

BEFORE THE
TEXAS RACING COMMISSION
AUSTIN, TEXAS

COMMITTEE ON CURRENT STATE OF HORSE AND
GREYHOUND RACING IN TEXAS MEETING
DECEMBER 2, 2010

BE IT REMEMBERED that the above entitled matter
came on for hearing on the 2nd day of December, 2010,
beginning at 11:29 A.M. at the John H. Reagan Building,
105 West 15th Street, Room 140, Austin, Travis County,
Texas, and the following proceedings were reported by
SHERRI SANTMAN FISHER, Certified Shorthand Reporter for
the State of Texas.

1 COMMISSIONER EDERER: I'd like to call
2 the study committee on current state of horse and
3 greyhound racing in Texas to order. It is Thursday,
4 December 2nd, 2010, at approximately 11:35.

5 Before we get started, I would like to
6 introduce the Commissioners that will be visiting with
7 us and present during the study committee. They may
8 not -- they may participate. They may not
9 participate. They may stay through the whole meeting
10 and they may not.

11 Of course, my cochair is Gloria Hicks.
12 She's present. Chairman -- Mr. Pablos, Commissioner
13 Pablos, Commissioner O'Connell, and Commissioner Martin
14 will all be present.

15 As far as key staff of the Racing
16 Commission, who's here?

17 MR. FENNER: We have new interim
18 executive director Chuck Trout. We have Sammy Jackson,
19 division director, division director Shelley
20 Harris-Curtsinger. I'm general counsel Mark Fenner.
21 We have many other key staff. I'm not sure I need to
22 introduce them at this point.

23 COMMISSIONER EDERER: Well, that's true.
24 But it's good that they are here. And of course,
25 everyone present that we'll be talking about later will

1 be part of the final study that will be submitted to
2 the State Legislature. Look at these staff and see who
3 they are because you'll be talking to them and asking
4 them for help or they'll be present for your help if
5 you ever do need them.

6 As far as introduction of the industry
7 advisory members are concerned, Jan Haynes with the
8 Texas Horsemen's Partnership; Marsha Rountree, Texas
9 Horsemen's Partnership; Rob Werstler, Texas Quarter
10 Horse Association; Dave Hooper, Texas Thoroughbred
11 Association; Dr. Jacquelyn Rich, Texas Thoroughbred
12 Association; Sally Briggs, Gulf Greyhound Park; Joe
13 Quinn, Gulf Greyhound Park; Bryan Brown, Retama; and
14 Tammy Wincott is an attorney. Okay. And welcome,
15 everyone, to the meeting.

16 Now, the purpose -- this is the second
17 and last study group committee meeting. Now, the
18 purpose was: The committee will help fulfill a request
19 by the legislative and executive branch leadership of
20 Texas to study the current state of racing and breeding
21 and make appropriate recommendations for the industry.

22 We'll discuss this further toward the
23 end; but the recommendations of the industry are going
24 to be extremely important, I think, in this legislative
25 session. We have to have all of this to the State

1 Legislature by January the 11th. So we'll talk about
2 that and we'll talk about some deadlines earlier.

3 Now, as far as this meeting is concerned,
4 remember that we've all been here before. I think
5 everyone has been -- I was not at the first meeting,
6 but I know Commissioner Hicks was and Dr. Schmidt took
7 my place and handled the meeting in my absence.

8 Most of the items have been discussed
9 previously. This meeting is to supplement the original
10 meeting. It is to provide further information and to
11 bring forward anything that has not been brought
12 forward. The important thing about the meeting and
13 bringing up the topics is that it has to be made of
14 record. We have to have a record. And that is the
15 purpose of being here.

16 Once the record is made and the problem
17 or the situation is identified and put on the record,
18 it will be explained. But keep in mind that after that
19 is completed and it has been explained, we don't need
20 to go into any -- all sorts of intricate details unless
21 you feel for some reason that it is very necessary.

22 We will be able to supplement the record
23 prior to preparing the ultimate submission to the State
24 Legislature, so keep in mind that detailed supplements
25 can be submitted up until the final day. Now, we'll

1 talk about that as time goes on.

2 So as I stated, it's important that it be
3 placed on the record, but also remember that you're
4 singing to the choir. We all know what the problems
5 are with the industry. But we must get it on the
6 record and we must let the Legislature know what the
7 problems are with the industry.

8 So I certainly don't want to cut anyone
9 off. If anyone feels that they are being cut off or
10 they're not being given the opportunity to say whatever
11 they want to say, of course, raise your hand. I do
12 have a tendency sometimes to speed through things and
13 to cut to the chase, so to speak, so don't hesitate to
14 raise your hand and say what you need to say. If you
15 get too long-winded, I may say something then. I may
16 cut you off. No, not really.

17 I expect this to be a full meeting, an
18 important meeting, to get the details in order to get
19 them to the State Legislature. But again, we can
20 supplement as time goes on.

21 Presentation and discussions will include
22 the following: Update on the topics discussed on the
23 October 6th meeting, the county fair and festival
24 racing, advance deposit wagering, racetrack working and
25 living conditions, a status report on conditions of

1 horse and greyhound industry, projected impact of
2 industry of video lottery terminals, before and after
3 review of the industry -- before and after review of
4 the industry? Okay. Instant racing and exchange
5 wagering.

6 As far as the presentations are
7 concerned, I believe that we will start with Bryan
8 Brown. Where are you, Bryan? I believe that you are
9 ready with your presentation to go forward. Is that
10 correct?

11 MR. BROWN: Yes. What we'd like to do on
12 the first agenda item is review a few topics that
13 Dr. Schmidt had asked us to follow up on from the
14 October 6th meeting, county fair and festival racing,
15 advance deposit wagering, and then backside racetrack
16 working and living conditions. And the first item is
17 going to be covered by Dave Hooper.

18 So if you want to take that and answer
19 the question that Dr. Schmidt had posed.

20 MR. HOOPER: Yes. Is this microphone
21 on?

22 MR. BROWN: There's a button underneath.

23 MR. HOOPER: Good morning, Commissioners
24 and members of the advisory committee, and thank you
25 for serving, especially on this important study

1 committee.

2 For the record, my name is David Hooper,
3 executive director of the Texas Thoroughbred
4 Association, the organization specified in the Texas
5 Racing Act to represent the Thoroughbred breed in
6 Texas.

7 Following last -- the first meeting's
8 presentation on county fair and festival racing, I was
9 asked to provide an update on possible facilities. As
10 I started down that path, some things became apparent
11 that it was really premature to do that. It was
12 premature for the following reasons: Number one, the
13 economic climate today, it's extremely difficult to get
14 any kind of financing for any kind of upgrades.

15 Number two, the State's huge projected
16 budget shortfall for the next biennium means there's
17 going to be less money for the state, for the counties,
18 for communities, that will be available for a project
19 like upgrading possible former county fair sites.

20 Number three, even Gillespie County
21 Fair's testimony, the only county fair that operates in
22 Texas as a Class 3, the testimony was overwhelming that
23 as successful as their race meeting appeared to be as
24 recently as this year, they still lost money. And
25 that's with volunteer help.

1 So that brought me to the conclusion
2 that -- at the end of my testimony last time, I
3 suggested we need to go back into the act. It's been
4 25 years since there's been a Class 4 provision for
5 racetracks in the act. Not one has ever opened. It is
6 time to revisit the act and create some kind of
7 umbrella organization similar to the California
8 Association of Racing Fairs that can be licensed and
9 under which all fairs in the state can operate.

10 And if there's new revenue streams that
11 might become available at some time, I know as far as
12 the Texas Thoroughbred Association is concerned, we
13 would be pleased to designate some of the revenue that
14 would flow to us towards county fair operations as
15 Class -- what are currently Class 4 provisions.

16 Thank you.

17 MR. BROWN: Thank you, Dave.

18 Dr. Schmidt had asked me to look at the
19 differences between the California and Virginia ADW
20 models. And so I sifted through the legislation. The
21 similarities included equal access to all ADW providers
22 in both states. Any ADW provider, following the acts
23 of both states, could come in, reach agreements with
24 the horsemen's groups, and establish an ADW operation.
25 The other similarity, big similarity, was the

1 requirement that an agreement be reached with the
2 horsemen in each state.

3 There were differences, though. In
4 California there's a cap of three and a half percent on
5 fees that are paid for the host tracks. And what that
6 means is when a signal -- let's take Churchill Downs.
7 When a signal is coming from Churchill into California,
8 the maximum fee that can be paid back to Churchill
9 Downs is three and a half percent. So that saves more
10 of a, quote, unquote, "profit" for the industry,
11 whether it's the ADW provider established in
12 California, whether it's the horsemen, or a racetrack
13 itself.

14 That has positives and negatives. It's
15 positive in that there's potentially more money saved
16 for the industry. There's a negative in that Churchill
17 Downs may choose not to send the signal because the fee
18 is too low.

19 There are special provisions in the
20 California act for big races, such as the Breeders' Cup
21 or the Derby, which do typically carry higher fees.
22 There is not such a cap -- there's not any cap in
23 Virginia.

24 The other major difference in Virginia,
25 there is a 10 percent source market fee that is paid to

1 the industry by the ADW provider. So out of every
2 wager, a good healthy chunk, almost 50 percent, goes
3 back to the industry. That's split 50/50 between the
4 horsemen and the track.

5 There's also a source market area that's
6 set up which is a 50-mile radius around each track in
7 Virginia where within that 50-mile radius that track
8 gets all the source market fees for any resident in
9 Virginia that wagers.

10 If there are overlaps between any of the
11 50-mile areas, the track that spent the most money gets
12 the lion's share of the fee or a larger portion of the
13 fee. So if a track spent a hundred million dollars to
14 build its facility and another track spent 10 million,
15 the track that spent a hundred million would get about
16 90 percent of the source market fee within that
17 overlapping area. And then there is other formulas for
18 areas that aren't covered by the 50-mile radiuses.

19 So I would say, in general, the Virginia
20 model does something that I think any ADW legislation
21 would have to do in Texas, which is define who gets
22 what amongst the tracks, and attempts at least to be
23 equitable on how the source market fees are split up.

24 The cap on fees in California is not
25 something that I think makes a lot of sense, at least

1 in the act, because, again, if it's too low, signals
2 may not come in to the players in the state and the
3 State may lose out on some potential revenue because of
4 the fees set in the act. It could always be set in the
5 rules or by agreement so that it could be changed
6 easily and not have to go back for legislative work.

