BEFORE THE

TEXAS RACING COMMISSION

AUSTIN, TEXAS

COMMISSION MEETING

DECEMBER 18, 2012

BE IT REMEMBERED that the above entitled matter came on for hearing on the 18th day of December, 2012, beginning at 10:31 A.M. at the John H. Reagan Building, 105 West 15th Street, Austin, Travis County, Texas, and the following proceedings were reported by SHERRI SANTMAN FISHER, Certified Shorthand Reporter for the State of Texas.
APPEARANCES

Commissioners:  ROBERT SCHMIDT
                RONALD F. EDERER
                MIKE MARTIN
                GLORIA HICKS
                GARY P. ABER
                JOHN T. STEEN, III
                ANN O'CONNELL
                ALLAN POLUNSKY
CHAIRMAN SCHMIDT: Good morning. I'd like to call the December meeting of the Texas Racing Commission to order. Merry Christmas. Seasons greetings. This will be the last meeting of the year. The time is 10:31.

Mrs. Norwood, could you please call the roll call?

MS. NORWOOD: Commissioner Ederer?

Vice-Chairman Ederer: Present.

MS. NORWOOD: Commissioner Polunsky?

Mr. Polunsky: Here.

MS. NORWOOD: Commissioner O'Connell?

Ms. O'Connell: Here.

MS. NORWOOD: Commissioner Hicks?

Commissioner Hicks: Here.

MS. NORWOOD: Commissioner Weinberg?

Commissioner Martin?

Commissioner Martin: Present.

MS. NORWOOD: Commissioner Steen?

Commissioner Steen: Present.

MS. NORWOOD: Commissioner Aber?

Commissioner Aber: Here.

MS. NORWOOD: Chairman Schmidt?

Chairman Schmidt: Here.

Carolyn, do we have a quorum?
MS. NORWOOD: Yes, sir.

CHAIRMAN SCHMIDT: Public comment. Has anyone turned in a testimony card requesting to provide public comment? None, Jean?

MS. COOK: No.

CHAIRMAN SCHMIDT: Okay. We'll move forward. General business, reports by the executive director and staff regarding administrative matters, budget and finance update.

Mr. Jackson?

MR. JACKSON: Good morning, Commissioners.

Commissioners, on pages one and two of your agenda packet, you will find the agency's fiscal year 2013 operating budget reflecting revenue collections and expenditures as of October 31st, 2012. As of this date, the agency has collected 3.46 million in revenue and has expended 1.18 million of its budget authority. We're looking good and things moving forward are in line with what we had projected and presented to you with the operating budget and the legislation appropriation request earlier this year.

If you have any questions, I'll be happy to answer them.

CHAIRMAN SCHMIDT: Thank you.
Any questions of Mr. Jackson?

Racetrack inspections. Mr. Blodgett?

MR. BLODGETT: Good morning,

Commissioners. Jim Blodgett, director of investigations, Texas Racing Commission, providing the information that is included also in your packets.

For a period of time of September the 7th to December the 1st, we conducted a total of 18 investigations -- or 18 inspections at the racing facilities. The area of inspections included administration, racing judges, racing stewards, veterinarian, safety and security, and wagering.

Of those inspections conducted, 50 percent were random, 39 percent scheduled, and 11 percent follow-up to resolve other issues.

I'd be happy to answer any questions.

CHAIRMAN SCHMIDT: Thank you, sir.

Any questions of Mr. Blodgett?

Okay. Thank you, sir.

Wagering statistics. Mr. Jackson again.

MR. JACKSON: Thank you again,

Mr. Chairman.

Commissioners, on pages four through six of your agenda packet, you will find the report on wagering statistics for the periods of January 1st
through December 9th for both 2011 and 2012. The report reflects that 2012 total wagering activity has increased at the horse racetracks by 1.34 percent but has declined at our greyhound racetracks by 7.59 percent.

If you have any questions, I'll be happy to answer them.

CHAIRMAN SCHMIDT: Any questions of Mr. Jackson? It's really self-explanatory.

Thank you, Mr. Jackson.

And then enforcement report, Mike Gougler. Mr. Gougler?

MR. GOUGLER: Good morning, Commissioners.

Under Tab III-D you'll find the enforcement report. The numbers for the current year run through November 30th. They are consistent in every category with last year because of similar race dates. The only difference is the number of new licenses, the number of renewals, and that's based on the fact of sunset changes where we no longer license people on the front side.

I'd like to take this opportunity also to acknowledge and thank the Texas Department of Public Safety, Grand Prairie Police Department, and the
security staff at the various racetracks for their cooperation in assisting us during this past year. We got a real good level of cooperation from all the entities and I just want to recognize them. Thank you.

I'll answer any questions that you might have.

CHAIRMAN SCHMIDT: That's a very good point. A very good point. Thank you.

Any questions?

Okay. Moving on, legislative proposals by the Texas Racing Commission to the 83rd Texas Legislature.

Mr. Fenner, can you bring us up to date?

MR. FENNER: Yes, sir.

Commissioners, what we've included in your packet -- the individual proposals begin on page 10 -- are a series of proposals for legislative change that staff has worked on. I'd like to go through them and lay them out for you. We're looking for guidance and, if you are in support of these individual proposals, your endorsement and support of them for us to take to the Legislature.

On page 10 is a change to add the definition for a handicapper tournament and also to
amend the definition of handicapper. The reason this is being brought forward is because handicapping tournaments are pretty popular around the country, but we do have a problem with holding them here in Texas if there is going to be an entry fee because the entry fee itself is a type of wager but it is not a pari-mutuel wager. So this definition would endorse the concept of a handicapping tournament that charges a fee at the racetracks.

Do you have any questions about that one?

The second proposal, on page 11, would eliminate the 50 percent -- the requirement that 50 percent of the kennels on a greyhound association's grounds be wholly owned by Texas residents. Now, this change is due to a business issue where the greyhound tracks are having difficulty finding sufficient kennel owners that are Texas residents to fully supply greyhounds for their facilities. So this change would be -- is in response to a business problem, just to eliminate the 50 percent Texas ownership requirement for kennel greyhounds -- greyhound kennels.

The change on page 12 would amend the Section 14.16, Racing Without a License. Currently it's an offense -- it's a third degree felony offense
for a person to conduct a greyhound or horse race
without a racetrack license and that person knows or
reasonably should know that another person is betting
on the race. Now, the problem is proving up that the
person knows or should know that betting is going on.
Frequently it requires undercover work by the
Department of Public Safety.

What they have done in other states,
Oklahoma in particular, is they've broadened it so
where it's a crime to hold a race and either know that
there's betting going on or supposed to know that
betting is going on or if you're charging admissions
fees or parking, for programs or concessions, to
basically a for-profit public exhibition of racing.

So this would expand that definition to
include that type of situation. It would make it a lot
easier for law enforcement to go in and build a case.

The change on page 13, to impose criminal
penalties for unlawful wagering. We have -- we have
had in the past companies and we are down to one
company now that's accepting wagers on racing and,
frankly, admitting that they're doing it. And they're
not a racing association. They're doing it over the
Internet. And it makes it difficult to impose criminal
sanctions or pursue prosecution by a District Attorney
under the way it is right now because unlawful wagering, while we have this section in our statute, it's in the wagering section. It is not in the criminal offenses section of the statute.

So what this would do is move this section from wagering to criminal offenses and it would define the criminal offenses associated with that. Those who are placing their bets, the patrons who are using this service to place these illegal wagers, would be subject to prosecution for a Class A misdemeanor. And then the company who is accepting these wagers, this would be a felony of the third degree.

And we picked felony of the third degree because that's comparable to the types of penalties found for similar offenses elsewhere within that section of the statute, such as 14.05, Races on Certain Indian Lands, 14.06, False Statements, 14.10, Unlawful Influence on Racing, and 14.16, Racing Without a License.

The change on page 14 would enhance the penalty and suspension authority of the stewards and the racing judges and this would bring the penalty authority up in line with what the model rules of RCI call for. Currently the penalty limit is $5,000 and a one-year suspension for a violation of the act or the
rules that the stewards or judges can assess, and the
RCI model rules extend all the way up to $100,000 and
five-year suspension for violations of the act or the
rules.

And so what this would do would allow the
stewards or judges to impose a 25,000-dollar penalty
and a five-year suspension and the executive director
could enhance that to a 100,000-dollar penalty with a
five-year suspension.

Beginning on page 15 are a series of what
I feel are really technical changes, not substantive
changes. For example, the financial statement called
for in Section 2.06 of the Racing Act says that the
Commissioners and the executive director have filed
financial statements with the Secretary of State of the
type required by the Banking Department of Texas.
That's obsolete. Since that time of the adoption of
the act, these types of financial statements are filed
with the Ethics Commission. This would just clarify
that.

There is a reference in the statute to
the Administrative Procedure and Texas Register Act.
That has since been superseded by the Administrative
Procedure Act. So this would correct that reference.

The change on page 17 would clarify some
ambiguous language. The statute currently says that of
the portion of the breakage that is paid to the State
greyhound breed registry, 25 percent is to be used in
stakes races and 25 percent is to be paid to the
Commission. And it's unclear strictly from the text of
the statute whether the 25 percent is half of the 50
percent or 25 percent of the 50 percent.

Now, we have an AG opinion on this that
says that the 25 is half of the 50, that's it's 25 of
the overall amount. We would just like to clarify that
language consistent with what the AG has told us.

And then on page 18 there's a little bit
of internal inconsistency in the act between 10.05 and
6.09. In one part -- in 6.09 it says that the breakage
is paid to the Commission for use by the breed registry
and then 10.05 says pay the breakage to the greyhound
breed registry.

Now, we're doing the first. I mean, we
are passing the money through the greyhound breed
registry. We would like to make these two provisions
consistent and consistent with the way we're doing it.

Finally, we have one late legislative
proposal that I sent to you on Friday entitled
"Cooperation With Other Regulatory Agencies" and I
believe it's at your chair. We've had an issue where
we would like to pass some information along to the vet board; but because of the way our act is written, this material that we would like to pass along, it's part of our investigative files and our act has very strong protections for the investigation files. You can't pass that information or use that information or release that information except under very limited circumstances, such as in a criminal proceeding or in a hearing before the Commission.

We would like to be able to pass that information on to the vet board or other regulatory agencies even if they're not law enforcement and that way that those agencies would be able to use the information in the same way as if they had gotten it through their investigation. And so that's what that information that we provided to you called "Cooperation With Other Regulatory Agencies" is about.

CHAIRMAN SCHMIDT: Thank you, Mr. Fenner.

Any questions by any of the Commissioners of Mr. Fenner or staff?

MR. POLUNSKY: I have a question, Mr. Chairman.

CHAIRMAN SCHMIDT: Yes.

MR. POLUNSKY: What is the process going
CHAIRMAN SCHMIDT: Mark, do you want to comment on how we work through the system?

MR. FENNER: We will try to find a sponsor in the House and in the Senate and we may or may not be successful. If we're unable to find a House or Senate sponsor, then it won't be able to go forward. But that's exactly what we'll try to do. We'll focus first on the ones who participate in the licensing and administrative procedures committee. This is their oversight committee. But we're just going to make a sincere effort to find a sponsor.

MR. POLUNSKY: In the last legislative session was there a State Representative or a State Senator that carried bills for the Racing Commission?

MR. FENNER: The last session was a little different because we had the sunset bill and so Representative Anchia carried it on the House side and Senator Hinojosa on the Senate side. And we did take these types of proposals to the House -- I mean, to the sunset sponsors and asked for changes and they were able to accommodate us in a couple of small things.

MR. POLUNSKY: So for example, Senator Hinojosa carried bills for the Commission on the last session and was open to doing so and you have a line of
communication with him and so on.

MR. FENNER: Yes, sir. Yes, sir.

MR. POLUNSKY: So that would be somebody you would reach out to this next time since he would be --

MR. FENNER: Yes, sir, we'll definitely reach out to Senator Hinojosa and Representative Anchia both.

MR. POLUNSKY: Is this something the Commission gets involved in at all or is it the staff only?

CHAIRMAN SCHMIDT: I think it's the staff initially. This is a little atypical because actually for the last two sessions we've been under sunset. The session before this we were also under sunset and it didn't go through. So this year we'll approach legislators if they were interested and I think we'll be successful in that most of this is fairly straightforward and not controversial. But I think if staff is unsuccessful, we certainly will have the Commission to seek out their own -- to seek assistance from their own legislatures if possible -- legislators if possible.

MR. POLUNSKY: Thank you.

CHAIRMAN SCHMIDT: This is the first time
in, I think, six years we've actually had an open agenda as opposed to sunset, so it's a little different.

