

BEFORE THE  
TEXAS RACING COMMISSION  
AUSTIN, TEXAS

COMMITTEE ON CURRENT STATE OF HORSE AND  
GREYHOUND RACING IN TEXAS MEETING  
OCTOBER 6, 2010

BE IT REMEMBERED that the above entitled matter came on for hearing on the 6th day of October, 2010, beginning at 10:32 A.M. at the John H. Reagan Building, Hearing Room 140, 105 West 15th Street, Austin, Travis County, Texas, and the following proceedings were reported by SHERRI SANTMAN FISHER, Certified Shorthand Reporter for the State of Texas.

1                   COMMISSIONER SCHMIDT: It's 10:32, so  
2 let's call the meeting to order.

3                   Welcome to the first hearing or committee  
4 meeting on the committee of the current state of horse  
5 and greyhound racing in Texas. As you may be aware,  
6 per direction of Governor Perry, this committee was  
7 formed at a request by the legislative and executive  
8 branch to study the current state of racing and  
9 breeding and make appropriate recommendations for the  
10 industry.

11                   I think it's fairly open-ended and we'd  
12 like to see open-ended discussion in order to move this  
13 process forward. In doing so, we'll have a -- I think  
14 there's a tentative plan to have a meeting now and a  
15 second one in November and hopefully compile a report  
16 which we'll submit both to the legislative branch and  
17 to the executive branch per their request.

18                   Commissioner Ederer was going to chair  
19 this meeting. He's had a personal family emergency and  
20 he asked me to step in briefly. Other Commissioners  
21 here in attendance, Commissioner Hicks, Commissioner  
22 Carter, Commissioner O'Connell. Thank you for your  
23 attendance.

24                   I'll introduce the key staff of the  
25 Racing Commission. Charla Ann King is the executive

1 director.

2 MS. KING: Right here.

3 COMMISSIONER SCHMIDT: Great. Sammy  
4 Jackson, deputy director for wagering and racing  
5 review, and Chuck Trout, deputy director for racing  
6 oversight.

7 Okay. And I think we have most of the  
8 advisory group here. David Hooper, Texas Thoroughbred  
9 Association, I thought I saw you earlier. Are you  
10 here?

11 MR. HOOPER: Here.

12 COMMISSIONER SCHMIDT: Great.

13 Mr. Hooper. Jacquelyn Rich?

14 MS. RICH: Yes. Good morning.

15 COMMISSIONER SCHMIDT: Dr. Rich, nice to  
16 see you. Diane Whitley?

17 MS. WHITELEY: Whiteley.

18 COMMISSIONER SCHMIDT: Whiteley. Sorry.

19 MS. WHITELEY: Here. That's okay.

20 COMMISSIONER SCHMIDT: Sally Briggs?

21 MS. BRIGGS: Yes, sir.

22 COMMISSIONER SCHMIDT: Good. Joe Quinn?

23 MR. QUINN: Yes, sir.

24 COMMISSIONER SCHMIDT: Great. And Bryan  
25 Brown I saw earlier.

1 MR. BROWN: Good morning.

2 COMMISSIONER SCHMIDT: I'm not used to  
3 seeing people on different sides. We're kind of  
4 surrounded this morning, aren't we?

5 MR. BROWN: We're excited about getting  
6 to yell at somebody.

7 COMMISSIONER SCHMIDT: Good. Good.  
8 Tammy Wincott?

9 MS. WINCOTT: Good morning.

10 COMMISSIONER SCHMIDT: Great. She's here  
11 as well. And Phil Leckinger?

12 MS. KING: He's not able to join us.

13 COMMISSIONER SCHMIDT: Okay. Do we have  
14 Rob Werstler here as well?

15 MR. WERSTLER: Here.

16 COMMISSIONER SCHMIDT: And Marsha  
17 Rountree?

18 MS. ROUNTREE: Here.

19 COMMISSIONER SCHMIDT: And then Jane  
20 Haynes -- Jan Haynes. Great. I remember you from Lone  
21 Star. Great. So I think our advisory group members  
22 are here.

23 And I think we have three areas we really  
24 wanted to discuss in general. One was the county fair  
25 and festival racing and its importance to Texas and its

1 role in Texas and potentially its role in the future.

2 We'd also -- we asked Mr. Shubeck to come  
3 today and start a discussion, which I think is very  
4 important, on advance deposit wagering. Hopefully he  
5 can educate us, provide us with some information, and  
6 hopefully provide us with a basis for recommendations  
7 for the legislative session, if possible.

8 And then we'd also like to discuss  
9 racetrack working and living conditions and the  
10 racetrack chaplaincy program. And Mr. Fick will be  
11 doing that later in the morning.

12 MS. KING: As well as Marsha Rountree.

13 COMMISSIONER SCHMIDT: As well as  
14 Mrs. Rountree. Thank you.

15 And there will certainly be plenty of  
16 opportunity for questions and comments per protocol  
17 without significant restraint. And then I do want to  
18 emphasize there will be a second meeting tentatively  
19 planned for mid November. Hopefully we can compile the  
20 results of these two meetings and satisfy the  
21 Governor's request and issue a substantial guide of  
22 where we think racing should be in Texas, both horse  
23 racing and greyhound racing, in 2011 and beyond.

24 I mean, I think this is really an open  
25 forum and it is really an opportunity to think both

1 traditionally and outside the box. Certainly our  
2 recommendations may not be adopted, but we can  
3 certainly make them and provide support for our  
4 rationale.

5 So to get going further, let's begin  
6 initially with the county fair and festival racing  
7 group with members of the Gillespie County Fair &  
8 Festivals Association here. I think Mr. Roeder is  
9 here?

10 MS. KING: Before you do that,  
11 Mr. Chairman, I have an announcement.

12 COMMISSIONER SCHMIDT: Sure. I'm sorry.

13 MS. KING: That's okay. Sorry. They can  
14 gather themselves up there in the back row so they can  
15 get prepared to come up front.

16 But what I wanted to call to everyone's  
17 attention is this golden sheet here that's an  
18 opportunity for anyone here to write down a question  
19 for the study committee and the advisory group members  
20 so that we can bring it forward. Carolyn will be  
21 looking for these sheets to provide those so that we  
22 can make sure that anybody in the audience who has a  
23 question that could possibly be answered today or  
24 possibly answered at the November meeting. We'll be  
25 collecting those questions, or just input.

1                   So we want -- because we're not quite  
2                   sure how much time we'll have today for lots of public  
3                   comment. We'll just see how long it all goes. But we  
4                   want to make sure that we're keeping track of people's  
5                   interest. So I just call that to your attention.

6                   Thank you, Mr. Chairman.

7                   COMMISSIONER SCHMIDT: Great.

8                   And I would want to stress again, the  
9                   Governor's request of the Texas Racing Commission was  
10                  very, very open-ended; and so during the day and during  
11                  this meeting and the next meeting, I think it's a real  
12                  opportunity, if you have thoughts or suggestions or  
13                  comments, they'll be taken seriously; and it's  
14                  certainly an opportunity to speak and develop a plan  
15                  for -- at least recommendations for moving forward.  
16                  There's no reason to regret not coming forward if  
17                  there's an opportunity.

18                  Sir, would -- to avoid me misspelling or  
19                  mispronouncing any names, could you introduce your  
20                  entire group for us, please?

21                  MR. OTTMERS: My name is Troy Ottmers. I  
22                  have Billy Roeder and Lee DeLong.

23                  COMMISSIONER SCHMIDT: Great. Thank  
24                  you.

25                  MR. OTTMERS: Like I said, my name is

1 Troy Ottmers and I'm actually a former member of the  
2 fair association. Billy and I -- they brought a couple  
3 of old-timers back in today, so we're going to give you  
4 just a little bit -- I'd like to give you just a little  
5 bit of history on the fair association.

6           If you can remember back in time, the  
7 year that Billy the Kid was killed and the year that  
8 the shoot-out at the OK Corral occurred, the Gillespie  
9 County Fair Association held its first Gillespie County  
10 Fair in 1881. That year it was held on the east side  
11 of Fredericksburg and actually the first race was held  
12 that year. They drug a straightaway and they ran horse  
13 races that year.

14           Well, fast forward a few years. 1892  
15 they moved to a different location downtown, built an  
16 exhibition hall and a grandstand and a half-mile track,  
17 and continued racing there for a long time. That was  
18 known as the old fairgrounds and that's where everybody  
19 came and it was the gathering place of the people of  
20 Fredericksburg and Gillespie County.

21           Back in the 18 -- 1940's -- we'll fast  
22 forward a little further -- Fredericksburg had a little  
23 notoriety in that a gentleman by the name of Max  
24 Hirsch -- I don't know if any of that rings a bell to  
25 anybody, but he trained a horse by the name of Assault

1 that won the Triple Crown that year and he was a horse  
2 from Texas. And Max Hirsch got his roots in  
3 Fredericksburg at a Thoroughbred training track in  
4 Morris Ranch that is just outside of Fredericksburg and  
5 at that time was one of the premier Thoroughbred  
6 training facilities in the country. They shipped  
7 horses out all over the place.

8 A little bit further, just to keep things  
9 brief, back in the early -- probably late '60's, early  
10 '70's, our board realized -- not me, but our -- some  
11 of our forefathers, that pari-mutuel racing was going  
12 to come to Texas at some point in time and began  
13 planning a new facility and in 1975 opened up our  
14 current facility where we're at now. They went and  
15 toured -- Billy, you probably know this -- Delta. They  
16 went to Sunland and got ideas. And within a couple of  
17 years, we opened up the fairgrounds as we know it  
18 today.

19 As racing progressed, in 1987, I think,  
20 is when the bill was passed, if I remember that right.  
21 We began working on our license in '88 and opened up on  
22 May the 26th of 1990 as a pari-mutuel racetrack and  
23 since then have continued to operate that way.

24 We have -- with a little bit of foresight  
25 and a lot of help from a lot of people, we opened up

1 the Race Barn up in Fredericksburg as our full-time  
2 simulcasting facility. And the reason we're racing  
3 today is because of that. And it's the folks at Gulf  
4 Greyhound that have helped us with that and seen us  
5 through that operation and are running that thing  
6 because at that point in time purses were getting -- we  
7 weren't competitive and we couldn't compete in the open  
8 market anymore. So when that came about, we have  
9 continued racing and I think we've done it very  
10 successfully.

11 The fair association is built on a lot of  
12 things that are hard to describe. To stand up in front  
13 of you all and tell you all about the fair association  
14 would be -- us three could talk at the same time until  
15 Friday night at sundown and you all still wouldn't --  
16 we may not be able to convey to you all exactly how we  
17 do things up there. It's based on a lot of tradition,  
18 a lot of heritage, and a lot of family values that have  
19 come together that put that event -- put that event  
20 together for us. And it's hard to describe. But it's  
21 just a community event. The fair association has  
22 always been the focal point of Fredericksburg and  
23 Gillespie County, and that's the way it is today and  
24 just a brief kind of where we came from and where we're  
25 at.

1                   One thing I would like to say -- and it's  
2 kind of a misconception and it's kind of a burr under  
3 my saddle and I'm not going to speak for the  
4 association because this is my opinion. Fredericksburg  
5 is the oldest pari-mutuel track in the State of Texas.  
6 We are the oldest track, period, and we're -- best that  
7 we could figure back when we had our hundredth  
8 anniversary in 1988, we're the eighth oldest track in  
9 the country. So that's where we've come from and  
10 that's where we are today.

11                   Billy?

12                   MR. ROEDER: Is that all you've got to  
13 say?

14                   MR. OTTMERS: That's all I've got to  
15 say.

16                   MR. ROEDER: What am I supposed to say?

17                   MR. OTTMERS: It's up to you.

18                   MR. ROEDER: Well, thank you all for  
19 having us here. Oh. Thank you all for having us  
20 here. And I want to give you a little history. I'm  
21 supposed to talk about something. And how do we make  
22 the fair go?

23                   I started in 1959 on a track as a pony  
24 boy, went from there to -- I got on the board about  
25 1978, something like that. Time don't mean anything.

1 So -- and I become a director, become president of the  
2 fair board, vice-president. I was the first assistant  
3 general manager. I can't say general manager because  
4 Bill Brees knew about racing, came from Oklahoma, and  
5 really helped us. And he knew pari-mutuel and I knew  
6 Gillespie County Fair and how to get people,  
7 supposingly, and get people -- how do you run a county  
8 fair. So it was a good mix. He always talked it was  
9 one indian and 20,000 Germans. And it worked. It  
10 really did.

11                   And again, like Troy, how did we make  
12 it? Volunteers. I mean, today's world -- and every  
13 track here and every track that's went under, they went  
14 under because of labor costs and too many -- too much  
15 of that stuff. And we probably have got -- and I'll  
16 get -- I'll get slandered when I get back to the deal  
17 about I made a misconception or something like that.  
18 But every race meet we probably have from 100 to 125  
19 volunteers. And they want to come and they want to  
20 help and they're part of the community.

21                   So we don't pay these people. The only  
22 paid people that we really pay is your all's people  
23 that you send out, stewards, all of that, you know.  
24 And so I don't know. And we have a hard time doing  
25 that and making any money. We race eight days. Lee is

1 going to get in this. The 4th of July, Saturday of the  
2 fair, is the only two times that we actually make money  
3 from racing and we fill that place up and we sell a lot  
4 of beer and stuff like that, too.

5 But the personal touch, I think, is what  
6 makes a county fair. I mean, these people want to be  
7 there and they want to help and they want the people to  
8 come to Fredericksburg, you know. And it's not a deal  
9 where I'm making seven dollars an hour or 10 dollars an  
10 hour and I'm looking at my clock and I wish I could get  
11 out of here. We don't have any of that. I mean,  
12 everybody that comes there, we want them to feel like  
13 they're at home and they're having a good time.

14 So this is the -- I think this is a  
15 county fair atmosphere. And in today's world -- we  
16 talked about it a little bit coming home -- I mean,  
17 coming down here, besides hunting and fishing, about  
18 this. Today's world is -- I think people want to get  
19 out of the big city and the big governments and the  
20 metropolis and they want to go to a destination, you  
21 know. And Fredericksburg is a pretty good destination  
22 right now.

23 So when they come, there's more to do  
24 than just horse racing. And I think that's what we  
25 have to do -- I think that's your all's decision, how

1 do we -- if you just have horse racing, it's going to  
2 be a heck of a time to make -- you know, to make it  
3 go. In our little county fairs and stuff like that, we  
4 have to -- we have to present something else besides  
5 horse racing. And I think we do a good job on it.

6 I think a lot of people that come -- I'm  
7 going to give you a scenario of -- I went all the way  
8 from the track up to president, general manager, back  
9 down to I'm selling beer in the beer garden. And you  
10 say, well, why would you want to do that? I love this  
11 place, you know. I've spent two-thirds of my life  
12 there. I have -- my granddad was there. My dad was  
13 there. My son Brian, sitting in the back, is my oldest  
14 son and now he's there. So it's a tradition.

15 And I think people want to come out to a  
16 fair track that -- you can stand at our track and get  
17 dirt on you when they come down the straightaway. I  
18 mean, and that's what they like. And there's no air  
19 conditioning. There's no anything. It's just people  
20 involved and everybody is treated like a friend.

21 I mean, from the people that help me in  
22 the beer garden, there's three past presidents that  
23 have spent over -- over 20 -- probably about 85 years  
24 on the fair board. And do you think we want to make  
25 somebody mad and not going to welcome them? We want to

1 welcome them. We want them to come and we want them to  
2 have fun. The main thing is you want them to go home  
3 and tell their friends or bring somebody. That's what  
4 makes a county fair. That's what makes Gillespie  
5 County.