7 So those were the major items that I
8 saw.

9 And Marsha Rountree was going to cover
10 racetrack working and living conditions.

11 MS. ROUNTREE: Right. Dr. Schmidt had
12 asked after the presentation that I gave at the last
13 meeting to provide information about benevolence and
14 assistance programs in Louisiana and Indiana. And in
15 the interest of time, I will tell you that in these
16 packets I have included the outlines and guidelines for
17 both of those states.

18 And very briefly, a comparison to where
19 we are today, this year our organization was only able
20 to provide \$2500 in assistance to individual eligible
21 members, whereas in Louisiana they have a
22 12,000-dollar-a-year amount that's available. And
23 additionally, they also have substance abuse
24 counseling, retirement programs, and things like that.

25 Indiana is a little bit less. Theirs is

1 \$6,000 a year, plus they have a 3,000-dollar burial
2 expense assistance. And as things grow in Indiana,
3 they've already identified that they were going to add
4 more programs and make their cap on their assistance
5 much higher as things improve there.

6 So as you can see, the difference in
7 where we were in 2002, when we had \$4,000 a year for
8 eligible members and a budget of about \$540,000 a year
9 for assistance, we're now down to \$2500 a year and
10 probably next year we'll have to lower that again.

11 So the information that Dr. Schmidt asked
12 for is in here. It's pretty extensive covering
13 Louisiana and Indiana assistance programs.

14 MR. BROWN: Any questions on those
15 presentations?

16 Okay. Thank you.

17 The next part of -- I'm sorry. Go
18 ahead.

19 COMMISSIONER EDERER: Let me interrupt
20 you. We have -- your first presentation on ADW's?

21 MR. BROWN: Yes.

22 COMMISSIONER EDERER: We have a speaker
23 that wanted to address that.

24 MR. BROWN: Sure. I'm sorry.

25 COMMISSIONER EDERER: No, no. That's

1 fine. Theo Scales? Welcome, Mr. Scales.

2 MR. SCALES: Good morning.

3 COMMISSIONER EDERER: We've met before.

4 MR. SCALES: Yes, we have.

5 COMMISSIONER EDERER: And you've heard
6 the presentation. So if you have some follow-up, go
7 right ahead, please.

8 MR. SCALES: Yeah, I do. I know I have
9 to start with my name, so I'll do that.

10 COMMISSIONER EDERER: That's correct.

11 MR. SCALES: My name is Theo Scales,
12 S-c-a-l-e-s. Theo is short for Theophilus. I'm glad
13 to be here this morning.

14 I had a couple of questions for Bryan
15 with respect to the ADW. You said that you do not
16 think it would be a good idea to impose a cap on the
17 fee that is paid for -- that the -- you know, like you
18 used Churchill Downs as an example. Why is it that you
19 feel that it's not a good idea for us to put a cap on
20 that?

21 MR. BROWN: Well, as has happened before
22 in other jurisdictions, when you do put that cap on and
23 you put it in legislation, some of the tracks will
24 choose not to send their signals into the particular
25 jurisdiction and boycott, in that sense, that state.

1 And so horse players will be left without going through
2 legal means of getting a signal and they'll, as they
3 have before, choose other means, you know, through the
4 Internet. And as you know, on the Internet it's pretty
5 easy to do what you want, including wager on horses.

6 MR. SCALES: Okay. And I had a question
7 and sort of a comment of something that I had thought
8 about as the source market fee. I thought it would be
9 a good idea -- my thought was instead of just having
10 the 50-mile radius, if we would look at a way of, we'll
11 say, dividing, if you will, Texas with respect to the
12 Class 1 tracks where the -- I think that this would
13 give you guys more opportunities as far as dollars goes
14 and those dollars would, in turn, end up back into the
15 horsemen's account.

16 How do you feel about -- or have you
17 thought about that as an approach? Instead of it being
18 50 miles, since at this present time we have three, why
19 not take the State of Texas and divide it into three
20 parts?

21 MR. BROWN: It's a little complicated.
22 It's easy now because there's very few tracks. It
23 becomes very complicated if there's 13 tracks. But I
24 think there needs to be something a little bit
25 different than what Virginia is doing and possibly a

1 formula where you take your simulcast handle and you
2 prorate the source market fee by relative simulcast
3 handles all throughout the state. So if you add a
4 ninth, a tenth, a sixth, a whatever track, that track
5 can just fit into the formula that way.

6 Again, we have to be real careful about
7 being too definitive within the act because as our
8 industry changes, we would need to go back to the
9 Legislature to make any improvements and
10 modifications.

11 MR. SCALES: Okay. That makes sense to
12 me.

13 The other question that I had with
14 respect to the ADW's, is there a possibility -- again,
15 this was my thought -- that even if it's TVG -- we'll
16 use them as an example. In order for that bet to
17 happen, it still has to come through Retama Park if I
18 live in San Antonio. That, I believe, would protect
19 the tracks so that that handle -- it protects
20 everybody. The handle still comes through with still
21 the same cuts and so forth and so on and the same
22 amount to the breed programs.

23 How do you feel about that?

24 MR. BROWN: Well, obviously I like it.
25 I'm with you down at the -- come back to the next

1 meeting, too.

2 It makes a lot of sense. Without
3 question, when ADW's come into any jurisdiction, they
4 are going to take away from the live handle and the
5 simulcast handle potentially from a track, at least
6 initially.

7 Now, the idea would be it does cultivate
8 interest in the market, so maybe those people that pick
9 up wagering online end up coming out to the track that
10 may not have otherwise. But I do think that the track
11 has to be compensated directly within some radius of --
12 whether it's 50 miles or 25 or a hundred. I do think
13 there needs to be some mechanism so that -- or the
14 mathematical formula I discussed earlier to get the
15 tracks something back.

16 MR. SCALES: While we're still friends,
17 I'm going to go ahead and make this comment. My
18 thought is, with respect to the loss, I believe that
19 the loss will be so minimal -- and I'm giving this as
20 an example and I'm going to be very short.

21 I live 60 miles from Retama. I don't
22 have the time to come to Retama and place my bets. I
23 made it down there once this season for the
24 Thoroughbreds. If I were able, though I'm just 60
25 miles away, there's a lot of dollars -- and maybe I'm

1 better off that I didn't get to go. There's a lot of
2 dollars that I would have had an opportunity to wager.
3 And that's my contention for the -- seemingly the low
4 beliefs in numbers and how it would impact us and et
5 cetera.

6 There are a lot of people like me who
7 would wager on our races if they could, but at the
8 present state they can't. And I think that's part of
9 the reason why we should vigorously pursue this as well
10 as other alternatives to be a -- you know, to be an
11 asset to the industry.

12 My last question is kind of away from
13 ADW's, if I can digress for just a second. We talked
14 about -- at one of our previous meetings, about the
15 potential loss during the live racing meet at Retama
16 that just concluded not too long ago. And everything
17 that I have read showed that it was just the opposite.

18 My question is we come up with -- we come
19 up with these ideas. We come up with these formulas.
20 And then we -- of all of this loss and we're going to
21 lose and we're losing. But Retama is a great example
22 of what absolutely can happen in Texas, what can happen
23 with our racing. And whether they're 5,000-dollar
24 claimers or not, people will come out and they'll wager
25 on our product.

1 What would you say is the key for us to
2 under -- to get the message out that Texas is live,
3 Texas is viable, and we have a good product and you
4 need to come? Because you apparently have figured it
5 out with what happened at Retama this year.

6 MR. BROWN: You're way off the agenda,
7 Mr. Scales, but I'd be happy to answer it. Thank you
8 for the comments. We did have a great meet. Our
9 wagering was up a lot. Some of that was reducing the
10 number of days so that patrons in the area only had a
11 limited amount of ability to come out and wager and
12 they took advantage of it when we did race.

13 And, you know, one of the keys we've
14 always talked about is average daily purses. So even
15 though I agree, a 5,000-dollar claiming race with 12
16 horses is an excellent betting opportunity, you've got
17 to have some minimum level of purses so that you get
18 the horses there. Even 5,000-dollar claimers deserve
19 to be paid something. They've got bills, too.

20 But I think the keys -- we will go -- we
21 will answer your question by the end of the
22 presentation. How about that? I'm not trying to
23 sidestep you, but there's a lot of information we'll
24 cover which I think will answer, in part, your
25 question, the things that really, really make a

1 difference and get us on a level playing field with
2 those states in our area, in our region.

3 MR. SCALES: I just want to say thank you
4 for your time. Thank you, Commissioner Ederer, for
5 allowing me.

6 COMMISSIONER EDERER: Thank you,
7 Mr. Scales. And if you've got anything that you want
8 to supplement, of course, get it to the horsemen's
9 organization.

10 MR. SCALES: Absolutely. And thank you
11 very much, Mr. Brown, and hopefully we can get this ADW
12 thing off and going. I need to play. Thank you.

13 COMMISSIONER EDERER: Thank you.

14 MR. BROWN: Okay. The next part of the
15 agenda deals with an overview of the current status --
16 the current state, excuse me, of the racing industry,
17 both horse and greyhound. And hopefully everyone has
18 the package. If you don't, there's plenty back in the
19 back and we'll run through the package itself.

20 COMMISSIONER EDERER: Just hit the
21 highlights as best you can.

22 MR. BROWN: Sure. And what we'll be
23 doing, a combination of Rob Werstler, Dave Hooper,
24 Marsha Rountree, and myself will be going through the
25 information on the current state. If you could -- if

1 we could get to Slide 4.

2 MR. CHILDS: The projector takes a second
3 to warm up. It's coming.

4 MR. BROWN: We'll get going and the
5 projector will chime in in a little bit.

6 Page four of the package talks about
7 what's happened to Texas handle. And as Commissioner
8 Ederer stated, we all know, but it's good to look at
9 the solid facts. We've had a huge decline in handle
10 that actually started in around the year 2000, for some
11 2001. This slide shows from 2005 to 2009 what has
12 happened. And just in general, the reduction since
13 then has been 241 million dollars in handle, which
14 includes obviously outbound and live.

15 And what that does is causes a reduction
16 in purse money. It makes us, as tracks, cut back the
17 number of race dates that we have, which further causes
18 reduction in purse money paid out to the horsemen.
19 More horsemen have to look at where they might go in
20 the surrounding states as their purses rise. And it's
21 just a spiral effect.

