

BEFORE THE  
TEXAS RACING COMMISSION  
AUSTIN, TEXAS

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

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

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

Commissioners:      ROBERT SCHMIDT  
                             RONALD F. EDERER  
                             MIKE MARTIN  
                             GLORIA HICKS  
                             GARY P. ABER  
                             JOHN T. STEEN, III  
                             ANN O'CONNELL  
                             ALLAN POLUNSKY

1                   CHAIRMAN SCHMIDT: Good morning. I'd  
2 like to call the December meeting of the Texas Racing  
3 Commission to order. Merry Christmas. Seasons  
4 greetings. This will be the last meeting of the year.  
5 The time is 10:31.

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

8                   MS. NORWOOD: Commissioner Ederer?

9                   VICE-CHAIRMAN EDERER: Present.

10                  MS. NORWOOD: Commissioner Polunsky?

11                  MR. POLUNSKY: Here.

12                  MS. NORWOOD: Commissioner O'Connell?

13                  MS. O'CONNELL: Here.

14                  MS. NORWOOD: Commissioner Hicks?

15                  COMMISSIONER HICKS: Here.

16                  MS. NORWOOD: Commissioner Weinberg?

17 Commissioner Martin?

18                  COMMISSIONER MARTIN: Present.

19                  MS. NORWOOD: Commissioner Steen?

20                  COMMISSIONER STEEN: Present.

21                  MS. NORWOOD: Commissioner Aber?

22                  COMMISSIONER ABER: Here.

23                  MS. NORWOOD: Chairman Schmidt?

24                  CHAIRMAN SCHMIDT: Here.

25                  Carolyn, do we have a quorum?

1 MS. NORWOOD: Yes, sir.

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

5 MS. COOK: No.

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

10 Mr. Jackson?

11 MR. JACKSON: Good morning,  
12 Commissioners.

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

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

25 CHAIRMAN SCHMIDT: Thank you.

1 Any questions of Mr. Jackson?

2 Racetrack inspections. Mr. Blodgett?

3 MR. BLODGETT: Good morning,  
4 Commissioners. Jim Blodgett, director of  
5 investigations, Texas Racing Commission, providing the  
6 information that is included also in your packets.

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

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

16 I'd be happy to answer any questions.

17 CHAIRMAN SCHMIDT: Thank you, sir.

18 Any questions of Mr. Blodgett?

19 Okay. Thank you, sir.

20 Wagering statistics. Mr. Jackson again.

21 MR. JACKSON: Thank you again,

22 Mr. Chairman.

23 Commissioners, on pages four through six  
24 of your agenda packet, you will find the report on  
25 wagering statistics for the periods of January 1st

1 through December 9th for both 2011 and 2012. The  
2 report reflects that 2012 total wagering activity has  
3 increased at the horse racetracks by 1.34 percent but  
4 has declined at our greyhound racetracks by 7.59  
5 percent.

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

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

10 Thank you, Mr. Jackson.

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

13 MR. GOUGLER: Good morning,  
14 Commissioners.

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

23 I'd like to take this opportunity also to  
24 acknowledge and thank the Texas Department of Public  
25 Safety, Grand Prairie Police Department, and the

1 security staff at the various racetracks for their  
2 cooperation in assisting us during this past year. We  
3 got a real good level of cooperation from all the  
4 entities and I just want to recognize them. Thank  
5 you.

6 I'll answer any questions that you might  
7 have.

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

10 Any questions?

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

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

15 MR. FENNER: Yes, sir.

16 Commissioners, what we've included in  
17 your packet -- the individual proposals begin on page  
18 10 -- are a series of proposals for legislative change  
19 that staff has worked on. I'd like to go through them  
20 and lay them out for you. We're looking for guidance  
21 and, if you are in support of these individual  
22 proposals, your endorsement and support of them for us  
23 to take to the Legislature.

24 On page 10 is a change to add the  
25 definition for a handicapper tournament and also to

1 amend the definition of handicapper. The reason this  
2 is being brought forward is because handicapping  
3 tournaments are pretty popular around the country, but  
4 we do have a problem with holding them here in Texas if  
5 there is going to be an entry fee because the entry fee  
6 itself is a type of wager but it is not a pari-mutuel  
7 wager. So this definition would endorse the concept of  
8 a handicapping tournament that charges a fee at the  
9 racetracks.

10 Do you have any questions about that  
11 one?

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

23 The change on page 12 would amend the  
24 Section 14.16, Racing Without a License. Currently  
25 it's an offense -- it's a third degree felony offense

1 for a person to conduct a greyhound or horse race  
2 without a racetrack license and that person knows or  
3 reasonably should know that another person is betting  
4 on the race. Now, the problem is proving up that the  
5 person knows or should know that betting is going on.  
6 Frequently it requires undercover work by the  
7 Department of Public Safety.

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

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

18           The change on page 13, to impose criminal  
19 penalties for unlawful wagering. We have -- we have  
20 had in the past companies and we are down to one  
21 company now that's accepting wagers on racing and,  
22 frankly, admitting that they're doing it. And they're  
23 not a racing association. They're doing it over the  
24 Internet. And it makes it difficult to impose criminal  
25 sanctions or pursue prosecution by a District Attorney

1 under the way it is right now because unlawful  
2 wagering, while we have this section in our statute,  
3 it's in the wagering section. It is not in the  
4 criminal offenses section of the statute.

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

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

20 The change on page 14 would enhance the  
21 penalty and suspension authority of the stewards and  
22 the racing judges and this would bring the penalty  
23 authority up in line with what the model rules of RCI  
24 call for. Currently the penalty limit is \$5,000 and a  
25 one-year suspension for a violation of the act or the

1 rules that the stewards or judges can assess, and the  
2 RCI model rules extend all the way up to \$100,000 and  
3 five-year suspension for violations of the act or the  
4 rules.

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

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

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

25 The change on page 17 would clarify some

1       ambiguous language. The statute currently says that of  
2       the portion of the breakage that is paid to the State  
3       greyhound breed registry, 25 percent is to be used in  
4       stakes races and 25 percent is to be paid to the  
5       Commission. And it's unclear strictly from the text of  
6       the statute whether the 25 percent is half of the 50  
7       percent or 25 percent of the 50 percent.

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

12                And then on page 18 there's a little bit  
13      of internal inconsistency in the act between 10.05 and  
14      6.09. In one part -- in 6.09 it says that the breakage  
15      is paid to the Commission for use by the breed registry  
16      and then 10.05 says pay the breakage to the greyhound  
17      breed registry.

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

22                Finally, we have one late legislative  
23      proposal that I sent to you on Friday entitled  
24      "Cooperation With Other Regulatory Agencies" and I  
25      believe it's at your chair. We've had an issue where

1 we would like to pass some information along to the vet  
2 board; but because of the way our act is written, this  
3 material that we would like to pass along, it's part of  
4 our investigative files and our act has very strong  
5 protections for the investigation files. You can't  
6 pass that information or use that information or  
7 release that information except under very limited  
8 circumstances, such as in a criminal proceeding or in a  
9 hearing before the Commission.

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

18 CHAIRMAN SCHMIDT: Thank you,  
19 Mr. Fenner.

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

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

24 CHAIRMAN SCHMIDT: Yes.

25 MR. POLUNSKY: What is the process going

1 forward to promote these legislative changes?

