supervision and control and, after
12 being so reduced, were filed with the TEXAS RACING
13 COMMISSION.

14 GIVEN UNDER MY OFFICIAL HAND OF OFFICE at Austin,
15 Texas, this 3rd day of October, 2006.

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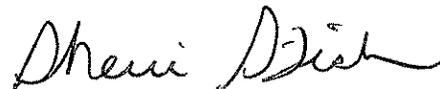
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