22 The next slide just shows the continued
23 decline in 2010 and this is through April 25th. The
24 daily live handles have fallen 13 percent, and guest
25 handle -- simulcast guest handle has dropped 14

1 percent. And I can tell you the declines have
2 continued through the balance of the year. A couple of
3 tracks have showed at least a slowing of the declines,
4 but there will be reported declines from virtually
5 every track for 2010 as well.

6 And that has a purse effect that, Marsha,
7 could you kind of review for us?

8 MS. ROUNTREE: Yes. It's
9 self-explanatory here on this slide. But as you can
10 see, we started with 2003. If we went back to 2000,
11 which was probably our best year, the difference was
12 even more significant. But beginning -- if we're
13 comparing 2003 to 2009, we had 332 days of racing, with
14 35 million dollars going to horsemen through purses.
15 2009, we were down to 247 days, with only 24 million
16 going to purses. And so we've effectively lost 11
17 million dollars to horsemen, to purses, to our
18 membership between 2003 and 2009.

19 At the same time our members have left.
20 Our membership has dropped by about 35 percent during
21 that same time period. So not only are Texas horsemen
22 leaving the state. The horsemen in other parts of the
23 country that used to come here and race at our tracks
24 are no longer coming. So we're losing Texas horsemen
25 as well as guests that came from all over the country

1 to participate at our racetracks.

2 2010 is worse. All the numbers aren't in
3 yet because we're not finished with our simulcasting
4 handle for the year. But in this year we're down to
5 207 days of racing. So we've gone from 332 days in
6 2003 to 207 days this year. So 2010 is worse than
7 we've been all throughout this period of time and
8 there's no end in sight. The decline is continuing. I
9 think that most people would agree with me that it's
10 not as significant a downward spiral as it has been
11 over the last two years, but it's still going down.

12 MR. BROWN: And that's kind of
13 highlighted and becomes worse, given what's happened in
14 the surrounding states, which, Dave, could you cover
15 the next three slides, please?

16 MR. HOOPER: In comparing Texas and
17 neighboring states, starting in 2003, Louisiana was
18 paying out \$170,000 per day. That would result in 66
19 million dollars in purses. New Mexico paying out
20 179,000 per day, that's 45 million in purses to
21 horsemen. Texas paying 125,000 per day, which is 41
22 million to horsemen; Arkansas, 233,000 per day, 11
23 million to horsemen; Oklahoma, 68,000 per day, and
24 that's 13 million to horsemen.

25 You can see the map which shows the

1 number of racing days. In 2003 we had 332 days as
2 Marsha stated. New Mexico had 249; Oklahoma, 196;
3 Arkansas, 49; and Louisiana 391. Now, Arkansas is
4 strictly Thoroughbreds. The other four states are
5 Thoroughbred and Quarter Horse days combined.

6 Turning to the next page, Texas and
7 neighboring states, and the last completed statistics
8 are 2008. It shows Texas is no longer competitive.
9 Our handle, horsemen's purses, our racing
10 opportunities, our industry are all moving to our
11 neighboring states at an increasingly rapid pace.

12 Louisiana is now paying 223,000 per day.
13 That's 104,000 -- I'm sorry, 104 million going to
14 horsemen. New Mexico paying 217,000 per day, with 64
15 million going to horsemen; Texas at 130,000 per day, 35
16 million going to horsemen; Arkansas, 281,000 per day,
17 15 million going to horsemen; and Oklahoma, 143,000 per
18 day, 38 million going to horsemen.

19 The pluses -- plus 38 million at
20 Louisiana, plus 19 million in New Mexico, plus six
21 million in Texas, plus four million in Arkansas, plus
22 25 million, those are related to the breed incentive
23 programs, I believe.

24 MR. BROWN: I think those are just
25 changes in the purse level from --

1 MR. HOOPER: I'm sorry. They are, yes.
2 Okay. They are changes in the purse level. Sorry. So
3 we've got plus 38 million in Louisiana, plus 19 million
4 in New Mexico, down six million in Texas, plus four
5 million in Arkansas, and 25 million in Oklahoma.

6 And you can see there's a significant
7 number of -- significant changes in your racing days.
8 From 2003 to 2009, New Mexico has gone from 249 to
9 293. That's plus 44. Oklahoma has gone from 196 to
10 265. There's plus 69. Arkansas was up slightly. They
11 run pretty much the same schedule at Oaklawn each
12 year. They've going from 49 to 52. Louisiana has gone
13 from 391 days to 465, an increase of 74. And we've
14 dropped from 332 days down to 271, a drop of 61, and,
15 of course, that number has fallen off in 2009 even
16 further and in 2010 as well.

17 The next slide shows Texas and
18 neighboring states and it divides in 2003 the
19 percentage of purses paid for the five states in the
20 region. With 177 million dollars in purses, you can
21 see we accounted for 23 percent at that time. You move
22 on to 2008 and we've dropped to account for 14 percent,
23 a drop of nine percent. The other states, with the
24 exception of Arkansas, have all increased their
25 percentage of the total purses paid in 2008, which was

1 255 million.

2 MR. BROWN: That kind of covers a big
3 overview of what's happened in the horse side.

4 Sally, if you could cover --

5 COMMISSIONER EDERER: I have one question
6 for Marsha.

7 Marsha, you made a comment. You said
8 that the loss this past year has not been as dramatic
9 as it has been in the past?

10 MS. ROUNTREE: I don't think the handle
11 has dropped as quickly or in as great of numbers as it
12 has coming --

13 COMMISSIONER EDERER: Is that because
14 it's bottomed out?

15 MS. ROUNTREE: I think we've kind of --
16 we're seeing what we hope is a bottom.

17 COMMISSIONER EDERER: It's not because
18 things are improving.

19 MS. ROUNTREE: No.

20 COMMISSIONER EDERER: I wanted to make
21 that clear. It's just starting to bottom out.

22 MS. ROUNTREE: I think we're crashing so
23 quickly that things -- the bottom is in sight, but I
24 still don't think that we've reached the bottom yet.
25 Do you, Bryan?

1 MR. BROWN: It's kind of twofold. One,
2 on the on-track simulcast side, there are some tracks
3 that are still declining but not declining as fast.
4 However, on the outbound side, sending our signal out
5 around the country, that hasn't really slowed too
6 much. Lone Star's meet was particularly disturbing
7 with the outbound handle.

8 So there's some areas that are continuing
9 to zoom downward quickly and all of our outbound
10 handles have been pretty bad. So -- but we are
11 seeing -- kind of seeing not the light at the end of
12 the tunnel, but a little speck of light somewhere. I
13 don't know how much.

14 COMMISSIONER EDERER: But the speck of
15 light is not because things are improving. It's
16 because we're hitting the bottom.

17 MR. BROWN: Right. Well, hopefully. I
18 don't know that we're hitting the bottom, but we're not
19 going as fast downward. Let's put it that way.

20 COMMISSIONER EDERER: I understand. I
21 understand. Thank you.

22 MR. BROWN: Any other questions on that
23 part?

24 Sally, if you could kind of walk us
25 through the greyhound situation.

1 MS. BRIGGS: Sure. Thanks, Bryan.

2 There's three greyhound tracks in this
3 state, Gulf Coast Racing, formerly Corpus Christi
4 Greyhound Racetrack, Gulf Greyhound Park in La Marque,
5 and Valley Race Park in Harlingen. The number of live
6 races or live race performances dropped from 1,038 in
7 2004 to 472 in 2009 with only -- well, in 2009 there
8 were two of the three tracks running live
9 performances.

10 Since opening in 1992, all of the tracks
11 have lost about 1200 jobs across all three of them.
12 The average number of employees on payroll dropped from
13 590 in 2004 to 333 in 2009. Approximate salaries paid
14 in 2009 was a little over four million -- or right at
15 4.7 million dollars, compared to 2004 was 8.1 million
16 dollars.

17 As you can see by this slide, we've
18 compared the handle from 2004 to 2009 and which
19 includes the track at Corpus because they were running
20 live in 2004. And the handle for the total for all
21 three tracks is down about 45 percent. If we take
22 Corpus Christi out of the equation and eliminate Gulf
23 Coast Racing because they aren't running live right
24 now, the handle is still down about -- the total handle
25 is down about almost 34 percent, right at a little over

1 33 and a half percent.

2 We have looked and looked at the economic
3 devastation to our industry. It's just about the same
4 as it is with the horse industry. Of course, advance
5 deposit wagering occurring in Texas without any benefit
6 to the tracks. The surrounding states benefit from
7 wagering by Texas residents and so we lose the tourism
8 in the local economy.

9 Illegal gambling operations continue to
10 grow across the state. And in Galveston County alone
11 where Gulf Greyhound Park is located, there's
12 approximately 800 illegal gambling machines or more
13 well-known as eight-liners.

14 During the last three years, \$842,000 has
15 been seized from the establishments in Galveston
16 County, with six arrest warrants for illegal gambling
17 promotion, four charged not only in illegal gambling
18 but also with money laundering. There have been nine
19 armed robberies, arson at two sites, a gameroom manager
20 killed, and one customer died from blood loss as a
21 result of an armed robbery in one of the eight-liner
22 establishments in Galveston County, which goes to show
23 that these are not -- do not have the security that we
24 provide at our establishments.

25 The TGA, the Texas Greyhound Association,

1 has some statistics and charts that can be included in
2 the report on their membership, Texas-bred puppies and
3 owner awards, and we'll make sure those are included
4 for the committee report.

5 The other states, about eight or nine
6 years ago there were about 53 greyhound tracks open and
7 today there's 21. States with dog tracks are listed
8 here as well as the states that have -- also have some
9 type of expanded gaming.

10 I'll be happy to try to answer any
11 questions that anyone has.

12 MR. BROWN: Any questions?

13 Well, that brings us to goal setting and
14 what needs to happen to our industry to reverse these
15 trends. And, Rob, could you walk us through the slide
16 on page 14?

17 MR. WERSTLER: Sure. There's not much to
18 walk through. I think everybody in the room realizes
19 what our goals are. We probably all have the same
20 goals. Maybe the way we explain them are a little bit
21 different. As a breed organization, ours are to bring
22 back the stallions and mares that have left the state,
23 increase the amount of accredited Texas-bred foals that
24 keeps declining.

25 You know, a lot of people want to say to

1 us why would we want to save a dying industry. And
2 I've said this before. Our industry isn't dying. Our
3 industry is leaving. And it's pretty much left.

4 I have some statistics that I'll give you
5 here in a minute comparing Louisiana to Texas, the
6 accredited program. But we have lost stallions that
7 were born, bred, and raised in Texas, ran basically
8 exclusively in Texas, and now are standing stud in
9 Oklahoma, Louisiana, New Mexico.