2 CHAIRMAN SCHMIDT: Mark, do you want to  
3 comment on how we work through the system?

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

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

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

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

1 communication with him and so on.

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

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

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

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

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

24 MR. POLUNSKY: Thank you.

25 CHAIRMAN SCHMIDT: This is the first time

1 in, I think, six years we've actually had an open  
2 agenda as opposed to sunset, so it's a little  
3 different.

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

6 CHAIRMAN SCHMIDT: Yes, sir. Exactly.

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

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

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

17 CHAIRMAN SCHMIDT: I'd certainly  
18 entertain a motion.

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

22 CHAIRMAN SCHMIDT: Is there a second?

23 COMMISSIONER HICKS: Second.

24 CHAIRMAN SCHMIDT: Seconded by  
25 Commissioner Hicks.

1 Any further discussion?

2 Let's just bring this to a vote then.

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

7 All those in favor signify by saying  
8 aye.

9 COMMISSIONERS: Aye.

10 CHAIRMAN SCHMIDT: Anyone opposed?  
11 Mark, the motion carries unanimously.

12 MR. FENNER: Thank you, sir.

13 CHAIRMAN SCHMIDT: And please make us  
14 available -- please be available to us if you encounter  
15 some problems over there in January or February.  
16 Okay?

17 MR. FENNER: Yes, sir.

18 CHAIRMAN SCHMIDT: Thank you.

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

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

24 MR. BLODGETT: Yes, sir.

25 Commissioners, included in your packet

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

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

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

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

24 Staff recommendation is for approval.

25 CHAIRMAN SCHMIDT: Thank you,

1 Mr. Blodgett.

2 Any questions by any of the  
3 Commissioners?

4 Any public comment, Jean?

5 MS. COOK: No, sir.

6 CHAIRMAN SCHMIDT: No public comment.

7 Any further discussion?

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

11 COMMISSIONER STEEN: I'll make a motion.

12 CHAIRMAN SCHMIDT: A motion by  
13 Commissioner Steen.

14 COMMISSIONER MARTIN: Second.

15 CHAIRMAN SCHMIDT: Seconded by

16 Dr. Martin. The motion has been made and seconded.

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

20 COMMISSIONERS: Aye.

21 CHAIRMAN SCHMIDT: Anyone opposed?

22 The motion carries.

23 Next item, a request by Retama Partners  
24 for approval of conversion of business organization,  
25 majority change of ownership, and appointment of a new

1 management committee.

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

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

17 Now, one of the ownership requirements as  
18 generally held in the act is that the majority of the  
19 ownership be held by Texas residents, but there is an  
20 exception if the applicant is a publicly traded company  
21 or its parent is a publicly traded company. The  
22 applicant for this majority ownership is called PNK(SA)  
23 and that is a wholly-owned subsidiary of Pinnacle  
24 Entertainment, a publicly traded company out of  
25 Nevada.

1                   The current ownership and management of  
2 Retama Park is described on the diagram shown on page  
3 49 of your materials. And this is a pretty complicated  
4 ownership structure that Retama Park has right now.  
5 You'll see that the most notable thing about it is that  
6 Retama Partners holds legal title to the license, but  
7 the beneficial interest in the horse racing aspects of  
8 it have been transferred to Retama Development  
9 Corporation.

10                   So Retama Development Corporation, which  
11 is a municipal corporation owned by the City of Selma,  
12 they have the rights to the income stream that come  
13 from the horse racing that takes place at Retama Park.  
14 Now, they also own the racetrack land and the facility  
15 and they have 50 percent of the interest, at least  
16 until 2037, in any additional rights granted to the  
17 license holder. And by additional rights, that's  
18 generally going to mean alternative gaming, whether  
19 it's VLT's or slots or poker or whatever.

20                   Retama Development Corporation also owes  
21 quite a bit of debt for this, including 87 million  
22 dollars for the B bonds that were originally issued for  
23 the construction of the facility as well as about six  
24 million dollars for the A bonds. Then they have a  
25 variety of other amounts that are owed; and in fact,

1 they are six million for the A bonds, 87 million for  
2 the B bonds, 2.85 million for bridge loans that have  
3 already been made from PNK(SA), and then six and a half  
4 million dollars in other various loans and promissory  
5 notes.

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

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

18 So what you're going to see is --  
19 frankly, the easiest way to break this down is to work  
20 through the charts. On the second chart you'll see  
21 that what they're going to do is that Retama Partners  
22 is going to do a kind of reverse merger. They're going  
23 to create a wholly-owned subsidiary called Pinnacle  
24 Retama, LLC. And Pinnacle Retama is going to step into  
25 the shoes of Retama Partners in terms of the license.

1 Pinnacle Retama is going to have the license and  
2 they're going to have all the interests in the license,  
3 the legal title, that haven't been transferred to RDC.  
4 At this point also they're going to acquire -- or have  
5 the 50 percent of additional rights that have been  
6 granted to the license holder.

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

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

23           Following that, what they're going to  
24 do -- if you'll jump down to Chart 4 frankly, what  
25 they're going to do is they're going to take 75 and a

1 half percent of their ownership in Pinnacle Retama,  
2 LLC, and they're going to transfer that to PNK(SA). So  
3 the original owners of Retama Park are going to have 24  
4 and a half percent of the license, PNK(SA) are going to  
5 have three quarters or 75 and a half percent of the  
6 license.

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

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

24 Now, to run the new entity, there's going  
25 to be a management committee composed of four people,

1 three of whom are designated by Pinnacle Entertainment  
2 and one of whom is appointed by the current ownership,  
3 which is Retama Partners. And the three members  
4 representing PNK(SA) are Anthony Sanfilippo, Carlos  
5 Ruisanchez, and Gino Iafrate. And all three of these  
6 people have undergone DPS background checks and have  
7 been -- their documents have been reviewed and provided  
8 to you. No disqualifying information was found on any  
9 of those.

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

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

19 Pinnacle Entertainment does have  
20 experience in this area. They own and operate casinos  
21 in Lake Charles and in Bossier City and in St. Louis.  
22 They also have a horse track in Cincinnati called River  
23 Downs. They also have some overseas interests. They  
24 have a 26 percent equity interest in something called  
25 Asian Coast Development which is a British Columbia

1 corporation. They also have a management agreement to  
2 operate a resort in Vietnam.

3 PNK, according to their SEC filings, has  
4 got about 519 million dollars in equity at the end of  
5 2011. That reflects assets of 1.95 billion and  
6 liabilities of 1.43 billion.

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

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

22 There's no change made to the tote  
23 contract. The existing tote contract with AmTote will  
24 continue. PNK has submitted a management agreement and  
25 we've reviewed that and found no problems there. They

1 may change the concession agreement for the alcohol in  
2 the future, but that's not before you today.

3           The condition of the facility is fine.  
4 We do frequent inspections of Retama Park and there's  
5 no outstanding facility issues requiring attention.

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

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

19           The management of the track at this point  
20 will continue on as it is under the same people who are  
21 there now. That includes Bryan Brown, Lisa Medrano,  
22 Angela Cooper, Steve Ross, and Nina Sirak. I do  
23 understand that they intend to put a new general  
24 manager at Retama Park in the future, but he will have  
25 to undergo the background check and approval of the

1 agency. That doesn't require Commission approval. It  
2 will just undergo the standard process that we do for  
3 racetrack officials.