6 So I don't want to linger on. Like Troy  
7 said, we could all three talk for -- till daylight  
8 tonight if we had something to drink. But we don't.  
9 Thank you. And you can ask us questions.

10 I want to tell you a deal about Max  
11 Hirsch. My granddad -- Morris Ranch, the Morrises  
12 owned Belmont Stakes in New York. They was in our  
13 community a long time ago, the early 1800's. My  
14 granddad worked for them and he got on a train and took  
15 horses to New York and Louisiana, horses that was ready  
16 to run, and brought them back.

17 Max Hirsch is a hometown boy. He was  
18 born and raised in Fredericksburg, started out there at  
19 Morris Ranch. We have pictures of him in the -- out  
20 there at the track. He got -- he tells a story about  
21 the Triple Crown winner. The King Ranch had him. And  
22 he was a clubfooted horse and nobody wanted him. And  
23 he kept him around and shod him and kept -- and he  
24 kept running him. And the more he run him, the better  
25 he got. The better he got. And he won the Triple

1 Crown with him. Max Hirsch is buried inside Belmont  
2 Stakes, inside the racetrack.

3 So we have a lot of history and we're  
4 proud of our Gillespie County fairgrounds. I hope you  
5 all are, too. Thank you.

6 MR. DeLONG: And with all the good  
7 feel-good stories these guys just told, there's a "but"  
8 to every story. According to my wife, it's me.

9 With all the tradition and history that  
10 we've got and what we do good, we can't do it with just  
11 horse racing. I believe in '90, when pari-mutuel  
12 started, the board felt like it would be good to give  
13 away scholarships to the local kids. We gave away  
14 15,000, I think, a year when it started. It was going  
15 to be from income off horse races.

16 In about 1997, I believe, we had to add  
17 an event. We have a Scholarship Fest now that we had  
18 to add just to make that money because it's not coming  
19 from horse racing.

20 This past year was our second best year  
21 in the last -- I've got records back to '97 that I  
22 could come up with. It's our second best year that  
23 we've had. 2008 was the best year we've had. And this  
24 year we're still underwater. We just can't -- without  
25 other events, I think we have -- I asked our secretary

1 and she couldn't get it to me. She's been sick. I  
2 believe at the fairgrounds this year we will have --  
3 we've got six events that we sponsor; and every weekend  
4 out there, the grounds are rented to an organization or  
5 a group for weddings, whatever, for us to try to make  
6 money.

7           So I don't know what else these guys want  
8 me to say. I'm the mutuel manager. I'm another one of  
9 those -- I don't get paid. I think I figured up at our  
10 last meeting, the month of August, when we have two  
11 race meets -- we have an early August race meet and the  
12 fair. I was out at the fairgrounds -- I had over 200  
13 hours that I volunteered. And I'm not -- I'm not an  
14 exception. Every one of these guys do that. That's  
15 the amount of time that people put in to not get paid  
16 for it. And it just baffles me how all the rest of  
17 these tracks that have to pay all these people can do  
18 it because we're doing it for free and we can't make  
19 it.

20           So I mean, horse racing in the State of  
21 Texas is -- needs some help. I don't know what else I  
22 can say. I don't have anything else. If anybody has  
23 got questions --

24           COMMISSIONER SCHMIDT: What I'd like to  
25 do now is if all three of you wouldn't mind coming up

1 together and we can really see if there are any  
2 questions.

3 MR. ROEDER: I'd like to make one more  
4 scenario, please. May I?

5 COMMISSIONER SCHMIDT: Sure.

6 MR. ROEDER: Gillespie County Fairgrounds  
7 has nothing to do with Gillespie County. I'm a  
8 Gillespie County Commissioner. We don't put any money  
9 into it. At one time, when we built the fairground,  
10 it's structured -- and I -- a long time ago, where you  
11 have to be a stockholder in the Gillespie County Fair  
12 Association. A stock is worth \$25. You cannot sell  
13 this stock for any more than you paid for it. The  
14 Gillespie County Fair will never be sold and the  
15 stockholders get the money. It's got to go to another  
16 like organization or to a county or a city.

17 So we're not putting all this money in  
18 there -- not money -- time and stuff in there and,  
19 being stockholders, thinking one of these days we're  
20 going to be rich. It's not going to happen. So, you  
21 know, it's not like a corporation that opens up a track  
22 and you're trying to accumulate -- we'll never receive  
23 any more money out of our stocks than what we  
24 originally paid for them, which is \$25 a stock. I  
25 thought that would be interesting for you.

1                   COMMISSIONER SCHMIDT: I just had a few  
2 questions to start off, sir. You indicate that you  
3 have a volunteer work force --

4                   MR. DeLONG: Yes, sir.

5                   COMMISSIONER SCHMIDT: -- beautiful  
6 surroundings, and, it seems, tremendous heritage and a  
7 real fraternal organization to make this thing go. Yet  
8 despite those inherent natural advantages, it seems  
9 that you say you -- on horse racing alone this year,  
10 what would you estimate your loss to be?

11                  MR. DeLONG: As Troy put it, there were  
12 two days that we were above our break-even. And that  
13 was --

14                  COMMISSIONER SCHMIDT: You race 10 days?

15                  MR. DeLONG: We race eight days. Out of  
16 eight days, we had the 4th of July, Saturday, and  
17 Saturday of the fair, which we had -- Saturday of the  
18 fair we had a live handle of \$200,000.

19                  MR. ROEDER: People?

20                  MR. DeLONG: No. 200,000 was our  
21 handle. We had 3500 people, I believe, at the fair.

22                  MR. ROEDER: Paid.

23                  MR. DeLONG: That's our paid attendance.

24                  MR. ROEDER: Paid. That's not trainers,  
25 jockeys, everybody that gets in free.

1                   MR. OTTMERS: I know back before the Race  
2 Barn was built, we were putting an average of somewhere  
3 between 60 and 80 thousand dollars a year out of our  
4 pocket into the purse account. And that's about where  
5 we would have been in a loss for that year. And then  
6 the Race Barn came around and it broke that part of it  
7 even. And I don't know exactly what the races would  
8 have lost this last year. We had been somewhere in  
9 that --

10                   MR. DeLONG: It's about --

11                   MR. OTTMERS: 20 to 30 thousand dollars?

12                   MR. DeLONG: It costs us about -- it's  
13 about \$15,000 a day is the cost that we have on what  
14 we -- the people we pay, tellers, gate crew.

15                   MR. ROEDER: State staff.

16                   MR. DeLONG: That's besides State staff.

17                   COMMISSIONER SCHMIDT: So an estimated  
18 loss in the range of 60 to 80 thousand dollars,  
19 reasonable number?

20                   MR. DeLONG: I believe our secretary --  
21 and like I said, she was sick, so I didn't get all the  
22 numbers that I wanted. I believe this year we are --  
23 we're about -- still about \$60,000 in the hole. So I  
24 mean, that's why we have to have all these other  
25 events. We do racing because we love it. We don't do

1 it to make money. We hope all of our other events help  
2 us basically cover the cost of the racing horses.

3 COMMISSIONER SCHMIDT: Thank you.

4 MR. DeLONG: It's tradition. It's one of  
5 those things that as a young director, we get "That's  
6 not the way we've always done it." And that's what we  
7 hear. And that's -- I guess that's why we run horses.  
8 That's the way we've always done it. And that's the  
9 way we'll continue to do it.

10 COMMISSIONER SCHMIDT: Do you see any  
11 problems unique to Gillespie County Fair as opposed to  
12 Lone Star or Houston? Or is it the same sort of issues  
13 that contribute to difficulty of racing in other parts  
14 of the state?

15 MR. DeLONG: I think we probably have an  
16 advantage.

17 COMMISSIONER SCHMIDT: To me, that's what  
18 I'm trying to understand. It seems like you have a  
19 very natural advantage.

20 MR. DeLONG: We've got -- I guess all the  
21 people that you talk to, they love coming to  
22 Fredericksburg. They don't come there to make money.  
23 They come there because they love it.

24 MR. OTTMERS: I think some of the issues  
25 that we've faced in the recent years is the escalating

1 cost of -- I guess a better way to put it, escalating  
2 cost of doing business, fees, things associated with  
3 the tote and then the State fees that have just kept  
4 escalating and escalating. And it's become harder and  
5 harder to do that.

6 COMMISSIONER SCHMIDT: So your attendance  
7 and handle is reasonable and you have a volunteer work  
8 force, but everything else seems to be inching up two  
9 or three, five percent per year.

10 MR. DeLONG: Yes, sir. Our handle for  
11 the last 12 years, our yearly total on our handle has  
12 averaged about 1.1 million dollars. That's our --  
13 that's our handle.

14 MR. OTTMERS: That's a high of about 1.3  
15 and a low of about 800.

16 MR. DeLONG: And our attendance has  
17 stayed the same. From a -- it's amazing. Day to day,  
18 year to year, our attendance will be within 500 people  
19 of what it was on that day the year before. Our  
20 biggest variances come on the 4th of July. It depends  
21 on which day it falls on. If the 4th falls on a  
22 Saturday, we're going to have a --

23 MR. ROEDER: One of our biggest crowds.

24 MR. DeLONG: A huge crowd. We'll have  
25 nearly 4,000 people. If it falls -- if the 4th is on a

1 Monday, maybe we'll have about two, twenty-five  
2 hundred.

3 COMMISSIONER SCHMIDT: I guess two other  
4 follow-up questions. One would be I think one of the  
5 reasons that Commissioner Ederer asked that you  
6 actually initiate this discussion and put you on the  
7 program was his respect and I think the respect of a  
8 lot of Commissioners for what you do and the success  
9 you've had over the years.

10 I think there's a real interest in seeing  
11 if the so-called fair circuit can be replicated, maybe  
12 another fair in the spring or in the fall at another  
13 track in another part of the state. Do you think  
14 that's doable? I have concerns there's -- the heritage  
15 isn't there. The tradition isn't there.

16 MR. DeLONG: It took us 123 years to  
17 get --

18 MR. ROEDER: You know, we're not going to  
19 give you all the good news and you might not -- you all  
20 had nothing to do with it. And probably the worst  
21 mistake the Commission done when they got started was  
22 not trying to work with a Texas racing circuit. We had  
23 a track in Junction. We had a track in  
24 Fredericksburg. We had a track in Boerne. We had a  
25 track in New Braunfels, Brady, you know, Del Rio. And

1 the rules was so stringent that they couldn't do it.

2 The only reason we could is because when  
3 we built our new facilities, we built it with the  
4 curves and -- you know, so they had the opportunity.  
5 And hindsight is 20/20, you know. But there's six of  
6 those tracks in the Hill Country that would -- if they  
7 was running today, would be the heart of your racing in  
8 Texas. I mean, I'm serious about that.

9 The question you asked, can it start  
10 again? Under the rules and regulations that we have  
11 today for the big tracks and that, I don't think it  
12 can. I mean, we've got a facility that was paid,  
13 volunteer labor; and if it wasn't for our heritage, we  
14 wouldn't be running. But you're not going to stop us.  
15 We're going to keep running if we've got to take money  
16 out of our pocket. Pari-mutuel or not, you know, we're  
17 going to -- we've run for 122 years and we're going to  
18 keep running.

19 So it would be tough. If you could start  
20 a program where these people could start at a  
21 minimum -- at a minimum, where they thought they could  
22 make it and gradually, as the years went on, next year,  
23 year after, you got a -- we'd like for you to do this  
24 or this or -- and improve as you can. But for somebody  
25 to stick two or three million dollars in a track on a

1 fair track to run three or four days or five days or  
2 whatever, it ain't -- I'm saying it ain't going to  
3 happen. But if you could start it gradually and go  
4 from there.

5 MR. OTTMERS: I think if you look at two  
6 tracks in particular, if you look at Boerne and if you  
7 look at New Braunfels, those are both -- in their time  
8 were both half-mile tracks. And I know Boerne has been  
9 cut into a rodeo arena now, if I'm not mistaken. And I  
10 think you'd be hard-pressed to -- and I'm not saying  
11 that there's not the heritage or the tradition in those  
12 communities.

13 MR. ROEDER: There is.

14 MR. OTTMERS: There is. They've gotten  
15 bigger and they've expanded and I think they've lost a  
16 little bit of what Fredericksburg has been able to  
17 maintain. But I think it would be hard, hard for a  
18 county fair to -- just what Billy was saying, to make a  
19 start today and have to do the things that we did with  
20 the facility that we had in place at the time because  
21 our board -- like I was saying earlier, our board had  
22 planned back in the early '70's already, probably  
23 the -- in the mid '60's had planned on pari-mutuel  
24 coming into Fredericksburg or coming into the State of  
25 Texas.

1                   MR. ROEDER: Or if it ever did, we wanted  
2 to be in it.

3                   MR. OTTMERS: If it did, our facility was  
4 going to be to the point where we felt -- they felt at  
5 that time that they would be able to run a pari-mutuel  
6 race meet. And that's why we're in the position we are  
7 today, because of the guys that came before us that had  
8 the foresight to build up there what we've got.

9                   COMMISSIONER SCHMIDT: Dr. Carter?

10                  COMMISSIONER CARTER: Can you all hear me  
11 okay without a mike?

12                  What's your population base in  
13 Fredericksburg?

14                  MR. ROEDER: 22,000, county.

15                  COMMISSIONER CARTER: And how far are you  
16 from San Antonio?

17                  MR. ROEDER: 68 miles. 68 -- 70 miles,  
18 70 miles, Austin and San Antonio.

19                  COMMISSIONER CARTER: About the same here  
20 to Austin, right?

21                  MR. ROEDER: Pretty close.

22                  COMMISSIONER CARTER: Is that where most  
23 of your population comes from?

24                  MR. OTTMERS: We get a lot of West  
25 Texas.

1 MR. ROEDER: We get a lot of Angelo --

2 MR. OTTMERS: Big Springs, Abilene. Then  
3 we get a ton of people from South Texas. We have had a  
4 contingent of horse people and patrons from South Texas  
5 the last, well, 20 years now, since we've been running  
6 pari-mutuel, that --

7 COMMISSIONER CARTER: From the Valley?

8 MR. OTTMERS: Yes, sir.

9 COMMISSIONER CARTER: What's the  
10 population of Brady?

11 MR. ROEDER: Say that again.

12 COMMISSIONER CARTER: What's the  
13 population of Brady?

14 MR. OTTMERS: I'm going to guess about  
15 6,000.

16 MR. ROEDER: Yeah, the town of Brady.

17 MR. OTTMERS: Six or seven thousand, the  
18 town.

19 MR. ROEDER: And it's probably, county  
20 population, about the same.

21 COMMISSIONER CARTER: Do they not still  
22 have a good facility there? They at one time had a  
23 license and had a facility.

24 MR. OTTMERS: They were the first track  
25 to open in the state. Yes, sir.

1                   MR. ROEDER: Right. They opened, shut  
2 down after their 40 days, 30 days. They was a Class 2  
3 track and never reopened.

4                   COMMISSIONER CARTER: Probably the  
5 distance of the population there is an impediment to  
6 that, right?

7                   MR. OTTMERS: I think that's some of it.  
8 And Brady is not the destination town that  
9 Fredericksburg is. It's just not the "We want to go  
10 there to go there."

11                  MR. ROEDER: And again, Brady run a good  
12 race meet before pari-mutuel, you know. They run a  
13 good race meet, AQHA Quarter Horse races up there, and  
14 they had good horses and good attendance. But they  
15 didn't have a hospital, you know, barns for the races,  
16 and -- I mean, for the racehorses, and all the other  
17 stuff they had to do when they went pari-mutuel in a  
18 degree the first year. And they couldn't. But when  
19 they was on their own, they had a good racetrack and  
20 had a good race meet.