MR. POLUNSKY: So this is the -- this is playing offense now instead of defense?

CHAIRMAN SCHMIDT: Yes, sir. Exactly.

VICE-CHAIRMAN EDERER: What can the Commission do to support this?

MR. FENNER: Well, I would welcome a motion to make these recommendations to the Texas Legislature; and then if we need personal assistance, Mr. Trout, I'm sure, will be calling you depending on the subject matter and the Representative or Senator we would be approaching.

VICE-CHAIRMAN EDERER: I'd like to make a motion.

CHAIRMAN SCHMIDT: I'd certainly entertain a motion.

VICE-CHAIRMAN EDERER: I would like to make a motion to support the initiative set out by Mr. Fenner and staff.

CHAIRMAN SCHMIDT: Is there a second?

COMMISSIONER HICKS: Second.

CHAIRMAN SCHMIDT: Seconded by Commissioner Hicks.
Any further discussion?

Let's just bring this to a vote then.

All those in -- there's been a motion made by Commissioner Ederer, Vice-Chair Ederer, and a second by Commissioner Hicks to approve the proposed recommendations for legislative change.

All those in favor signify by saying aye.

COMMISSIONERS: Aye.

CHAIRMAN SCHMIDT: Anyone opposed?

Mark, the motion carries unanimously.

MR. FENNER: Thank you, sir.

CHAIRMAN SCHMIDT: And please make us available -- please be available to us if you encounter some problems over there in January or February.

Okay?

MR. FENNER: Yes, sir.

CHAIRMAN SCHMIDT: Thank you.

Proceedings on racetracks, request by Retama Partners for approval of two changes of ownership of less than one percent.

Mr. Blodgett, can you please lay out the request for us?

MR. BLODGETT: Yes, sir.

Commissioners, included in your packet
today is a request by Retama Partners, Limited, for the approval of two changes in ownership that represent changes of less than one percent. Retama Partners has requested approval of the following ownership transfers: It's a .249 percent interest from HEC Investments, LLC, to 210 Muy Buena Suerte, Limited, and a .249 percent interest from HEC Investments, LLC, to Straus 2003 Irrevocable Trust.

In addition, we have a .3735 percent interest from the estate of Cora Keeler to The Window Ledge Foundation, which is a nonprofit organization benefiting the Gulf Coast Humane Society.

As a result of the changes, 210 Muy Buena Suerte will own 1.16 -- excuse me, 1.6185 percent and the Straus 2003 Irrevocable Trust would own 8.4243 percent of Retama Partners, Limited. This was the only Window Ledge Foundation's interest in the Retama Partners, Limited.

The Department of Public Safety has investigated the partners in 210 Muy Buena Suerte, the trustee of the 2003 Irrevocable Trust, and the board of members of The Window Ledge Foundation and found no disqualifying information.

Staff recommendation is for approval.

CHAIRMAN SCHMIDT: Thank you,
Mr. Blodgett.

Any questions by any of the Commissioners?

Any public comment, Jean?

MS. COOK: No, sir.

CHAIRMAN SCHMIDT: No public comment.

Any further discussion?

If not, I'd entertain a motion to approve the request by Retama Park for two changes of ownership of less than one percent.

COMMISSIONER STEEN: I'll make a motion.

CHAIRMAN SCHMIDT: A motion by Commissioner Steen.

COMMISSIONER MARTIN: Second.

CHAIRMAN SCHMIDT: Seconded by Dr. Martin. The motion has been made and seconded.

All those in favor of the request by Retama Park for two changes of ownership of less than one percent please signify by saying aye.

COMMISSIONERS: Aye.

CHAIRMAN SCHMIDT: Anyone opposed?

The motion carries.

Next item, a request by Retama Partners for approval of conversion of business organization, majority change of ownership, and appointment of a new
management committee.

Mr. Fenner, can you please lay out this item for us?

MR. FENNER: Yes, sir. The materials on this begin on page 21 of your packet. On August 22nd the Commission received a request from Retama Partners for approval to make the changes described in the agenda. These types of changes require a review of several items, including we have to identify the proposed owners and the ownership structure, the exact location of this track where the meetings are going to be held, whether the facility is leased or owned. We have to identify all the beneficial owners. We have to understand the assets and liabilities. We need to review the tote, management, and concession contracts and any other types of issues that we are aware of.

Now, one of the ownership requirements as generally held in the act is that the majority of the ownership be held by Texas residents, but there is an exception if the applicant is a publicly traded company or its parent is a publicly traded company. The applicant for this majority ownership is called PNK(SA) and that is a wholly-owned subsidiary of Pinnacle Entertainment, a publicly traded company out of Nevada.
The current ownership and management of Retama Park is described on the diagram shown on page 49 of your materials. And this is a pretty complicated ownership structure that Retama Park has right now. You'll see that the most notable thing about it is that Retama Partners holds legal title to the license, but the beneficial interest in the horse racing aspects of it have been transferred to Retama Development Corporation. So Retama Development Corporation, which is a municipal corporation owned by the City of Selma, they have the rights to the income stream that come from the horse racing that takes place at Retama Park. Now, they also own the racetrack land and the facility and they have 50 percent of the interest, at least until 2037, in any additional rights granted to the license holder. And by additional rights, that's generally going to mean alternative gaming, whether it's VLT's or slots or poker or whatever. Retama Development Corporation also owes quite a bit of debt for this, including 87 million dollars for the B bonds that were originally issued for the construction of the facility as well as about six million dollars for the A bonds. Then they have a variety of other amounts that are owed; and in fact,
they are six million for the A bonds, 87 million for
the B bonds, 2.85 million for bridge loans that have
already been made from PNK(SA), and then six and a half
million dollars in other various loans and promissory
notes.

Now, the Retama Entertainment Corporation
is a separate group that manages Retama Park right now
through an agreement with both Retama Partners and
Retama Development Corporation. Retama Entertainment
Group will be substituted and the track will be managed
by PNK(SA) in the future.

And then Breckenridge Entertainment
Corporation is the alcoholic beverage concessionaire.
At this point they will continue to be the
concessionaire for that. They propose to bring an
agreement to change that in the future, but that will
require separate Commission approval.

So what you're going to see is --
frankly, the easiest way to break this down is to work
through the charts. On the second chart you'll see
that what they're going to do is that Retama Partners
is going to do a kind of reverse merger. They're going
to create a wholly-owned subsidiary called Pinnacle
Retama, LLC. And Pinnacle Retama is going to step into
the shoes of Retama Partners in terms of the license.
Pinnacle Retama is going to have the license and they're going to have all the interests in the license, the legal title, that haven't been transferred to RDC. At this point also they're going to acquire -- or have the 50 percent of additional rights that have been granted to the license holder.

The ownership of Pinnacle Retama will now be held by RPL Holdings, which is essentially what Retama Partners, Limited, is right now. It's the same people who are going to hold RPL Holdings as hold Retama Partners right now.

Then you're also going to see that they're forming two separate subsidiaries wholly owned by Retama Partners or RPL Holdings called RPL Development, the general partner and limited partner, and they're doing this so that they can take two pieces of real estate that aren't really associated with the racetrack itself -- they're adjacent to it, but they're not associated with the license and they're not associated with the racetrack -- and they intend to move those two pieces of properties to this separate subsidiary that's not connected with the license.

Following that, what they're going to do -- if you'll jump down to Chart 4 frankly, what they're going to do is they're going to take 75 and a
half percent of their ownership in Pinnacle Retama, LLC, and they're going to transfer that to PNK(SA). So the original owners of Retama Park are going to have 24 and a half percent of the license, PNK(SA) are going to have three quarters or 75 and a half percent of the license.

PNK(SA) has also entered into an agreement, a management agreement, with RDC and with Pinnacle Retama to manage Retama Park. As I mentioned before, Breckenridge Entertainment which has the alcoholic concession is going to continue to maintain that until they come back and get approval from the Commission in the future. They're also going to transfer those two pieces of property from RPL Holdings to RPL Development GP and Limited.

In return for this 75 and a half percent ownership interest, PNK(SA) is going to provide 22.8 million dollars as a capital investment for Pinnacle Retama. 7.8 million of that is going to be used to pay off debts that are already owed to PNK(SA). So it's going to be -- they're going to move some money around from account to account so that then they're going to have 15 million dollars available to Pinnacle Retama.

Now, to run the new entity, there's going to be a management committee composed of four people,
three of whom are designated by Pinnacle Entertainment and one of whom is appointed by the current ownership, which is Retama Partners. And the three members representing PNK(SA) are Anthony Sanfilippo, Carlos Ruisanchez, and Gino Iafrate. And all three of these people have undergone DPS background checks and have been -- their documents have been reviewed and provided to you. No disqualifying information was found on any of those.

The Retama Partners member has not yet undergone the background check, so at this point the committee would be managed entirely by the three Pinnacle persons.

Decisions by the management committee must be made by a two-thirds of the membership; so in essence, PNK(SA), with 75 percent of the membership, is going to have absolute control over what happens at Retama Park.

Pinnacle Entertainment does have experience in this area. They own and operate casinos in Lake Charles and in Bossier City and in St. Louis. They also have a horse track in Cincinnati called River Downs. They also have some overseas interests. They have a 26 percent equity interest in something called Asian Coast Development which is a British Columbia
corporation. They also have a management agreement to operate a resort in Vietnam.

PNK, according to their SEC filings, has got about 519 million dollars in equity at the end of 2011. That reflects assets of 1.95 billion and liabilities of 1.43 billion.

The distribution of profits, loss, and income that comes from any activity at Retama Park will be -- distributions will be first made to the members in an amount to offset any sort of tax liabilities that arise; second, any distributions will be made to PNK(SA) to recoup any advances that have been made to PRLLC; and third, to PNK(SA) to recoup the interest on those advances; and then after that, to the members in accordance with their ownership interests. And remember, this is a two-membership group of PNK and PRLLC. The two members, of course, are PNK(SA) and then the Retama Partners, what used to be Retama Partners.

DPS has conducted an investigation and we've provided those materials to you separately.

There's no change made to the tote contract. The existing tote contract with AmTote will continue. PNK has submitted a management agreement and we've reviewed that and found no problems there. They
may change the concession agreement for the alcohol in
the future, but that's not before you today.

The condition of the facility is fine.

We do frequent inspections of Retama Park and there's
no outstanding facility issues requiring attention.

Retama Park did have one exemption when
it was licensed in 1994 which allowed for the horse
emergency facilities to be located outside of the
enclosure of the racetrack. However, that rule was
eliminated in 2008, so there's no longer a need for
that exemption and there's no other requests for
exemptions.

As far as race dates, Retama already has
a 20-day Quarter Horse meet for 2013 and a 26-day
Thoroughbred meet in 2013. They do a lot of
simulcasting, 43 million dollars annual estimated
simulcast handle, which generates about 3.1 million
dollars in purses.

The management of the track at this point
will continue on as it is under the same people who are
there now. That includes Bryan Brown, Lisa Medrano,
Angela Cooper, Steve Ross, and Nina Sirak. I do
understand that they intend to put a new general
manager at Retama Park in the future, but he will have
to undergo the background check and approval of the
agency. That doesn't require Commission approval. It will just undergo the standard process that we do for racetrack officials.

We have looked at the forecasts of the finances and the pari-mutuel cash flows. And the bottom line is that we believe that the forecasts regarding the statements of operations and the cash flows are a fair reflection and a reasonable estimate. What they estimate is that they're going to lose 148 million dollars over the next five years. Now, of that 148 million dollars, 141.2 is interest expense. It's interest expense owed to themselves because Pinnacle is -- and the Retama Partners, LLC, is acquiring the debt that's owed, so they're paying it to themselves. It's a paper transaction.

Operating -- actual operating losses are going to be about 6.8 million dollars, meaning that they're going to lose about 1.36 million dollars a year for each of the first five years.

Now, Pinnacle has committed as part of their acquisition of Retama Park to providing up to two million dollars a year for the first six years in cash advances to Retama Park to cover these types of operating expenses. Of that two million dollars, 1.5 million dollars is committed to covering operating
expenses and the other half million is not committed to that. So based on that, they should be able to maintain it for these next five to six years.

They also have expressed hope that they're going to be able to reduce that operating loss through the synergy of Retama Park with some of their other operations.

Their impact on the horse breeding, they average 2.17 Quarter Horse races per live race day and 2.39 on their Thoroughbred live race days. They intend to work with the Quarter Horse association and the Thoroughbred association on their sales, on futurities, and the stallion stakes series.

They have an estimated annual economic impact of 104 million dollars a year, with 1372 jobs created, and taxes of approximately $558,000.