4 We have looked at the forecasts of the  
5 finances and the pari-mutuel cash flows. And the  
6 bottom line is that we believe that the forecasts  
7 regarding the statements of operations and the cash  
8 flows are a fair reflection and a reasonable estimate.  
9 What they estimate is that they're going to lose 148  
10 million dollars over the next five years. Now, of that  
11 148 million dollars, 141.2 is interest expense. It's  
12 interest expense owed to themselves because Pinnacle  
13 is -- and the Retama Partners, LLC, is acquiring the  
14 debt that's owed, so they're paying it to themselves.  
15 It's a paper transaction.

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

20 Now, Pinnacle has committed as part of  
21 their acquisition of Retama Park to providing up to two  
22 million dollars a year for the first six years in cash  
23 advances to Retama Park to cover these types of  
24 operating expenses. Of that two million dollars, 1.5  
25 million dollars is committed to covering operating

1 expenses and the other half million is not committed to  
2 that. So based on that, they should be able to  
3 maintain it for these next five to six years.

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

8 Their impact on the horse breeding, they  
9 average 2.17 Quarter Horse races per live race day and  
10 2.39 on their Thoroughbred live race days. They intend  
11 to work with the Quarter Horse association and the  
12 Thoroughbred association on their sales, on futurities,  
13 and the stallion stakes series.

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

17 At the time we prepared this report, we  
18 had not received any letters of support or opposition;  
19 but we did receive on Friday a letter of support from  
20 the Texas Thoroughbred Association and that's with your  
21 materials, I believe. And I received this morning a  
22 letter from the Texas Quarter Horse Association in  
23 support of this transfer and I'd be happy to circulate  
24 that if you would like to look at the TQHA letter in  
25 support.

1                   So in conclusion, we believe that the --  
2                   all the elements needed for review have been checked.  
3                   We don't find anything in here that is disqualifying.  
4                   We have not found any red flags. There appears to be  
5                   enough money to continue to operate for the next  
6                   several years and PNK has the financial wherewithal to  
7                   do that. And we're looking forward to the Commission's  
8                   decision.

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

11                  CHAIRMAN SCHMIDT: Thank you, Mark.

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

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

16                  MR. FENNER: Yes, sir.

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

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

23                  CHAIRMAN SCHMIDT: Okay. Great.

24                  Any other questions?

25                  Okay. Major Wynn Reynolds, can you

1 address the results of the background investigation for  
2 us, please?

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

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

12 CHAIRMAN SCHMIDT: Any questions of Major  
13 Reynolds?

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

16 MR. REYNOLDS: Thank you.

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

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

22 CHAIRMAN SCHMIDT: Okay.

23 MR. BROWN: We appreciate being able to  
24 be here today. This has been an extremely long process  
25 that we've undergone and it's been a very good

1 process. And I'd like to compliment the Commission  
2 staff, Major Reynolds, the DPS for doing an excellent  
3 job and really working hard on what, as Mr. Fenner  
4 outlined, is a fairly complex transaction. The good  
5 news is you will not be tested on those charts after  
6 the meeting, I promise you that.

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

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

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

24           In addition to that, all the debt at --  
25 virtually all the debt at Retama Park will be paid off

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

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

24 It means a lot of things for us. I can  
25 tell you long term in the past has been next week for

1 us. We have not been able to look out down the road  
2 and think about things that can be done from a  
3 marketing standpoint in particular to help the facility  
4 because we didn't have the money to do it and we  
5 weren't afforded the ability to make mistakes with any  
6 money at all. We had to get by with what we did.

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

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

23 Pinnacle has no plans to bring outside  
24 staff in, with one exception. Mr. Fenner referred to a  
25 new general manager, which we desperately needed. I've

1 had, like all of our staff, to wear too many hats in  
2 the past; and having a general manager come on board  
3 that can focus on marketing initiatives with the  
4 backing of Pinnacle is very, very exciting to all of  
5 us.

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

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

20           As far as horsemen goes, horsemen and the  
21 breeds will know and can count on meets. I think it's  
22 been 16 consecutive years that there's been a rumor  
23 that Retama Park is closing. It never ceases to amaze  
24 me. I don't think we'll hear that rumor for some  
25 time. So horsemen can count on being able to come out

1 to our meets, can plan out into the future that our  
2 meets will indeed take place, and there will be no  
3 issues there.

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

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

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

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

25 CHAIRMAN SCHMIDT: So that issue is

1 settled and done with.

2 MR. BROWN: Yes.

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

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

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

18 MR. BROWN: That is correct. That is  
19 correct.

20 CHAIRMAN SCHMIDT: So you'll have --  
21 Pinnacle Retama, LLC, will have a hundred percent of  
22 that, of which the old limited partners will have about  
23 25 and the new partners will have about 75 percent.

24 MR. BROWN: Yes. A hundred percent will  
25 be in that entity, 24 and a half percent owned by the

1 existing Retama Partners partners and the 75 and a half  
2 percent owned by PNK(SA), LLC, which is a Pinnacle  
3 subsidiary.

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

6 Okay. Thanks.

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

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

19 CHAIRMAN SCHMIDT: Certainly.

20 Certainly.

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

24 I'm a citizen of Selma and I am the  
25 chairman of the board of directors that owns the

1 racetrack. We're all citizens and we do this as a  
2 public service. We don't get paid anything for our  
3 work. We're working for the best interest of Selma and  
4 for horse racing in Texas.

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

16 So thank you very much.

17 CHAIRMAN SCHMIDT: Thank you,  
18 Mr. Chairman.

19 Any questions?

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

25 CHAIRMAN SCHMIDT: Great.

1 MR. IAFRATE: Thanks, Bryan.

2 CHAIRMAN SCHMIDT: Mr. Iafrate, welcome.  
3 Welcome.

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

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

15 And the way we're structured, as has been  
16 mentioned or at least alluded to, we are broken into  
17 two regions. I'm the executive vice-president of the  
18 southern region which makes up -- the properties that  
19 make up the southern region currently are our Boomtown  
20 property in Bossier City, Louisiana, the Boomtown  
21 property in Harvey, which is the West Bank of New  
22 Orleans. We have a L'Auberge Lake Charles property and  
23 then our L'Auberge recently opened, opened September  
24 1st, our L'Auberge Baton Rouge property.

25 Should we be granted the privilege to

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

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

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

1 relationship to priorities right now.

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

8 We're thrilled to have the team join us.  
9 About a month or so ago we made offers to the entire  
10 senior team at Retama. I believe it was nine or 10  
11 folks, including Bryan. And unanimously, all nine or  
12 10 of those folks accepted and are excited to be part  
13 of our future going forward. And as mentioned, we're  
14 now in the process of getting the remaining team  
15 members at Retama to go through the process to become  
16 part of the Pinnacle team.

17 The way we operate our business is we  
18 really think about three things when we make business  
19 decisions or three constituency groups. And those  
20 constituency groups are our team members, our guests,  
21 and our shareholders. We are a publicly traded  
22 company, so we try to make all strategic business  
23 decisions in the benefit of all three of those groups  
24 simultaneously. Sometimes one or two will benefit; but  
25 as long as one or more are not harmed in any way, then

1 we do feel that it's a good business decision. And  
2 that's generally our strategic thought process or the  
3 broad framework of how we make strategic business  
4 decisions.