10 These are people that wanted to keep
11 these horses here, but it's a competitive
12 disadvantage. They weren't able to leave those horses
13 here. They were offered way too much money to sell
14 them or they were -- or the stallion programs in these
15 states are so much more lucrative than they are in
16 Texas, they have to. They have to send them.

17 I've also said before the only thing that
18 is saving Texas that has gotten us this far is just how
19 stubborn Texans are. They love to race in Texas. They
20 don't want to leave Texas. I'm telling you. I've
21 raced in several states; and if the things that we have
22 experienced over the last few years were experienced in
23 those states, they would have already folded up the
24 tent. It would be over with.

25 If you have a business that's not horses,

1 it's anything, and it's more lucrative to handle your
2 business in another city or another state, even though
3 you don't want to leave, you're going to have to if
4 you're going to save your business. And that's what a
5 lot of breeders are looking at. That's what a lot of
6 trainers are looking at today.

7 I read an article this morning on the
8 Fair Grounds and they're talking about the horses --
9 the types of races that they have and their racing
10 secretary was talking about bringing in better horses.

11 Now, I agree with Theo. I like betting
12 on cheap horses. I don't know why. It seems like I've
13 always done better betting on cheap horses. But I
14 think 99 percent of the people that bet on horses like
15 betting on the best quality of horses.

16 They have a problem at Fair Grounds now
17 that last year they wrote an average of four
18 Louisiana-bred races a day, restricted Louisiana-bred
19 races a day. The racing secretary says that's too much
20 and the trainers say that's too much. Their leading
21 trainer there for years, Steve Asmussen, couldn't get
22 his better horses in races at the Fair Grounds. So he
23 doesn't have as many horses this year. He sent more to
24 Arkansas at Oaklawn and he's sending more to California
25 this year than he ever has before.

1 People like to bet on better horses. The
2 horses that come to the track that the trainers bring,
3 they bring better horses. They have to be able to get
4 them in. It's really tough trying to draw them
5 nowadays.

6 As far as Louisiana is concerned, let me
7 just give you -- well, I'll give you theirs first.
8 I'll give you the good news first, which is good news
9 for Louisianans. From 1999 to 2009, the mares bred to
10 stallions standing in Louisiana is up 148 percent.
11 Accredited Louisiana-bred Quarter Horse foals is up 118
12 percent. Their sales, the horses that are consigned to
13 their sales, up 228 percent. And here's one that
14 really, really speaks to me. It's out-of-state mares
15 that are boarded in Louisiana to obtain accredited
16 Louisiana-bred Quarter Horse foals. It's up 352
17 percent.

18 I asked the executive director of the
19 Louisiana Quarter Horse Breeders Association to give me
20 the addresses or check addresses on the horses or the
21 mares that are owned, and 255 of those had Texas
22 addresses. So 52 percent of those mares are from
23 Texas.

24 So that just shows you that there are
25 horses being -- are going to those states. And why are

1 they doing it? Because they have higher purses. They
2 have higher breeders awards. They have higher stallion
3 awards. And business is -- it's easier and more
4 profitable to do business in these states.

5 Now, here are ours, accredited Texas-bred
6 foals. Our racing stock was down -- between 2005 and
7 2009 we're down 29 percent. Broodmares are down 10
8 percent and stallions are down 40 percent. So that
9 basically shows you what we are looking at.

10 Our goals, recapture those mares,
11 recapture those stallions, have them start breeding
12 horses in Texas again so we can -- we're back to
13 producing more accredited Texas-breds.

14 At our most previous meet at Lone Star
15 Park -- the Texas Racing Act states that you have to
16 offer two accredited Texas-bred races per day and you
17 don't have to use two per day but you have to average
18 two over the course of the meet. Lone Star Park
19 couldn't -- could not fill accredited Texas-bred
20 races. They were down 50 percent on the races that
21 they wrote for accredited Texas-breds. Now, why is
22 that? It's because we're producing less horses.

23 If anybody has any questions about any of
24 these numbers or I will get them in a clean form and we
25 can put them into the record as well.

1 MR. BROWN: Fine. And I think the thing
2 to add to what Rob said, we're not talking about
3 massive breeding corporations that are moving to
4 Louisiana and that are currently in Texas. These are
5 families. These are family businesses. GE doesn't
6 have a breeding operation. IBM doesn't have a breeding
7 operation or anything similar to those companies in
8 Texas. These are small families, whether it's -- or
9 small operations that are run by families. Even the
10 largest of the breeding operations are run by Texans,
11 by families.

12 MR. WERSTLER: Absolutely.

13 MR. BROWN: And that's Quarter Horse,
14 Thoroughbred, greyhound, and it doesn't really matter.

15 So thank you, Rob. Those are not nice
16 numbers, but we needed to hear them.

17 The final slide, a little bit off
18 subject, but it kind of hits a good point. This is an
19 article or an excerpt from an article from the
20 Thoroughbred Times that talks about what's going on in
21 New Jersey where there's efforts to establish Internet
22 gaming and exchange wagering. And I want to read the
23 quote from Senator Jim Whelan, where he says "Unless we
24 take the necessary steps to bring our casinos and horse
25 tracks into profitability and self-sufficiency, we're

1 going to lose these economic engines and all the
2 benefits they bring to our state."

3 And that kind of hit real hard to what
4 we're looking at and discussing here and I thought it
5 was an excellent quote and we look forward to many
6 similar quotes coming in January hopefully.

7 Anybody signed up to speak on that line?

8 COMMISSIONER EDERER: No.

9 MR. BROWN: Well, now moving toward
10 solutions, the next item deals with the impact that
11 video lottery terminals at racetracks could potentially
12 have. And if we turn to Slide 4, Dave, could you kind
13 of give us a broad overview of what we're talking about
14 here?

15 MR. HOOPER: Thank you, Bryan.

16 You know, I was thinking about the
17 purpose of this study committee and I also had to go
18 back and I had to reflect a little bit. When I moved
19 to this state from Tucson in 1995, I obviously became
20 very aware of its vastness as I crossed into Texas from
21 New Mexico and mile after mile after mile after mile,
22 how vast this state is.

23 As I began to put years on living here, I
24 also became aware of the terrific climate, especially
25 for raising horses. I also became aware that there are

1 more than 50 cities that have 50,000 people or more in
2 population and three major, major metropolitan
3 communities. And I thought, as I drove into Texas and
4 through Texas and circulated around it, how ripe this
5 state was for an extension of off-track betting beyond
6 the racetracks that had been approved.

7 There was an off-track betting bill in
8 1995 that actually had a hundred votes in the House at
9 one time on the totalisator board, but then they came
10 off one by one and then rather quickly and so on and,
11 of course, it never passed.

12 This state also has the Texas Racing Act
13 that strictly prohibits phone betting and it prohibits
14 advance deposit wagering betting and yet there are a
15 number of companies that are taking wagers from
16 Texans. So we've really, really limited ourselves.

17 And then I went back and I thought we've
18 limited ourselves and yet this state still has
19 tremendous potential to be a leading horse industry
20 state. And Kentucky is going downhill. Pennsylvania
21 is taking horses, stallions, broodmares.

22 Pennsylvania's growth is phenomenal. That will be
23 discussed later. So Kentucky, its leadership role is
24 in jeopardy. Some state is going to move forward and
25 be a challenger at some stage and this state does have

1 the potential to do it.

2 As I reviewed Governor Rick Perry's veto
3 of HCR 252 on June 19th, 2009, part of his message
4 directed the TRC, in conjunction with private industry,
5 to fulfill the intentions of the resolution by studying
6 the current state of horse and greyhound racing and
7 breeding in Texas and making appropriate
8 recommendations for the industry. But recognizing that
9 no present Commissioners have been serving since the
10 industry reached a plateau in 2000, I want to provide a
11 brief historical perspective, how we got here.

12 The first two Class 1 tracks were Sam
13 Houston Race Park, which opened in April 1994, and
14 Retama Park, whose opening came one year later, in
15 April 1995. Both stumbled out of the gate when
16 business projections were not met and they were both --
17 they both soon went through bankruptcy.

18 Lone Star Park opened for live racing on
19 April 17th, 1997, and was successful from Day One, in
20 part due to the fact Lone Star, unlike Sam Houston and
21 Retama, had the benefit of 11 months of preopening
22 simulcasting which provided sufficient purse revenue to
23 sustain its Thoroughbred and Quarter Horse meets with
24 no reductions in purses.

25 For the next three years, racing in Texas

1 enjoyed good health and growth. Texas Thoroughbred
2 racing peaked in 2000 but has been in decline for the
3 past 10 years, with the exception of the year the whole
4 world focused on Texas in the fall of 2004 when Lone
5 Star Park hosted the Breeders' Cup world Thoroughbred
6 championships, a great day of racing. Unfortunately,
7 the last five years have produced ever increasing
8 annual declines.

9 How did we get to this point? There are
10 two prime reasons. First, the Texas Racing Act has
11 prohibitions that do not allow the industry to be able
12 to utilize modern technology to foster its growth and
13 revenue streams. Second, Texas is noncompetitive with
14 its neighbor states of Louisiana, Arkansas, Oklahoma,
15 and New Mexico, each of which enjoys significant
16 revenue streams from alternative forms of gaming at
17 their tracks.

18 New Mexico incorporated slot machines
19 into racetrack operations in 1998, Louisiana in 2002,
20 and Oklahoma in 2006, while Oaklawn Park in Arkansas
21 has benefitted from revenue generated by instant racing
22 machines for several years.

23 How far behind our neighbors are we
24 today? I won't roll out a lot of statistics. You have
25 a lot of statistics on a wide sheet that's been passed

1 out today. But I would like to share the purse revenue
2 paid out to the Thoroughbred and Quarter Horse industry
3 in Louisiana and compare it with the purse dollars paid
4 in Texas.

5 In 2009 Louisiana purses for both breeds
6 totaled \$106,253,572, whereas purses paid in Texas
7 amounted to \$30,244,759. The difference is over 76
8 million. Comparing Thoroughbred breed incentive
9 payouts in the two states for Thoroughbreds, the
10 Louisiana Thoroughbred breed incentive program paid
11 owners, breeders, and stallion owners over 23 million
12 in both 2007 and 2008 and it went up to 27,159,509 in
13 2009. And the accredited Texas-bred Thoroughbred
14 program paid out just over \$1,846,189 in 2009.