21                  And I don't want to sound negative to you  
22 all. I mean, please forgive me if I do. But it has  
23 made a difference.

24                  COMMISSIONER SCHMIDT: Any other  
25 questions?

1                   COMMISSIONER HICKS: How many days is the  
2 Race Barn -- is it open per year?

3                   MR. OTTMERS: The Race Barn?

4                   COMMISSIONER HICKS: The Race Barn.

5                   MR. OTTMERS: It's open every weekend,  
6 Thursday through Sunday.

7                   COMMISSIONER HICKS: Every weekend.

8                   MR. OTTMERS: Yes, ma'am.

9                   MR. ROEDER: And on Monday, Labor Day, of  
10 the All-American and specialty days. And if it wasn't  
11 for them, if it wasn't for Sally and Joe and them, we  
12 wouldn't be racing.

13                   MR. OTTMERS: As much as we say we're  
14 going to keep racing in Fredericksburg, if it wasn't  
15 for those folks, us having got in contact, or them with  
16 us, with that arrangement that we've got, we wouldn't  
17 be standing in front of you today. They basically  
18 saved us, saved our racing for the time being, for  
19 now.

20                   COMMISSIONER HICKS: So even with the  
21 simulcasts, you're still going to lose 60,000.

22                   MR. OTTMERS: Yes, ma'am. And like I  
23 said, the first years that we opened the Race Barn, it  
24 did exactly -- and it's still doing what we had wanted  
25 it to do, is supplement our purse account. The first

1 year, our purse account, we paid no out-of-pocket  
2 expenses. It's just that everything else has crept up  
3 on us and all of the other expenses have crept in that  
4 have put us in a negative way now. But, yes, it did --  
5 it has done exactly what we wanted it to do.

6 MR. ROEDER: You know, and another thing,  
7 we really have to thank these horse people and we  
8 have -- we have trainers and owners in Fredericksburg  
9 and people come from the Valley and all over,  
10 Oklahoma. They come to race there. And they race for  
11 a 3,000-dollar purse. \$3,000. And they haul from  
12 McAllen or Dallas or Oklahoma and drive down here and  
13 they can't hardly pay for their gas.

14 So those are the people we've got to  
15 thank. I mean, think of those people. They're not  
16 making enough money out of the purses now to pay their  
17 groomsmen. But they love the business. They love it.  
18 And we've got to do something. If we want to -- if we  
19 want to keep racing in Texas, we've got to do  
20 something.

21 And the worst thing we can do is try to  
22 be like Kentucky Derby. Let's be like Texas. Let's do  
23 our county fairs and let's do our little -- we'll grow  
24 into the other. But we've got to help these youngsters  
25 and these tracks coming up. And how we do it, I don't

1 know. But we'll grow to one of the best racing states  
2 in the State of Texas. But we can't do it by saying we  
3 want to be Belmont Park the first year. It don't  
4 happen. It doesn't happen.

5 I'll get off my soapbox.

6 COMMISSIONER SCHMIDT: Any further  
7 questions? Bryan?

8 MR. BROWN: Just a quick comment. If you  
9 gave me my choice of any track I could go to in the  
10 country -- and I've been to most all of them -- I would  
11 choose yours for a weekend of racing. You do a  
12 fabulous job.

13 And one comment and, I guess, question a  
14 little bit, I hear you saying pretty loud and clear,  
15 for any of these new racetracks that might get built,  
16 we need to build them per economics, not per what other  
17 standards might have existed in the past.

18 MR. OTTMERS: Just like Billy said, you  
19 know, our contention was in 1990 or 1988 that we should  
20 have -- and it's -- here again, it's hindsight and it  
21 probably doesn't even need to be said. But if we would  
22 have built an industry from ground level -- and I think  
23 at that time it was wanted -- we wanted the Taj Mahal  
24 in Year One and it just -- it wasn't going to happen.

25 MS. BRIGGS: You all involve young people

1 in your community in a lot of events that are happening  
2 in the pavilion when you have live racing. Will you  
3 all touch on those briefly for the group, please, about  
4 what goes on over there?

5 MR. OTTMERS: Say that again, Sally.

6 What?

7 MS. BRIGGS: The events you have going on  
8 and awarding the ribbons for all of the vegetables and  
9 fruits and all that.

10 MR. OTTMERS: At the county fair.

11 MS. BRIGGS: Yes. Will you touch briefly  
12 on those things that you all have?

13 MR. OTTMERS: We have a children's arts  
14 and crafts, children's baking, children's -- that we --  
15 we award the same prize money today that we did when I  
16 got on the board in 1980. It's three dollars for first  
17 place, two dollars for second, and a buck for third.  
18 And they get the ribbon. And animal shows in the  
19 livestock barn.

20 And then over the years Billy's -- well,  
21 Brian has grown up now, and my kids have. But when  
22 pari-mutuel first came in, our kids were picture  
23 runners from the crow's nest stewards' office to the  
24 board downstairs. When they got old enough, the big  
25 thing was to drive the trainer truck back and forth on

1 the racetrack, taking the trainers to the starting  
2 gate. And they sell programs. They -- we get  
3 everybody involved.

4 MR. ROEDER: And like the county fair,  
5 the race meet there is -- probably one of our bigger  
6 ones is we have a -- we have a youth livestock show up  
7 there, you know, cattle, hogs, sheep, that goes on from  
8 Friday until Sunday, and we race Saturday and Sunday.  
9 So there's something more for people to see. And these  
10 young people are there. And any time we need some help  
11 with the 4-H clubs or the FFA or the Boy Scouts or  
12 stuff, I mean, they're willing to help. They're  
13 willing to help with anything. But they're injected in  
14 our racing deal, so it's not just horse racing.

15 COMMISSIONER SCHMIDT: Any other  
16 additional questions?

17 MS. WHITELEY: I have a question. What  
18 would we need to do to make it more profitable? Is it  
19 too much regulation? Is that what I'm hearing? Or is  
20 there a way to increase the purses? Or how could you  
21 be more profitable?

22 MR. OTTMERS: It's probably hard for us  
23 to comprehend -- and I'll just start. I know Billy  
24 will say something. It's hard for us to comprehend in  
25 our sheltered little isolated world, if you want to

1 call it that, to know the big scope of the racing  
2 industry and the whole thing like that.

3 But to answer one question point-blank,  
4 yes, I think the regulation and the fees have affected  
5 us. I don't think there's any doubt about it. And you  
6 can ask these guys. Bryan can tell you for sure, and  
7 Sally. They know that they're going through the roof  
8 and we don't know what to do about it or how to  
9 counteract some of that.

10 MR. ROEDER: And what was your first --  
11 I've got old age syndrome. Now, would you state that  
12 question again?

13 MS. WHITELEY: What are the roadblocks  
14 from you being more profitable and what is preventing  
15 you from being more profitable?

16 MR. ROEDER: I really -- I really think  
17 getting more people there and what that takes to do,  
18 you know, getting more people to the track, getting --  
19 we kind of do the best job we can. And I know the slot  
20 machines, or whatever they call them, are on  
21 everybody's mind. Bigger purses. If we get bigger  
22 purses, we get better horses. We get -- if we get  
23 that, then the industry grows around us.

24 And what I say about that is we've got  
25 some of the best country in Texas for Quarter Horses

1 and Thoroughbreds, the climate, everything about it.  
2 The Morrises didn't come down here out of the clear  
3 blue sky. And we've got people here, trainers and  
4 owners and breeders that live in our community.

5           If we could get that, if we could get  
6 more purses, where these people could pay for their gas  
7 anyhow to come and their feed and get some  
8 infrastructure, you need that. You need -- if we had a  
9 hundred farms there and they hired people, if it  
10 takes -- if it takes one-armed bandits, or whatever you  
11 want to call them, to get people and get the industry  
12 there, why do we want to give it to New Mexico and  
13 Oklahoma and Louisiana? Why do we want to give it  
14 away? We're giving them -- we're giving them that.  
15 And we've got the ideal spot.

16           Did that answer anything?

17           MS. WHITELEY: Yes.

18           MR. ROEDER: I ramble a lot.

19           MS. WHITELEY: That's okay. Thank you.

20           COMMISSIONER SCHMIDT: Any other  
21 questions?

22           MS. O'CONNELL: I have a question. What  
23 is the demographic of your racing patrons? Do you find  
24 that you are able -- it's great. I hear what you're  
25 saying when you say that you're able to maintain your

1 attendance over the last 12 years. But I was wondering  
2 if you have had any efforts to grow your patrons and  
3 younger age groups and age groups that might be more  
4 willing to use, you know, online betting or different  
5 forms of technology that might be more attractive to  
6 them.

7 MR. ROEDER: When you get into computer,  
8 I'm going to have to give you to him or Sally, one of  
9 the two.

10 MR. OTTMERS: I think as far as getting  
11 the younger folks, I think we get our share of them.  
12 We get a lot of young families, San Antonio, Austin,  
13 even into West Texas, that come, that they want to  
14 bring their kids up to either look -- and they do go to  
15 the races. But they want to bring them up to look at  
16 what else we have to -- the old-time county fair, the  
17 livestock. And we have something to offer that  
18 particular group of people, the young married, with  
19 young children. We do get a lot of them. We really  
20 do.

21 MR. DeLONG: I think, yes, we've got a  
22 lot of young -- I mean, being the mutuels manager, I  
23 get to see all the people standing at the windows. And  
24 we've got a pretty young crowd, 20's, 30's. They've  
25 got their kids. You know, they're pushing them in a

1 stroller.

2 I think one thing that works for us is  
3 like Billy said. When you come to Fredericksburg, you  
4 can get dirty. You can stand right there at the rail  
5 and you're within five foot of that horse going by.  
6 And I think that's what appeals to a lot of the  
7 people. You can go -- there's beautiful facilities.  
8 Retama, a beautiful facility. If you're going to sit  
9 where it's comfortable, it's way back there. And you  
10 can't -- it's just -- there's not the -- there's not  
11 the feeling that you get.

12 I mean, it's amazing at Gillespie. You  
13 can stand there for the 20, 30 minutes between a race.  
14 Everybody is back getting a beer, placing their bets.  
15 But as soon as that gate cracks, there's not a single  
16 person on the back side of those grandstands. I mean,  
17 it's just -- it goes from being crowded and you can't  
18 walk, to nothing. I could do anything I wanted to  
19 behind the grandstands.

20 MR. ROEDER: Your question about youth,  
21 we started a program here about four or five years ago,  
22 our -- we have a race meet two weeks before the fair.  
23 We do a lot of futurity trials and then give them two  
24 weeks. And we started a youth deal. We have like  
25 livestock, cattle, sheep, goats, and all of that, and

1       they call them futurities, where the kids bring, just  
2       like the San Antone stock show or Houston, the  
3       animals. They bring them in and it's prize money. We  
4       have judges and stuff like that.

5                     And we probably get five to seven hundred  
6       people of ag teachers, moms and dads, kids. And we  
7       have that of a morning. We try to be through by race  
8       time. And it's surprising how many of those people --  
9       and it doesn't cost them anything. If they participate  
10      in that, they can come down and watch the races and get  
11      something to eat. And we've got good food there. And  
12      so we're working with the young people to -- a lot of  
13      them have never seen a live horse race.

14                    MR. DeLONG: I guess that's what I was --  
15      I think, probably your question, the online stuff,  
16      people come because they want to see the animal.  
17      There's a lot of -- there's a lot of them, you can  
18      tell, when they come out, that's the first time that  
19      kid has ever seen a horse. And they get so excited.  
20      And you'll see a mom and dad sitting there, "All right,  
21      sweetie. Which color do you like?" And that's how  
22      they place their bet. They're not -- they're not  
23      gamblers.

24                    You're going to have your gamblers that  
25      they could just as soon sit in a closet with a computer

1 and be able to place their bet and they're going to do  
2 that. We're on the side -- I think it's where our --  
3 what helps us is they can -- they like to come out and  
4 see those animals. And not only can they come to a  
5 race and see horses. They can go see sheep, goats,  
6 pigs, chickens.

7 MS. O'CONNELL: I have been to the  
8 Gillespie County Fair and thoroughly enjoyed myself and  
9 thought that it was very wholesome and that I would  
10 bring my kids in a future year.

11 MR. ROEDER: You are coming back.

12 MS. O'CONNELL: Absolutely. Absolutely.

13 MR. ROEDER: Good.

14 MS. O'CONNELL: I really just didn't know  
15 how much of the younger demographics was due to kind of  
16 crossover from the draw of the fair or whether you had  
17 people that were maybe college kids that would come on  
18 their own for the draw of racing. But it sounds like  
19 you have both.

20 MR. DeLONG: We have both. That is a  
21 problem that we have seen in the last decade, I guess,  
22 since I've been on the board. Used to, school --  
23 school started after Labor Day. And it's a struggle  
24 for the association, what are we going to do, because  
25 we lose a lot of our -- you know, like I said, we had

1 3500 people at the Saturday of the fair. We would  
2 probably have 5,000 people if college didn't start the  
3 week before. I mean -- well, public school. We get  
4 our local public school. But, yeah, it hurts us -- it  
5 hurts us, the Austin, San Antonio, San Angelo, all  
6 those directions, because they just started school.

7           You know, we're kind of lucky in  
8 Fredericksburg. Our kids go to -- they start school  
9 and then they're out the first Friday. They go three  
10 days, I think, the first week of school because they  
11 get out fair Friday.

12           But I mean, that is one thing that -- as  
13 far as demographics, that's kind of the basis of some  
14 of our other race meets is we try to cater and get the  
15 college kids there, try to have a concert --

16           MR. ROEDER: Dances.

17           MR. DeLONG: -- with somebody that the  
18 kids know. It might not be a big name, but, "Oh, this  
19 guy was great at San Angelo" and everybody goes. So we  
20 have those concerts and pull in that age group that  
21 way.

22           COMMISSIONER SCHMIDT: Anyone else?

23           Gentlemen, thank you very much.

24           Appreciate it.

25           MR. OTTMERS: Appreciate you all having

1 us.

2 COMMISSIONER SCHMIDT: Again, there will  
3 be an opportunity for questions from the audience at  
4 the completion of this session.

5 Mr. Shubeck?

6 MR. SHUBECK: Thank you, Commissioner  
7 Schmidt.

8 I've prepared a PowerPoint presentation.  
9 It's 10 slides long. But what I'd like to do is people  
10 should make comments just about on every slide. Every  
11 slide is a little bit different. I'm trying to explain  
12 the whole facet of advance deposit wagering. So after  
13 the end of the -- over the 10 slides, everybody in this  
14 room should have a good idea of what advance deposit  
15 wagering is, what it can do for the State of Texas, for  
16 the associations, and for horsemen.

17 MS. KING: Hang on, Drew. Let's let the  
18 committee reposition their chairs.

19 MR. SHUBECK: I do want to say that this  
20 is not a traditional PowerPoint where you put a minimal  
21 amount of words up there. There's a lot of information  
22 on these slides. And I would encourage people, if  
23 they're in the back, they probably ought to come  
24 forward if they want to examine everything in minute  
25 detail. But I'm going to read through it; and like I

1 said, we can ask questions like every slide.

2 Okay. So this is the opening. I  
3 prepared this PowerPoint with the cooperation of Sam  
4 Houston and I used my brethren up at XpressBet for some  
5 of the background numbers and really from a life  
6 experience of myself with advance deposit wagering.