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

16 And we then think about creating magical  
17 experiences for our guests. We want to have a great  
18 place to work and play. And then really third, which I  
19 think we are the most proud of, is our commitment to  
20 our communities. In every community in which we do  
21 business, we have a very strong commitment to  
22 charitable giving, not just financially. I think it's  
23 more important not just to write the check. It's more  
24 important to provide the actual volunteerism and the  
25 community service and the hours.

1           And all of our executives serve on many  
2 boards, many charities. I recently was named -- this  
3 is my first foray into Texas charity work -- the  
4 Texas -- Southwest Texas as -- it's basically the Gulf  
5 Coast region of the Make-A-Wish Foundation. I was  
6 recently named to a three-year term on that board. So  
7 it is many years in Louisiana but my first opportunity  
8 to participate in a Texas charity. It has been  
9 rewarding to date.

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

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

20           CHAIRMAN SCHMIDT: Any questions?

21           Thank you very much, sir.

22           Mr. Buffalo?

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

25           MR. BUFFALO: Mr. Chairman,

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

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

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

17 And in that, a prime consideration was to  
18 make sure that the Class 1 license holder remained the  
19 same Class 1 license holder and with your all's  
20 approval that license holder would be converting itself  
21 into an LLC. Likewise, the holder of the beneficial  
22 interest of the -- and owner of the racetrack, the  
23 municipal corporation owned by Selma, Texas, the Retama  
24 Development Corporation, that it stay in the same  
25 position that it is now and that we then interlace our

1 interest into that situation without changing it or  
2 with as little change as we possibly could.

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

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

1 very small interests held by limited partners.

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

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

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

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

25 And in a nutshell, that is the essence of

1 the transaction and I'll be glad to answer any  
2 questions that you might have about it.

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

5 Do the Commissioners have any questions  
6 of Mr. Buffalo?

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

9 MR. BUFFALO: Thank you.

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

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

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

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

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

24 Rob Werstler, Quarter Horse?

25 MR. WERSTLER: Good morning,

1 Mr. Chairman, Commissioners. Rob Werstler representing  
2 the Texas Quarter Horse Association.

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

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

13 I'm here for any questions.

14 CHAIRMAN SCHMIDT: Any questions?

15 MR. WERSTLER: Thank you.

16 CHAIRMAN SCHMIDT: Okay. Thank you.

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

20 Any other cards, Jean?

21 MS. COOK: No, sir.

22 CHAIRMAN SCHMIDT: Okay. We'll open up  
23 the discussion among the Commissioners. I think this  
24 item has been fairly thoroughly vetted in detail.  
25 Pinnacle seems to have met all the benchmarks. Any

1 other comments or questions by anyone?

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

6 Is there a motion?

7 COMMISSIONER MARTIN: I make a motion.

8 CHAIRMAN SCHMIDT: A motion made by  
9 Dr. Martin.

10 VICE-CHAIRMAN EDERER: Second.

11 CHAIRMAN SCHMIDT: A second by Vice-Chair  
12 Ederer.

13 Any further discussion?

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

16 MS. NORWOOD: Chairman Schmidt?

17 CHAIRMAN SCHMIDT: In favor.

18 MS. NORWOOD: Commissioner Ederer?

19 VICE-CHAIRMAN EDERER: In favor.

20 MS. NORWOOD: Commissioner Polunsky?

21 MR. POLUNSKY: In favor.

22 MS. NORWOOD: Commissioner O'Connell?

23 MS. O'CONNELL: In favor.

24 MS. NORWOOD: Commissioner Hicks?

25 COMMISSIONER HICKS: In favor.

1 MS. NORWOOD: Commissioner Martin?

2 COMMISSIONER MARTIN: In favor.

3 MS. NORWOOD: Commissioner Steen?

4 COMMISSIONER STEEN: In favor.

5 MS. NORWOOD: Commissioner Aber?

6 COMMISSIONER ABER: In favor.

7 CHAIRMAN SCHMIDT: Well, congratulations,  
8 gentlemen. It's unanimous. And welcome to Texas.  
9 Thank you very much. The motion carries.

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

13 Mr. Jackson, could you update us,  
14 please?

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

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

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

1 We would recommend approval.

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

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

8 MR. JACKSON: That's correct.

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

12 MR. JACKSON: That is correct.

13 CHAIRMAN SCHMIDT: We have vetted that  
14 thoroughly?

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

24 CHAIRMAN SCHMIDT: Great. It seems like  
25 a great idea.

1 MR. JACKSON: It's moving forward.

2 CHAIRMAN SCHMIDT: Public comment, Jean?

3 MR. FENNER: Mr. Chairman?

4 CHAIRMAN SCHMIDT: Mark?

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

10 CHAIRMAN SCHMIDT: Very good point. Very  
11 good point.

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

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

19 VICE-CHAIRMAN EDERER: So move.

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

22 Second?

23 COMMISSIONER HICKS: Second.

24 CHAIRMAN SCHMIDT: Seconded by  
25 Commissioner Hicks.

1                   There's been a motion made and  
2 approved -- a motion made and seconded.

3                   Further discussion?

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

8                   COMMISSIONERS: Aye.

9                   CHAIRMAN SCHMIDT: Anyone opposed?

10                  Okay. That motion also carries.

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

14                  Mr. Jackson?

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

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

22                  The AmTote International system that they  
23 will be operating from is one that's already being  
24 utilized by Lone Star Park as well as Retama Park and  
25 has been tested by staff in the past and we'll continue

1 to do so. It's operating in compliance with the rules  
2 and regs of the agency as we speak today.

3 Staff recommends approval of this  
4 contract.

5 CHAIRMAN SCHMIDT: Thank you,  
6 Mr. Jackson.

7 Any public comment?

8 MS. COOK: No, sir.

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

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

15 COMMISSIONER STEEN: I'll make a motion.

16 CHAIRMAN SCHMIDT: Commissioner Steen.

17 And seconded by Dr. Martin.

18 All those in favor signify by saying  
19 aye.

20 COMMISSIONERS: Aye.

21 CHAIRMAN SCHMIDT: Anyone opposed?

22 That motion also carries unanimously.

23 Item E, a request by Saddle Brook Park  
24 for redesignation of its Class 2 horse racing license  
25 as active-other.

1                   Mark Fenner, could you bring us up to  
2 speed?

3                   MR. FENNER: Yes, sir.

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

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

20                   Now, since that original designation as  
21 inactive, Saddle Brook Park has requested and the  
22 Commission has granted live race dates. Those are  
23 scheduled for 2014. And they've also requested and the  
24 Commission has granted approval to open a temporary  
25 location for the conduct of simulcast racing. They

1 opened that location to the public on Friday of last  
2 week, December 13th.

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

8 CHAIRMAN SCHMIDT: Thank you,  
9 Mr. Fenner.

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

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

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

1 we look forward to really continuing.

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

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

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

23 And if you have any questions, I'm  
24 certainly here. And this is Mr. Johnsen. He will talk  
25 to you for a minute. Thank you.