At the time we prepared this report, we had not received any letters of support or opposition; but we did receive on Friday a letter of support from the Texas Thoroughbred Association and that's with your materials, I believe. And I received this morning a letter from the Texas Quarter Horse Association in support of this transfer and I'd be happy to circulate that if you would like to look at the TQHA letter in support.
So in conclusion, we believe that the --
all the elements needed for review have been checked.

We don't find anything in here that is disqualifying.
We have not found any red flags. There appears to be
enough money to continue to operate for the next
several years and PNK has the financial wherewithal to
do that. And we're looking forward to the Commission's
decision.

If you have any questions, I'll be happy
to try to answer them.

CHAIRMAN SCHMIDT: Thank you, Mark.

Any questions of Mr. Fenner? Nice
review. Any questions by any of the Commissioners?

I just had one. I just wanted to
clarify --

MR. FENNER: Yes, sir.

CHAIRMAN SCHMIDT: -- that the
two-million-dollar commitment per year for five years
is for operating loss. It's not part of a debt issue.

MR. FENNER: I believe that 1.5 million
of that is committed to covering operating loss and the
other half a million dollars is not committed to that.

CHAIRMAN SCHMIDT: Okay. Great.

Any other questions?

Okay. Major Wynn Reynolds, can you
address the results of the background investigation for us, please?

MR. REYNOLDS: Good afternoon, Commissioners. My name is Wynn Reynolds.

The Department of Public Safety did an extensive background investigation on Pinnacle Entertainment and the Retama Entertainment Group partners that will be involved in the management of this operation going forward if approved. DPS conducted numerous criminal histories and there were no negative findings on any of the applicants.

CHAIRMAN SCHMIDT: Any questions of Major Reynolds?

Major, I'd like to again thank you for the superb job you do for us. Thank you.

MR. REYNOLDS: Thank you.

CHAIRMAN SCHMIDT: Bryan Brown and David Straus, Retama Partners?

MR. BROWN: Good morning, Mr. Chair, Commissioners. You get half of that duo that you announced.

CHAIRMAN SCHMIDT: Okay.

MR. BROWN: We appreciate being able to be here today. This has been an extremely long process that we've undergone and it's been a very good
process. And I'd like to compliment the Commission staff, Major Reynolds, the DPS for doing an excellent job and really working hard on what, as Mr. Fenner outlined, is a fairly complex transaction. The good news is you will not be tested on those charts after the meeting, I promise you that.

And quite frankly, one of the things that we're excited about is even though we remain somewhat a complex organization, we very much simplified it, with your blessing and approval of this application, by what will transpire following this meeting.

My role is to give you a broad overview of the transaction, introduce you to a few people, and then talk about what this means to Retama employees and the horsemen and the industry very briefly. I think Mr. Fenner did an excellent job in talking about a lot of the details.

So just broadly what is going to occur is that -- again, provided we receive your approval, is that Pinnacle Entertainment through a subsidiary will acquire a substantial interest in the entity that owns the license at Retama Park which will be called Pinnacle Retama Partners, LLC.

In addition to that, all the debt at -- virtually all the debt at Retama Park will be paid off
and will be owned by that LLC that also owns the license, which is a major change. In the past we've had debt holders. We've had license holders. We had a track owner and all different -- and a different management company, a different alcoholic beverage entity, very confusing at times and sometimes difficult to deal with internally. And the one area that was very difficult to work with is talking to potential acquirers of our entity. So we very much simplified things by honing down to three basic entities.

One of those will continue to be the Retama Development Corporation which will own the license. That's an entity that was set up by the City of Selma back in 1993 when the track was initiated. And the other two would be Retama Partners which will still continue to be an owner of the partners and the partners as we know it today will be owners of the entity that will continue to own the license. And then, of course, Pinnacle, which will own 75 and a half percent of the license entity, will own the management company, and then will own the alcoholic beverage entity once we come back to you at a future meeting for approval of that entity.

It means a lot of things for us. I can tell you long term in the past has been next week for
us. We have not been able to look out down the road and think about things that can be done from a marketing standpoint in particular to help the facility because we didn't have the money to do it and we weren't afforded the ability to make mistakes with any money at all. We had to get by with what we did.

Our staff was phenomenal through this period. Unbelievable, I would say. The top eight people that I have have been with us for at least 16 years and are unbelievable, and 16 sometimes not easy years. So they've done an amazing job. They are extremely excited.

What will happen, again, provided we receive your approval, in the next few weeks is Pinnacle will come in through their management company and interview not just our top staff but every single employee, which is kind of neat if you think about it. The employees, regardless of their position, will have to interview and receive a job. They won't just get one. And so they will have earned what they get. And I think everybody that I've talked to on our staff at all levels is excited about that.

Pinnacle has no plans to bring outside staff in, with one exception. Mr. Fenner referred to a new general manager, which we desperately needed. I've
had, like all of our staff, to wear too many hats in
the past; and having a general manager come on board
that can focus on marketing initiatives with the
backing of Pinnacle is very, very exciting to all of
us.

So the staff will be given the
opportunity to assume their positions that they have
now and will go through a formal application process.
And we've spent the last few weeks educating our
employees about how that will take part and what they
will need to do and what they need to expect.

So all that is very, very exciting to
us. It means that our team members, as Pinnacle refers
to them, will have the benefits of being a Pinnacle
team member, which is a little bit better than what
they have right now. So there's quite a few benefits
that come from being a Pinnacle team member. And
we've, again, done a lot of education of our staff
about what that means and what to expect.

As far as horsemen goes, horsemen and the
breeds will know and can count on meets. I think it's
been 16 consecutive years that there's been a rumor
that Retama Park is closing. It never ceases to amaze
me. I don't think we'll hear that rumor for some
time. So horsemen can count on being able to come out
to our meets, can plan out into the future that our
meets will indeed take place, and there will be no
issues there.

In addition to that, with the marketing
dollars that we should have to enhance what we do, we
should be able to bring out more people to see our
product that we're proud of.

With that, I want to make some
introductions and let you know kind of how the rest of
our presentation will take part. And again, at any
point we're here to answer your questions. From --
yes, sir.

CHAIRMAN SCHMIDT: Bryan, I just --
Mr. Brown, I just wanted to go over our flow chart
again just to -- Mr. Fenner and I reviewed the detail
last week. What happens to the Call Now debt? Will
that be managed by the Pinnacle Retama Group, LLC?

MR. BROWN: That's a good question. The
Call Now debt, which was the Call Now interest in the
Series A and B bonds and then some other notes that
Call Now provided, have already been acquired by
Pinnacle and those will be in the Pinnacle Retama
Partners, LLC entity and owned by that entity. That
acquisition has already taken place.

CHAIRMAN SCHMIDT: So that issue is
settled and done with.

MR. BROWN: Yes.

CHAIRMAN SCHMIDT: Okay. And then the
property the limited partners own just adjacent to the
track, that's out of the deal.

MR. BROWN: That will be placed into
Pinnacle Retama Partners, LLC. And that's another
benefit of this transaction. It gives us all the
adjacent land leading out to the access road at I-35.
So in the future, if anything is constructed out there,
hotels, retail centers, whatever, that becomes a part
of the LLC.

CHAIRMAN SCHMIDT: Okay. And then Retama
Development, the City of Selma is transferring to
Pinnacle Retama, LLC, a hundred percent now of their --
I guess their 50 percent of non-horse-racing-related
future revenues.

MR. BROWN: That is correct. That is
correct.

CHAIRMAN SCHMIDT: So you'll have --
Pinnacle Retama, LLC, will have a hundred percent of
that, of which the old limited partners will have about
25 and the new partners will have about 75 percent.

MR. BROWN: Yes. A hundred percent will
be in that entity, 24 and a half percent owned by the
existing Retama Partners partners and the 75 and a half percent owned by PNK(SA), LLC, which is a Pinnacle subsidiary.

CHAIRMAN SCHMIDT: Any other questions of Mr. Brown before he makes any introductions?

Okay. Thanks.

MR. BROWN: So if we can just start right here, we have vice-president and legal counsel, Bill Buffalo. Next to him is Gino Iafrate, who's executive vice-president, regional operations. His territory is the southern region of the United States and Retama Park will fall within his domain. And then from Baker & Botts, our counsel is William Stutts.

Then we also have the chairman of Retama Development Corporation who would like to say a couple of words, if it please the Commission, and that's Mr. Gary Baber, and if I could call him up just for a couple of words.

CHAIRMAN SCHMIDT: Certainly.

Certainly.

MR. BABER: Good morning, Commissioners. Thank you for this opportunity to appear before you today.

I'm a citizen of Selma and I am the chairman of the board of directors that owns the
racetrack. We're all citizens and we do this as a public service. We don't get paid anything for our work. We're working for the best interest of Selma and for horse racing in Texas.

We worked long and hard on this agreement and we're very pleased with it. We really like the people from Pinnacle. They're honorable people. They're white knights in my -- or they fit the definition of a white knight corporation in my lexicon. And they've negotiated with us in good faith and we're very pleased with the agreement that we have come up with. And I'm here today as a citizen and also as the chairman of the board of a corporation that's been struggling to keep horse racing going at Retama to urge you to approve this agreement.

So thank you very much.

CHAIRMAN SCHMIDT: Thank you, Mr. Chairman.

Any questions?

MR. BROWN: That's it for me. So I'd like to introduce Mr. Gino Iafrate who will talk a little bit about Pinnacle and then Bill Buffalo will talk in more detail about the structure of the transaction and answer any questions about that.

CHAIRMAN SCHMIDT: Great.
MR. IAFRATE: Thanks, Bryan.

CHAIRMAN SCHMIDT: Mr. Iafrate, welcome.

Welcome.

MR. IAFRATE: Thank you. Mr. Chairman and fellow Commissioners, good morning. My name is Gino Iafrate. I'm the executive vice-president of regional operations for Pinnacle Entertainment.

And we talked a lot about the structure of the deal and the finances and the organizational design and Mr. Buffalo is going to cover more of that right after me so I didn't really want to spend time on that unless you have direct questions that I'll answer. I really wanted to talk a little bit more about Pinnacle Entertainment.

And the way we're structured, as has been mentioned or at least alluded to, we are broken into two regions. I'm the executive vice-president of the southern region which makes up -- the properties that make up the southern region currently are our Boomtown property in Bossier City, Louisiana, the Boomtown property in Harvey, which is the West Bank of New Orleans. We have a L'Auberge Lake Charles property and then our L'Auberge recently opened, opened September 1st, our L'Auberge Baton Rouge property.

Should we be granted the privilege to
operate in Texas, as mentioned, the Retama facility
would fall within that region. I'm based in Lake
Charles. My counterpart -- his name is Neil Walkoff --
is the executive vice-president of our northern
region. He's based in St. Louis where we operate two
casinos, Lumiere and River City, both in St. Louis, as
well as Belterra in Indiana, which is in a small town
of Vevay, Indiana, as well as, as mentioned, our other
racing facility which is in Cincinnati in River Downs.

That facility is going to be undergoing a
substantial renovation. It's a storied racetrack.
It's been around for a long, long time with just a
fabulous history in the racing business. But it's in
dire need of some love and that love is going to
involve a lot of money. But we've basically committed
to completely redoing that facility.

Obviously Ohio is further along with the
application of VLT's at racetracks, so we are embarking
in the final design phases and then hope to get started
in pretty short order on a complete renovation of that
facility to bring something to Cincinnati that truly
changes the landscape of the horse racing business in
Cincinnati. So we're excited about that facility. And
it's somewhat of a model of how we're thinking about
Retama, although it clearly is ahead of the game in
relationship to priorities right now.

As mentioned, we certainly at Pinnacle have the financial wherewithal. We're among the best positioned gaming companies in the United States as far as financial condition is concerned. We are excited to be part of Selma, excited to be part of Texas. We look forward to, you know, continued operations here.

We're thrilled to have the team join us.

About a month or so ago we made offers to the entire senior team at Retama. I believe it was nine or 10 folks, including Bryan. And unanimously, all nine or 10 of those folks accepted and are excited to be part of our future going forward. And as mentioned, we're now in the process of getting the remaining team members at Retama to go through the process to become part of the Pinnacle team.

The way we operate our business is we really think about three things when we make business decisions or three constituency groups. And those constituency groups are our team members, our guests, and our shareholders. We are a publicly traded company, so we try to make all strategic business decisions in the benefit of all three of those groups simultaneously. Sometimes one or two will benefit; but as long as one or more are not harmed in any way, then
we do feel that it's a good business decision. And
that's generally our strategic thought process or the
broad framework of how we make strategic business
decisions.