15 Since the 2010 Thoroughbred racing has
16 ended, I can also testify that the Thoroughbred breed
17 incentive program payouts for this year have declined
18 again to \$1,611,478, which puts Texas that much further
19 behind Louisiana.

20 To further underscore the lack of
21 competitiveness, Louisiana pays more in Thoroughbred
22 breed incentives than Texas pays out in Thoroughbred
23 purses by more than 10 million dollars.

24 The tremendous difference in available
25 purse and breed revenue has caused an exodus of Texas

1 runners, breeding stock, and horsemen. I was at the
2 Fair Grounds last weekend. There was Bob Young, Steve
3 Asmussen, Brett Calhoun, Dallas Keen, Karl Broberg, our
4 leading trainers in recent years, and they're all
5 racing at the Fair Grounds this winter. The decline
6 has also caused a loss of racing days within Texas,
7 causing serious gaps in the racing schedule.

8 On the breeding side there have been
9 significant declines in the number of mares bred, the
10 number of stallions standing in Texas, the number of
11 foals registered with the Jockey Club in the last 10
12 years.

13 Tying into Rob's statistical data -- and
14 you can find this on this one colored page comparing
15 Texas, Louisiana, New Mexico, and Oklahoma. The number
16 of Texas stallions has declined from 2000 to 2009 by 46
17 percent. The number of mares bred has declined by
18 nearly 52 percent.

19 The number in Louisiana has increased by
20 49 percent in stallions. The number of mares bred in
21 Louisiana has increased by 57 percent. In New Mexico
22 the number of stallions has increased 21 percent, the
23 number of mares bred 26 percent. In Oklahoma, there's
24 been a drop-off and that's in part been because of
25 mom-and-pop operations going out of business because

1 better stallions have put them out of business so
2 they've got fewer stallions and a more choice group of
3 mares bred.

4 So you can see these specific
5 statistics. They come directly from the Jockey Club,
6 the national breed registry, which publishes them on an
7 annual basis. But the statistics underscore the depth
8 of the sinkhole that Texas is in.

9 The bottom-line assessment is easily
10 recognizable. Without legislation that will make Texas
11 racing and breeding competitive with its neighbor
12 states in the immediate future, there will be no Class
13 1 tracks capable of continuing to operate in Texas and
14 there will be little or no reason to participate in the
15 Texas-bred incentive program.

16 By contrast, passage of meaningful
17 legislation that will make Texas racing and breeding
18 competitive will result in returning many Texas owners,
19 breeders, and trainers to the state and will also
20 provide a significant influx of out-of-state interest
21 and investment in the agriculture economy in Texas,
22 thereby providing the need for more goods, services,
23 and, most important, jobs.

24 Thank you for your attention and I'd
25 welcome any questions.

1 COMMISSIONER EDERER: I have a couple of
2 questions. Where is the Fair Grounds?

3 MR. HOOPER: New Orleans.

4 COMMISSIONER EDERER: The tracks in
5 Louisiana are -- how many tracks are on the Texas
6 border?

7 MR. HOOPER: The two closest to the Texas
8 border would be Delta Downs in Vinton, which is about
9 seven miles from the Texas border, and Louisiana Downs
10 in Shreveport.

11 COMMISSIONER EDERER: And the other large
12 track would be the Fair Grounds.

13 MR. HOOPER: There are two other good
14 size tracks. The Fair Grounds is the flagship track in
15 Louisiana in New Orleans and then you have Evangeline
16 Downs in Opelousas.

17 And a summary of my remarks is reflected
18 in this situation overview, and I will briefly go
19 through it. The racing industry is facing competition
20 from the surrounding states which all have the benefit
21 of some form of gaming. Significant purse contribution
22 is made by a portion of the proceeds of gaming.

23 The experience in other jurisdictions,
24 racetrack VLT's have been authorized in 15 states. The
25 racing industry in every jurisdiction that has

1 authorized VLT's with a reasonable regulatory framework
2 has been significantly enhanced. Facilities can be
3 constructed quickly.

4 There's significant revenue potential. A
5 combination of temporary and permanent facilities can
6 be implemented. Racetrack VLT's could provide 600
7 million or more in gaming tax over the next biennium.
8 Texas racetrack gaming could generate 77,500 jobs,
9 eight and a half billion in economic activity, and 3.1
10 billion in annual gaming revenue at full
11 implementation.

12 There's a framework already in place.
13 Racetracks are already licensed and regulated by the
14 State. Racetracks have already received local
15 authorization and approval. And facilities are in
16 place in the major markets.

17 Do you want me to continue with the
18 situation overview?

19 MR. BROWN: I think that just -- that
20 next slide just kind of shows some details which
21 everybody can take a look at.

22 COMMISSIONER EDERER: Of course, all of
23 that's being submitted as far as --

24 MR. HOOPER: Yes.

25 COMMISSIONER EDERER: Okay. Good.

1 MR. BROWN: Thank you, Dave. That was an
2 excellent presentation. Thank you.

3 On Slide 7, one of the things that our
4 efforts benefit from is some of the lessons that have
5 been learned in other states and elements of any type
6 of legislation that need to be looked at prior to
7 moving ahead because it's just not a situation, as
8 we've seen particularly in New York and Florida, where
9 a bill can be passed that gives benefits to a track and
10 the track can move along and achieve some of the
11 success as our surrounding states have.

12 The bill has to include a structure that
13 makes economic sense both to the tracks and the
14 horsemen and breeds as well as potentially other
15 agricultural interests.

16 And if you go to Slide 8, this shows some
17 of the various tax rates and purse contributions that
18 are in the specific jurisdictions. The two to note,
19 again, that I mentioned before would be New York and
20 Florida, where in New York there's still a very high
21 tax rate in place; Florida, very moderate. However, in
22 both those states, the initial legislation that passed
23 included much higher tax rates and very little
24 competitive effort to move forward with facilities,
25 which we'll talk about a little bit further.

1 In Texas there is at least an industry
2 proposal which would have tax rates that are in excess
3 of those in the immediate region but well within the
4 range of the others that are in other states around the
5 country, being a 30 percent State tax contribution and
6 12 percent to horsemen, breeds, and other agricultural
7 interests.

8 Slide 9 just shows some of the elements
9 that are in place in the states that surround us. New
10 Mexico has a very, very low tax rate; and as we've
11 seen, the racing quality in New Mexico has improved
12 dramatically in terms of purses, average daily purses,
13 numbers of horses, breeding, everything, with increases
14 in handle to boot.

15 The same thing in Oklahoma where there's
16 a low gaming tax and, in fact, in Oklahoma the lowest
17 in the nation for racetracks. Louisiana has, again, a
18 reasonable tax and horse contribution and great success
19 there as opposed to states that have attempted to have
20 higher tax rates to increase their revenue.

21 The Slide 10 -- and I won't belabor all
22 the details, but it just walks through what happened in
23 some states that haven't been so successful. In New
24 York, with high up-front fees and the initial 70
25 percent tax rate before the bill was -- or the tax rate

1 was changed in a later legislative effort; Indiana, a
2 250-million-dollar up-front fee and no success there,
3 no healthy tracks there; Kansas, with very high rates
4 and no development on the gaming side. In fact,
5 Woodlands racetrack closed and remains closed today
6 even though a bill has been floated and different rates
7 have been talked about. And then Maryland, a very,
8 very high tax rate, currently no projects under way.

9 And we've seen, in some states, high tax
10 rates come into play. Tracks go ahead and get built
11 hoping that the legislation will be changed and then
12 it's either taken years or those rates have never been
13 changed and the tracks have been highly unsuccessful.

14 So there's some different things that can
15 be done, which Slide 11 talks about, with facility
16 types and to get tax revenue going very quickly and
17 they have been successful, particularly in
18 Pennsylvania. This slide talks about having the
19 potential to retrofit the grandstands, which have been
20 done in several instances, where the existing facility
21 is used and modified to get gaming machines and
22 revenues going quickly.

23 A complete renovation and new facility
24 can be done where a facility is built adjacent to the
25 existing facility. There has been some great success

1 with what we sometimes refer to as tents, sprung
2 structures, where preengineered structures are brought
3 into bear and can be put up very, very quickly and a
4 casino could be up and operating very, very soon after
5 a bill and amendment is passed.

6 The stand-alone casinos, as we've seen in
7 several states, particularly Pennsylvania, do take
8 quite a bit longer to construct, in some instances
9 because of bidding processes that are in place to award
10 those casino licenses. In others, it's just the time
11 it takes to build a big, big facility.

12 We know in our state we're going to be
13 looking at a budget deficit in the immediate biennium
14 that will require some quick efforts on the industry's
15 part if the industry wants to contribute.

16 The next several slides just show
17 pictures of gaming facilities at racetracks, and these
18 are important because the racing industry often gets
19 labeled with wanting to construct something that isn't
20 quite as nice as others might have envisioned for our
21 state. And I think we've seen in a number of states
22 that the facilities that have been built have been
23 outstanding, have been, quote, unquote, "Las
24 Vegas-like" and have great appeal to a wide variety of
25 gaming participants.

1 If there aren't any questions on that,
2 Drew Shubeck will be walking through what's happened in
3 Pennsylvania and some of the success we've had here if
4 we could -- is it all right to bring up Mr. Shubeck at
5 this point?

6 COMMISSIONER EDERER: Of course. Just
7 identify yourself and where you're from for the record,
8 please.

9 MR. SHUBECK: Drew Shubeck. I'm the
10 president of Lone Star Park racetrack. And Bryan Brown
11 just enlisted me to explain these four slides about an
12 hour and a half ago, so I --

13 COMMISSIONER EDERER: Then your
14 presentation should be short.

15 MR. SHUBECK: I've got firsthand
16 experience in Pennsylvania. That's probably why he
17 enlisted me.

18 Going backwards, you would think that
19 everything was perfect with the bill when it was --
20 when it was passed July 5th of 2004. But nothing could
21 be more wrong. We had to go back and do some cleanup
22 session a year later because there were some obvious
23 problems.

24 The original bill in Pennsylvania called
25 for Pennsylvania distributors of slot machines. Since

1 no companies like that existed and they don't
2 manufacture slot machines in the Commonwealth of
3 Pennsylvania, that set off a chain reaction of people
4 trying to do startup companies and trying to use
5 political influence to gain licenses and everything.
6 It was tough.

7 Also, in the bill itself, the original
8 bill that was passed, there was some conflicting
9 language about amount of money paid to purses and to
10 local jurisdictions. That was cleaned up as well and
11 it's explained here. I already saw a slide that capped
12 it at 55 percent.