7 When I started, right out of school, I  
8 worked for a company called General Instrument.  
9 General Instrument owned AmTote. It owned a lottery  
10 company. It did a food stamp real-time online delivery  
11 system in Manhattan. That's where I worked. So I've  
12 got a lot of involvement in it firsthand. It wasn't  
13 called advance deposit wagering then. It was just  
14 called telephone betting. So that's where it all got  
15 started.

16 So why don't we move on to the second  
17 slide.

18 Okay. What the colored bars show is  
19 national handle, national handle in pari-mutuel. You  
20 can see back in 2003 we were at about 16 billion  
21 dollars in North America. This also includes handle in  
22 Canada and Puerto Rico. And these numbers are from the  
23 Jockey Club in New York. So you can see, tracing these  
24 bars to the right to 2009, pretty much not a steady  
25 decline but a noticeable decline in handle in North

1 America.

2           The red line is the percentage of money  
3 that was wagered through advance deposit wagering  
4 companies. These are regulated companies. These are  
5 companies that do common pool wagering. So we have a  
6 really good idea of what that national handle is and we  
7 can track it really on a monthly basis by looking at  
8 where the hubs are in North America. And primarily  
9 they're out of Oregon.

10           So you can see back in 2003 it was about  
11 five percent of handle and then to 2009 it's gone up to  
12 about 13 percent of handle, so quite a good  
13 improvement. These companies are quite healthy. They  
14 make money. And I can imagine you already understand  
15 that North American brick-and-mortar are going in the  
16 other direction. We're losing market share. We're  
17 having a hard time making ends meet. And in a lot of  
18 jurisdictions we're seeing purses decline.

19           COMMISSIONER SCHMIDT: Drew, one quick  
20 question.

21           MR. SHUBECK: Sure.

22           COMMISSIONER SCHMIDT: From looking at  
23 that, from your perspective, is the decline in national  
24 handle reflective of just the mortgage crisis and the  
25 economy or competition from other forms of gaming or a

1 combination?

2 MR. SHUBECK: I would say all of the  
3 above. You can see the more drastic decline in 2008  
4 than in other years. And I believe that that bar for  
5 2009 is a little deceptive. I think this was taken at  
6 a time when only 11 months are in and I think you would  
7 see it go to about the 13-billion-dollar number in  
8 reality.

9 So, yes, I would say economic crisis; and  
10 I would say a competition from regional casinos would  
11 be the number two thing.

12 Okay. All right. This will be really  
13 hard to decipher unless it's right in front of you, but  
14 what I'm trying to demonstrate with this slide is the  
15 different rules in all the different states. You can  
16 see that there's nonracing states, about 12, the  
17 traditional-only racing states. And Texas is one of  
18 those. And you can see that I've got "Texas is  
19 Surrounded" as the subtitle to this because it's very  
20 true.

21 In the surrounding states, there are  
22 either -- they can do both, like in Louisiana, or the  
23 other states that ring us are racino states, where they  
24 have VLT's. So our major metropolitan areas in Texas,  
25 meaning the Dallas-Fort Worth and Houston, are within

1 easy driving distance of casinos in those states. They  
2 market heavily in the State of Texas. They know that  
3 their customers primarily come from Texas. So that's  
4 where they're spending their marketing dollars.

5           You can see, in the west and in the  
6 northeast, a difference there, too. California, the  
7 racetracks are suffering even though the -- they are an  
8 ADW state -- you can see the different color shading  
9 than Texas -- that they are very restrictive in their  
10 ADW.

11           If I were to look at ADW for Texas, I  
12 would look at California rules or Virginia rules.  
13 They're very protectionist of their state. They have  
14 statewide marketing fees imposed on the ADW's. And  
15 that is money that would be primarily shared with the  
16 brick-and-mortar racetracks and horsemen.

17           So there's a lot of different options.  
18 We are one of the biggest ADW states even though it is  
19 illegal. They make no bones about it. Twinspires and  
20 YouBet are the biggest guys in the State of Texas. You  
21 could go open an account today and you could start  
22 betting on any track except for one that's located in  
23 Texas.

24           Questions? We'll move on.

25           Okay. Now, you see that old-fashioned

1 telephone on the left there. That's how it all  
2 started. My daughter probably wouldn't even know what  
3 that thing was. But what I'm doing here is showing  
4 that -- the logos on the top are the companies that are  
5 marketing the heaviest in the State of Texas, all but  
6 TVG. TVG does not take bets from Texas, but all the  
7 other ones do. I have XpressBet up there because after  
8 the sale of Lone Star Park, they will start doing  
9 business in Texas because they know it would be ripe  
10 for the picking.

11           You can see the other ways you can go  
12 about it besides traditional telephone. You can bet  
13 online with your computer. And nowadays a lot of  
14 people have these smart phones, and that's an iPhone  
15 there and right behind it is a BlackBerry. It's fairly  
16 simple to place a bet using like an Internet-based  
17 platform or an app on those things besides just ringing  
18 up a live operator. So there's all those options out  
19 there. It's very convenient for customers.

20           Twinspires has an unbelievably good  
21 product that you can watch the streaming of the races  
22 on it and it looks almost like high definition just  
23 because the screen is so small. But it's a really good  
24 product. It's the type of thing that is mesmerizing  
25 when it's in your hand.

1           At home as well. You can see TVG and  
2 HRTV on most cable systems and on satellite providers.  
3 So you could watch on your cable TV and you could use  
4 your computer at home to make the wagers or watch the  
5 live stream.

6           One of the things that makes ADW's so  
7 appealing over the last few years is the growth of the  
8 broadband Internet connection. It really wasn't a good  
9 experience online until you do have broadband.  
10 Watching a 56k or a dial-up picture isn't that  
11 entertaining; but with broadband, you really get a good  
12 view of the races and you have a rich experience making  
13 the wager as well.

14           Any questions?

15           Okay. All right. I included this slide  
16 to make the distinction. There's hundreds of companies  
17 that are bookmakers out there doing their business on  
18 the Internet. These businesses, by and large, are  
19 totally unregulated. By and large, they don't do  
20 common pool. They do separate pool. But they  
21 definitely are an option for our customers.

22           They can get rebates from these. They do  
23 like house quinellas and other proposition bets in  
24 horse racing that we cannot offer. And they can also  
25 offer casino style bets. Sports betting is very

1 popular. The Federal Government made it a little  
2 difficult to fund these accounts and receive money back  
3 from these accounts, but really they just made it that  
4 you have to use a secondary source.

5           These businesses are growing. They're  
6 literally offshore-based. The Federal Government is  
7 trying to go after them, but it's really difficult.  
8 And this has quite the appeal for the younger customer  
9 because the younger customer really doesn't understand  
10 the difference between a pari-mutuel bet and a book  
11 bet. They just like the slick interface that these  
12 guys provide. They like the option to bet on sports,  
13 which is very popular with all demographics but  
14 particularly young people. And a lot of these sites do  
15 offer online Texas Hold'em. So it's a great option for  
16 the customers and they're utilizing it for sure.

17           MR. KERBY: Joe Kerby. The mileage  
18 around -- like in Pennsylvania I think it's 50 miles  
19 around racetracks that --

20           MR. SHUBECK: That's correct.  
21 Pennsylvania has a radius that ADW providers have to  
22 provide a signal fee for. That's correct.

23           MR. KERBY: So is it -- well, of course,  
24 Virginia has just got Colonial. But I mean, the  
25 California, how do they do it then with their fair

1 meets and stuff?

2 MR. SHUBECK: Virginia and California are  
3 both statewide proximity fees; so any time a wager is  
4 made in the State of Virginia, the ADW provider has to  
5 pay the racetrack 10 percent. And that 10 percent is  
6 split with the horsemen and track via contract, I  
7 believe.

8 MR. KERBY: But the fair meet -- the fair  
9 meet circuit in California versus Santa Anita or the  
10 big tracks, is that -- how do they do that? That's  
11 different overlays.

12 MR. SHUBECK: Right. I believe -- and  
13 I'm not an expert on California, but there's a  
14 statewide proximity fee in California as well as  
15 Virginia and they split it up by some formula that's  
16 either by contract or statutory.

17 MS. O'CONNELL: I have a really basic  
18 question. And that is, how are you actually making a  
19 bet? You're just online using your credit card? Do  
20 you say, "I want to make a bet and this is the amount  
21 and put it on my MasterCard"? Or what's the -- what  
22 does the advance deposit mean?

23 MR. SHUBECK: Sure. When you go online,  
24 you have to answer a few simple questions, like name  
25 and address, date of birth, and things like that; and

1 that's run through a credit check to verify that your  
2 Social Security number and your age and everything  
3 match so they know that you're over 18. Then after  
4 that, they establish credit by either a credit card or  
5 you can mail in a check. You can do a wire transfer  
6 with your bank. So there's a lot of different options  
7 to fund the account.

8 The accounts have to be funded before you  
9 make a wager. They don't -- they don't allow credit or  
10 anything like that. But you would find that if you  
11 went online and explored it, it's very simple.

12 COMMISSIONER SCHMIDT: With you at Lone  
13 Star competing against Twinspires and TVG, licensed  
14 companies in the United States, do those companies  
15 offer rebates which you can't offer or are rebates only  
16 for the offshore?

17 MR. SHUBECK: I would say that they -- to  
18 the regular customer, they do not. But I would say  
19 that they do have a select group of customers that  
20 definitely get something. So it's not an advertised --  
21 it's not advertised on their site, but they do have  
22 customers that receive like a player rewards type  
23 system.

24 COMMISSIONER SCHMIDT: Putting Lone Star  
25 at a further disadvantage.

1 MR. SHUBECK: Exactly.

2 MR. KERBY: One more question. Penn  
3 National has got their own platform. Is there plans by  
4 Global to have their platform also?

5 MR. SHUBECK: Well, right now it's not  
6 legal in the State of Texas. What we would do is, if  
7 the discussion were to move forward, then we would have  
8 to look at different State rules and, you know, move  
9 from there.

10 When ADW started or telephone wagering  
11 started, the goal really wasn't to take bets from right  
12 around your track, because you wanted people to come  
13 out. The goal was to get these other states that were  
14 wide open, like Texas, and take a bet from them and  
15 that's a way to enrich your purses back in Pennsylvania  
16 without touching your own customers.

17 That's kind of come and gone. These big  
18 companies that I've put on that slide are the 800-pound  
19 gorillas. You would have a real difficult time  
20 competing with them on a national level. New Jersey  
21 does have its own State-run system and that's part of  
22 the legislation. You have to make a bet through the  
23 State-sponsored system. It's expensive to run when  
24 you're only running it for one state. In other words,  
25 there's literally no growth because you're confined to

1 the boundaries of your state.

2 So we'd have to look at that. I'm not  
3 sure if that would make a lot of sense for the State of  
4 Texas. I think the best way to go would be with the  
5 best companies and they would all be in your state and  
6 you'd all profit from those.

7 Okay. All right. Now we move on. This  
8 is how it is right now in Texas. If I'm Drew Shubeck  
9 and I open up an account, I live in Keller, Texas, and  
10 if I want to bet on Belmont Park, you can see that all  
11 the money goes to the ADW. The Texas -- if I bet it at  
12 the pavilion at Lone Star, the track at Lone Star would  
13 receive about 20 cents for a two-dollar bet, the purses  
14 at Lone Star would be about 15 cents, and we'd have to  
15 pay a pari-mutuel tax of one percent.

16 But if I'm sitting home in Keller and bet  
17 that same race at Belmont Park, we receive nothing, all  
18 three of us. And that is the scenario right now. I  
19 don't think anybody has any question with that. That's  
20 an easy one to understand.

21 MR. WOODS: Dan Woods. Do you have an  
22 estimate on how much money is --

23 MR. FENNER: Would you identify yourself  
24 for the record?

25 MR. WOODS: Dan Woods.

1                   Do you have an estimate on how much money  
2 is going out of state right now?

3                   MR. SHUBECK: Yeah, we'll get to that in  
4 a couple of slides. Okay?

5                   Okay. The next slide, what we'll show  
6 now is if we had ADW legalized in the State of Texas  
7 and that person made the same bet, Drew Shubeck sitting  
8 in Keller, Texas, and I bet on Belmont Park, if I was  
9 at the track, again, it would be the same as before,  
10 the 20 cents, 15, and two cents State tax.

11                   But now if I bet with the ADW -- and this  
12 is -- this is a lot of conjecture here because we don't  
13 have any legislation yet and we don't have a deal with  
14 the horsemen yet, but we had to put some numbers down.

15                   So you would see that the track would  
16 receive about nine and a half cents, purses would  
17 receive four and a half cents, and the ADW provider  
18 could pay a pari-mutuel tax that would go back to the  
19 State of Texas, that one percent, the same as it was if  
20 you made an on-track wager.

21                   The next slide, what if the person in  
22 Keller now would actually be able to bet a Texas race?  
23 That would be novel. So right now they're barred from  
24 doing it. So if you came to the track, we get about 25  
25 cents, the purses get 15 cents, and the State tax is

1 zero because we don't reach the amount that we pay  
2 because it's -- we just don't have that high of  
3 handle.

4 But with the ADW, the track would get  
5 about 13 and a half cents, purses would get six and a  
6 half cents, and if we got to that level and we'd have  
7 an easier time to get to it, there may be something in  
8 there for the State of Texas as well.

9 So you can see that -- and again, this is  
10 all contractual. This would be all done by  
11 legislation. So you can see that it's getting close to  
12 what you would get from an on-track wager. And that's  
13 good for Texas horsemen and it's good for the  
14 association. We're losing this money already. This  
15 would be incremental income for all of us. Okay?

16 MR. SCALES: I have a question.

17 MR. SHUBECK: Sure.

18 MR. SCALES: My name is Theo Scales, for  
19 the record. I think most of you all know me.

20 My question is with respect to your  
21 statement about us getting closer and having the  
22 ability to pay State taxes, which we don't have. We  
23 have no need for that at this time. If you were to  
24 give a hypothetical, what would be the percent  
25 likelihood of that we're getting to the point where we

1 have the income coming from the ADW facilities where  
2 we'd have to start looking at where the State would be  
3 able to make -- to get more money?

4 MR. SHUBECK: I think that's a lot of  
5 conjecture right now. I think there's incremental  
6 income. And then in the next slide we're going to go  
7 with our best-case estimate of what those revenues and  
8 handles would be. But specifically, I couldn't answer  
9 that right now.

10 MR. SCALES: Okay.

11 MR. SHUBECK: Okay. This one, here's  
12 where we get into the numbers. And again, these  
13 numbers are provided by XpressBet. We definitely  
14 looked at them through a Texas set of glasses to  
15 understand where we are right now and where we're going  
16 to go.

17 I would say that, to answer Theo's  
18 question, that what the handle is, it's about 82  
19 million dollars a year right now that's being wagered  
20 in the State of Texas through ADW's all over the  
21 state. And what we did is we imposed, in this slide, a  
22 statewide proximity fee of about seven percent. Even  
23 though that I just mentioned that Virginia gets 10  
24 percent, you know, it's something that we have to talk  
25 about and I just put in a number that was very

1 reasonable. This is a number that ADW's strive to get  
2 because they'll be lobbying for sure to get a lower --  
3 to pay a lower fee and we'll be lobbying to pay a  
4 higher fee.

5           So I just used the number of seven  
6 percent of the 82 million and it gives you a proximity  
7 fee of about 5.7 million dollars. And if horsemen  
8 receive one-third and the tracks receive two-thirds,  
9 it's about 1.9 million dollars statewide to purses.

10           Also moving down to see host fees -- so  
11 now this is people staying at home betting on a Texas  
12 race. All right? We figured out of that 82 million,  
13 maybe 20 percent of it -- and that's a pretty  
14 reasonable national number -- would be on a Texas  
15 race. So that with imposing a six percent fee back to  
16 the ADW gets you \$984,000. And again, horsemen would  
17 receive a third of that. That's another 324,000. So I  
18 put down on here the total horsemen's share would be  
19 about 2,200,000. And if you wanted to go back to the  
20 total association, it would be about 4.4 million  
21 dollars.