At the actual operating units we think
about really three things there as well. And those
three things are creating a great environment for our
team members to work in. We want to provide long and
rewarding careers, whether they want to do the same job
for 30 years or if they want to progress up through the
organization as folks like I have and others, to do,
you know, bigger and additional -- take on additional
responsibilities. And those opportunities exist in
Pinnacle. So we think about creating an environment
that is great for our team members.

And we then think about creating magical
experiences for our guests. We want to have a great
place to work and play. And then really third, which I
think we are the most proud of, is our commitment to
our communities. In every community in which we do
business, we have a very strong commitment to
charitable giving, not just financially. I think it's
more important not just to write the check. It's more
important to provide the actual volunteerism and the
community service and the hours.
And all of our executives serve on many boards, many charities. I recently was named -- this is my first foray into Texas charity work -- the Texas -- Southwest Texas as -- it's basically the Gulf Coast region of the Make-A-Wish Foundation. I was recently named to a three-year term on that board. So it is many years in Louisiana but my first opportunity to participate in a Texas charity. It has been rewarding to date.

But that really -- that commitment goes throughout our organization and I think you will find that we want to make sure that our places are a great place to work, a great place to play, and, most importantly, a great place for everybody to live.

So that concludes my brief overview of Pinnacle. I'm certainly available for any additional questions if you would like now or if we would have Mr. Buffalo come up and further explain the deal and I'm certainly available for a return.

CHAIRMAN SCHMIDT: Any questions?

Thank you very much, sir.

Mr. Buffalo?

MR. IAFRATE: Thank you. Thank you for your consideration.

MR. BUFFALO: Mr. Chairman,
Commissioners, I appreciate the time and the opportunity to come before you all. I tell you, my job, I think, at this point, after Mark's presentation and the other two, is to just not mess this up. Everybody that's gone before me I think has described the transaction in as much detail and as much accuracy in a very complicated matter as they could do.

I would be glad to try to distill it down to its essence a little more and walk you through sort of three pieces of it if you think it would help. I know those charts are quite complicated.

The one that's probably the most important for your consideration is what you see on Chart 4. And to recall, our goal in all of this was to simplify a very complex situation as much as we could without changing the status quo as much as we could.

And in that, a prime consideration was to make sure that the Class 1 license holder remained the same Class 1 license holder and with your all's approval that license holder would be converting itself into an LLC. Likewise, the holder of the beneficial interest of the -- and owner of the racetrack, the municipal corporation owned by Selma, Texas, the Retama Development Corporation, that it stay in the same position that it is now and that we then interlace our
interest into that situation without changing it or with as little change as we possibly could.

And if you look at Chart 4 and consider it in three different pieces, I'll walk you through that just briefly. And that is the RPL piece, which is Retama Partners, Limited, which is the current license holder and it will be converted -- with your approval will be converting itself into an LLC. That LLC will then be the license holder. And Pinnacle's subsidiary will buy into that license holder, the PR LLC. And it has been described to be 75 and a half percent interest held by the Pinnacle entity and 24 and a half percent interest held by the company that's made up of the current holders of that license, Retama Partners, Limited, although they have converted themselves into a form that's more convenient for holding an interest in an LLC.

There will be -- for example, I know on the agenda today were these changes of less than one percent between the limited partners of RPL. While that activity will occur, it will occur at that level as opposed to the level of ownership at the LLC level which is now called RPL Holdings. So we'll have two members of that license holder now instead of a limited partnership that has a general partner and a lot of
very small interests held by limited partners.

Now, the next piece of that would be that Pinnacle has committed to that new LLC a financial interest of two million dollars a year. And of that two million, a million and a half is dedicated to support the operating losses at RDC.

And then that sort of moves to the next level. At the RDC it will be the same structure. They will continue to own all of the real estate, all of the property, all of the aspects of the racing at Retama Park, as well as through a continuation of a license agreement all the beneficial interest in the racing there as Mark described earlier.

PRLLC, the license holder, is committing a million and a half -- up to a million and a half a year for the next six years to support any operating losses that occur at the RDC level at the track.

And then third, RDC has agreed to enter into a management contract to manage the day-to-day operations of the track with another Pinnacle subsidiary that's called SAM, Pinnacle for San Antonio Management. And that contract is essentially the same form of contract that's in place now with the current manager.

And in a nutshell, that is the essence of
the transaction and I'll be glad to answer any
questions that you might have about it.

CHAIRMAN SCHMIDT: Thank you, sir. That
reinforces Mr. Fenner's review.

Do the Commissioners have any questions
of Mr. Buffalo?

We may call you back, but thank you very
much, sir, for that update.

MR. BUFFALO: Thank you.

CHAIRMAN SCHMIDT: We have two other
folks that have been signed up to speak. Jan Haynes.

Jan?

MS. HAYNES: Jan Haynes, president of the
TTHBPA.

Mr. Chairman, Commissioners, the TTHBPA's
position on the sale of Retama Park to Pinnacle is
conditional approval. The condition is that Retama
Park fully repays its loan dated 10-28-08 to the THP on
the day of the ownership change.

So I just wanted to get that on the
record. So do you guys have any questions?

CHAIRMAN SCHMIDT: Okay. Thank you,
Jan. Thank you very much.

Rob Werstler, Quarter Horse?

MR. WERSTLER: Good morning,
Mr. Chairman, Commissioners. Rob Werstler representing the Texas Quarter Horse Association.

I just wanted to repeat what -- excuse me -- Mark said earlier. The Texas Quarter Horse Association does support the license transfer. We're happy to have Pinnacle here. We look forward to meeting the Pinnacle partners and working with them.

I'd also like to say we're very pleased that Bryan Brown is going to stay on, and his staff. They've done a very good job with limited resources and through -- taken us through some tough times. So we're very pleased.

I'm here for any questions.

CHAIRMAN SCHMIDT: Any questions?

MR. WERSTLER: Thank you.

CHAIRMAN SCHMIDT: Okay. Thank you.

And Mrs. Ruyle from the Texas Thoroughbred Association does not wish to testify but did signify her support of the ownership change.

Any other cards, Jean?

MS. COOK: No, sir.

CHAIRMAN SCHMIDT: Okay. We'll open up the discussion among the Commissioners. I think this item has been fairly thoroughly vetted in detail.

Pinnacle seems to have met all the benchmarks. Any
other comments or questions by anyone?

If not, I'll entertain a motion to approve the conversion of business organization, majority change of ownership, and appointment of new management committee for Retama Park.

Is there a motion?

COMMISSIONER MARTIN: I make a motion.

CHAIRMAN SCHMIDT: A motion made by Dr. Martin.

VICE-CHAIRMAN EDERER: Second.

CHAIRMAN SCHMIDT: A second by Vice-Chair Ederer.

Any further discussion?

Since this is a track change, could you please call the roll?

MS. NORWOOD: Chairman Schmidt?

CHAIRMAN SCHMIDT: In favor.

MS. NORWOOD: Commissioner Ederer?

VICE-CHAIRMAN EDERER: In favor.

MS. NORWOOD: Commissioner Polunsky?

MR. POLUNSKY: In favor.

MS. NORWOOD: Commissioner O'Connell?

MS. O'CONNELL: In favor.

MS. NORWOOD: Commissioner Hicks?

COMMISSIONER HICKS: In favor.
MS. NORWOOD: Commissioner Martin?

COMMISSIONER MARTIN: In favor.

MS. NORWOOD: Commissioner Steen?

COMMISSIONER STEEN: In favor.

MS. NORWOOD: Commissioner Aber?

COMMISSIONER ABER: In favor.

CHAIRMAN SCHMIDT: Well, congratulations, gentlemen. It's unanimous. And welcome to Texas.

Thank you very much. The motion carries.

Moving forward, a request by Sam Houston Race Park for approval of an amendment to its totalisator contract with Sportech, Incorporated.

Mr. Jackson, could you update us, please?

MR. JACKSON: Thank you, Mr. Chairman.

Commissioners, Sam Houston Race Park has submitted an amendment to their existing totalisator contract that would add new equipment at the track so that Sam Houston Race Park can begin offering on-track mobile wagering.

Staff has completed a thorough review of both the on-track mobile wagering system plans and the totalisator contract amendment. We find both to be in compliance with the Texas Racing Act and the Texas Racing Rules of -- excuse me, Texas Rules of Racing.
We would recommend approval.

If you have any questions, I'd be happy to answer them.

CHAIRMAN SCHMIDT: Sammy, just for clarification, last year you could go to the park and they would give you a tablet. Now you can bring your own tablet?

MR. JACKSON: That's correct.

CHAIRMAN SCHMIDT: So our principal concern is security, that it's at the racetrack and not at the highway next-door?

MR. JACKSON: That is correct.

CHAIRMAN SCHMIDT: We have vetted that thoroughly?

MR. JACKSON: We have vetted that. We've also asked the track to provide third-party independent testing for the wi-fi network as well as a penetration test for the security and firewalls going to the platform to the tote system. Once those are provided to us, then the staff itself will go out and do an additional round of tests to make sure that the wi-fi network could not be accessed off the grounds of the enclosure and then that will be the final approval.

CHAIRMAN SCHMIDT: Great. It seems like a great idea.
MR. JACKSON: It's moving forward.

CHAIRMAN SCHMIDT: Public comment, Jean?

MR. FENNER: Mr. Chairman?

CHAIRMAN SCHMIDT: Mark?

MR. FENNER: I would like to offer up on this also that I want to be sure that we understand this is not using the Internet. While it's using IP type protocols, it is not going over the Internet. This is proprietary behind the system there.

CHAIRMAN SCHMIDT: Very good point. Very good point.

Any further discussion or questions of Mr. Jackson or Mr. Fenner regarding this matter by any of the Commissioners?

Okay. If not, I'd entertain a motion to approve the request by Sam Houston Race Park for approval of an amendment to its totalisator contract with Sportech, Incorporated.

VICE-CHAIRMAN EDERER: So move.

CHAIRMAN SCHMIDT: A motion made by Vice-Chair Ederer.

Second?

COMMISSIONER HICKS: Second.

CHAIRMAN SCHMIDT: Seconded by Commissioner Hicks.
There's been a motion made and approved -- a motion made and seconded.

Further discussion?

Please signify by saying aye if you approve the request by Sam Houston Race Park for approval of an amendment to its totalisator contract with Sportech, Incorporated.

COMMISSIONERS: Aye.

CHAIRMAN SCHMIDT: Anyone opposed?

Okay. That motion also carries.

A request by Saddle Brook Park for approval of a totalisator contract with AmTote, Incorporated.

Mr. Jackson?

MR. JACKSON: Thank you again, Mr. Chairman.

Commissioners, Saddle Brook Park has submitted a totalisator contract for consideration and approval. This contract is for their basic totalisator services and is between them and AmTote International as Mr. Chairman -- as the chairman stated.

The AmTote International system that they will be operating from is one that's already being utilized by Lone Star Park as well as Retama Park and has been tested by staff in the past and we'll continue
to do so. It's operating in compliance with the rules and regs of the agency as we speak today.

Staff recommends approval of this contract.

CHAIRMAN SCHMIDT: Thank you, Mr. Jackson.

Any public comment?

MS. COOK: No, sir.

CHAIRMAN SCHMIDT: Okay. Any questions or comment by any of the Commissioners?

I'll certainly entertain a motion. Is there a motion to approve the request by Saddle Brook Park for approval of its totalisator contract with AmTote International?

COMMISSIONER STEEN: I'll make a motion.

CHAIRMAN SCHMIDT: Commissioner Steen.

And seconded by Dr. Martin.

All those in favor signify by saying aye.

COMMISSIONERS: Aye.

CHAIRMAN SCHMIDT: Anyone opposed?

That motion also carries unanimously.

Item E, a request by Saddle Brook Park for redesignation of its Class 2 horse racing license as active-other.
Mark Fenner, could you bring us up to speed?

MR. FENNER: Yes, sir.

Commissioners, you may remember that at your August meeting you designated each of the racetrack licenses as active or inactive and at that time Saddle Brook Park was designated as an inactive license.

However, under this rule that you've adopted in order to implement this new section of the statute, we've got a provision under 309.51(c) that says that the Commission may change the designation of a racetrack license at any time if the facts that supported the current designation change. And then if you look within the same rule about the definition of what is an active-other license, that's defined as one that has been granted live race days and, a number of varieties, but one of which is is presently conducting preopening simulcasting.

Now, since that original designation as inactive, Saddle Brook Park has requested and the Commission has granted live race dates. Those are scheduled for 2014. And they've also requested and the Commission has granted approval to open a temporary location for the conduct of simulcast racing. They
opened that location to the public on Friday of last
week, December 13th.

So now that they have live race dates and
they are simulcasting, they meet the criteria for
designation as active-other and they have made the
request for that redesignation and they are eligible
under the rule for that if you so desire.