1                   MR. JOHNSEN: I'd like to also commend  
2                   the staff. From the start of this, they have just been  
3                   very professional and directed us through the process  
4                   and did a very thorough inspection this weekend. And  
5                   again, we could not have done that without the staff.  
6                   I was pleasantly surprised at our handle over the  
7                   weekend and the atmosphere that was created in our  
8                   facility.

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

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

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

24                  And we'd be glad to answer any questions  
25                  if you'd like.

1                   CHAIRMAN SCHMIDT: Are there any  
2 questions of Mr. Alexander or Mr. Johnsen?

3                   Thank you, gentlemen. Thank you very  
4 much.

5                   Jean, is there any additional public  
6 comment?

7                   MS. COOK: No, sir.

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

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

14                   Is there a motion?

15                   VICE-CHAIRMAN EDERER: So move.

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

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

21                   MS. NORWOOD: Chairman Schmidt?

22                   CHAIRMAN SCHMIDT: In favor.

23                   MS. NORWOOD: Commissioner Ederer?

24                   VICE-CHAIRMAN EDERER: In favor.

25                   MS. NORWOOD: Commissioner Polunsky?

1 MR. POLUNSKY: In favor.

2 MS. NORWOOD: Commissioner O'Connell?

3 MS. O'CONNELL: In favor.

4 MS. NORWOOD: Commissioner Hicks?

5 COMMISSIONER HICKS: In favor.

6 MS. NORWOOD: Commissioner Martin?

7 COMMISSIONER MARTIN: In favor.

8 MS. NORWOOD: Commissioner Steen?

9 COMMISSIONER STEEN: In favor.

10 MS. NORWOOD: Commissioner Aber?

11 COMMISSIONER ABER: In favor.

12 CHAIRMAN SCHMIDT: Thank you.

13 Gentlemen, congratulations. That carries  
14 unanimously.

15 Moving forward to Items F and then G,  
16 horse race dates and purse allocations.

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

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

22 Commissioners, on pages 57 through 84 of  
23 your agenda packet, you will find information submitted  
24 in accordance with Commission Rule 321.505(a) relating  
25 to simulcast purse allocations and Commission Rule

1 321.509 relating to escrowed purse allocations. The  
2 industry stakeholders have been negotiating on these  
3 two sources of horse purse funds since June of this  
4 year.

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

10 Although the negotiations had stalled,  
11 the report reflects that the final recommendations from  
12 the associations results in a statewide allocation in  
13 calendar year 2013 of approximately 234 point --  
14 \$234,310 or 1.3842 percent to Arabians, \$95,667 or  
15 0.5652 percent to Paint horses, 4,235,850 or 25.0244  
16 percent to Quarter Horses, and 12,361,035 or 73.0261 to  
17 the Thoroughbreds.

18 If we were to compare these figures to  
19 calendar year 2012 data, you would find that each breed  
20 other than the Paint horse is expected to receive  
21 additional purse money in '13 as compared to '12. This  
22 is accomplished mainly through the infusion of a new  
23 source of money coming from Saddle Brook Park's  
24 operations and by tweaking percentages at both Lone  
25 Star Park and Retama Park.

1           The specific recommendations for  
2       allocations of simulcast purse funds addressed in  
3       Commission Rule 321.505(a) can be found on your packet  
4       on page 61 and additionally the specific  
5       recommendations for the distribution of escrowed purse  
6       funds addressed in Commission Rule 321.509 as well as  
7       the allocation of the funds amongst the various breeds  
8       of horses can be found on page 81 of your agenda  
9       packet.

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

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

23           CHAIRMAN SCHMIDT: Just for clarification  
24       purposes, Mr. Jackson, the numbers that you just cited  
25       to us have been endorsed by the three tracks?

1                   MR. JACKSON: They are endorsed by  
2                   recommendations from the three Class 1's as well as  
3                   recommendations from Saddle Brook Park and Gillespie  
4                   County Fair.

5                   CHAIRMAN SCHMIDT: Okay. Thank you,  
6                   sir.

7                   Any further questions of Mr. Jackson?

8                   Let's start off with the tracks, please.  
9                   Drew Shubeck, Lone Star?

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

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

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

25                  There is a slight change in the minor

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

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

22 Going back to the other breeds, the total  
23 distribution that's earned between pari-mutuel wagering  
24 on our live races and out of state and then  
25 cross-species money, we distributed for Thoroughbreds

1 and Quarter Horses 8.6 million dollars during the  
2 previous year. Quarter Horses received 1.5 million and  
3 that represents 17.47 percent. And then this one and a  
4 half increase will get them very close to 20 percent at  
5 Lone Star Park.

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

9 I'd entertain any questions.

10 CHAIRMAN SCHMIDT: Any questions of  
11 Mr. Shubeck?

12 Okay. Thank you, Drew.

13 MR. SHUBECK: Thank you.

14 CHAIRMAN SCHMIDT: Mr. Brown?

15 MR. BROWN: Commissioners, Bryan Brown  
16 with Retama Park.

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

23 We have had quite a few phone  
24 conversations, one big meeting, as Mr. Shubeck alluded  
25 to, trying to get total agreement. I think we've

1 gotten fairly close. Hopefully a lot of people hate  
2 the deal, which probably means it's a good deal. But I  
3 don't think we have unanimous consent on overall,  
4 although I do feel that both -- or all four breeds,  
5 with one exception which I'll address, seem to enjoy  
6 the percentages that we've recommended.

7           One issue we have is with our Paint  
8 purses. We recommended a slight change in October and  
9 it hasn't changed since our October recommendation in  
10 the distribution of the escrowed purse account for  
11 Arabians and Paints. That represents about a  
12 5800-dollar total change in favor of Arabians to the  
13 detriment of Paints.

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

25           So that is the one change that I know is

1 not acceptable to the Paint horse association, which I  
2 understand.

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

5 CHAIRMAN SCHMIDT: Any questions of  
6 Mr. Brown?

7 MR. BROWN: Thank you.

8 CHAIRMAN SCHMIDT: Thank you, Bryan.

9 Okay. Public comment. Dr. Tommy Hays,  
10 the Quarters?

11 MR. HAYS: Good morning, Commissioners.

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

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

22 CHAIRMAN SCHMIDT: Thank you, Doctor.

23 Any questions of Dr. Hays?

24 Okay. Rob Werstler, Quarters?

25 MR. WERSTLER: Thank you, Mr. Chairman.

1 I just wanted to point out we haven't  
2 heard from Sam Houston yet. Were they supposed to  
3 speak before the horsemen?

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

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

10 Any questions?

11 CHAIRMAN SCHMIDT: Questions?

12 MR. WERSTLER: Thank you.

13 CHAIRMAN SCHMIDT: Thank you, Rob.

14 Ms. Haynes?

15 MS. HAYNES: Jan Haynes, president of  
16 TTHBPA.

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

24 As I have previously stated before, the  
25 betting public decides our success or failure; and if

1 you continue to dilute the Thoroughbred market by  
2 taking away purse money, we're not going to be able to  
3 reverse this downward trend; and when folks quit  
4 betting on Thoroughbreds, there won't be any racing --  
5 horse racing in Texas.