22           Right now in Texas we have scheduled, for  
23 2011, 229 live race days, so that would be about \$9,690  
24 a day in purse money that could be paid from this. And  
25 if you said every track had 10 races a day, it would be

1 about \$969 per race on average.

2 So you see it's some money and it's some  
3 good money. I wouldn't want to discard it. But it's  
4 not going to be the end-all cure-all for the State of  
5 Texas. We would love to have income from this. I  
6 think it would be part of a package of things that we  
7 would like to get done in the capitol in the next  
8 session. But I don't think it would be enough money to  
9 change the direction of racing. And that's my personal  
10 opinion and I think it's shared by a lot of others.

11 All right. Now, this is where we get the  
12 hard reading in. I wanted to get some conclusions on  
13 here and I wanted to say, kind of like the guys from  
14 the fairs did, the bad and the good. And really what I  
15 wanted to do is talk about, first, is some of the  
16 reasons for the revenue decline. And they're the  
17 bold -- the six bold points. And I'm going to read  
18 those off.

19 As I've already stated, the steady  
20 improvement in the quality of Internet-based national  
21 ADW providers through high-speed connections and more  
22 service options. I mean, that's the number one reason  
23 why they're growing at an accelerated rate. If you're  
24 having a good customer experience online, why not do  
25 it?



1 casinos in Louisiana, Arkansas, Oklahoma, and New  
2 Mexico. This is hurting us unbelievably. Whereas the  
3 Oklahoma casinos were very small and didn't offer a lot  
4 of appeal to customers, they're just magnificent  
5 facilities now and they're so good in Oklahoma that  
6 they're hurting Shreveport. Shreveport's handle is  
7 down in the Dallas market, I believe in the 30 percent  
8 range. And that's not because of the economy. That's  
9 because people are going to Oklahoma. The Native  
10 American tribes have done an excellent job,  
11 particularly in their locations that border Texas.

12 We also are in this dilemma because of  
13 the steady improvement in Internet-based bookmakers.  
14 They provide a safe way to gamble on horses, sports,  
15 and casino games. Again, you get a very rich  
16 experience at any one of these hundreds of sites.  
17 While it's a little more difficult to establish a  
18 balance, it's not impossible. And once you're  
19 connected to them, they very easily lure you into other  
20 forms of gambling. They make you offers to go to  
21 offshore casinos and out-of-state casinos within the  
22 United States. So that's, again, a pressure that  
23 wasn't there a decade or two ago.

24 And finally, I've got on here the  
25 exploding popularity of Texas Hold'em online and

1 land-based. It's steady. I think it peaked a couple  
2 of years ago, but it's still wildly popular,  
3 particularly with young people. It's an exciting  
4 game. They think it's easy to learn and it's fun, but  
5 it's one of those things where you can learn it in five  
6 minutes but it takes a lifetime to master. But they're  
7 out there playing it and they're having a good time  
8 with it.

9           So the final area on my presentation, I  
10 just have -- this is like my wish list. I definitely  
11 have a wish list of what I'd like to get done in  
12 Austin. And it would have to do with ADW legislation  
13 for sure, allow ADW in Texas that provides for  
14 statewide marketing fees to be paid to Texas racetracks  
15 and all ADW operators doing business in our state.

16           I would also like to see slot machine  
17 legislation. Allow existing license holders to add  
18 slot machines to racetracks that operate live racing.  
19 Money generated from slots would provide purse money to  
20 horsemen and expand racing opportunities to horsemen.

21           And games of skill. Allow existing  
22 license holders to add games of skill to racetracks  
23 that operate live racing. Money generated from these  
24 games would provide purse money to horsemen and expand  
25 the racing opportunities. And games of skill is things



1 at it correct. I think you could make the -- you could  
2 make the assumption that it could be higher than that,  
3 but it wouldn't be dramatically higher. It would never  
4 recapture or get us back to the place we were 10 years  
5 ago. That's right.

6 MR. BROWN: And I had a lot of  
7 conversations several years ago when ADW's first came  
8 up with Mr. Bork about what happened in Pennsylvania  
9 when phone betting came about. And maybe you could  
10 speak a little bit to what happens to your live  
11 attendance, both simulcast and live racing, by virtue  
12 of having a new platform that would be available to  
13 customers that potentially could keep them at home.

14 MR. SHUBECK: Sure. I mean, what it does  
15 is it takes your core customer, which is your customer  
16 that's your best ones that come to the races more than  
17 once a week, and it leaves them in their living room.  
18 So we're not getting any revenue from them for valet  
19 parking or F and B. They're having their experience at  
20 the house instead of coming out to Lone Star.

21 MR. BROWN: I understand it had a  
22 devastating impact in Pennsylvania when it first --  
23 many, many years ago, when it first was passed.

24 MR. SHUBECK: That's correct. That's  
25 correct. In western Pennsylvania where I was located,

1 I mean, I would say that the attendance went down 30 to  
2 40 percent because of ADW and I'd say it went down  
3 equally as much because we opened up five OTB's within  
4 50 miles of the racetrack.

5 MR. BROWN: And in Pennsylvania, so you  
6 had OTB's, you had phone wagering, and that still  
7 didn't get the tracks to where they needed to be.

8 MR. SHUBECK: That's right. To give you  
9 some perspective, at The Meadows, which is a harness  
10 track in western Pennsylvania in Pittsburgh, which is  
11 about a million and a half people of over 21, we were  
12 only paying about \$45,000 a day in purse money, with  
13 OTB, with ADW.

14 MR. BROWN: Thank you.

15 COMMISSIONER SCHMIDT: Question?

16 MS. WINCOTT: I have a question. What is  
17 the average age of an ADW bettor? You say they do  
18 license and Social Security number and that kind of  
19 thing in order to make sure that they are legal.

20 MR. SHUBECK: That's correct.

21 MS. WINCOTT: But what is their average  
22 age?

23 MR. SHUBECK: I would say that it's  
24 probably the average age of an on-track customer. I  
25 don't have the specific numbers, but I would say that

1 it's probably in the 40's. And that's a live on-track  
2 customer. That wouldn't be a simulcast customer, which  
3 the demographic of age is quite lower for a live  
4 customer than a simulcast customer.

5 MS. WINCOTT: All right. Thank you.

6 COMMISSIONER SCHMIDT: Along the same  
7 lines, is your average ADW better a more expensive  
8 better or a different subset than the general better  
9 you see at the track?

10 MR. SHUBECK: I would say no. They have  
11 people that bet one time a year for the Kentucky Derby  
12 and they have people that play seven days a week. So  
13 they have the same cross-section of customers that a  
14 brick-and-mortar has.

15 COMMISSIONER SCHMIDT: Any other  
16 questions?

17 Drew, thanks very much. A very  
18 thoughtful performance.

19 MR. SHUBECK: Thank you.

20 COMMISSIONER SCHMIDT: It's 11:55. Let's  
21 just -- I appreciate your attention. Let's take a  
22 15-minute break and then we'll conclude and begin again  
23 at 12:10. Thank you.

24 (Recess from 11:56 a.m. to 12:10 p.m.)

25 COMMISSIONER SCHMIDT: Thank you. The

1 break is complete at 12:11 and we'll resume.

2 We discussed the county fair and festival  
3 racing and advance deposit wagering, two very, very  
4 excellent presentations. I'd like to now move to talk  
5 about working conditions on the backside, and our first  
6 speaker will be Marsha Rountree with the Texas  
7 Horsemen's Partnership.

8 Marsha?

9 MS. ROUNTREE: One of the agenda items  
10 for today's meeting concerns the horsemen and women who  
11 live and work on the backsides of our racetrack. So  
12 often I think we look at the faces on the front side,  
13 the patrons, the owners, even the trainers sometimes,  
14 and some of us aren't even aware that there's a whole  
15 population that we don't see. And those are our  
16 members that live and work on the backsides or the  
17 stable areas of these racetracks.

18 So for those committee members and others  
19 attending today's meeting who might not be aware of the  
20 needs of these horsemen, I'd like to familiarize you  
21 with some of the issues that face that population.

22 The Texas Horsemen's Partnership  
23 represents about 6,000 owners and trainers and for the  
24 last 16 years has developed and administered programs  
25 to support and provide assistance to horsemen who call

1 the backside their home.

2           At Lone Star Park there are approximately  
3 900 people who work in the stable area, about 500 of  
4 those who live there during a Thoroughbred meet; and at  
5 Sam Houston and Retama that number is approximately 600  
6 who work there and between 250 and 350 who actually  
7 live in the stable area. Those are during a  
8 Thoroughbred meet. It's somewhat less during a Quarter  
9 Horse meet.

10           These backside workers live in dorm rooms  
11 or in tack rooms that have been approved as living  
12 quarters. The restrooms are located in another area.  
13 And for the most part, there's a metal frame bed that  
14 serves as the only furniture in those dorm rooms.

15           There's a great need among this  
16 population for comfort, spiritual comfort, health care,  
17 all sorts of services that they need because they are,  
18 for the most part, stuck back there. That's where they  
19 live.

20           And a large number of these grooms and  
21 other backside workers are minimum wage earners and  
22 they fall below the poverty line and most do not have  
23 transportation and do not have the ability to prepare  
24 meals for themselves. And these people are transient  
25 in the sense that they travel from racetrack to

1 racetrack. And if you visit the stable area of one of  
2 our racetracks, you'll find essentially what is a  
3 community of people that live and work in what are  
4 sometimes difficult conditions.

5           The Texas Horsemen's Partnership, through  
6 its affiliate Texas Horsemen's Assistance Fund, does  
7 have benevolence programs in place which assist the  
8 trainers, their employees, and their families with the  
9 cost of medical, dental, vision treatment, and we  
10 provide emergency relief for disasters and help with  
11 funeral expenses for those horsemen that need  
12 assistance in these areas.

13           And the THP, along with the racetracks --  
14 and we're very appreciative of their contributions to  
15 these things -- provide meals for horsemen during the  
16 holidays, Christmas and Thanksgiving, when these  
17 horsemen are unable to spend that time with their  
18 families. And at some of the racetracks we provide  
19 shuttle services to nearby shopping venues and sporting  
20 events.

21           At two racetracks we assist in providing  
22 the services of an on-track health care worker. And  
23 this is an important service to these horsemen because  
24 it assists with some preventative care and with minor  
25 illnesses that might prevent them from having to go to

1 the hospital or to a physician that's off-track. We  
2 also provide no-cost flu vaccinations during the fall  
3 months at racetracks that are running live race meets.

4 And our organization is very proud to  
5 support the racetrack chaplaincy program by funding 50  
6 percent of the cost of the chaplains' salaries. Our  
7 chaplains at the racetracks are much loved members of  
8 this backside community and provide a great service to  
9 our horsemen and one of them is a trained counselor.

10 The Texas Horsemen's Partnership founded  
11 and developed and expanded the nationally acclaimed  
12 Groom Elite education program. Susan O'Hara was a  
13 former board member and she worked tirelessly to  
14 develop and expand this program for quite some time.  
15 And this program of continuing education for grooms is  
16 now being used at racetracks all over the country and  
17 even internationally.

18 And our goal is to support the physical,  
19 mental, and spiritual well-being of these backside  
20 horsemen. Providing leisure and recreational  
21 activities is another area that's important to us, and  
22 this is an area that is sadly lacking.

23 As you can see, we have some good  
24 programs in place, but each of these important avenues  
25 of support are in jeopardy. Surrounding states which

1 have legalized slot machines at their racetracks are  
2 now able to provide valuable programs for their  
3 horsemen and these benefits are increasing and  
4 expanding as the revenue to the horsemen's organization  
5 grows. And we're often asked, you know, "Why don't you  
6 do things the way they do in Louisiana? Well, why  
7 can't you pay the same health benefits that they pay in  
8 Louisiana or Oklahoma?" And even now New Mexico is  
9 increasing their benefits to their members.

10 Plans here in Texas for expansion of  
11 current programs have been laid aside, things such as  
12 the addition of more far-reaching education  
13 opportunities, more comprehensive health care,  
14 preventative care, things like health fairs and  
15 screenings. Healthier meal choices is one that is near  
16 and dear to my heart. Retirement programs, workers'  
17 comp programs, and recreation programs. These are all  
18 at a standstill. We have no opportunity to either  
19 develop or expand these sorts of programs at this  
20 time.

21 Substance abuse and addictive lifestyle  
22 counseling are other programs that can't be implemented  
23 due to financial restrictions.

24 The funding for all of these support  
25 programs that come through our organization comes from

1 revenue that is set aside from earned purse money.  
2 Until our industry is successful in stopping the  
3 decline in available purse revenue, these horsemen that  
4 live and work at our racetracks will continue to see  
5 these important programs be scaled back or disappear  
6 altogether.

7 The motto of the Horsemen's Benevolent  
8 and Protective Association is horsemen helping  
9 horsemen. This is and has always been our goal and  
10 it's why the horsemen of Texas need and will continue  
11 to support efforts at legislative remedies, whatever  
12 those might be.

13 Thank you.

14 COMMISSIONER SCHMIDT: Thank you.

15 Any questions?

16 I actually had one question.

17 MS. ROUNTREE: Yes, sir.

18 COMMISSIONER SCHMIDT: Backside workers,  
19 trainers, do they pay work comp insurance or health  
20 benefits for their employees?

21 MS. ROUNTREE: Most, no.

22 COMMISSIONER SCHMIDT: Most, no.

23 MS. ROUNTREE: Most, no. Texas is kind  
24 of a different state as far as workers' comp is  
25 concerned, I guess. I am not an expert at workers'

1 comp insurance and so I know that there are different  
2 levels of that for different trainers.

3 Is that correct, Sally?

4 It's not like Louisiana where they -- I  
5 think they pay in advance for the workers' comp  
6 insurance for when they go there to race. We don't  
7 have that same --

8 COMMISSIONER SCHMIDT: It's not a  
9 requirement.

10 MS. ROUNTREE: It's not a requirement  
11 here like it is there.

12 COMMISSIONER SCHMIDT: What percentage of  
13 the backside workers have health insurance? Do you  
14 have an idea?

15 MS. ROUNTREE: The workers? Less than  
16 one-half of one percent, I would say.

17 COMMISSIONER SCHMIDT: A totally  
18 uninsured population.

19 MS. ROUNTREE: It's almost a totally  
20 uninsured population. And the further down the chain  
21 you go, from a stable foreman to a trainer to an  
22 assistant, you know, on down to a groom, the less  
23 likely it is that they have any type of health  
24 insurance at all.

25 Most of the health care benefits that we

1 do pay come from grooms and their families and they  
2 have no health insurance. And most of our trainers  
3 have no health insurance. They have no health  
4 insurance. They have no retirement program or account  
5 that they pay into. It's an underinsured population.  
6 It's an underserved population. It's one that we care  
7 greatly about and want to provide services that are so  
8 badly needed there. But we're just absolutely  
9 restricted by finances.

10 COMMISSIONER SCHMIDT: Is there a model  
11 from states which have adopted gaming to some degree?

12 MS. ROUNTREE: I think Louisiana probably  
13 has the most comprehensive program for backside  
14 workers. They have a very good almost -- they call it  
15 a health insurance program. The benefits are pretty  
16 good for what they provide. They also -- again, they  
17 have the requirement for workers' comp. They also have  
18 incredibly well-developed drug and alcohol counseling  
19 and rehabilitation programs. Mr. Fick is going to  
20 speak, when we're done with my presentation, about the  
21 Race Track Chaplaincy of America and some of those  
22 programs that come through there.