CHAIRMAN SCHMIDT: Thank you,
Mr. Fenner.

Mr. Lynn Alexander? Mr. Alexander? And
Corey Johnsen. Gentlemen, welcome.

MR. ALEXANDER: Thank you, Mr. Chairman
and Commissioners. I appreciate the opportunity to
come before you.

I want to give you a brief report. We
did get open last Friday for our simulcast -- temporary
simulcast facility. It was a great opportunity for
Amarillo to see what horse racing is about, very
successful. We had -- it doesn't rain very often in
Amarillo as you all well know, but we had a -- right in
the middle of our busiest time, we had a storm hit and
had hail and high winds and heavy rain and our roof
only leaked in one place and that was right on top of
our video equipment. So everything didn't go perfect.
But we had a great crowd. Our handle was decent. And
we look forward to really continuing.

I'd like to thank the staff for their help. Lila Smith was there as well as Curley Trahan; and without them, I don't know if we could have got open. I'd like to publicly thank Corey Johnsen as president of the Magellan company, who is our managing company, and he and his staff did wonders in getting us open.

It's a beautiful place. I'm very, very proud of it. It's a restaurant that we completely remodeled and turned it into a simulcast facility. And we've had a lot of good comments. The food was good. The patrons were extremely excited. We've had a lot of good comments on our website. And we really look forward to moving forward.

And we are going to get busy on our racetrack. That's the next thing. We've been very busy getting this open. And our next steps are then to move forward with our racetrack on our land out west of Amarillo. So I'd appreciate very much your consideration to making our status inactive-other -- or active-other. I apologize.

And if you have any questions, I'm certainly here. And this is Mr. Johnsen. He will talk to you for a minute. Thank you.
MR. JOHNSEN:  I'd like to also commend the staff. From the start of this, they have just been very professional and directed us through the process and did a very thorough inspection this weekend. And again, we could not have done that without the staff. I was pleasantly surprised at our handle over the weekend and the atmosphere that was created in our facility.

Anecdotally, we had two different horse owners who came in over the weekend and watched their horses win at Sunland Park and Hialeah. So I really believe that there is a great interest in horse racing in Amarillo. We also introduced a number of new customers to horse racing and that was very good to see.

And remember that this was a soft opening. We did no paid advertising on purpose. We wanted to break in our operation. But it gave us a glimpse of what we can accomplish in the future for Saddle Brook Park and for the industry.

So again, thank you very much for this opportunity and we look forward to working with you and the staff in the future.

And we'd be glad to answer any questions if you'd like.
CHAIRMAN SCHMIDT: Are there any questions of Mr. Alexander or Mr. Johnsen?

Thank you, gentlemen. Thank you very much.

Jean, is there any additional public comment?

MS. COOK: No, sir.

CHAIRMAN SCHMIDT: Okay. Is there any comments or questions or concerns by any of the Commissioners?

If not, then I'd certainly entertain a motion to approve Saddle Brook Park's request for redesignation of its license as active-other.

Is there a motion?

VICE-CHAIRMAN EDERER: So move.

CHAIRMAN SCHMIDT: A motion by Vice-Chair Ederer, seconded by Dr. Martin. There's been a motion made and seconded.

Can you please call the roll, please, Ms. Norwood?

MS. NORWOOD: Chairman Schmidt?

CHAIRMAN SCHMIDT: In favor.

MS. NORWOOD: Commissioner Ederer?

VICE-CHAIRMAN EDERER: In favor.

MS. NORWOOD: Commissioner Polunsky?
MR. POLUNSKY: In favor.

MS. NORWOOD: Commissioner O'Connell?

MS. O'CONNELL: In favor.

MS. NORWOOD: Commissioner Hicks?

COMMISSIONER HICKS: In favor.

MS. NORWOOD: Commissioner Martin?

COMMISSIONER MARTIN: In favor.

MS. NORWOOD: Commissioner Steen?

COMMISSIONER STEEN: In favor.

MS. NORWOOD: Commissioner Aber?

COMMISSIONER ABER: In favor.

CHAIRMAN SCHMIDT: Thank you.

Gentlemen, congratulations. That carries unanimously.

Moving forward to Items F and then G,

horse race dates and purse allocations.

Mr. Jackson, can you lay out the items for us, please?

MR. JACKSON: Yes, sir. I'm going to start with the allocation of simulcast purse and escrowed purse funds.

Commissioners, on pages 57 through 84 of your agenda packet, you will find information submitted in accordance with Commission Rule 321.505(a) relating to simulcast purse allocations and Commission Rule
321.509 relating to escrowed purse allocations. The industry stakeholders have been negotiating on these two sources of horse purse funds since June of this year.

On page 59 of your agenda packet, you will find a report showing the progression of the recommendations resulting from these negotiations between the various industry stakeholders on both sources of money.

Although the negotiations had stalled, the report reflects that the final recommendations from the associations results in a statewide allocation in calendar year 2013 of approximately 234 point -- $234,310 or 1.3842 percent to Arabians, $95,667 or 0.5652 percent to Paint horses, 4,235,850 or 25.0244 percent to Quarter Horses, and 12,361,035 or 73.0261 to the Thoroughbreds.

If we were to compare these figures to calendar year 2012 data, you would find that each breed other than the Paint horse is expected to receive additional purse money in '13 as compared to '12. This is accomplished mainly through the infusion of a new source of money coming from Saddle Brook Park's operations and by tweaking percentages at both Lone Star Park and Retama Park.
The specific recommendations for allocations of simulcast purse funds addressed in Commission Rule 321.505(a) can be found on your packet on page 61 and additionally the specific recommendations for the distribution of escrowed purse funds addressed in Commission Rule 321.509 as well as the allocation of the funds amongst the various breeds of horses can be found on page 81 of your agenda packet.

Commissioners, I'd also like to point out that on your agenda packet on pages 62 and 63 is a letter recommendation from all of the three Class 1 tracks, including Saddle Brook Park, and then a little further back in your agenda packet you will find the recommendation on page 77 from Gillespie County Fair. Their recommendation has been consistent since we started the process.

With that, if you have any questions on this, I will be happy to answer them. I know that there will probably be several members of the stakeholders who want to come forward and speak on this subject area.

CHAIRMAN SCHMIDT: Just for clarification purposes, Mr. Jackson, the numbers that you just cited to us have been endorsed by the three tracks?
MR. JACKSON: They are endorsed by recommendations from the three Class 1's as well as recommendations from Saddle Brook Park and Gillespie County Fair.

CHAIRMAN SCHMIDT: Okay. Thank you, sir.

Any further questions of Mr. Jackson? Let's start off with the tracks, please. Drew Shubeck, Lone Star?

MR. SHUBECK: Thank you, Chairman Schmidt and Commissioners.

The results that Sammy just read were the result of some long negotiations. We started off this negotiation process last June and we've met with the breeds several times informally and several times formally to discuss the percentages that Sammy already laid out.

For Lone Star Park, this represents an increase for Quarter Horses of one and a half percent, which would be about $100,000 in numbers that will go towards purses or about $4,000 a day. That will get the Quarter Horse purses up to $60,000 a day at Lone Star Park. And we believe we'll be able to maintain Thoroughbred purses at about 130,000.

There is a slight change in the minor
breeds. It only amounts to about 12 to 14 thousand dollars. And this was a direct -- directly because of Ed Wilson campaigning for the Arabians. He had a wish to have two additional Arabian races at Lone Star Park. The Arabian races during our fall Quarter Horse meet do fill and they have competitive races and their purse fund right now is in a slight overpaid situation. I believe at the end of the Quarter Horse meet they were overpaid by about $8,000. This slight change that I'm recommending would allow them to have the extra couple of races.

Paint horses are few and far in between at Lone Star because they race for higher purses out of state. We do have a very successful Paint and Appaloosa futurity. And I believe for a one-year change that it won't affect that futurity. I can understand them being disappointed, but I think for one year let's try this and see how it goes. And it's not going to put anybody in jeopardy. We're not going to take anything away from the Paint program at Lone Star Park. And this will definitely help the Arabians.

Going back to the other breeds, the total distribution that's earned between pari-mutuel wagering on our live races and out of state and then cross-species money, we distributed for Thoroughbreds
and Quarter Horses $8.6 million dollars during the
previous year. Quarter Horses received $1.5 million and
that represents 17.47 percent. And then this one and a
half increase will get them very close to 20 percent at
Lone Star Park.

So again, this is definitely our
recommendation to move forward and we feel that it will
keep everybody sustainable for another year.

I'd entertain any questions.

CHAIRMAN SCHMIDT: Any questions of

Mr. Shubeck?

Okay. Thank you, Drew.

MR. SHUBECK: Thank you.

CHAIRMAN SCHMIDT: Mr. Brown?

MR. BROWN: Commissioners, Bryan Brown

with Retama Park.

Since the last meeting, our recommended
purse percentages have not changed. Keep in mind that
what we recommended in October represented a two
percent increase -- roughly two percent increase in
Quarter Horse purses and a roughly two percent decrease
in Thoroughbred purses.

We have had quite a few phone
conversations, one big meeting, as Mr. Shubeck alluded
to, trying to get total agreement. I think we've
gotten fairly close. Hopefully a lot of people hate the deal, which probably means it's a good deal. But I don't think we have unanimous consent on overall, although I do feel that both -- or all four breeds, with one exception which I'll address, seem to enjoy the percentages that we've recommended.

One issue we have is with our Paint purses. We recommended a slight change in October and it hasn't changed since our October recommendation in the distribution of the escrowed purse account for Arabians and Paints. That represents about a 5800-dollar total change in favor of Arabians to the detriment of Paints.

Our Paint purse account right now is very, very healthy. We have plenty of money, we feel, for the racing that the Paints would like to have at Retama in 2013. We do not have sufficient funds even with that change for Arabians for the number of races that we know they can fill in 2013. And the same was true of 2012. We had a couple of weeks of our Thoroughbred meet where we did not race and there was no racing at Lone Star as well for Arabians and we know we have the horses on the grounds that are available to run.

So that is the one change that I know is
not acceptable to the Paint horse association, which I understand.

I'd be happy to answer any questions that you have.

CHAIRMAN SCHMIDT: Any questions of Mr. Brown?

MR. BROWN: Thank you.

CHAIRMAN SCHMIDT: Thank you, Bryan. Okay. Public comment. Dr. Tommy Hays, the Quarters?

MR. HAYS: Good morning, Commissioners.

I'm Dr. Tommy Hays, president of the Texas Quarter Horse HBPA.

And originally we came to you and we were looking to get to around 30 percent of the total purses. Right now we're at about -- with the agreement on page 62 which we will agree to today, that puts us at about 25 percent. So, you know, basically it's not ideal for us, but I think it's something we can live with for a year and we'll try it and see how it works out.

CHAIRMAN SCHMIDT: Thank you, Doctor.

Any questions of Dr. Hays?

Okay. Rob Werstler, Quarters?

MR. WERSTLER: Thank you, Mr. Chairman.
I just wanted to point out we haven't heard from Sam Houston yet. Were they supposed to speak before the horsemen?

CHAIRMAN SCHMIDT: Ms. Young just indicated her support but did not need to testify.

MR. WERSTLER: And I'm going to do the same thing. Just we will support what Dr. Hays had stated on page 62 and 63. We'd like to thank all the parties involved. I'm sorry it took this long.

Any questions?

CHAIRMAN SCHMIDT: Questions?

MR. WERSTLER: Thank you.

CHAIRMAN SCHMIDT: Thank you, Rob.

Ms. Haynes?

MS. HAYNES: Jan Haynes, president of TTHBPA.

Mr. Chairman, Commissioners, the Thoroughbreds have agreed to the Class 1's and Saddle Brook Park's proposals. Based on the live and simulcast numbers, I don't believe it's a fair deal for the Thoroughbreds; but for the sake of moving forward so we can spend our time working on legislative efforts, we have agreed to the proposal.

As I have previously stated before, the betting public decides our success or failure; and if
you continue to dilute the Thoroughbred market by
taking away purse money, we're not going to be able to
reverse this downward trend; and when folks quit
betting on Thoroughbreds, there won't be any racing --
horse racing in Texas.

The Thoroughbreds have given up race
dates to keep our purses at the current levels, with
the latest being a 20 percent reduction for 2013 at
Lone Star Park.

I think the alternative plan in the
packet has some merit. Each breed would run for the
purse money they generate and this argument wouldn't
occur year after year. I'm just asking you to please
look at all the numbers in the alternative plan before
you vote on this issue.

Thanks. Do you all have any questions?

CHAIRMAN SCHMIDT: Any questions of

Mrs. Haynes?