13 Another thing that was problematic with
14 the bill, it called for a 50-million-dollar gaming
15 license that had to be paid. When you do those big
16 up-front payments, companies will pay them, but it
17 takes away from the capital available for the overall
18 project. So it's really like a prepayment of tax and
19 the only way, as a businessman, you can get that money
20 back is to spend less money on a facility.

21 So as in the slide that's up there right
22 now, the first gaming started in November of 2006,
23 which, you know, is a pretty long spread, but these
24 problems had to be dealt with in between. A bill that
25 wouldn't have these types of defects, you would see

1 these ramp-ups happen much more quickly.

2 In Pennsylvania they also had to start a
3 gaming commission, and we've originally proposed in
4 Texas here to wrap that into the existing Lottery
5 Commission, so there would be a quicker ramp-up for
6 that as well because you don't have to create a whole
7 new State agency.

8 I guess I really don't want to get into
9 every line item on here. Everybody can read that on
10 their own. But I think there's some important
11 highlights on the next slide. You can see the
12 roll-out. The bill called for the Thoroughbred and
13 harness tracks in Pennsylvania to get licenses. There
14 were also a couple of unbuilt licenses that Harrah's
15 scooped one up and built one in Chester, Pennsylvania.
16 And there actually is still a license out there that
17 could be dealt with in western Pennsylvania that hasn't
18 been built yet.

19 It also called for a couple of very large
20 slot facilities, one in Philadelphia and one in
21 Pittsburgh. The Pittsburgh one has opened, but the
22 Philadelphia one still hasn't. And again, that goes
23 back to politics. The bill also called for up to four
24 resort licenses, smaller licenses, and there's been a
25 couple of those built as well quite successfully.

1 On the next slide they have the roll-out
2 by quarters and years and you can see, you know, the
3 amount of machines that went online and the revenue to
4 the State.

5 And then the final slide I'm here to talk
6 about really just talks about really different types of
7 facilities. Some facilities were preengineered as
8 Bryan Brown said. Others chose to just build their
9 permanent site out. Like Penn National was the last
10 built racetrack to start up because they've got a lot
11 of gaming experience and they decided that they didn't
12 want to spend a lot of money on a temporary facility,
13 just rebuild their racetrack grandstand and have the
14 casino in it.

15 Does anybody have any questions to direct
16 at me?

17 MR. BROWN: Any questions for
18 Mr. Shubeck?

19 Thank you. Excellent, given the amount
20 of time you had to prepare.

21 MR. SHUBECK: Yeah. Exactly. Thanks so
22 much.

23 MR. BROWN: Starting on Slide 20, there's
24 quite a bit of numbers that attempt to project what
25 VLT's could mean to the state. And on Slide 20, this

1 shows the hopeful conservatism of the projections.
2 These are numbers that were put together by Innovation
3 Group, Sam Houston Race Park, and American Gaming
4 Association.

5 And you can see what's being projected
6 here for the state would be 32,400 VLT's, which, given
7 the population of the state, is quite low. The
8 interesting thing to look at, without going through all
9 these numbers, Oklahoma, Louisiana, and New Mexico have
10 more VLT's per 10,000 people of population than any
11 other state in the nation with the exception of West
12 Virginia.

13 There's a simple answer to why. It's not
14 Oklahomans, Louisianans, and New Mexicans -- is that
15 correct -- generating those numbers. That's Texans.
16 It's Texans that are going over, crossing the border,
17 and gaming in those states which drive up the numbers
18 of machines that those markets can handle. So those
19 are incredibly interesting numbers.

20 And West Virginia the same way. West
21 Virginia is right in the middle of a big population
22 area and so those outside of that state come. Delaware
23 obviously as well.

24 So given ultimately getting the market to
25 32,400 VLT's in the state and assuming some time

1 element for ramp-up, the easing into the full build-out
2 of the number of machines that the markets could serve,
3 this projection shows in the first biennium that more
4 than 600 million dollars could be generated in gaming
5 tax revenue and then around 240 million to purses,
6 breeds, and other agricultural interests.

7 So it clearly shows with some
8 conservative -- hopefully conservative numbers, a big
9 impact can be made on the industry and on the state
10 from a tax perspective.

11 And the final slide on 22 shows, at full
12 build-out, some important numbers. Number one, a total
13 of 3.1 billion dollars in gaming revenue could be
14 produced. That would result in about 922 million in
15 tax revenue to the state assuming a 30 percent tax rate
16 and 360 million to purses, breeders, and other
17 agricultural interests.

18 That would further have an added economic
19 impact figuring what would be lost from potential
20 lottery sales suffering due to gaming coming but added
21 back in some additional gaming impact or additional
22 economic impact from the gaming, with a net total
23 economic impact or tax impact to the state of 967
24 million dollars. And that doesn't include the actual
25 economic impact that would occur beyond that. That's

1 just on the tax side.

2 Any questions on that?

3 Okay. We have two remaining items. One
4 is a presentation on instant racing and then one on
5 exchange wagering. So if you could refer to the
6 separate package on instant racing.

7 We talked a little bit about the increase
8 in purses that Arkansas has seen, both total and
9 average per day. I believe Oaklawn Park, which is the
10 only horse track in Arkansas, has not changed their
11 number of race dates in many, many years, or not
12 changed it significantly at least, and so their average
13 daily purses have gone up quite a bit in the past few
14 years. That's, in part, to instant racing and also
15 poker machines at the track.

16 Instant racing, I know some of you have
17 some familiarity with it. It's a wagering system where
18 there are tens of thousands of races banked in a
19 system. These are previously run races. And players
20 within the system can wager on those previously run
21 races.

22 Now, you'd have to have a really good
23 memory to be able to take advantage of the fact that
24 these races have been run because you won't know where
25 the race was run that you will be looking at on the

1 machine that you would be in front of, when it was run,
2 or any of the horses by name that will be run.

3 What you are given, as a player, is
4 statistical information on each horse in the race.
5 That could include trainer information, for instance,
6 the winning percentage that those particular trainers
7 had experienced lifetime and the past year. It could
8 give winning percentages for the owner, for the horse
9 itself. It could be a variety of information that you
10 will see on each horse.

11 You take that information and you select
12 a horse to wager on. And then you select the type of
13 wager that you would like to make on that horse. You
14 push a button. Then that machine will replay part of
15 that race for you and you'll see whether you won or
16 not.

17 You are betting into significant,
18 hopefully, pools where -- I'm going to make it overly
19 simple. But let's say you bet a horse to win. Your
20 bet will go into the win pool of all those people
21 around you who are betting on different previously run
22 races; and if you are the only person that won in that
23 pool, which gets recalculated over a period of seconds
24 or quicker, you would win a lot of money. If everybody
25 in the establishment wins in that win pool, you will

1 receive a little bit of money. So -- and then most of
2 the time the payoff is somewhere in between.

3 So you're betting pari-mutually against
4 all the players in that facility and you're doing it
5 very quickly, I guess, is the best way to describe it.
6 So it appeals to people who have some interest in
7 racing and it appeals to those that like to see a quick
8 payoff, that don't like to wait 23 minutes between
9 races.

10 It's been enormously successful in
11 Arkansas, at both Oaklawn and Southland greyhound
12 facility. Oaklawn is in a town of 30,000 people, which
13 we'll go over, so it's amazingly successful in a small
14 town.

15 You can see, after the pretty picture of
16 people having fun --

17 MR. CHILDS: Did you want me to go back
18 to that for a second?

19 MR. BROWN: That's okay. It does look
20 better in color.

21 You can see in Oaklawn, with just 353
22 machines, they've experienced average daily win per
23 machine of \$173. That's lower than what you might
24 expect with a slot machine at a racetrack, but it's
25 still pretty doggone good. The net win, which they

1 refer to as commission, is 21 million, what we would
2 equate to as net win at a gaming facility. It is 21
3 million dollars. Of that, 3.2 million dollars applies
4 to purses.

5 Go to the next slide. The interesting
6 thing about what's going on in Arkansas, Oaklawn is in
7 a very, very small town. The wagering through this
8 system is processed through the same tote system that
9 handles racing wagers, so it's a system that can be set
10 up fairly quickly and the infrastructure, for the most
11 part, is already in place.

12 The most interesting thing that we found
13 looking at this, Oaklawn began installing poker
14 machines in 2006. Yet in 2009 instant wagering reached
15 its highest revenue levels ever. So poker machines did
16 not hurt instant racing. They may have complemented
17 it. But the folks at Oaklawn have said that many
18 people come and play both types of machines in addition
19 to playing the races as well.

20 So it's just a broader overview. Any
21 questions on that?

22 The final item in the agenda, Item VI, is
23 a presentation on exchange wagering. We're thankful to
24 have John Hindman from TVG here to walk us through what
25 exchange wagering is. By the way, I described it at

1 the last Commission meeting as betting in the
2 commodities market.

3 MR. HINDMAN: That's one way to describe
4 it.

5 MR. BROWN: Is that close?

6 MR. HINDMAN: That's one way to describe
7 it.

8 COMMISSIONER EDERER: For the record,
9 please identify yourself.

10 MR. HINDMAN: Sure. My name is John
11 Hindman. I'm counsel to Betfair and TVG here in the
12 United States. Thank you very much, first of all. We
13 very much appreciate the invitation to come speak to
14 you today and know that you're putting everything on
15 the table to help the industry. So we appreciate you
16 looking at all the different aspects and all the
17 different avenues available to people.

18 And I just wanted to say, now that I've
19 had a chance to come down here and learn a little bit
20 about it, if you would like to use our company as a
21 resource in any way as you move forward, be it data or
22 information that we may have that may be helpful to you
23 or expertise, for instance, in the -- on the exchange
24 wagering side, Betfair created the first exchange; and
25 on the ADW side, I've been doing ADW legislation with

1 TVG for about 11 years now, so I'd be happy to help in
2 any way that we could.

3 Being an outsider -- and I won't harp on
4 what I've heard today. But a lot of people have said
5 that aside from the VLT issue, the other big issue
6 facing Texas racing is a distribution issue, that
7 there's a very large state with very few places you can
8 currently bet on the product.

9 What our companies do, Betfair and TVG,
10 is we basically distribute horse racing. That's our
11 main business area for both companies, using
12 technology. So first, Betfair was created in 2000 in
13 the United Kingdom. It was created by a trader, a
14 stock trader, and a technician who were both horse
15 racing fans. And so basically the easy way to put it
16 is it's like an eBay of horse racing. It's true
17 peer-to-peer wagering, where people can wager against
18 each other in a very simple way.