23 But I would say of all the other states,  
24 Louisiana is the most well-funded and has the most  
25 well-developed horsemen's programs. It's the one we

1 get the most comparison to. It's the one we hear the  
2 most when we say, you know, "Well, we can only pay X  
3 amount of dollars for your hospital bill," and they  
4 say, "But Louisiana can pay 10 times that." And that's  
5 the one we most often get compared to.

6 COMMISSIONER SCHMIDT: Any other  
7 questions? Yes, ma'am.

8 MS. WINCOTT: I have a question. Do you  
9 know the percentage of illegal immigrants on the  
10 backside?

11 MS. ROUNTREE: No, I don't.

12 MS. WINCOTT: Does the THP have any  
13 program to help the trainers and whatnot bring legal  
14 people here?

15 MS. ROUNTREE: No. We went through -- we  
16 began that process several years ago and working with a  
17 couple of attorneys in Oklahoma, I believe. It was  
18 when Tommy Azopardi was still the executive director  
19 and he's the one that was developing that and we kind  
20 of just came to a dead end. We were running against a  
21 brick wall every time we turned. And we had hopes that  
22 we could do that, because the need is great. We have  
23 trainers back there that are in constant need of grooms  
24 and other backside workers and the available pool is  
25 kind of small. But, no, we don't have anything in

1 place right now, no.

2 MS. WINCOTT: Because Oklahoma does have  
3 a program. And like you said, the Oklahoma  
4 attorneys --

5 MS. ROUNTREE: Right.

6 MS. WINCOTT: It's so much easier for  
7 these people to get visas in other states around here  
8 than it is Texas.

9 MS. ROUNTREE: The best thing that we've  
10 been able to do as far as undocumented workers to try  
11 and make things easier back there is have English as a  
12 second language classes. We've got some computer  
13 classes, some other education opportunities for these  
14 workers to try to integrate into Texas and make it  
15 easier for them, because it's very, very difficult.

16 Like I said, they have no  
17 transportation. They do not have the ability to  
18 prepare their own meals. They either have to have  
19 someone take them to the grocery store and just buy  
20 perishables and -- or nonperishables and try to store  
21 them in a tack room, or they have to buy their meals at  
22 the track kitchens. And with the wages that are paid  
23 most of these people, they can't afford to eat at a  
24 track kitchen three meals a day, seven days a week.  
25 The food in the kitchens is mostly good, but still the

1 cost is prohibitive to most of this level of workers  
2 back there.

3 MS. WINCOTT: That is a big problem.  
4 It's a big problem with trainers, getting the visas and  
5 stuff, because of the expense. And so I think, again,  
6 more revenue would help the THP help the trainers.

7 MS. ROUNTREE: That was our stumbling  
8 block is how much that program was going to cost, first  
9 of all, every individual trainer. And then there was a  
10 restriction on the horsemen's organization and the  
11 responsibilities that we had implementing and  
12 sponsoring this program. And it involved sometimes, in  
13 some of these suggestions that were made, actually  
14 having to buy vans to transport them back to the border  
15 annually or however often they had to go. So we had a  
16 big responsibility and liability as well. And the cost  
17 of that was just prohibitive. We just could not go any  
18 further with it.

19 COMMISSIONER SCHMIDT: Sammy?

20 MR. JACKSON: Marsha, could you elaborate  
21 for everyone here the impact the perils of our economy  
22 and the lowering of the interest rates have caused for  
23 you all based on your funding?

24 MS. ROUNTREE: Absolutely. Our funding,  
25 both for the Texas Horsemen's Partnership and the Texas

1 Horsemen's Assistance Fund, comes from a percentage of  
2 earned purse money from the racetracks. The purse  
3 accounts and the horsemen's bookkeeper accounts are  
4 also in the name of, by statute, the horsemen's  
5 organization. And so we collect the revenue, the  
6 income -- the interest income, I'm sorry, from the  
7 purse accounts and the horsemen's bookkeeper account.  
8 And at one time, when interest rates were even at four  
9 percent, that revenue was significant. And that  
10 provided the money for quite a large part of our  
11 budget.

12           Our interest rate right now is less than  
13 one-eighth of one percent because of the security of  
14 the investments that we -- the level of security that  
15 we have to take on those trust funds. And so we can't  
16 just go out and put it in the stock market or, you  
17 know, anywhere. It's got to be in a very secure  
18 investment vehicle because it's not ours, the purse  
19 money or the horsemen's bookkeeper. That money does  
20 not belong to our organization.

21           And so with interest rates at less than  
22 one-eighth of one percent, our revenue is more than cut  
23 in half. And as the handle goes down, even a small  
24 percentage, that affects us in a huge way because our  
25 percentage from the purses is so small, every tiny bit

1 takes away.

2 So every single time the interest rate  
3 falls or every single time the handle falls or every  
4 single time we lose live race days, our organization  
5 suffers from that. And consequently --  
6 consequentially, the horsemen that live and work back  
7 there whose -- you know, the services that we provide  
8 to them, we've had to cut back over the last -- I would  
9 say the last four or five years, we've had to cut back  
10 the amount of money that we can provide to an  
11 individual horseman every year for assistance with  
12 health care by about 40 percent.

13 Does that answer your question, Sammy?

14 Thank you.

15 MR. JACKSON: Thank you, Marsha.

16 COMMISSIONER HICKS: Marsha, did you say  
17 that most of those are minimum wage people?

18 MS. ROUNTREE: Yes. Yes, ma'am.

19 COMMISSIONER SCHMIDT: Any other  
20 questions?

21 Very enlightening. Thank you very much,  
22 Ms. Rountree.

23 And our final designated speaker of the  
24 day would be Mr. Dan Fick. Mr. Fick? Thank you.

25 MR. FICK: Thank you. I'm Dan Fick. I'm

1 currently a State steward in Indiana, but I've got a  
2 long history in Texas. I was the director of racing of  
3 the American Quarter Horse Association from 1983, '84,  
4 to 2003. So I know Texas racing and I certainly  
5 appreciate all of your all's efforts.

6 I appreciate also the opportunity to talk  
7 about the racetrack chaplaincy. I first got involved  
8 with the chaplaincy in 1988 when I was asked to help  
9 start the chaplaincy here in Texas. And we developed a  
10 very successful racetrack chaplaincy in Texas and I  
11 have to say it's been one of the blessings in my career  
12 in horse racing to be involved with the racetrack  
13 chaplaincy. It's really been an experience and a  
14 worthwhile experience.

15 I'm going to cover three areas. I'm  
16 going to talk about the RTCA, talk a little bit about  
17 the racetrack environment. And I'm going to duplicate  
18 some of the things that Marsha said, but I think the  
19 duplication will only emphasize the importance of those  
20 issues of what we face in our backstretch communities  
21 at this point in time. And then talk a little bit  
22 about the front side where chaplains are also very  
23 active. I'll talk about a vision a lot of us have in  
24 the industry for workers' assistance programs for the  
25 workers in the backstretch of our racetracks and how

1 those might be funded.

2 40 years ago an exercise rider at  
3 Gulfstream Park in Florida had a vision. Salty Roberts  
4 saw a chaplain at every racetrack in this country to  
5 minister to the needs of the workers on the backside.  
6 He had a close association with a Southern Baptist  
7 minister, and in 1972 the RTCA was incorporated as a  
8 not-for-profit charitable organization.

9 We're governed by a national board of  
10 directors. Initially it expanded along the east  
11 coast. The chaplains followed the circuit, winter in  
12 Florida, the rest of the year on the east coast and the  
13 mid-Atlantic. Then it kind of moved westward, kind of  
14 took a jump over the Mississippi and out to California,  
15 and then in the '80's worked its way back through the  
16 tracks in this part of the country and, as I said,  
17 eventually to Texas in 1988.

18 Predominantly at that point in time it  
19 was supported by the HBPA, the tracks, local churches,  
20 but also the national denominations of many of those  
21 churches.

22 And what was unique was the boiler-plate  
23 contract for the HBPA with the tracks had a provision  
24 that half the salary would be paid by the horsemen and  
25 half the salary would be paid by the tracks for the

1 chaplain. That boiler-plate contract showed up here in  
2 Texas, got signed, I think, with people not really  
3 reading all the fine details. We had our chaplains  
4 paid for before we even got started.

5 By 1990, we had 35 chaplains that served  
6 55 racetracks in the country.

7 The mission of RTCA -- and I'd like to  
8 emphasize three points of it. We're an evangelical  
9 organization first and foremost. We're there to bring  
10 Christianity to the racetracks, training centers, and  
11 horse farms in this country. But the majority of the  
12 work is done through the five planks that we emphasize,  
13 which is the spiritual, emotional, physical,  
14 educational, and social needs of the people on the  
15 tracks. And we're an interdenominational  
16 organization. We have chaplains that are Catholics,  
17 Presbyterians, Lutherans, Assembly of God, all aspects  
18 of the religious community.

19 Just kind of an encapsulation of what a  
20 chaplaincy looks like at a racetrack. You have an  
21 approved chaplain. He has a local council that's  
22 chartered by the RTCA. We encourage them to be their  
23 own not-for-profit corporations. Texas is a  
24 501(c)(3). They're governed by a volunteer board just  
25 like any not-for-profit social service agency you might

1 have all been involved in in your community. And the  
2 board members normally come from the horsemen and  
3 women, track employees, and the local churches.

4 RTCA was reorganized in 1994. Up until  
5 that point in time, we kind of tried to manage the  
6 individual chaplaincies around the country, but we grew  
7 to an extent where the national office could no longer  
8 do that and we evolved into an umbrella organization  
9 for the chaplaincies all around the country, with a  
10 focus on providing more programs and services in  
11 support of those chaplains and their councils and then  
12 also taking the ball and run with it to try to expand  
13 the ministry to other racetracks in other states.

14 In 2000 we hired Dr. Enrique Torres, who  
15 was the director of evangelism for the American  
16 Baptists, as our executive director, the first  
17 full-time executive director we had had in a long time,  
18 and moved the national office to Hollywood Park.

19 We were able to increase the support base  
20 that we had from donors, both individuals,  
21 predominantly horsemen, breeders and owners, but also  
22 the racing organizations, organizations like American  
23 Quarter Horse, the Jockey Club, NTRA when it was  
24 formed. TOBA has stepped up and supported the  
25 chaplaincy.

1                   We now have an expanded ministry of 77  
2 chaplains serving 116 racetracks in this country and  
3 Canada, also a number of training centers, and we have  
4 chaplaincy programs in Ocala, Florida, and one in  
5 Lexington, Kentucky. And we have an international  
6 presence on five continents.

7                   Where are we today? We moved the  
8 headquarters of the RTCA to Georgetown, Kentucky. We  
9 have a working relationship with Georgetown College,  
10 which is an internationally recognized Christian  
11 college. We've hired professional staff to support  
12 Dr. Torres. We have a director of development with 20  
13 years' experience in the central Kentucky area of  
14 fundraising.

15                   And we were very blessed to run into  
16 Dr. Robert Barnard, a retired major from the Army, who  
17 was a chaplain and supervisor of chaplains and also a  
18 professor of theology at Asbury College. And he's our  
19 chaplains' chaplain as the guys like to call him, but  
20 he's the director of our chaplains ministry and  
21 chaplain recruitment.

22                   This next page is our annual chaplaincy  
23 school. We hold an annual school for three days for  
24 continuing education, networking, and just learning  
25 about the things they need to know to be more effective

1 as chaplains. We were lucky in these hard times to  
2 have 33 of our 77 chaplains there, including four from  
3 Texas, Mike Bingaman from Retama, Sam Ed Spence from  
4 Lone Star, Jaime Obregon from North Texas -- he used to  
5 work at Trinity Meadows -- and Waverly Parsons who has  
6 worked off and on at a number of the tracks in Texas,  
7 including Sam Houston.

8 I'd like to stop here and say for a  
9 moment, you heard the support that the Texas Horsemen's  
10 Partnership and the other horsemen's organizations in  
11 this state provide for the racetrack chaplaincy. And  
12 the tracks have been exemplary in their support of the  
13 chaplains at their racetracks. They've all, I think,  
14 seen the benefit of having a chaplain on the backside  
15 of a racetrack. And I'll talk about some of those  
16 programs. And you'll see that the chaplain -- Corey  
17 Johnsen used to say, at Lone Star Park, the most  
18 important staff person on his staff was Chaplain Sam Ed  
19 because he gives continuity and community to the  
20 backside.

21 What are those five planks? Spiritual.  
22 We have chapel services, devotionals. The chaplain  
23 will do a devotion in the jocks' room on race day that  
24 will attract not just the jocks but the gate crew, the  
25 valets, racing officials, whoever wants to come. But

1 they also do devotionals during training hours between  
2 the break over the loudspeaker system. Everybody will  
3 kind of stop working and listen to what the chaplain is  
4 going to key on that day, a Bible verse and a message  
5 and a prayer.

6                   Discipling for the new Christians.  
7 Sunday Schools, not always on Sundays. Sometimes  
8 they're on dark days. Children's and women's  
9 ministries. And most of our tracks -- Sam Ed just did  
10 his at Lone Star -- have a pastors' day where they will  
11 invite local pastors to the racetrack so they can see  
12 the ministry and that evolves into that church perhaps  
13 seeing the local chaplaincy as a local mission and  
14 providing meals, clothing, food, and volunteers.

15                   This is Mike Bingaman in the jocks' room  
16 at Retama. He's got a strong following down there.

17                   Emotional. The horsemen come together,  
18 the horsemen and women, in support groups for each  
19 other, accountability groups, Bible study groups,  
20 prayer groups. There's always a prayer list of prayer  
21 needs that circulates among the community of the  
22 chaplaincy on the backside.

23                   Most of our chaplains have been trained  
24 in pastoral counseling. As Marsha mentioned, Mike down  
25 at Sam Houston is a licensed addictive behavior

1 counselor, and we have a number of chaplains that have  
2 become licensed addiction counselors.

3 Mentoring, putting new Christians with  
4 old Christians and let them work together,  
5 intercessions in emergency situations where we have an  
6 addictive behavior problem or a family violence  
7 problem.

8 But a lot of what the chaplain does is  
9 benevolence for people when they're in an emergency  
10 situation, have a health situation, have a death in the  
11 family and need to go home to Mexico.

12 From a physical standpoint, again, the  
13 addictive behavior counseling. I can tell you we have  
14 an extensive testing -- human testing program in  
15 Indiana and we spend a lot of time with people that  
16 have addictive behavior problems.

17 You talk about what can happen if you  
18 have the revenues from expanded gaming like we do in  
19 Indiana. The HBPA in Indiana can -- will pay for  
20 someone that has a first-time violation for addictive  
21 behavior for 30 days of inpatient, if necessary,  
22 treatment. They'll cover the entire cost.

23 Most chaplains have a food pantry, a  
24 clothes closet. Meals are provided, as you've heard,  
25 by local churches, but also by the horsemen and the

1 racetracks. And then the chaplains have worked with  
2 the horsemen's groups and the medical community to  
3 provide low-cost, no-cost if possible, medical, dental,  
4 optical, and prescriptions.

5           And then recreation. A lot of our  
6 chaplains complain about the fact that they're the  
7 recreation director at the racetrack. That's what they  
8 really want us here for. But it's a huge part of what  
9 they do, and I'll talk a little bit more about that in  
10 a second.

11           Education. It isn't enough. We've sent  
12 2,000 Bibles, Spanish and English, Old and New  
13 Testament Bibles -- they're beautiful Bibles -- out to  
14 the chaplains to distribute. We'd like to send  
15 20,000. That's one of our areas of fundraising at  
16 national.