Okay. Thank you, Jan.

MS. HAYNES: Okay.

CHAIRMAN SCHMIDT: Ms. Ruyle, Mary Ruyle,
Texas Thoroughbred Association?

MS. RUYLE: Commissioners, I'm Mary Ruyle
with the Texas Thoroughbred Association.

Our board of directors has not changed
their position from the previous meeting. In that
board packet there was a letter dated October 5th that
stated our position supporting the position of the
Texas Thoroughbred HBPA in these negotiations. That
has not changed.

Thank you.

CHAIRMAN SCHMIDT: Thank you very much.

Then moving to the Paint horses,

Mr. Smurthwaite?

MR. SMURTHWAITE: Good morning. My name
is Lex Smurthwaite. I represent the Texas Paint Horse
Breeders Association. And we oppose the recommendation
to lower our percentage.

And I'd like to give you just a little
bit of -- start out with a little history. We've been
running Paint horses in the State of Texas since 1962,
at least one race a year.

We went into this year thinking we had
the same understanding and agreement that was put
together in 2010, actually May 25th of 2010, for 2011
and '12, and we went into that understanding that 2013
would be the same.

I've put together a few talking points.

I'll start with Lone Star Park. We've reached out to
all the different tracks with a letter in August and
it's our understanding that according to the Commission Rule 321.505 is that the tracks are supposed to reach out in negotiations to the breeds, not the other way around. But we did send out a letter to all the tracks because what we were trying to accomplish this year was to get our races carded in a condition book.

We have stakes races at these tracks, but we haven't had any overnight races except for some of the tracks where they get put on as an extra. It's really hard to fill an extra race, especially if the card -- the condition book fills.

So that was one of the main reasons in going to -- reaching out to the tracks is to try to get our races in the condition book as well as to find out where we were going into 2013 with our stakes races and schedule some prep races prior to the stakes.

At Lone Star, we saw that the -- in the first submission that our percentage remained the same, but in the second submission for this meeting it was reduced to 20 percent. There's been no negotiation between Lone Star and the Texas Paint horse group.

My e-mails were answered by Bart Lang. They were directed to Drew Shubeck, and Bart Lang got back with me with some dollar figures as well as where we're at with our races, but he didn't have any -- he
couldn't speak to the point of why the reduction.

Currently it looks like our -- with this estimated operating budget going into 2013, it will be just over $43,000, and for 2012 we were at $49,000. I don't know how we're going to be able to sustain our current program that we have in 2012 for 2013. All we were asking with Lone Star was to remain status quo, the same percentage that's been in place for years.

For Saddle Brook Park, there wasn't any amounts listed in the first submission for the October meeting, and in the second submission there was a percentage included there for the Arabian and Paint horse, 75 percent for Arabian, 25 percent for Paint horse. We've asked the question of with the splits being equal for Quarter Horse and Thoroughbred at a brand-new startup track on simulcast revenue, why wouldn't the same apply for Paint horse and Arabian? Since none of us are running their live race dates, we should be treated equally and have the same percentage in a startup situation in our opinion.

So what we're asking for from Saddle Brook is a 50/50 split, the same as the Quarter Horse and Thoroughbred are receiving.

At Retama Park, we did learn about the reduction from Bryan Brown after some e-mail
correspondence. We never did get to meet face to face due to our schedules, but we learned about his submission of reducing us down to -- basically it looks like it's a change from 50 percent to 20 percent. And this change occurs in the cross-species purse account, which is different from the Lone Star, and we have questions on why it would be the cross-species escrowed account that we would dip into and change. And that's been consistent, I think, since 2005, as far back as I could take it, at 3.5 for each of the Arabian and the Paint horse. So what they were submitting was 5.5 for Arabian and 1.5 for Paint horse.

Again, we -- and our races at Retama Park, I believe we had two stakes races and one overnight race. We asked for the overnight race. It got put on as an extra and it did fill. We had horses this year. We could have had some more races. Through e-mail correspondence with the racing secretary, we were told we didn't have enough money to write any more races. And now we understand that we do have enough money to add at least three more races next year, overnight races, and to keep our current stakes structure. It's a little confusing to us on whether or not we can really maintain that under the current system.
At Sam Houston, I just want to point out that Arabians run at Sam Houston more than Paint horses and it's -- however, the split remained the same in both the simulcast revenue and the escrowed revenue. And we're pleased with that, happy with that, but it's a challenge for us to run at Houston because it's in direct competition with Remington Park in Oklahoma, but we are working on it.

We've been working on this program, the Paint program, for years. We feel like this year we had some growth in some areas. And all this change in the purse revenue is pretty shocking. That would really put a dent in our efforts.

Back to the difference at Sam Houston with the Arabian races, I believe there was 19 Arabian races run at Houston and three Paint races in Houston. Of the 19, nine were in the Thoroughbred meet and 10 were in the Quarter Horse meet. We don't have -- we're not offered the same opportunity. Paints are not allowed -- offered to run during the Thoroughbred meet at Sam Houston, so it's hard to keep our stats comparative or comparing apples to apples at Houston when they have twice the opportunity to run than we do.

Gillespie hasn't changed anything, so
we're pleased there.

In closing, I would like to -- if your packet is in front of you, I'd like to point out page three under the alternative method that was presented, I believe by Commission staff. And if you can see there, under this alternative method that using the number of races and using handle, you can read across there. The Paint horse current year for 2012 was just over 110,000. The first submission for 2013 had dropped it to 104,000 and the second submission has dropped it down to 95 -- a little over 95,000.

But if you look at what the -- what the change under the alternative method using handle and race dates, it's over 200,000 for Paint horses to be used for the purse account.

So all we're asking the Commission is to consider leaving the breed splits status quo like it was presented here in writing. We haven't received anything in writing from the tracks. This was done in 2010. And the main reason this was done was with help from Sammy Jackson and Sam Houston is because there's this -- anywhere from 1.25 percent taken off the top to two percent taken off the top of the different tracks to be provided to the Arabian and Paint horse purse accounts.
They used to be called the minor breed purse accounts and then there was the track's discretion to use that minor breed purse account as they felt. So in 2010 we worked hard to have our own purse account just like Quarter Horse and Thoroughbreds and so now we have a Paint horse account at each track and that's what we asked for and we had a signed agreement and we were not there for this for 2013. We don't have a signed agreement.

Thank you.

CHAIRMAN SCHMIDT: Any questions of Mr. Smurthwaite?

Thank you, sir.

Billy L. Smith from Fort Worth, Texas?

MR. SMITH: Thank you for the opportunity. I'm the executive director of the American Paint Horse Association.

And you're going to hear some other folks who will address some of the technical issues just like Lex demonstrated; but I want to, frankly, just appeal a little bit to your sense of Texas nationalism.

The American Paint Horse Association is in Texas. We have all of our major shows in Texas. Of our 60,000 members, 5,000 of them are in Texas. And we've recently added additional money to our
Masterpiece Challenge race at Lone Star Park. I think it demonstrates our interest in the Paint horse business of developing racing, Paint racing in Texas, continuing to stay hooked in Texas, and continuing the process of developing our breed.

I'm not sure how we got on this end of the -- this end of the stick on the allocations. We're certainly in opposition to those allocation proposals. We'll certainly -- I've been in this position for only a few months, but we'll certainly more diligently position ourselves in the future.

But we would simply ask you to take a look at the allocations and make the fairest assessment of how those dollars should be allocated. And we believe that we've invested a lot in Texas. We hope you'll invest with us.

CHAIRMAN SCHMIDT: Any questions of Mr. Smith?

Thank you, sir.

Sandra Garnett Tatom, Groesbeck, Texas?

MS. TATOM: Chairman, Commissioners, I am Sandra Garnett Tatom. I am an owner, breeder, and trainer of Paint horses in the State of Texas.

It's hard to imagine an even playing field with Paints because currently the Arabians at one
particular track get to run in both the Quarter Horse and Thoroughbred meet and we just get a very select few amount of races at each individual track.

As a trainer, I can tell you I have been to every racing secretary. I have raced in every track in the State of Texas. And without exception, when I walk in and ask for another race, the answer is "We don't have the money."

Well, if we have the money -- which now we're even being limited more. But if we have the money, we have the horses.

In every track in the State of Texas, a six-horse Quarter Horse field will be allowed to run. It's not ideal, but it happens. A six-horse Thoroughbred field will be allowed to run. A six-horse Arabian field will be allowed to run. But if we have six horses in a Paint horse race, we're offed. In other words, we are not allowed to compete because we don't have enough horses.

Currently we can provide seven, eight, or nine horses, and occasionally 10, in every race that's not a stakes race that's a Paint race. But yet we're not allowed to grow because we're not allowed to race. If we're allowed to race, we will grow. Our numbers will get bigger. And we will provide the State of
Texas with even more handle money than what we do now.

As an owner, breeder, and trainer, I ask you to reconsider those allocations and just be fair with us. That's all we're asking is that you be fair.

Thank you.

CHAIRMAN SCHMIDT: Mr. Villarreal?

MR. VILLARREAL: Hello. My name is Pancho Villarreal and I represent the Texas Paint Horse Breeders Association. I'm the president of the Texas Paint Horse Breeders Association and I'm the chairman of the racing committee for APHA which deals with racing across our country.

I would first like to thank Billy Smith for everything that he's done at APHA as the executive director and his predecessor, who was Lex Smurthwaite as executive director of APHA. And I'm thankful that we both have them here. And I think that's a strong comment to this Commission of how important Paint racing is in Texas.

I also want to thank all of the tracks, all of the breed representatives, the Commission, and especially the staff for everything that they've done because there's no question that what we're dealing with here in Texas is a grave situation. And the great thing about the fact that we can come here and
represent our respective breed registries is that when we walk out of here, we will join together and fight together to do something that's right for the State of Texas. And that's support slots or alternative gaming at our tracks so that we don't have to squabble as much as we do and fight for every single penny.

The one thing I want to stress is the fact that there's absolutely no question that a strong argument can be made that the Paints should be given three times what they're getting right now. We're not here to do that. This is not the type of economic environment where we engage in those types of actions.

And I think the agreements that were reached by the Quarter Horses and the Thoroughbreds, I applaud them for doing what they've done and they've recognized that it's a time to work together to do what's right.

All that we're asking to do -- we always said, look, we're not going to go try and take another dollar from another breed. All we want to do is maintain the status quo.

And if you look at page 61 of your packet, this has to do with the simulcast purse allocations. The status quo is going to be retained by Retama. The status quo is going to be retained by Sam
Houston. The status quo is going to be retained by Gillespie. The only place where we have a difference or a deviation from the status quo is with Lone Star Park.

Now, I mean, we can sit here and talk about but it's only $9,000, it's only $10,000. I have a great responsibility to my breed. I race Quarter Horses. I race Paints. But here I have my Paint horse hat on and I'm here representing my breed and we need to fight for the status quo.

Lone Star Park -- if there's any track where we should maintain the status quo, it's Lone Star Park. Our crown jewel, we've developed a specific program for three-year-olds. Three-year-olds -- a lot of times all the money is in the two-year-old races. There's not that much in three-year-olds. It's even exacerbated even more for Paints.

What we've done for the Paint horse is we've created something called the Masterpiece Challenge. This year Lone Star Park put $15,000 into the Masterpiece Challenge as additional money. And Billy Smith, as executive director for APHA, presented us with a check, the Texas Paint horse -- or the Masterpiece Challenge, for 10,000. So next year we should have a 25,000-dollar added race.
The other crown jewel that we have at Lone Star is the Lone Star Speed Horse Paint and Appaloosa Futurity. This year it was a 50,000-dollar added race. Where did the money come from? What we did is we entered into a partnership with Speed Horse Magazine, which is one of the most recognized magazines in the Quarter Horse and Paint horse racing industry. And they said, "Look, we want to get your Lone Star race and add it to our Triple Crown series." We said, "Absolutely. Come on. You can take our 25,000 that we get from the horsemen's account, but you need to come with something there."

What we've done for our Paints is we've come up with an additional $35,000 -- actually it's going to be 40 -- yeah, $35,000 next year. We're having to go other places. All we're asking for is where we're having the most success, at Lone Star Park, just give us the opportunity to maintain the status quo.

And the status quo would be -- which is the same as what was recommended by the track October 9th, 2012, in their submission if you look at page 61. The October 9th submission was the same as what was done in 2012; and for some unknown reason, they decided to decrease it from a 65/35 split to an 80/20 split.
So we're in support of everything there except Lone Star Park.

Saddle Brook. Saddle Brook, I don't know where they came up with a 1.5 to five percent, a 75/25 split. At the very least, for the first year we're asking to keep it at 50 percent for each breed, so that would be one percent and one percent.