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

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

16 Thanks. Do you all have any questions?

17 CHAIRMAN SCHMIDT: Any questions of  
18 Mrs. Haynes?

19 Okay. Thank you, Jan.

20 MS. HAYNES: Okay.

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

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

25 Our board of directors has not changed

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

6 Thank you.

7 CHAIRMAN SCHMIDT: Thank you very much.

8 Then moving to the Paint horses,  
9 Mr. Smurthwaite?

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

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

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

23 I've put together a few talking points.  
24 I'll start with Lone Star Park. We've reached out to  
25 all the different tracks with a letter in August and

1     it's our understanding that according to the Commission  
2     Rule 321.505 is that the tracks are supposed to reach  
3     out in negotiations to the breeds, not the other way  
4     around. But we did send out a letter to all the tracks  
5     because what we were trying to accomplish this year was  
6     to get our races carded in a condition book.

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

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

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

22            My e-mails were answered by Bart Lang.  
23    They were directed to Drew Shubeck, and Bart Lang got  
24    back with me with some dollar figures as well as where  
25    we're at with our races, but he didn't have any -- he

1       couldn't speak to the point of why the reduction.

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

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

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

24                At Retama Park, we did learn about the  
25       reduction from Bryan Brown after some e-mail

1 correspondence. We never did get to meet face to face  
2 due to our schedules, but we learned about his  
3 submission of reducing us down to -- basically it looks  
4 like it's a change from 50 percent to 20 percent. And  
5 this change occurs in the cross-species purse account,  
6 which is different from the Lone Star, and we have  
7 questions on why it would be the cross-species escrowed  
8 account that we would dip into and change. And that's  
9 been consistent, I think, since 2005, as far back as I  
10 could take it, at 3.5 for each of the Arabian and the  
11 Paint horse. So what they were submitting was 5.5 for  
12 Arabian and 1.5 for Paint horse.

13           Again, we -- and our races at Retama  
14 Park, I believe we had two stakes races and one  
15 overnight race. We asked for the overnight race. It  
16 got put on as an extra and it did fill. We had horses  
17 this year. We could have had some more races. Through  
18 e-mail correspondence with the racing secretary, we  
19 were told we didn't have enough money to write any more  
20 races. And now we understand that we do have enough  
21 money to add at least three more races next year,  
22 overnight races, and to keep our current stakes  
23 structure. It's a little confusing to us on whether or  
24 not we can really maintain that under the current  
25 system.

1                   At Sam Houston, I just want to point out  
2                   that Arabians run at Sam Houston more than Paint horses  
3                   and it's -- however, the split remained the same in  
4                   both the simulcast revenue and the escrowed revenue.  
5                   And we're pleased with that, happy with that, but it's  
6                   a challenge for us to run at Houston because it's in  
7                   direct competition with Remington Park in Oklahoma, but  
8                   we are working on it.

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

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

25                  Gillespie hasn't changed anything, so

1 we're pleased there.

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

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

16           So all we're asking the Commission is to  
17 consider leaving the breed splits status quo like it  
18 was presented here in writing. We haven't received  
19 anything in writing from the tracks. This was done in  
20 2010. And the main reason this was done was with help  
21 from Sammy Jackson and Sam Houston is because there's  
22 this -- anywhere from 1.25 percent taken off the top to  
23 two percent taken off the top of the different tracks  
24 to be provided to the Arabian and Paint horse purse  
25 accounts.

1                   They used to be called the minor breed  
2            purse accounts and then there was the track's  
3            discretion to use that minor breed purse account as  
4            they felt. So in 2010 we worked hard to have our own  
5            purse account just like Quarter Horse and Thoroughbreds  
6            and so now we have a Paint horse account at each track  
7            and that's what we asked for and we had a signed  
8            agreement and we were not there for this for 2013. We  
9            don't have a signed agreement.

10                   Thank you.

11                   CHAIRMAN SCHMIDT: Any questions of  
12            Mr. Smurthwaite?

13                   Thank you, sir.

14                   Billy L. Smith from Fort Worth, Texas?

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

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

22                   The American Paint Horse Association is  
23            in Texas. We have all of our major shows in Texas. Of  
24            our 60,000 members, 5,000 of them are in Texas. And  
25            we've recently added additional money to our

1 Masterpiece Challenge race at Lone Star Park. I think  
2 it demonstrates our interest in the Paint horse  
3 business of developing racing, Paint racing in Texas,  
4 continuing to stay hooked in Texas, and continuing the  
5 process of developing our breed.

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

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

17 CHAIRMAN SCHMIDT: Any questions of  
18 Mr. Smith?

19 Thank you, sir.

20 Sandra Garnett Tatom, Groesbeck, Texas?

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

24 It's hard to imagine an even playing  
25 field with Paints because currently the Arabians at one

1 particular track get to run in both the Quarter Horse  
2 and Thoroughbred meet and we just get a very select few  
3 amount of races at each individual track.

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

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

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

20 Currently we can provide seven, eight, or  
21 nine horses, and occasionally 10, in every race that's  
22 not a stakes race that's a Paint race. But yet we're  
23 not allowed to grow because we're not allowed to race.  
24 If we're allowed to race, we will grow. Our numbers  
25 will get bigger. And we will provide the State of

1 Texas with even more handle money than what we do now.

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

5 Thank you.

6 CHAIRMAN SCHMIDT: Mr. Villarreal?

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

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

20 I also want to thank all of the tracks,  
21 all of the breed representatives, the Commission, and  
22 especially the staff for everything that they've done  
23 because there's no question that what we're dealing  
24 with here in Texas is a grave situation. And the great  
25 thing about the fact that we can come here and

1 represent our respective breed registries is that when  
2 we walk out of here, we will join together and fight  
3 together to do something that's right for the State of  
4 Texas. And that's support slots or alternative gaming  
5 at our tracks so that we don't have to squabble as much  
6 as we do and fight for every single penny.

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

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

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

22           And if you look at page 61 of your  
23 packet, this has to do with the simulcast purse  
24 allocations. The status quo is going to be retained by  
25 Retama. The status quo is going to be retained by Sam

1 Houston. The status quo is going to be retained by  
2 Gillespie. The only place where we have a difference  
3 or a deviation from the status quo is with Lone Star  
4 Park.

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

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

18 What we've done for the Paint horse is  
19 we've created something called the Masterpiece  
20 Challenge. This year Lone Star Park put \$15,000 into  
21 the Masterpiece Challenge as additional money. And  
22 Billy Smith, as executive director for APHA, presented  
23 us with a check, the Texas Paint horse -- or the  
24 Masterpiece Challenge, for 10,000. So next year we  
25 should have a 25,000-dollar added race.

1                   The other crown jewel that we have at  
2 Lone Star is the Lone Star Speed Horse Paint and  
3 Appaloosa Futurity. This year it was a 50,000-dollar  
4 added race. Where did the money come from? What we  
5 did is we entered into a partnership with Speed Horse  
6 Magazine, which is one of the most recognized magazines  
7 in the Quarter Horse and Paint horse racing industry.  
8 And they said, "Look, we want to get your Lone Star  
9 race and add it to our Triple Crown series." We said,  
10 "Absolutely. Come on. You can take our 25,000 that  
11 we get from the horsemen's account, but you need to  
12 come with something there."

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

20                   And the status quo would be -- which is  
21 the same as what was recommended by the track October  
22 9th, 2012, in their submission if you look at page 61.  
23 The October 9th submission was the same as what was  
24 done in 2012; and for some unknown reason, they decided  
25 to decrease it from a 65/35 split to an 80/20 split.