17           The longer meets, as Marsha mentioned,  
18 have GED programs, Spanish classes, English as a second  
19 language.

20           The computers. We take computers for  
21 granted, but a couple of computers in the chaplain's  
22 office allow these guys to e-mail home and to stay in  
23 contact.

24           Life skills, teaching them personal  
25 hygiene, nutrition. New licensees, telling them how to

1 stay out of the stewards' office, what are the rules  
2 and regs, what can you do and what can't you do.

3 Then immigration services. Most of our  
4 chaplains have connections with local immigration  
5 services, immigration lawyers. Most of them are  
6 reasonable, if you can call three or four thousand  
7 dollars reasonable, in working through the  
8 documentation process. So we do try to offer that.  
9 It's a difficult problem, though.

10 And then libraries. The backstretch  
11 community is an encapsulated community. Most of these  
12 guys aren't mobile. You need to provide something for  
13 them to do with their spare time on the backside.

14 And that's where the social aspect comes  
15 in. Sports. A lot of our chaplains will sponsor  
16 leagues or pickup games, arrange for sponsors from  
17 either the horsemen or the community for uniforms.

18 Barbecues. Usually there's a weekly type  
19 meal at every racetrack. Sometimes there's some big  
20 barbecue feeds where they'll feed four or five  
21 hundred. Monday night at the movies.

22 Christmas, Easter, Thanksgiving parties.  
23 This is very important for the kids so that they have  
24 that aspect of seeing Santa Claus and, you know, what  
25 goes on with Easter and also being thankful for what

1 they have. We'll see those draw four or five hundred  
2 people and they'll pass out toys or food or clothing at  
3 those deals.

4 Shopping trips. Marsha mentioned  
5 shopping trips. It's extremely important to give these  
6 guys an opportunity, and the ladies, to go to the mall,  
7 to go to Wal-Mart. And a lot of times they'll borrow  
8 the track van or use the van on a weekly basis.

9 And then outings, just getting off the  
10 racetrack. Mike does a deep sea fishing trip every  
11 year down in Retama. Sam Ed does golf tournaments.  
12 We've done trail rides at Trinity Meadows in the past.  
13 Just something to do.

14 That kind of covers the chaplaincy at a  
15 racetrack in a nutshell. And Marsha talked about a lot  
16 of this. As she said, you know, the horsemen on the  
17 backside, the trainers, the jockeys, have limited  
18 insurance if they have it. The better ones that have  
19 better incomes will have it. The ones that don't,  
20 don't.

21 Our stable workers, I wish they were  
22 minimum wage. Many of them work 75 hours a week and  
23 get paid for 40. A lot of it's cash, so it's  
24 unaccountable. But it's less than poverty level. They  
25 are predominantly Hispanic. I've heard estimates of 80

1 percent of them are either falsely or undocumented  
2 aliens. Minimal education. I'd say absolutely no -- I  
3 don't think we've got half of one percent with  
4 insurance, absolutely no health insurance, unless  
5 they're in a situation where it's provided.

6 In Indiana, with the revenues that come  
7 in from the slot machines that go to the horsemen  
8 that's dedicated towards benevolence, everyone on the  
9 backside has health insurance.

10 One thing you need to know is it's a  
11 network community. It's a very tight Hispanic  
12 community. And if somebody gets ruled off at one track  
13 for whatever reason, being undocumented, having an  
14 alcohol problem, he'll show up at another racetrack  
15 under another name with new documents two weeks later.  
16 They're able to move each other around and take care of  
17 each other. There's a strong bond back there.

18 Limited mobility. As you said, you might  
19 see six guys sharing one pickup.

20 And the worst part is there's minimal  
21 advocacy for these people. The horsemen's groups, the  
22 HBPA has been an advocate. The racetrack chaplaincy  
23 has been an advocate. But there's really no one there  
24 to speak for them and the fact that they don't have  
25 insurance and they don't have retirement and they're

1 working for less than minimum wage.

2           The front side. Most chaplains have a  
3 ministry with the front side with track employees.  
4 They're every bit as much in need of the services of a  
5 chaplain as the backstretch.

6           A lot of the regular racing fans get to  
7 know the chaplain. He's usually front side during the  
8 races. From that group comes a lot of volunteers to  
9 help with the program, a lot of the financial support,  
10 a lot of the support for benevolence. But it goes two  
11 ways. You may have a racetrack gambler. You may have  
12 a track employee that comes up on hard times, gets  
13 sick, ends up in the hospital. The chaplain is there  
14 for them. He'll go to the hospital and he'll pay some  
15 bills if the funds are available.

16           There's just as big a problem with  
17 addictive behavior on the front side as there is the  
18 backside.

19           I think most important is there needs to  
20 be a common ground between the backside and the front  
21 side. They need to work together. In some tracks you  
22 see kind of a bright line. That's the backside; this  
23 is the front side. But really they meet during the  
24 course of the races. And the more they get to know  
25 each other, the better bond and community you'll

1 establish at that racetrack.

2 Current programs that are out there,  
3 there's RTCA. There's the Winners Federation, which is  
4 a coalition of addictive behavior counselors around the  
5 country. Groom Elite, as Marsha said, is a tremendous  
6 program; and a lot of our chaplains are bilingual and  
7 they'll be the translators for the Groom Elite  
8 program.

9 Race for Education, a wonderful program  
10 started by two Texans, Bill Casner and Kenny Troutt of  
11 WinStar Farms, where they provide -- I think it's  
12 gotten up to almost a half a million dollars in  
13 scholarships each year to children of racetrack and  
14 racing industry workers. There's a number of lifestyle  
15 programs around the country that provide a lot of the  
16 things in cooperation with the chaplain, the libraries,  
17 the computers, the classes.

18 What do we need in the future? We need  
19 insurance coverage. I don't know if it's going to come  
20 with the new Federal legislation. It depends on what  
21 happens with immigration legislation and rules and  
22 regulation. But these people need insurance  
23 coverages. Not just health and accident, but they need  
24 disability.

25 In the states where workers' compensation

1 is required, to some extent they're covered. A lot of  
2 trainers with 10 horses will say they have no  
3 employees. Until they have an accident, it's not a  
4 problem.

5 Immigration status. We need better  
6 immigration laws and simpler immigration visa processes  
7 for our people.

8 And then something I like to talk about  
9 is we've got double-digit unemployment in this  
10 country. You know, if we can raise the standards of  
11 pay and the benefit package on the backside of these  
12 racetracks, especially people that have a background  
13 with horses, and working through programs like the  
14 Groom Elite, there's no reason why we can't encourage  
15 U.S. citizens to get involved like they used to be on  
16 the backside of racetracks because there's no telling  
17 where immigration is going to go.

18 We might wake up one day and find out our  
19 Hispanics have gone back to Mexico and Guatemala and  
20 Nicaragua and what are we going to do. And we're  
21 seeing that in some states at this point in time where  
22 they've gotten tougher on documentation requirements.

23 I'd like to close with -- well, I talked  
24 about funding. I forgot I had this one. Funding comes  
25 from -- the most important part. The horsemen and

1 women and the breeders and owners have really stepped  
2 up. That's where the majority of our funding comes  
3 from. The jockeys have always been supportive. As I  
4 said, the racetracks and horsemen's organizations  
5 usually pick up the salaries of the chaplains.

6           And then they have fund-raisers, both on  
7 a local level and a national level, for the programs  
8 that the chaplains provide, the Bibles, the parties,  
9 the clothing, the food. A lot of the industry  
10 organizations have stepped up in this area. The Jockey  
11 Club has a little known Jockey Club Foundation out of  
12 New York that works through the chaplains for the most  
13 part and they give out over \$500,000 a year in  
14 emergency benevolence for people that have a severe  
15 problem.

16           Individuals. Dr. Ransdell, our new  
17 director of development, has said there's a completely  
18 untapped world of donors out there that are Christian  
19 in their giving, don't know anything about horse  
20 racing, but we need to tell them about horse racing and  
21 what goes on at our racetracks and the people that are  
22 involved and there's no telling what kind of funds we  
23 can raise.

24           Texas is very lucky that when the rules  
25 and regulations were drawn up, we have charity days and

1 each track runs a charity day and it's kind of a  
2 sweetheart deal. The only person -- the only  
3 organization that can really qualify for the first  
4 charity day is the racetrack chaplaincy. And that  
5 helps with funding.

6 And then, as I said, the dedicated  
7 revenues coming in from expanded gaming have really  
8 pushed the programs over the top in the states that  
9 have that.

10 Now I'd like to close with a brief PSA.  
11 The White Horse Award. We've been doing this at RTCA  
12 for about 10 years and we recognize a hero who during  
13 the course of the year committed a spontaneous act of  
14 bravery somehow related with horse racing. And there's  
15 been a number of wonderful stories. The gentleman that  
16 saved all the horses in Louisiana during Katrina, a  
17 military reservist that was home on leave. There was  
18 an exercise rider going from Santa Anita down to Del  
19 Mar that was in an accident. He stopped and provided  
20 lifesaving first aid to keep him alive, save his arm.

21 It's supported by the White Horse  
22 Fellowship. Any organization or individuals that have  
23 given \$25,000 to RTCA over the lifetime of their  
24 contributions becomes a White Horse fellow and they're  
25 the ones that vote on who gets the award each year.

1 It's given out at a Thursday luncheon at Breeders' Cup,  
2 this year November 4th at Churchill Downs.

3 And I would encourage anybody that's  
4 going to be there to come in a little early and go to  
5 it because one of our three finalists is a Texan. He's  
6 Kenny Roberts, a trainer down at Sam Houston, who  
7 pretty much saved the life of an exercise rider who  
8 went down during training. So we're all pulling -- at  
9 least I'm pulling for Kenny to win.

10 That's it. I brought brochures if any of  
11 you would like more information. That's our contact  
12 information. I encourage you to go to the website and  
13 learn more. I'll be here if you've got any questions.  
14 But if you feel the call and the urge and would like to  
15 get involved, we'd love to have you. Thank you.

16 COMMISSIONER SCHMIDT: Thank you very  
17 much, Mr. Fick. You do some very, very important  
18 work.

19 Any questions of Mr. Fick? Any  
20 questions? Okay.

21 COMMISSIONER CARTER: I have one.  
22 Numerous times in your presentation you mentioned the  
23 benefits of advance gaming on -- and the benefits to  
24 the backside worker, health care, things like that.  
25 And is the racetrack chaplaincy in any way active in

1 promoting those type of legislative actions,  
2 supporting -- being openly supportive of that so that  
3 other groups who may be opposed to it can see a  
4 benevolent group who is in favor of it?

5 MR. FICK: It's always a little bit of a  
6 controversy when you have gaming and you're talking  
7 with chaplains or ministers or Christians. But our  
8 organization has kind of taken a neutral stand. We  
9 promote it from the standpoint, just as you said, the  
10 benefits that it will provide for the backstretch  
11 workers. I'm no theologian, but I have yet to find  
12 anywhere in the Bible where it says gambling is one of  
13 the, you know, 10 Commandments, thou shalt not gamble.  
14 You know, you're not supposed to covet your friend's  
15 material holdings. You're not supposed to -- you're  
16 supposed to do everything in moderation.

17 But we don't come out against it. We  
18 tell our chaplains absolutely you can't come out  
19 against it.

20 COMMISSIONER CARTER: You come out in  
21 support of it?

22 MR. FICK: Some of them do. Some of them  
23 very definitely do. And as a national organization, we  
24 support the benefits that it will provide. We've got  
25 to be careful because we've got a lot of churches that

1 support us, too.

2 COMMISSIONER CARTER: Thank you.

3 MR. BROWN: Dr. Carter, I can tell you  
4 that in our state the chaplains have been very  
5 supportive because they see the benefits to the people  
6 they serve as a result of additional expanded gaming.

7 COMMISSIONER CARTER: Thank you.

8 COMMISSIONER SCHMIDT: Any other  
9 questions?

10 Okay. We have two people who have  
11 submitted questions for committee consideration and we  
12 have one additional presentation. I guess, Charla Ann,  
13 these are questions for committee consideration?

14 MS. KING: They are.

15 COMMISSIONER SCHMIDT: Okay. The first  
16 is from Barbara Linke. Could Class 3 tracks such as  
17 Gillespie County Fair receive event funding or tourism  
18 promotion grants from the State of Texas? I'm  
19 uncertain. Is anyone here from Gillespie or have they  
20 left? Have they considered that as an option?

21 MR. ROEDER: What was the question?

22 MS. KING: Come on up.

23 COMMISSIONER SCHMIDT: The question is --  
24 if you could just come up again, sir. Thanks. Maybe  
25 you can provide us with some insight. I'm not sure of

1 the answer. It's certainly thinking outside the box.  
2 Could Class 3 tracks such as Gillespie receive event  
3 funding or tourism promotion grants from the State of  
4 Texas? Have you ever considered that? Is that an  
5 option?

6 MR. ROEDER: We do it.

7 COMMISSIONER SCHMIDT: We do it?

8 MR. ROEDER: We do it. And we do it on  
9 special events, even like when we have a race meet and  
10 we're in the wine industry and we put on a wine deal.  
11 We get a bed and breakfast tax. And this year the  
12 County and the City promoting the cities and stuff and  
13 bringing people to the track or bringing people to  
14 Fredericksburg -- it's called heads in beds. You've  
15 got to -- you have to have a person that comes, spends  
16 the night in a hotel, motel, bed and breakfast,  
17 whatever, heads in beds.

18 And the way we do this is the City and  
19 the County gives the fair association for different  
20 events -- for different events that goes on. And horse  
21 racing is one of them. And we have to have it  
22 documented. And what we do is you fill a form out when  
23 you come in, the patrons come through the gate, and we  
24 ask them -- it's volunteer. We ask them to fill a form  
25 out and sign their name, where they're from, did they

1 spend the night, where did they stay. And then we need  
2 the documentation back, that we can present that to the  
3 City Council and the County Commissioners.

4 And the way we get them to fill it out,  
5 get a lot of them to fill it out, first -- the first  
6 time we done it, we said, if you'll fill one of these  
7 out and take it to the bar, you'll get a free drink.  
8 And, man, that went over good. And we kind of found  
9 out that that might not be ethical or something like  
10 that. We thought it was a smart idea.

11 Then we went to the scenario of, if you  
12 fill it out, we'll draw -- we'll put them all in a  
13 deal, draw out, and whoever's name is drawn gets  
14 season passes, two season passes to the fair, to all  
15 the events and the racetrack.

16 And we have a good -- we have a good  
17 turnout. And it gives us some -- we don't go back to  
18 the City or the County and say, well, we think we  
19 got -- here's our stuff. And, yeah, probably, oh,  
20 \$40,000 we get from those two organizations.

21 COMMISSIONER SCHMIDT: Annually?

22 MR. ROEDER: Annually.

23 COMMISSIONER HICKS: What about the  
24 State, going to the State economic for a grant?

25 MR. ROEDER: They ain't got no money.

1                   COMMISSIONER HICKS:  Somebody is getting  
2                   that.  Fill out those forms.  It might be something  
3                   you'd want to check on, really, because they do give  
4                   money away to things and it may fit into their form.