19 If I think -- it's only win, place, and
20 show betting only, first of all. If I think a horse is
21 going to win and I'd like to get six to one odds, I can
22 post that wager on the exchange; and if Bryan thinks
23 the horse is going to lose and he's willing to give me
24 six to one odds, he can lay that against that bet,
25 which means he can bet that the horse will not win or

1 have the opposite outcome.

2 It seems very simple, but actually the
3 reason why it's become so popular -- as we go through
4 the slides, you'll see it becomes so popular with
5 different demographics than racing traditionally has is
6 because it allows you to do many different things that
7 you can't do in the current pari-mutuel system today.

8 You can hedge positions. You can trade
9 in and out of positions. You can lock in profits on
10 races. So it opened up kind of this whole new
11 atmosphere for the existing racing product and it's
12 been enormously successful.

13 Betfair has three million customers
14 worldwide. It does more transactions per day than the
15 New York Stock Exchange. And again, it was started on
16 horse racing. So it's a very -- it's the most
17 innovative new product I think -- obviously I work for
18 the company. I'm a bit biased. But I think most
19 people would say it's the most innovative new product
20 probably in the world for horse racing in the last few
21 decades.

22 TVG -- Betfair, by the way, has never
23 taken wagers from U.S. residents and didn't have a
24 presence in the U.S. until it purchased TVG in 2009.
25 TVG is two things. Number one is its television

1 network that distributes only horse racing and we
2 distribute it 24 hours a day on major cable and
3 satellite companies throughout the country, including
4 Dish Network, DirecTV, and many others, in 35 million
5 homes today, between 35 and 36 million homes. And that
6 shows racing from all over the country, including even
7 the Texas tracks, such as Retama and Sam Houston.

8 And then TVG is also an ADW company, one
9 of the leading ADW companies in the United States. We
10 accept wagers from 18 states. We're the most
11 conservative ADW company in the country. We have never
12 accepted wagers from Texas, for instance. And this
13 year TVG will do about between 625 and 650 million
14 dollars in total handle from those 18 states.

15 TVG will return between 75 and 85 million
16 dollars in revenue to the racing industry comprised of
17 host and source market fees which Mr. Brown was
18 referring to earlier. And those are generally divided
19 equally between the racetrack and the horsemen's
20 group.

21 So it's been a real positive growth story
22 for racing. This year, for instance, we just announced
23 for the Breeders' Cup we were up 25 percent. TVG
24 generally this year has been up in the 20 percent
25 range, where the racing industry as a whole is down in

1 the six to nine percent range, I would say, overall in
2 the United States. So it's a good growth story.

3 Moving forward, I wanted to explain a
4 little bit more about exchange wagering as Bill had
5 asked me to do today. And also I just wanted to say we
6 have a DVD that is much more dynamic in showing you the
7 product than I can be here today, so I will definitely
8 send Bill copies of that for all of you to watch at
9 your convenience if you'd like.

10 So what is exchange wagering? Well, the
11 big thing about exchange wagering is it allows people
12 to bet directly against each other; and the major
13 difference between traditional pari-mutuel wagering and
14 exchange wagering is the customer gets to set their own
15 odds.

16 With traditional pari-mutuel wagering,
17 people are betting against each other into pools, but
18 the odds are determined by the amount bet on each
19 entrant in the race at the time the race goes off. So
20 the customer doesn't have any control over what the
21 odds end up being and really sometimes can't even
22 predict what the odds will be.

23 With exchange wagering, at the time you
24 place your wager, you have set your odds; and if
25 another person comes along and matches your wager on

1 the exchange, you basically have a contract with that
2 person, where the odds for the wager are set at that
3 time. So it could be a day in advance. It could be
4 six months in advance. It could be the day of the
5 race. It could be as the race is about to go off.

6 And then the other thing that Betfair
7 also has that's very unique is it has in-race wagering,
8 which wagering -- the market stops when the race goes
9 off and a new market opens up when the gates open up
10 and people can bet on horses against each other
11 throughout the race as it's occurring until the horses
12 cross the finish line. So that's another innovation.
13 That's about 25 percent of -- 20 to 25 percent of
14 Betfair's total business is actually the in-race
15 wagering and it was the first company to do that.

16 So aside from the fixed price and the
17 matching and in-race wagering, the other point that I
18 think is important is it is intended to complement the
19 existing tote wagering in the United States. It's not
20 a replacement for it. It's not a replacement for it
21 for a couple of different reasons. Number one is --

22 COMMISSIONER EDERER: We wouldn't be
23 interested in a replacement.

24 MR. HINDMAN: That's right.

25 COMMISSIONER EDERER: So go ahead. And

1 how will it complement it and what is the -- what is
2 the benefit to the racing industry in the State of
3 Texas?

4 MR. HINDMAN: I'll get to that in a
5 moment, sir.

6 COMMISSIONER EDERER: Okay.

7 MR. HINDMAN: So basically it complements
8 it because the majority of the wagering in this
9 country, 75 to 80 percent of it, depending on the given
10 meet or anything else, is exotic wagering, trifectas,
11 Pick Fours, exactas, those types of wagers. This
12 product doesn't even offer that.

13 What this product is doing is bringing in
14 players that are not currently investing in the
15 pari-mutuel system today because of the limitations in
16 the system, they don't like the pricing model, those
17 sorts of things. It brings them into horse racing; and
18 once they're there, they also take advantage of exotic
19 wagering which they're not currently participating in.

20 And a good example of that is, for
21 instance, they have Pick Sixes in England; and on days
22 when Pick Six carryovers get high in the country, 40
23 percent of the total handle on the Pick Six through the
24 tote that day is from Betfair exchange wagers, exchange
25 wagering players throughout the entire country.

1 The other big advantage that it has in
2 terms of complementing the tote system and drawing
3 people into horse racing is it has a -- it skews a
4 much, much younger demographic. So on this slide --
5 and I apologize. I don't have paper with me today.

6 If you look at -- if we compare TVG's
7 demographics, which probably has amongst the youngest
8 demographic in horse racing in the U.S. as an ADW
9 company -- with Betfair, you see a huge difference.
10 For TVG, 49 percent of our players are age 50 or over,
11 which I think skews a little younger than most of horse
12 racing, but still it skews upper age brackets.

13 With Betfair, 81 percent of their players
14 are under the age of 50 and 19 percent are over the age
15 of 50. So it really is a much younger demographic that
16 racing has sought for many years to attract and needs
17 to attract for its long-term survival. And this has
18 proven that it will attract the younger demographic.

19 So the benefits to Texas horse racing
20 obviously are the expanded distribution, attracting new
21 customers to the sector, growing revenue to the
22 industry and the stakeholders. And for instance, Bill
23 had asked me to talk a little bit about the California
24 experience. California was the first state to pass
25 legislation enabling exchange wagering this last

1 session and New Jersey is close to passing legislation
2 as well.

3 The way that the California legislation
4 works is a lot like what Bryan was describing with an
5 ADW law. No exchange wagering can take place by a
6 licensee unless they have the permission of the track
7 and the horsemen's group at the track that's running
8 live in the area of the state -- it's divided into two
9 areas in California, northern California and southern
10 California -- in the area of the state where the
11 customer lives.

12 So that ensures that the revenue split is
13 sufficient enough for the track and the horsemen to
14 think it's worth giving exchange wagering a try and
15 they'll receive sufficient revenue from it. And there
16 are no guarantees in the California legislation. If
17 the track and the horsemen aren't satisfied with it,
18 there won't be exchange wagering. So that basically is
19 the model that we're putting forward in the United
20 States. It's different than the model in the United
21 Kingdom, which I'll go over in a second, which has been
22 beneficial to that country as well.

23 And the other thing that actually
24 exchange wagering has done, which we'll talk about a
25 little bit more here in a minute, is it actually has

1 advanced integrity monitoring for the sport. In the
2 current tote system today, most of the wagering is done
3 on an anonymous basis. With exchange wagering, we know
4 who every customer is who's playing.

5 And we also have real-time monitoring
6 systems that monitor each and every transaction as
7 they're made. And those monitoring systems are
8 provided to regulators on a complementary basis so that
9 they can analyze it themselves in real time, set
10 whatever flags or warnings that they would like for the
11 race, and take action based on that information as
12 well. And we also have MOU's with the regulators so
13 that they can get additional data on players and
14 transactions that they'd like as well.

15 So the impact on horse racing, the best
16 case study we thought to present was in the United
17 Kingdom where it was introduced for the first time.
18 Over the first 10 years of exchange wagering, the levy,
19 which the levy system is how the racing industry gets
20 paid through a tax system through the Government,
21 increased 54 percent. The number of horses in training
22 increased 19 percent. The number of owners increased
23 nine percent. Total prize money increased 54 percent.
24 Racecourse attendance increased 10 percent. And the
25 number of races conducted increased 26 percent.

1 Also, we have the largest compliance and
2 integrity program in the industry with a
3 know-your-customer program that continually confirms
4 all of the identities of each customer during the life
5 of their account as they're playing. We have a fraud
6 team that works in close relationship with the
7 regulators that operates 24 hours a day, 365 days a
8 year. And we also have a responsible gambling policy
9 that sets out our commitment to minimize the negative
10 effects from gambling as well.

11 And this is a quote from the lead
12 regulator in England talking about what betting
13 exchanges did for the industry there. It says "The
14 real watershed for racing was the betting exchanges
15 because they didn't cause the corruption, they brought
16 it out into the open and exposed what was already
17 there."

18 And that comes from those types of
19 systems that we're talking about that aren't currently
20 available to regulators in this country today that
21 allow the regulator to really see what's going on and
22 really track the activity in real time and take action
23 if there is any fraud involved.

24 So the last slide was a legislative
25 proposal or what we thought was important. And Bill

1 asked us to talk about, you know, ADW and exchange
2 wagering together. I think it does go together very
3 well because they are products that allow the full
4 complement of services to a player over the computer
5 and that's where a lot of players want to play today is
6 over the computer, so they can play both the tote and
7 the exchange simultaneously on a single site, and it
8 gives them the full ability to do so.

9 What legislation also obviously does is
10 allow the Texas Racing Commission to license and
11 properly regulate the activity. You know, I can tell
12 you, we would obviously be very pleased, for instance,
13 if Texas adopted an ADW legislation because we're not
14 currently here and have no plans to come here unless
15 Texas does.