1 So we're in support of everything there except Lone  
2 Star Park.

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

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

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

22 And I can tell you from firsthand  
23 knowledge and, you know, Lex Smurthwaite presented it  
24 to this Commission, we have the horses. We were ready  
25 to run. Write us the race. And they said, "No, you

1 don't have enough money." Yet in the negotiations  
2 they're saying "We can justify reducing you because you  
3 all had a 20,000-dollar surplus." I was like "Did you  
4 read this e-mail? If we have a 20,000-dollar surplus  
5 and we're asking you for a race, why are we being  
6 denied?" And that's the confusion that we have.

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

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

1 continue to grow.

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

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

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

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

1 for consideration at the next Commission meeting.  
2 We're not asking the Commission to do anything like  
3 that. We need a decision today. We all need a  
4 decision today.

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

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

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

20 The one thing that gives me some hope is  
21 the fact that Lone Star Park, you know, they ran in a  
22 deficit for the Arabians and they overran that purse  
23 account. I'm hopeful that whatever the association --  
24 whatever the Commission reaches as a conclusion here  
25 today that if we do have that opportunity to run races

1 and we do ask for the races that the tracks won't tell  
2 us, "You don't have enough money." They'll actually  
3 write the race and then maybe they'll come back to the  
4 Commission next year and say, "Look, you know, we're  
5 doing really well in Paints. We're at a 10,000-dollar  
6 deficit, so we need to increase the percentage for the  
7 Paints."

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

12 CHAIRMAN SCHMIDT: Any questions?

13 Thank you very much, sir.

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

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

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

24 Yes, at Sam Houston we do run some during  
25 the Quarter Horse meet there. We run primarily with

1 the Thoroughbreds. This past year it was spread out a  
2 little bit because I think that -- my guess is the  
3 money wasn't there. As money accumulated, they let us  
4 have another race.

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

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

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

24 We worked hard in Texas to get Arabians  
25 running. We have a reputation of filling our races

1 when they're offered. You can go back as far as you  
2 want and you'll find that we have always tried to fill  
3 our races and have done a good job with it.

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

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

23 At Retama Park, in order to give us -- to  
24 get us a little bit more money there, they did make a  
25 change in the escrowed fund from there, but no change

1 in the simulcast money. At Saddle Brook, this past  
2 year or in the years out, we will have ran 40 -- this  
3 chart shows 40. Actually we ran nine races at Retama  
4 Park already this year. There are three more in the  
5 condition book and we will fill those. So we will have  
6 run 43 races at the end of the year. Paints will have  
7 run 15. So I don't think that the 75/25 split is out  
8 of line if you look at the number of races that we're  
9 each participating in at the current time within the  
10 state.

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

18 I'll answer any questions anybody has,  
19 please.

20 CHAIRMAN SCHMIDT: Any questions of  
21 Mr. Wilson?

22 Thank you, sir.

23 Jean, has anyone else --

24 MS. COOK: No, sir.

25 CHAIRMAN SCHMIDT: I think this is what

1 we get. We don't have enough money. All the arguments  
2 are compelling. There's just not enough money.

3 Any further comments or questions by the  
4 Commission?

5 I'll certainly entertain a motion.

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

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

20 CHAIRMAN SCHMIDT: Thank you,  
21 Mr. Vice-Chair.

22 Is there a second?

23 COMMISSIONER STEEN: I'll second.

24 CHAIRMAN SCHMIDT: Commissioner Steen.

25 So there's a motion on the floor to

1 approve the racetracks' recommended distribution and  
2 allocations of purse funds under 321.505(a) and 321.509  
3 made by Vice-Chair Ederer and seconded by Commissioner  
4 Steen.

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

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

17 Any other comments or questions?

18 There's been a motion made and seconded.

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

23 VICE-CHAIRMAN EDERER: That's correct.

24 MR. FENNER: Thank you.

25 CHAIRMAN SCHMIDT: Okay. There's been a

1 motion made by Vice-Chair Ederer and seconded by  
2 Commissioner Steen.

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

5 COMMISSIONERS: Aye.

6 CHAIRMAN SCHMIDT: Anyone opposed?

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

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

13 MR. FENNER: Yes, sir.

14 CHAIRMAN SCHMIDT: Right. We heard  
15 testimony earlier from Saddle Brook -- the folks at  
16 Saddle Brook that they actually had opened this week.  
17 Do we anticipate generating any money from that for  
18 2012?

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

22 MR. JACKSON: Yes, sir.

23 CHAIRMAN SCHMIDT: Is it -- do we need to  
24 post this as an agenda item or can we direct that money  
25 and help the Paints out?

1                   MR. FENNER: Well, the posting is broad  
2 enough to include that because the posting is not  
3 limited by year.

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

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

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

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

19                   CHAIRMAN SCHMIDT: Yes, sir.

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

23                   CHAIRMAN SCHMIDT: Right.

24                   MR. JACKSON: The first weekend of the  
25 opening, which, as Corey so well articulated, was a

1 soft opening, I think they generated about \$2,000 in  
2 purse money already. So if they have three more  
3 weekends of soft openings and I would assume that's  
4 going to progressively go up as -- you know, taking  
5 into account there's Christmas in there. But there  
6 could possibly be between six to eight thousand  
7 dollars, I would think, in that purse account that  
8 could be used to soften the impact to the Paint horse  
9 with the decision.

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

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

21 MR. FENNER: Is that --

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

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

1 make a decision.

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

4 MR. JACKSON: That's correct.

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

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

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

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

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

21 MR. FENNER: Purse account.

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

24 MR. FENNER: Yes, sir. That seems like a  
25 proper motion.

1 CHAIRMAN SCHMIDT: Is there a second?

2 COMMISSIONER ABER: I'll second it.

3 CHAIRMAN SCHMIDT: Commissioner Aber,

4 Dr. Aber.

5 Any further discussion?

6 All those in favor signify by saying

7 aye.

8 COMMISSIONERS: Aye.

9 CHAIRMAN SCHMIDT: Anyone opposed?

10 That motion carries.

11 Okay. Item H, allocation of live race  
12 dates for horse racetracks under Commission Rule 303.41  
13 for January through -- January 1st, 2013, through  
14 August 31st, 2014, and August 1st -- excuse me, October  
15 1st, 2014, through November 30th, 2014.

16 Mr. Jackson?

17 MR. JACKSON: Thank you again,

18 Mr. Chairman.

19 Commissioners, on page 89 of your agenda  
20 packet, you'll find a 2013 horse race date calendar  
21 that reflects all previously granted race dates as well  
22 as the newly requested race dates. In addition, on  
23 page 90 of your agenda packet, you will find a 2014  
24 horse race date calendar that reflects all previously  
25 granted -- all previously granted race dates, which

1 will be the two Saddle Brook Park dates, as well as all  
2 newly requested race dates.

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

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

10 CHAIRMAN SCHMIDT: Andrea, your meet  
11 opens first.

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

14 MS. YOUNG: Good afternoon,  
15 Commissioners.

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

22 We would like to amend our Quarter Horse  
23 request to add three more dates than what is in front  
24 of you today. So we would like to add May 16th, 17th,  
25 and 18th for an additional weekend to conclude that

1 meet.