5                   MR. ROEDER:  Right.  We get some of this  
6                   money with grants from the wine industry --

7                   COMMISSIONER HICKS:  Right.

8                   MR. ROEDER:  -- through the Texas  
9                   Department of Agriculture.  It's not a lot, but it does  
10                  help.  I mean, when you're poor and starving, every  
11                  little bit helps.  So we do get some grants from TDA  
12                  and they're well appreciated.  The State, as far as  
13                  grants and from other -- sometimes you've got to watch  
14                  out.  You're getting yourself in a bind.  You get tied  
15                  up in the regulations and --

16                  COMMISSIONER HICKS:  Right.  That's  
17                  true.

18                  MR. ROEDER:  Anything else?

19                  COMMISSIONER SCHMIDT:  Yes, sir, there  
20                  actually is.  The second question also relates to fair  
21                  county operations.  It's from Mr. Scales of Lockhart,  
22                  Texas.  He asks, can we support tracks with less  
23                  regulation?  He asked that of the committee.

24                  And I guess my question to you is:  
25                  You've gotten the message across to us about regulation

1 is a part of the burden. I think you need to be a  
2 little bit more precise, though, in terms of -- can you  
3 better define what your regulatory burden is, areas  
4 that you think we could realistically impact or  
5 change?

6 MR. ROEDER: Really I think the number of  
7 people, you know, is -- today you turn a TV on and it's  
8 big government, you know. And what's big government?  
9 This -- this committee or the -- they hire somebody to  
10 check on the backside. Well, before long we've got --  
11 we've got an assistant that's got to help this person  
12 to go and then we have an assistant to the assistant.  
13 You understand? And that creates -- that creates the  
14 problem where one person could do it or it could be an  
15 interlocal agreement with the tracks to say you have a  
16 State person that's in charge of the backside.

17 Why couldn't they, with the county or  
18 city police force, get those people to help this one  
19 person or two? Instead of having to pay four or five  
20 or six of them to come from the State, get the tracks  
21 or the cities or the counties to help at no cost. And  
22 then you stay -- you stay, you know, pretty well this.  
23 You don't keep going --

24 COMMISSIONER SCHMIDT: I understand what  
25 you're saying, sir. I run a medical office. So a lot

1 of cross-jurisdictions, though, are the problem.

2 MR. ROEDER: Right. You know, and I'll  
3 go back to the scenario when we first started  
4 pari-mutuel. We paid the starter. We paid the -- we  
5 paid the saddling in the paddock. We paid -- hell, we  
6 paid everybody because we didn't know what we -- now  
7 we're trained to do it ourselves. And I think that  
8 helps us. I really do. I think it's a cost deal.  
9 So --

10 COMMISSIONER SCHMIDT: Thank you. I  
11 appreciate all you fellows from Gillespie coming up  
12 today to speak with us.

13 MR. ROEDER: Thank you.

14 COMMISSIONER SCHMIDT: Thank you.

15 Mr. Hooper, Charla Ann told me that you  
16 also have a particular interest in a fair circuit and  
17 some material to present. Are you comfortable  
18 presenting that now?

19 MR. HOOPER: Yes. Thank you,  
20 Dr. Schmidt.

21 COMMISSIONER SCHMIDT: Great.

22 MR. HOOPER: I think it kind of fell  
23 through the cracks earlier, but I'm happy to provide  
24 some insight.

25 This state has deep roots and a very rich

1 history of county fair racing. Before the passage of  
2 legislation that legalized pari-mutuel racing in the  
3 mid 1980's, there were more than 40 sites for county  
4 fair racing in Texas. The Texas Racing Act has  
5 provisions for Class 1, 2, 3, and 4 racetrack  
6 licenses. A Class 4 license provides for no more than  
7 five days of racing annually at the location where the  
8 license is issued.

9           The bottom line, there have been no Class  
10 4 licenses issued and, to my knowledge, none applied  
11 for in what is now 25 years since the act took effect.

12           Recognizing an industry -- in recognizing  
13 an industry that is in decline and struggling to  
14 find -- try and find ways to survive until new revenue  
15 streams are developed, approximately four years ago the  
16 TTA staff launched an initiative to identify the past  
17 sites where county fair racing took place. Further, we  
18 tried to determine whether there were any former  
19 locations which might be resurrected for live racing  
20 without requiring unrealistic capital investment to  
21 refurbish facilities such as the grandstand, barn area,  
22 and track surface and rails.

23           With the help of the Texas Quarter Horse  
24 Association -- there we go. With the help of the Texas  
25 Quarter Horse Association and especially horseman

1 Tooter Jordan, the TTA identified 38 former county fair  
2 racing locations. By making local contacts, it was  
3 found that many sites had been developed for other uses  
4 or subdivided, making them no longer suitable for  
5 racing. However, there are eight county fair sites  
6 listed on the summary handout that could be operational  
7 without incurring huge costs of renovation.

8                   And I have a handout here, Charla Ann, if  
9 you want it.

10                   Gillespie County Fair is listed, but it  
11 actually operates under a Class 3 license. Bandera  
12 Downs and Trinity Meadows formerly operated under Class  
13 2 licenses. But there have been recent inquiries on  
14 the latter properties from parties interested in  
15 acquiring the facilities to bring county fair racing  
16 back to those locations.

17                   Of the other five county fair racing  
18 sites on the handout, local officials in Boerne have  
19 expressed interest in renovating Kendall County Fair;  
20 and local officials in Goliad, along with TTA director  
21 Richard Hesse who makes his home in Goliad, have  
22 expressed their interest in building a new La Bahia  
23 Downs.

24                   After compiling the information and  
25 reviewing pertinent TRC rules, former TTA director Mark

1     Cornett and I met with Charla Ann King, Sammy Jackson,  
2     and Mark Fenner to go over the material. In the course  
3     of the discussions, TRC general counsel assured that if  
4     a Class 4 county fair racing license were issued,  
5     simulcasting could be offered year-round on site,  
6     generating purse revenue to sustain the five days of  
7     racing, and possibly generate an overflow that could be  
8     utilized at the nearest Class 1 track.

9             Almost one year ago Chairman Rolando  
10     Pablos met with TTA president Dr. Jacquelyn Rich,  
11     business manager Mary Ruyle, and me at the TTA  
12     offices. County fair racing was one of the subjects of  
13     discussion. He asked at that time that the initiative  
14     be put on hold until the TRC had a chance to try to  
15     resolve the problems created by the five licenses that  
16     had been issued without any simulcasting or live racing  
17     having taken place because they remained unbuilt. We  
18     respected his request and the county fair initiative  
19     remains on hold.

20             However, with TRC undergoing sunset  
21     review in 2011 and with no Class 4 licenses having been  
22     issued in 25 years, isn't it time for a change? What  
23     if we recommended that the act be amended to provide  
24     for another entity to be licensed to oversee one or  
25     more county fair racing facilities? This is done in

1 California under provisions in that state's Racing Act  
2 that created a California Association of Racing Fairs  
3 which has proven to be successful and popular at  
4 several locations for many years.

5 County fair racing in California serves  
6 as an adjunct to the major racing in northern and  
7 southern parts of the state and some of the meets help  
8 fill gaps in the northern California racing schedule  
9 during each year. The same could be true in Texas if  
10 we were to amend the act and provide for the creation  
11 of an entity that might be known as the Texas  
12 Association of Racing Fairs.

13 I want to commend the people who are here  
14 from Gillespie today. And I have some experience with  
15 fair racing from Timonium in Maryland, to the Arizona  
16 fairs, to working at Grants Pass in Oregon. And  
17 there's no more fun place to go racing than  
18 Fredericksburg.

19 And if we could recreate that atmosphere  
20 in some other locations around the state and, in  
21 effect, put back in place what they have in major  
22 league baseball with a minor league system, that would  
23 help fulfill a lot of needs that we have today in  
24 finding more racing opportunities, more places for  
25 racing to be exposed around the state.

1 I thank you for your time, Mr. Chairman  
2 and members of the committee.

3 COMMISSIONER SCHMIDT: I'd like to thank  
4 you, Mr. Hooper, for presenting this. Certainly I  
5 think, apropos of this meeting and also of our recent  
6 race date discussion, I think it's clear that Texas  
7 probably needs two economic models for their race  
8 circuit. They need a model for tracks such as Houston  
9 and Retama and Lone Star and a second model. And this  
10 is very useful.

11 If you don't mind, if you could -- if you  
12 haven't already, if you could present some information  
13 to staff before our next meeting about the California  
14 proposals or California legislation, that would be  
15 helpful.

16 MR. HOOPER: I have a copy of the  
17 provisions from the California act.

18 COMMISSIONER SCHMIDT: Great. Thank  
19 you.

20 We have one more public comment. I'm  
21 sorry. I can't --

22 MS. KING: Rob Kohler.

23 COMMISSIONER SCHMIDT: Rob Kohler.

24 Mr. Kohler? Thank you.

25 MR. KOHLER: Good morning. My name is

1 Rob Kohler and I'm here representing the Christian Life  
2 Commission of the Baptist General Convention of Texas.  
3 And I want to -- and we want to thank you for having  
4 this hearing.

5 I represent folks that do not want to do  
6 away with horse racing in this state. And in fact, I  
7 wanted to publicly, as I have in other past legislative  
8 hearings, encourage the industry to look towards, for  
9 example, county fairs, folks like Gillespie County that  
10 you've all talked about that I very publicly in  
11 legislative hearings have said, you know, I take my  
12 family there. It's a family environment.

13 And on a side note, I grew up in a little  
14 town outside of San Angelo and I cut my teeth at  
15 G. Rollie White Downs in Brady, Texas, where, when they  
16 passed pari-mutuel, as you've heard very briefly, they  
17 kind of overlooked the market and they made those folks  
18 start running horses for about 40 days straight. The  
19 market didn't support that. Brady, Texas, no longer  
20 has that family environment.

21 So I just wanted, when you're having  
22 these hearings, to let you know firsthand from the  
23 folks that normally are on the other side and that you  
24 read about that, you know, are all no and I just wanted  
25 to very publicly say that we would like to participate

1 in what you're looking at with the county circuits.

2 So that's a statement.

3 COMMISSIONER SCHMIDT: Appreciate your  
4 comments. Thank you very much.

5 MR. KOHLER: Yes, sir.

6 COMMISSIONER SCHMIDT: I think that's all  
7 the public comments.

8 Charla Ann, do you have any comments at  
9 all?

10 MS. KING: I do. Thank you,  
11 Mr. Chairman, committee members, advisory group  
12 members. We appreciate everybody being here today and  
13 participating. We enjoyed the discussion. We thank  
14 the presenters very much for their information and  
15 their careful preparation, including Dave.

16 Sorry, Dave. We didn't mean to have you  
17 at the end, but that's a good place to finish with our  
18 public comment. We appreciate it.

19 I just wanted to touch on what's coming  
20 next in terms of the upcoming meeting. Another meeting  
21 like this is planned for mid November, but we don't  
22 have a date yet. So we're going to be polling the  
23 members of the committee and the advisory group for  
24 available dates and try to get everybody that we can.

25 The discussion will continue to focus on

1 the vision and goals for racing in Texas. And this is  
2 something that I've been encouraging everyone to think  
3 about what Texas racing should be. And I've gotten a  
4 lot of support and comment about that from the  
5 Commissioners and I appreciate that. And so we're  
6 challenging everyone who would like to participate to  
7 paint that picture of what Texas racing could be on the  
8 broadest perspective. We're a big state. We have a  
9 lot that we can do here.

10 Possible topics that we're looking at --  
11 and we discussed these at the last Commission meeting  
12 and we've continued to keep up for consideration -- the  
13 national and regional view of Thoroughbred and Quarter  
14 Horse racing, which a number of the advisory group  
15 members are interested in making sure that we are  
16 including a view of what expanded gaming provides to  
17 that racing. So we're going to look at some of that  
18 and work to figure out the best way to cover that  
19 ground.

20 Keys to successful breeding programs.  
21 There's a number of individuals who have contacted us  
22 and requested that we discuss the breeding programs,  
23 and so we anticipate that will be on the next agenda.  
24 So, breed registries, we will be looking to you to help  
25 prepare that discussion.

1           The addition of exchange wagering.  
2       That's an issue that California has taken up recently.  
3       There is a company called Betfair. We're considering  
4       looking at having a representative of Betfair come and  
5       explain kind of along the lines of what Commissioner  
6       O'Connell was indicating as kind of the current  
7       demographic and the growing demographic and what kinds  
8       of experiences they like to have. And exchange  
9       wagering is an example of that, so we'll be looking at  
10      a possible presentation on that.

11           And I'm also hoping that we can have a  
12      guest speaker on the interstate racing compact because  
13      that's kind of a hot national issue and we're looking  
14      at an invitation to someone to talk about that. That's  
15      about the most regulatory item we might would be  
16      discussing in the conduct of this study group.

17           So that's where we're headed. And I'm  
18      happy to answer any questions on behalf of the staff  
19      for any of the members of the committee or the advisory  
20      group.

21           COMMISSIONER SCHMIDT: Any questions of  
22      Charla Ann?

23           Okay. Just a couple of -- thank you,  
24      Charla Ann.

25           Just a couple of other comments. Again,

1 the Governor asked this committee be formed to study  
2 the current state of racing and breeding and make  
3 appropriate recommendations for the industry. And  
4 while I think we've had a very worthwhile session  
5 today, I think it's very, very important that we move  
6 from the presentation phase to planning to make  
7 specific detailed recommendations for legislation which  
8 we can then validate and hopefully help educate our  
9 legislators to endorse.

10 And for this reason, as temporary  
11 chairman, I'm going to exercise my right and request  
12 that we have some volunteers to do some homework before  
13 the next meeting, if you don't mind.

14 Bryan, Mr. Brown, if you wouldn't mind  
15 just reviewing with respect to advance deposit  
16 wagering -- Mr. Shubeck mentioned both -- he felt  
17 California and Virginia were excellent models or as  
18 sort of model proposals. I know you have experience in  
19 this area as well. If you could perhaps have a one- or  
20 two-minute presentation at the next meeting outlining  
21 perhaps the difference between the two state  
22 proposals. And my hope is we can develop some type of  
23 model recommendations that we can go forward with as  
24 the committee recommendation in the future.

25 Are you comfortable with that?

1 MR. BROWN: Absolutely.

2 COMMISSIONER SCHMIDT: Great. I'm trying  
3 not to burden -- I guess the -- the Racing Commission  
4 staff has had a very busy summer. They've also faced  
5 significant cutbacks. And I'm trying to unburden  
6 Charla Ann's staff to some degree, if that would be  
7 possible.

8 Mrs. Rountree, I really enjoyed your  
9 presentation very much. I'd like to ask you if you  
10 wouldn't mind looking both at Louisiana and Mr. Fick  
11 mentioned Indiana. I think there's a very compelling  
12 argument that really was so new to me and so obvious  
13 and yet at least I certainly missed it until today that  
14 gaming also provides a secondary social resource that's  
15 been totally missed, I think, in the debate.

16 And I think if you could document the  
17 type of insurance provided in Indiana, the type of  
18 insurance provided in Louisiana, the type of services  
19 offered, like the chaplaincy in those places, and the  
20 complete different situation which we face in the most  
21 prosperous state in the union, Texas.

22 MS. ROUNTREE: I'd be happy to.

23 COMMISSIONER SCHMIDT: That would be very  
24 helpful. It helps us frame our debate and organize  
25 further.

1                   Mr. Hooper will be getting with you  
2           about -- also, Charla Ann, about California regulations  
3           with respect to a county fair circuit.

4                   I'd like to appreciate everyone who  
5           attended and I'm very, very appreciative of the  
6           speakers. They all did a superb job.

7                   And if there are no further questions,  
8           we're all adjourned. Thank you.

9                   (Proceedings concluded at 1:14 p.m.)

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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 14th day of October, 2010.

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22 SHERRI SANTMAN FISHER, Texas CSR 2336  
Expiration Date: 12-31-11  
23 Sunbelt Reporting & Litigation Services  
Firm Registration No. 87  
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