The next one is page 81 of your packet. If you look at page 81 of your packet, this is the escrowed purse allocation. Again, we don't want to take any money from anybody else. All we want to do is maintain the status quo. And if you look at the status quo, the status quo is -- Lone Star is maintaining the status quo there. Sam Houston is maintaining the status quo. Gillespie is maintaining the status quo.

But Retama Park, they went from a 50/50 split, three and a half to three and a half. Now they want five and a half to one and a half. There is absolutely no explanation or no evidence or no criteria that's been presented to this Commission as to why that should happen.

And I can tell you from firsthand knowledge and, you know, Lex Smurthwaite presented it to this Commission, we have the horses. We were ready to run. Write us the race. And they said, "No, you
don't have enough money." Yet in the negotiations
they're saying "We can justify reducing you because you
all had a 20,000-dollar surplus." I was like "Did you
read this e-mail? If we have a 20,000-dollar surplus
and we're asking you for a race, why are we being
denied?" And that's the confusion that we have.

We're grateful to the Racing Commission.
We're grateful to the tracks. It used to be that our
money was commingled with the Arabians and we had no
idea how much we had. Now we have -- for the first
year last year, we knew exactly how much we had. It
gave us the opportunity as board members for the Texas
Paint Horse Breeders Association, as horsemen, and
through APHA to come up with a program. And I'm
telling everybody, "Guys, we finally know how much
money we have. We're going to write these races." I
make phone calls. I do everything I can to get the
horses there.

If we could know exactly how much to
expect, then we would be able to work with our horsemen
and coordinate something, coordinate a program. We're
not asking for a race every day. In Oklahoma, Paints,
we get a race every day, sometimes two. All we're
trying to do is we're trying to build here in Texas,
maintain the status quo, and give us an opportunity to
continue to grow.

We will not grow and we'll be back here next year facing statistics saying, "Well, last year you only ran three races. This year we're going to give you two." And then a year down, "Well, last year you only ran two races. This year we're going to give you one."

At some point in time we have to draw the line. And these numbers of 65/35, 75/25, just to update the Racing Commission on this, this is something that we had agreed to, the Paints did, because the percentages were actually in greater favor for us on some of these percentages. We said, "Look, we're going to work with you."

And I applaud Mr. Wilson and the Arabians for doing everything that they're doing. They're running a good program. But Texas is their main place to run. And we're not here to take any money away from anybody else.

But all we're asking is for this Commission -- and I can't remember what it is in your packet. But if you look at Section 321.505(a), Subsection (5), this Racing Commission can do three things. They can require the association to submit additional information supporting its recommendation
for consideration at the next Commission meeting.

We're not asking the Commission to do anything like that. We need a decision today. We all need a decision today.

(B), reject the association's recommendation and require the association to submit a new recommendation for consideration at the next Commission meeting. We don't want that.

(C), the last thing that this Racing Commission can do today that we're asking the Racing Commission to do today is reject the association's recommendation and approve an alternate division of purse revenue as determined by the Commission.

We're not asking the Commission to do anything regarding the agreement that was reached between the Quarter Horses and the Thoroughbreds. All we're asking this Commission to do is maintain the status quo. Look at page 61 and page 81 and you know exactly what the status quo is and what we're asking.

The one thing that gives me some hope is the fact that Lone Star Park, you know, they ran in a deficit for the Arabians and they overran that purse account. I'm hopeful that whatever the association -- whatever the Commission reaches as a conclusion here today that if we do have that opportunity to run races
and we do ask for the races that the tracks won't tell us, "You don't have enough money." They'll actually write the race and then maybe they'll come back to the Commission next year and say, "Look, you know, we're doing really well in Paints. We're at a 10,000-dollar deficit, so we need to increase the percentage for the Paints."

I'm going to stop there. We've got a long day. It's been a long morning. Thank you very much. I'll entertain any questions from the Commission.

CHAIRMAN SCHMIDT: Any questions?

Thank you very much, sir.

The last public comment will be Mr. Wilson with the Arabians.

MR. WILSON: I feel I must answer some questions.

Last June when it became talking about breed splits for this year, there were three things that I -- I wrote each track and sent a copy of the letter to each one of the breeds that was affected asking that we be able to run races each week during the meets in which we're involved.

Yes, at Sam Houston we do run some during the Quarter Horse meet there. We run primarily with
the Thoroughbreds. This past year it was spread out a little bit because I think that -- my guess is the money wasn't there. As money accumulated, they let us have another race.

This coming year we have talked about it and we will run there during the Thoroughbred meet, the first two weekends of the Quarter Horse meet. And the reason for that is that the Quarter Horses have had a hard time filling all the races during the first two weekends and Sam Houston has asked us if we would fill races during that period of time and help them.

It works fine for us to remain over those two weeks. Then our horses are off. They go somewhere else, to either Delaware or Colorado primarily, and run in the summer. They're back here in the fall.

We started this year with Lone Star Park. Between Lone Star and Retama Park there were three weekends that we didn't have races. Our horses were in the stalls, standing there, and no place to run simply because we did not have purse money. We asked that we be given enough money to run on those weekends, not for an increase in what we run for, just that we could be able to run on those weekends.

We worked hard in Texas to get Arabians running. We have a reputation of filling our races
when they're offered. You can go back as far as you want and you'll find that we have always tried to fill our races and have done a good job with it.

This year at Lone Star we ran 11 races. The Paints ran five. Two of theirs were stakes. Three were trials for their futurity. We ran primarily two stakes. The rest of them of ours were overnight. We did take the overnight money from one race, split it in half, put sponsorship money with it, and ran so that we could have a restricted accredited Texas-breds race for the first time probably in five years, where we were able to have a race that was strictly to accredited Texas-bred horses.

The purse money that was used for their purses out of their five races averaged -- let me find it and make sure I'm exactly right -- $9800 a race if you figure the five races. Cull out any money that was put in by sponsorships or anybody else paid into the purse, do the same thing for Arabians and for Paints. We ran for $6100 a race up there. So I do not feel bad that we're getting that small adjustment in the money up there.

At Retama Park, in order to give us -- to get us a little bit more money there, they did make a change in the escrowed fund from there, but no change
in the simulcast money. At Saddle Brook, this past year or in the years out, we will have ran 40 -- this chart shows 40. Actually we ran nine races at Retama Park already this year. There are three more in the condition book and we will fill those. So we will have run 43 races at the end of the year. Paints will have run 15. So I don't think that the 75/25 split is out of line if you look at the number of races that we're each participating in at the current time within the state.

This money will allow us to be able to run, we think, each weekend our races that we have missed in the past; and some weekends when we only got one race, we will be able to fill that blank, too. So we feel that what the tracks have recommended we can support and we do encourage you that you support and approve that recommendation.

I'll answer any questions anybody has, please.

CHAIRMAN SCHMIDT: Any questions of Mr. Wilson?

Thank you, sir.

Jean, has anyone else --

MS. COOK: No, sir.

CHAIRMAN SCHMIDT: I think this is what
we get. We don't have enough money. All the arguments are compelling. There's just not enough money.

Any further comments or questions by the Commission?

I'll certainly entertain a motion.

VICE-CHAIRMAN EDERER: As far as a comment, let me -- before you get to the motion, as far as a comment is concerned, I just want to say that we, as Commissioners, all of us, do understand and appreciate all the work and time that all of you have put in and the problems that you've had trying to come to a conclusion. We appreciate your efforts and we have heard, I think, everything that you've had to say. Thank you.

And as far as a vote is concerned, at this point in time I would recommend that -- I would make a motion that the recommendation by the tracks on page 82 -- is that correct? 62 and again on 82, that these allocations be approved.

CHAIRMAN SCHMIDT: Thank you,

Mr. Vice-Chair.

Is there a second?

COMMISSIONER STEEN: I'll second.

CHAIRMAN SCHMIDT: Commissioner Steen.

So there's a motion on the floor to
approve the racetracks' recommended distribution and allocations of purse funds under 321.505(a) and 321.509 made by Vice-Chair Ederer and seconded by Commissioner Steen.

I would also like to just thank the efforts of all the horsemen. I just think it's a very, very difficult issue. In a former life, I myself had a horse that I thought was primed and ready to run and there was no race for it. I understand the horsemen's frustrations. I think we're just dealing with a very difficult situation.

I think it's the bias of the Commissioners that I've spoke with to still let the horsemen themselves decide this to the best of their ability. I think you know your business the best and I think that's our bias.

Any other comments or questions? There's been a motion made and seconded.

MR. FENNER: I would like to clarify. Commissioner -- Vice-Chairman Ederer, you intended to include the recommendations by Gillespie in that as well, right?

VICE-CHAIRMAN EDERER: That's correct.

MR. FENNER: Thank you.

CHAIRMAN SCHMIDT: Okay. There's been a
motion made by Vice-Chair Ederer and seconded by Commissioner Steen.

I'll call it to a vote. All those in favor signify by saying aye.

COMMISSIONERS: Aye.

CHAIRMAN SCHMIDT: Anyone opposed?

Okay. That carries. So we've approved the racetracks' recommendations for the purse distributions as noted.

I have a question. I don't want to be out of order, Mr. Fenner. We heard testimony earlier that simulcast -- this is for 2013. Is that correct?

MR. FENNER: Yes, sir.

CHAIRMAN SCHMIDT: Right. We heard testimony earlier from Saddle Brook -- the folks at Saddle Brook that they actually had opened this week. Do we anticipate generating any money from that for 2012?

MR. FENNER: I believe we do. I would defer to Mr. Jackson, who is more informed on this.

But I believe we do.

MR. JACKSON: Yes, sir.

CHAIRMAN SCHMIDT: Is it -- do we need to post this as an agenda item or can we direct that money and help the Paints out?
MR. FENNER: Well, the posting is broad enough to include that because the posting is not limited by year.

CHAIRMAN SCHMIDT: Is there -- I mean, it just opened, but it's something. So we could --

MR. FENNER: So there's going to be some purse revenues generated in 2012 from Saddle Brook Park. Are you proposing to go ahead and allocate that at this time? Because the agenda posting is broad enough to cover that if that's what you'd like to discuss.

CHAIRMAN SCHMIDT: I mean, I think we've heard the arguments and both are compelling. If there's -- hopefully if there were four or five thousand dollars that we could get from Saddle Brook, we could give that to the Paints next year and it would help a little bit.

MR. JACKSON: Mr. Chairman, if I may.

CHAIRMAN SCHMIDT: Yes, sir.

MR. JACKSON: The discrepancy that we're talking about that was mentioned by the Paint horse association in total was $15,000. That's their loss.

CHAIRMAN SCHMIDT: Right.

MR. JACKSON: The first weekend of the opening, which, as Corey so well articulated, was a
soft opening, I think they generated about $2,000 in purse money already. So if they have three more weekends of soft openings and I would assume that's going to progressively go up as -- you know, taking into account there's Christmas in there. But there could possibly be between six to eight thousand dollars, I would think, in that purse account that could be used to soften the impact to the Paint horse with the decision.

MR. FENNER: May I? So the additional purse funds that would be generated at Saddle Brook Park, how would they be allocated? Similar as to the escrowed purse account is distributed? Or how would that money be divided among the tracks?

MR. JACKSON: It doesn't go to the tracks. I think they just need to say 100 percent to the Paint account that it would go. And then in that case it would be up to Corey and the tracks to move that money to the appropriate places in consultation with the horsemen's organization.

MR. FENNER: Is that --

VICE-CHAIRMAN EDERER: As far as that money is concerned, right now where would it go?

MR. JACKSON: Right now it would sit in the purse accounts at Saddle Brook Park until we could
make a decision.

CHAIRMAN SCHMIDT: So it's not spoken for yet.

MR. JACKSON: That's correct.

VICE-CHAIRMAN EDERER: And it won't affect the bottom line on anyone except who we would designate this money to go to.

MR. JACKSON: That is correct. It is not in any of the calculations that have been presented to you today or any of the data. It's kind of a newfound source of money.

VICE-CHAIRMAN EDERER: So then we'd need a motion, right?

CHAIRMAN SCHMIDT: I would need a motion. I would entertain a motion.

VICE-CHAIRMAN EDERER: I would like to make a motion that the revenue that is now being generated by Saddle Brook from now until the end of the year be designated to the -- I'm not -- designated to the Paint horse association --

MR. FENNER: Purse account.

VICE-CHAIRMAN EDERER: -- purse account to be used next year.

MR. FENNER: Yes, sir. That seems like a proper motion.
CHAIRMAN SCHMIDT: Is there a second?

COMMISSIONER ABER: I'll second it.

CHAIRMAN SCHMIDT: Commissioner Aber, Dr. Aber.