16 But there are some others that won't be
17 quite as happy. And that's because there is a lot of
18 activity occurring in this state today and it really
19 would be beneficial if the state could license it,
20 regulate it, and ensure, most importantly, the tracks
21 and the horsemen are properly compensated.

22 That will also expand the distribution of
23 the product in the state, capture the revenue back for
24 the racing industry, and provide best practices for
25 integrity programs, AML procedures, and oversight.

1 So I'd be happy to take any questions
2 that you have and again extend a thank you for the
3 opportunity to speak to you today and also look forward
4 to any continuing cooperation we can give you in this
5 process.

6 COMMISSIONER EDERER: Be sure and get us
7 the videos that you were talking about.

8 MR. HINDMAN: I will. I'll leave the
9 copy that I have with Bill before I leave today and
10 then I'll send one for each of you.

11 MR. BROWN: John, is the takeout and the
12 other components of handle somewhat similar in exchange
13 wagering as it is to normal pari-mutuel wagering?

14 MR. HINDMAN: Thank you for asking the
15 question. That is another difference between
16 traditional pari-mutuel wagering through the tote and
17 exchange wagering. With traditional pari-mutuel
18 wagering, as you know, takeout is taken off of every
19 dollar wagered. With exchange wagering, takeout is --
20 or the commission is charged for the net winnings that
21 a player has on a given market.

22 So if you lose on a race, you don't pay
23 anything. If you win, you pay a percentage of your
24 winnings for that market. And the market is, you know,
25 the win market on the race or the place market on the

1 race or the show market on a race.

2 And that system, what it does is it very
3 much encourages volume because trading is what makes
4 the exchange dynamic, what makes it very good. So you
5 don't want to penalize people for lots of activity
6 because there might be a person who, you know, is
7 betting, you know, a thousand dollars on a race on the
8 same horse to win and lose in different percentages to
9 make 500 on that race. So you want to encourage that
10 person to do that because the more activity, it makes
11 the market more dynamic and it allows more people to
12 participate in the way that they want to participate.

13 MR. BROWN: And you and I have discussed
14 New Jersey. Are there some other states that you're
15 finding success, at least getting through some of the
16 early portions of the legislative process?

17 MR. HINDMAN: We are looking at a couple
18 of other states. Quite frankly, California and New
19 Jersey took up a lot of our time this year in terms of
20 those two processes. But there are a number of other
21 states that are looking at it in the early stages that
22 are significant racing states.

23 And I think it's not coincidental that
24 the first two states, you know, to embrace it were
25 major -- were just like this one, were major racing

1 states, and in those states they don't have VLT's or
2 slot machines and there's very little hope that those
3 tracks are going to get VLT's or slot machines any time
4 in the near future. So in those states, they really
5 need to find ways to innovate and sell the horse racing
6 product because that's all those tracks have. And we
7 think we're part of that solution. We're part of
8 helping the racing industry sell horse racing better
9 and distribute it both via television and over the
10 Internet.

11 Any questions?

12 COMMISSIONER EDERER: I look forward to
13 the DVD.

14 MR. HINDMAN: Thank you.

15 MR. BROWN: Thank you for coming. And
16 we're really proud -- it shouldn't go unnoticed that
17 TVG is one of the few ADW's who has chosen not to come
18 into our state and honor the laws that we have, and
19 others have not been so kind.

20 MR. HINDMAN: Appreciate the
21 recognition. Thank you.

22 COMMISSIONER EDERER: Anything further,
23 Bryan?

24 MR. BROWN: No.

25 COMMISSIONER EDERER: Is there any public

1 comment on anything at this point in time? No one has
2 submitted anything?

3 I just had a couple of comments. Any
4 supplements that you -- again, these --

5 MR. CHILDS: Sorry about that. I had to
6 turn the projector off. Sorry.

7 COMMISSIONER EDERER: The report is due
8 January the 11th. And of course, it's the industry
9 primarily that's going to be writing the report. The
10 Commission can support the report and can assist you;
11 but the Commission, as I understand it, cannot make any
12 recommendations. Is that correct?

13 MR. FENNER: Yes, sir.

14 COMMISSIONER EDERER: However, we can
15 give you all assistance that is available to you. So
16 as I stated earlier, all of the folks in the audience
17 here that are part of the Commission, you know, if you
18 need any of their assistance, don't hesitate to call on
19 them. Of course, if for some reason you're not getting
20 the assistance that you want out of the Commission,
21 then talk to Commissioner Pablos about it, the
22 chairman. Don't call me. No. But that will be very
23 important.

24 Now, I suggest -- and you all might want
25 to get together and make your own suggestion. But I

1 suggest that any supplements to what has been said in
2 the first meeting and in this meeting be submitted to
3 the various associations no later than the 16th of
4 December because we're on a short fuse here. So that's
5 only, what, 12, 14 days away. I don't even know what
6 day it is today. So it gives everybody about two weeks
7 to get any supplement.

8 I suggest you also, the associations,
9 begin the writing -- which I'm sure you probably
10 already have. I know that you already have. I suggest
11 that by January the 6th you have your formal
12 presentations ready to go and get them to the -- try to
13 get them to the Commission before then.

14 Now, primarily what we will be doing is
15 looking for legal technicalities, for --

16 MR. FENNER: Providing technical
17 assistance.

18 COMMISSIONER EDERER: Right. Any type of
19 technical assistance is primarily what the Commission
20 will be doing. So don't expect the Commission to be
21 writing the report, because they're not going to. This
22 is one that you guys have to put together. And then,
23 like I said, on the 11th, that's drop-dead day, so
24 we've got to have it to them by then.

25 I did have a couple more comments that I

1 wanted to make. Just that I -- it was not addressed
2 today, but I feel it was addressed in the first, and
3 that is the effect that racing has on the travel
4 agency -- the travel industry. Excuse me.

5 The travel industry, of course, brings
6 huge revenue to the State of Texas and, you know, the
7 travel industry in Louisiana, if it wasn't -- I mean,
8 the benefits that that travel industry is making as a
9 result of racing in Louisiana has to be huge and very
10 significant. And also the number of jobs I don't think
11 was mentioned here or, if so, it's just kind of in
12 passing. It seems to me that the jobs are very
13 important. And of course, the revenue for the State is
14 most important.

15 And there was one comment that I also
16 think that's -- maybe it's because of my background.
17 You made the comment -- Sally made the comment, I
18 believe, about the problems with law enforcement and
19 the robberies and the this and the that and the other
20 as a result of the illegal eight-liners.

21 And I know that you -- I've heard you,
22 Bryan, make a presentation, and it's a very brief
23 presentation, that when Retama Park first came into
24 existence, the objections were that it would bring an
25 element to the city and to the area that would be not

1 satisfactory. Tell us just briefly about that. I
2 think that's important to get that on the record.

3 MR. BROWN: Sure. Just as we all hear
4 now about new gaming opportunities and what bad things
5 will come along, when Retama was first being thought of
6 and certainly the Racing Act was being debated in the
7 Legislature, there were all kinds of accusations about
8 what would occur that came up, prostitution and
9 organized crime being the two biggest that were heard a
10 lot.

11 And I can tell you just from the
12 experience of Retama -- number one, we don't have
13 prostitutes; and if we have organized crime, I'm a part
14 of it and I don't know it. So we're not very well
15 organized at least.

16 But what has happened at Retama, Sam
17 Houston to a large extent as well, and certainly to an
18 extent at Lone Star is the area has grown around us in
19 spite of all these bad things that were going to
20 happen. Retama was not absolutely in the middle of the
21 country. It certainly wasn't when it was built. But
22 there was nothing around it. There was the old Selma
23 city hall across I-35 which had turned into a
24 restaurant and not much else. There were not
25 residential developments. There weren't

1 amphitheaters. There was not retail development. We
2 had to drive quite far to go to lunch if we didn't go
3 to our track kitchen.

4 And if you look at Retama today, directly
5 across from the barn area is a home subdivision; on the
6 other side of the street, another home subdivision.
7 And this is Centex and Pulte who are national home
8 builders who look at all types of issues before they
9 invest in a particular area. And they certainly looked
10 at the racetrack and I think eventually looked at the
11 racetrack as a positive, not a negative.

12 The amphitheater was built right across
13 the street. The Forum shopping center was built across
14 I-35, which is one of the largest shopping centers in
15 the State of Texas, with enormous success.

16 So all these bad things that were going
17 to happen were actually not only untrue but quite the
18 opposite. The racetrack was looked at as a very good
19 neighbor. We make regular presentations at the Selma
20 City Council. Residents are free to get up and throw
21 rocks at us and mud balls and they don't. And they're
22 also free to come to our board members -- board
23 meetings, which are public, and they don't come because
24 there's no problems to discuss. And a lot of residents
25 are retired and have plenty of time on their hands, so

1 they certainly could come.

2 But Retama, the other tracks as well,
3 have been great neighbors, have brought economic
4 growth, have brought new development, and, in addition
5 to that, have not brought crime. Our police chief
6 often is quoted as saying that there's more crime at
7 Walmart than at Retama. We have 24-hour security in
8 the parking lot, in the building and parking lot. So
9 the tracks, the casinos in other states go to great
10 lengths to keep that element out and spend quite a bit
11 of money to keep it out and are very sophisticated
12 about it.

13 So thanks for asking the question. It is
14 very important on all these issues that we're looking
15 at.

16 COMMISSIONER EDERER: Now I guess it's --
17 the work begins, you know. We've had our meetings all
18 summer long and now. And now, of course, with the
19 Legislature coming in, now the hard work begins for the
20 industry to put it all together.

21 I thank all of you for your participation
22 over the summer and for today. And this meeting --
23 yes. You had one point?

24 MR. HOOPER: Mr. Chairman, I think we
25 also should put into the record that there have been

1 meetings taking place of industry groups and that we
2 reached a historic milestone in that we already have a
3 draft bill to legalize video lottery terminals at Texas
4 tracks to be introduced in the 2011 session of the
5 Texas Legislature and the respective track
6 organizations, the respective breed organizations, and
7 the horsemen's organization have all signed off on the
8 provisions in the bill.

9 So we have one bill and we have agreement
10 on the provisions, which puts us months ahead of where
11 we have ever been before.

12 COMMISSIONER EDERER: Like I said, now
13 the work begins.

14 All right. Anything further?

15 This meeting is adjourned.

16 (Proceedings concluded at 1:16 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 10th day of December, 2010.

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