Any further discussion?

All those in favor signify by saying aye.

COMMISSIONERS: Aye.

CHAIRMAN SCHMIDT: Anyone opposed?

That motion carries.


Mr. Jackson?

MR. JACKSON: Thank you again, Mr. Chairman.

Commissioners, on page 89 of your agenda packet, you'll find a 2013 horse race date calendar that reflects all previously granted race dates as well as the newly requested race dates. In addition, on page 90 of your agenda packet, you will find a 2014 horse race date calendar that reflects all previously granted -- all previously granted race dates, which
will be the two Saddle Brook Park dates, as well as all newly requested race dates.

All race date applications were received timely and in accordance with Commission rules overseeing the race date application process.

At this time I would be happy to answer any questions. I know there will be several speakers who want to come forward and lay out their applications on behalf of each of the racetracks.

CHAIRMAN SCHMIDT: Andrea, your meet opens first.

Ms. Young will be speaking on Sam Houston's behalf.

MS. YOUNG: Good afternoon, Commissioners.

In front of you you have a request that is unchanged from the October meeting to add three additional Thoroughbred dates to our race meet that starts on January the 18th in 2013 as well as a 21-day Quarter Horse meet that follows that up. We take a weekend off and then come right back.

We would like to amend our Quarter Horse request to add three more dates than what is in front of you today. So we would like to add May 16th, 17th, and 18th for an additional weekend to conclude that
I'm happy to answer any questions you might have.

MR. JACKSON: Did you say the 16th, 17th, and 18th?

MS. YOUNG: Yes. That's Thursday, Friday, Saturday, right?

MR. JACKSON: Got you.

MS. YOUNG: Okay. You got it.

CHAIRMAN SCHMIDT: Any questions of Mrs. Young?

Thank you, Mrs. Young.

MS. YOUNG: Thank you.

CHAIRMAN SCHMIDT: Bryan Brown?

MR. BROWN: Good afternoon, Commissioners.

Retama Park has the same request as we did in October for both 2013 and 2014. We'll run very similar meets in 2013 to what we did this year, with the Quarter Horse meet starting in June and running through early August and the Thoroughbred meet starting in October and running through the end of the year.

In 2014 we've applied just for October and November dates because those were the only dates in October that we could apply for.
I'd be happy to answer any questions that you have.

CHAIRMAN SCHMIDT: Any questions of Mr. Brown?

Thank you, Mr. Brown.

MR. BROWN: Thank you very much.

CHAIRMAN SCHMIDT: I didn't see a card for Mr. Shubeck.

MS. COOK: No, you didn't.

MR. SHUBECK: Commissioners, just briefly, for 2013 Lone Star Park is applying for 50 Thoroughbred days, April 11th to July 6th, and 26 Quarter Horse days. And that mirrors our -- what we ran this year. And that will be September 13th through November 9th. Average daily purse, we feel, as I have already stated, about 130,000 for Thoroughbreds and about 60,000 for Quarter Horses.

I'm available to answer any questions.

CHAIRMAN SCHMIDT: Thank you,

Mr. Shubeck.

We'll go in reverse order. Mary Ruyle, Texas Thoroughbred Association?

MS. RUYLE: We have no problems with it.

CHAIRMAN SCHMIDT: Okay. Rob Werstler with the Quarters?
MR. WERSTLER: We support the race dates applications and thank Andrea Young for adding three days. We still lose three days there, which is 30 races, so that's an opportunity for 300 horses they won't have to run, but we understand and we do -- we plan on working with her to try and put a gap between their Thoroughbred meet and their Quarter Horse meet because that really kind of jams our horsemen and they don't have sufficient time to get in. But we do appreciate their efforts.

Any questions?

Thank you.

CHAIRMAN SCHMIDT: Dr. Hays?

MR. HAYS: I'll just reiterate. We did request from Andrea the three extra days. Excuse me. And part of the agreement, when we agreed to the breed splits, that that's what it was. And we hope Retama will generate extra money there and maybe we can get three more days during that meet, too. But we agree with the race dates on page 89 with the addition of three more days at Sam Houston Race Park.

Thanks.

CHAIRMAN SCHMIDT: Mrs. Haynes with TTHBPA?

MS. HAYNES: We support the race date
CHAIRMAN SCHMIDT: Thank you.

Jean, are there any other cards?

MS. COOK: No, sir.

CHAIRMAN SCHMIDT: Okay. Public comment is complete.

Any discussion by the Commission?

If not, I'll entertain a motion to approve the race dates as requested by the horse racetracks and as shown in the calendars on pages 89 and 90 of our agenda packet.

COMMISSIONER HICKS: I'll make a motion.

CHAIRMAN SCHMIDT: A motion made by Commissioner Hicks.

MR. FENNER: Does this include the additional three days requested by Sam Houston Race Park?

CHAIRMAN SCHMIDT: Yes. Including the three days at Sam Houston, yes, sir.

A motion made by Commissioner Hicks, seconded by Dr. Martin.

Any further discussion?

All those in favor signify by saying aye.

COMMISSIONERS: Aye.
CHAIRMAN SCHMIDT: Anyone opposed?

The race dates are approved.

Greyhound race dates and purse allocations. Actually those were allocated in October, so we really don't need to address those.

Allocation of Texas Greyhound Association interstate cross-species purse money.

Mr. Jackson, can you lay this item out for us?

MR. JACKSON: Thank you again, Mr. Chairman.

Commissioners, on page 147 and 148 of your agenda packet, you will find a request by the Texas Greyhound Breeders Association recommending that they allocate 100 percent of the cross-species money that they collect during the year to Gulf Greyhound Park.

Commission Rule 303.102(d) states the TGA shall prepare a proposed allocation for consideration by the Commission and that in preparing the proposed allocation, TGA should consider the following: The average price per point paid for purses at each greyhound racetrack during the preceding year, the purse payout at each greyhound racetrack during the preceding year, and the impact cross-species
simulcasting has made on the greyhound purse revenues
at each greyhound racetrack during the preceding year.

The TGA's proposed formula would allocate
100 percent of all greyhound cross-species purse money
to Gulf Greyhound Park for 2013. This allocation
supports the 2013 greyhound race date calendar
previously approved by this Commission at the last
Commission meeting.

Staff recommends approval of this
recommendation.

And if there's any questions, I'd be
happy to answer them. I know that Mr. James, the
executive director of the TGA, is here to speak today.
And we have talked to all the tracks and they're, I
believe, in support of this proposal by the TGA as
well.

CHAIRMAN SCHMIDT: Thank you,
Mr. Jackson. You've done some heavy lifting today.

Mr. Nick James from TGA, is he here?

MR. JAMES: Nick James from the TGA.

We worked out an agreement with the three
tracks and for a hundred percent of the cross-species
money to go to Gulf to keep those purses coming in
since the Valley now is going to -- we've worked out
another deal with the Valley on their race dates and so
that we hope to get approval from the Commission on at some point. And everybody has agreed to sending all that money to Gulf to help the kennels.

CHAIRMAN SCHMIDT: Great.

Any questions of Mr. James?

Thank you, sir.

Andrea Young?

MS. COOK: She doesn't want to --

CHAIRMAN SCHMIDT: Okay. Does not wish to testify.

I'm sorry, Andrea. You're just expressing your support for the deal. Great.

Any other public comment? No?

Any discussion by the Commission?

If not, I'll entertain a motion to approve the allocation of interstate cross-species purse money as requested by the Texas Greyhound Association.

COMMISSIONER HICKS: I'll make the motion.

CHAIRMAN SCHMIDT: A motion by Commissioner Hicks and seconded by Commissioner Steen.

There's been a motion made by Commissioner Hicks and seconded by Commissioner Steen to approve this request.
All those in favor signify by saying aye.

COMMISSIONERS: Aye.

CHAIRMAN SCHMIDT: Anyone opposed? No?

That motion carries unanimously.

Proceedings on rulemaking. I think what we'll do is, Mark, why don't you briefly review the rules and then we'll ask Commissioner O'Connell if she has any comments. We've been through these a little bit, haven't we?

MR. FENNER: Yes, sir. Yes, sir.

First of all, we do have a rule proposal before you today, and that is to amend Rule 309.1, which still has a reference in it that racetrack licenses are perpetual and that's no longer in accordance with the act. So this amendment would eliminate the perpetual statement and clarify the Commission can revoke, suspend, or change the designation of a license and that with the Commission's approval an association may also voluntarily surrender that license.

We would recommend publishing that proposal in the Texas Register for public comment.

We'll go ahead and maybe take care of the -- do you want me to do them all at one time?
CHAIRMAN SCHMIDT: Let's take care of this one and then take care of everything else. I think everything else has been -- we've visited extensively.

Commissioner O'Connell, anything to add?

MS. O'CONNELL: Nothing to add.

CHAIRMAN SCHMIDT: Thank you.

Any public comment?

Okay. Any further discussion?

Okay. If so -- if not, I'd certainly entertain a motion to publish the amendment to Rule 309.1 in the Texas Register for public comment.

Is there a motion?

VICE-CHAIRMAN EDERER: So move.

CHAIRMAN SCHMIDT: Seconded by Commissioner Steen. A motion made by Commissioner Ederer, made and seconded.

All those in favor signify by saying aye.

COMMISSIONERS: Aye.

CHAIRMAN SCHMIDT: Anyone opposed? No?

That will be published then following approval.

Rule adoptions.

MR. FENNER: Yes, sir.
The rules listed in Sections C through Q below were all published in the October 26, 2012 edition of the Texas Register. We received no written comments in response to that publication and we didn't receive any feedback on them at the rules committee meeting on December 4th.

Now, we have identified two very nonsubstantive minor clerical errors in them. These errors where it refers to a ticket instead of a voucher in Rule 321.31 and then a misspelling of mutuel in 321.46 we would like to correct during the posting -- or the adoption. There's no need to repost for that minor of an edit. So we would recommend adoption of those proposals with authority to make those two corrections.

I could walk through the substance of them if you'd like.

CHAIRMAN SCHMIDT: No.

Commissioner O'Connell, do you have anything else to add regarding 309.1?

MS. O'CONNELL: No, I don't.

CHAIRMAN SCHMIDT: Okay. So I'll certainly entertain a motion to publish the amendment to Rule 309.1 in the Texas Register for public comments. No. Sorry. I'm sorry. I misread that. To
adopt the rules listed in Agenda Items C through Q with
the corrections as noted.

Is there a motion?

COMMISSIONER MARTIN: I make a motion.

CHAIRMAN SCHMIDT: A motion by Dr. Martin
and seconded by Commissioner Steen.

Any further discussion?

All those in favor signify by saying

aye.

COMMISSIONERS: Aye.

CHAIRMAN SCHMIDT: Anyone opposed?

That carries as well.

The following items, now we -- we'll now
move into executive session under Government Code
551.071(1) to seek the advice of our attorney regarding
pending or contemplated litigation, including Churchill
Downs, Incorporated, versus Chuck Trout, et al, and
Dallas City Limits Property Company versus Robert
Schmidt, MD, et al. The time now is 12:45. Thank
you.

(Recess from 12:45 p.m. to 1:01 p.m. for
executive session)

CHAIRMAN SCHMIDT: Good afternoon. We
are reconvening out of executive session and the time
now is 1:01 p.m. We're not taking any action at this
The last bit of business, schedule the next Commission meetings, tentatively schedule the meetings as listed in your agenda packet for your information.

I'll entertain a motion to adjourn.

COMMISSIONER MARTIN: I make the motion to adjourn.

CHAIRMAN SCHMIDT: Second?

COMMISSIONER ABER: Second.

CHAIRMAN SCHMIDT: Commissioner Aber.

We're adjourned.

(Proceedings concluded at 1:02 p.m.)
STATE OF TEXAS     )
COUNTY OF TRAVIS   )

I, SHERRI SANTMAN FISHER, a Certified Shorthand
Reporter in and for the State of Texas, do hereby
certify that the above-captioned matter came on for
hearing before the TEXAS RACING COMMISSION as
hereinbefore set out.

I FURTHER CERTIFY that the proceedings of said
hearing were reported by me, accurately reduced to
typewriting under my supervision and control and, after
being so reduced, were filed with the TEXAS RACING
COMMISSION.

GIVEN UNDER MY OFFICIAL HAND OF OFFICE at Austin,
Texas, this _____ day of December, 2012.

____________________________________
SHERRI SANTMAN FISHER, Texas CSR 2336
Expiration Date:  12-31-13
Sunbelt Reporting & Litigation Services
Firm Registration No. 87
1016 La Posada Drive, Suite 294
Austin, Texas 78752
(512) 465-9100
Job No. 105263