2 I'm happy to answer any questions you  
3 might have.

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

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

8 MR. JACKSON: Got you.

9 MS. YOUNG: Okay. You got it.

10 CHAIRMAN SCHMIDT: Any questions of  
11 Mrs. Young?

12 Thank you, Mrs. Young.

13 MS. YOUNG: Thank you.

14 CHAIRMAN SCHMIDT: Bryan Brown?

15 MR. BROWN: Good afternoon,  
16 Commissioners.

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

23 In 2014 we've applied just for October  
24 and November dates because those were the only dates in  
25 October that we could apply for.

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

3 CHAIRMAN SCHMIDT: Any questions of  
4 Mr. Brown?

5 Thank you, Mr. Brown.

6 MR. BROWN: Thank you very much.

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

9 MS. COOK: No, you didn't.

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

18 I'm available to answer any questions.

19 CHAIRMAN SCHMIDT: Thank you,  
20 Mr. Shubeck.

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

23 MS. RUYLE: We have no problems with it.

24 CHAIRMAN SCHMIDT: Okay. Rob Werstler  
25 with the Quarters?

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

11                   Any questions?

12                   Thank you.

13                   CHAIRMAN SCHMIDT: Dr. Hays?

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

22                   Thanks.

23                   CHAIRMAN SCHMIDT: Mrs. Haynes with  
24 TTHBPA?

25                   MS. HAYNES: We support the race date

1 proposal.

2 CHAIRMAN SCHMIDT: Thank you.

3 Jean, are there any other cards?

4 MS. COOK: No, sir.

5 CHAIRMAN SCHMIDT: Okay. Public comment  
6 is complete.

7 Any discussion by the Commission?

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

12 COMMISSIONER HICKS: I'll make a motion.

13 CHAIRMAN SCHMIDT: A motion made by  
14 Commissioner Hicks.

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

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

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

22 Any further discussion?

23 All those in favor signify by saying  
24 aye.

25 COMMISSIONERS: Aye.

1                   CHAIRMAN SCHMIDT: Anyone opposed?

2                   The race dates are approved.

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

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

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

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

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

18                  Commission Rule 303.102(d) states the TGA  
19 shall prepare a proposed allocation for consideration  
20 by the Commission and that in preparing the proposed  
21 allocation, TGA should consider the following: The  
22 average price per point paid for purses at each  
23 greyhound racetrack during the preceding year, the  
24 purse payout at each greyhound racetrack during the  
25 preceding year, and the impact cross-species

1 simulcasting has made on the greyhound purse revenues  
2 at each greyhound racetrack during the preceding year.

3 The TGA's proposed formula would allocate  
4 100 percent of all greyhound cross-species purse money  
5 to Gulf Greyhound Park for 2013. This allocation  
6 supports the 2013 greyhound race date calendar  
7 previously approved by this Commission at the last  
8 Commission meeting.

9 Staff recommends approval of this  
10 recommendation.

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

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

19 Mr. Nick James from TGA, is he here?

20 MR. JAMES: Nick James from the TGA.

21 We worked out an agreement with the three  
22 tracks and for a hundred percent of the cross-species  
23 money to go to Gulf to keep those purses coming in  
24 since the Valley now is going to -- we've worked out  
25 another deal with the Valley on their race dates and so

1 that we hope to get approval from the Commission on at  
2 some point. And everybody has agreed to sending all  
3 that money to Gulf to help the kennels.

4 CHAIRMAN SCHMIDT: Great.

5 Any questions of Mr. James?

6 Thank you, sir.

7 Andrea Young?

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

9 CHAIRMAN SCHMIDT: Okay. Does not wish  
10 to testify.

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

13 Any other public comment? No?

14 Any discussion by the Commission?

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

19 COMMISSIONER HICKS: I'll make the  
20 motion.

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

23 There's been a motion made by  
24 Commissioner Hicks and seconded by Commissioner Steen  
25 to approve this request.

1 All those in favor signify by saying  
2 aye.

3 COMMISSIONERS: Aye.

4 CHAIRMAN SCHMIDT: Anyone opposed? No?  
5 That motion carries unanimously.

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

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

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

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

24 We'll go ahead and maybe take care of  
25 the -- do you want me to do them all at one time?

1                   CHAIRMAN SCHMIDT: Let's take care of  
2 this one and then take care of everything else. I  
3 think everything else has been -- we've visited  
4 extensively.

5                   Commissioner O'Connell, anything to add?

6                   MS. O'CONNELL: Nothing to add.

7                   CHAIRMAN SCHMIDT: Thank you.

8                   Any public comment?

9                   Okay. Any further discussion?

10                  Okay. If so -- if not, I'd certainly  
11 entertain a motion to publish the amendment to Rule  
12 309.1 in the Texas Register for public comment.

13                  Is there a motion?

14                  VICE-CHAIRMAN EDERER: So move.

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

18                  All those in favor signify by saying  
19 aye.

20                  COMMISSIONERS: Aye.

21                  CHAIRMAN SCHMIDT: Anyone opposed? No?  
22 That will be published then following  
23 approval.

24                  Rule adoptions.

25                  MR. FENNER: Yes, sir.

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

7           Now, we have identified two very  
8 nonsubstantive minor clerical errors in them. These  
9 errors where it refers to a ticket instead of a voucher  
10 in Rule 321.31 and then a misspelling of mutuel in  
11 321.46 we would like to correct during the posting --  
12 or the adoption. There's no need to repost for that  
13 minor of an edit. So we would recommend adoption of  
14 those proposals with authority to make those two  
15 corrections.

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

18           CHAIRMAN SCHMIDT: No.

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

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

22           CHAIRMAN SCHMIDT: Okay. So I'll  
23 certainly entertain a motion to publish the amendment  
24 to Rule 309.1 in the Texas Register for public  
25 comments. No. Sorry. I'm sorry. I misread that. To

1 adopt the rules listed in Agenda Items C through Q with  
2 the corrections as noted.

3 Is there a motion?

4 COMMISSIONER MARTIN: I make a motion.

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

7 Any further discussion?

8 All those in favor signify by saying  
9 aye.

10 COMMISSIONERS: Aye.

11 CHAIRMAN SCHMIDT: Anyone opposed?

12 That carries as well.

13 The following items, now we -- we'll now  
14 move into executive session under Government Code  
15 551.071(1) to seek the advice of our attorney regarding  
16 pending or contemplated litigation, including Churchill  
17 Downs, Incorporated, versus Chuck Trout, et al, and  
18 Dallas City Limits Property Company versus Robert  
19 Schmidt, MD, et al. The time now is 12:45. Thank  
20 you.

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

23 CHAIRMAN SCHMIDT: Good afternoon. We  
24 are reconvening out of executive session and the time  
25 now is 1:01 p.m. We're not taking any action at this

1 time.

2 The last bit of business, schedule the  
3 next Commission meetings, tentatively schedule the  
4 meetings as listed in your agenda packet for your  
5 information.

6 I'll entertain a motion to adjourn.

7 COMMISSIONER MARTIN: I make the motion  
8 to adjourn.

9 CHAIRMAN SCHMIDT: Second?

10 COMMISSIONER ABER: Second.

11 CHAIRMAN SCHMIDT: Commissioner Aber.

12 We're adjourned.

13 (Proceedings concluded at 1:02 p.m.)

14

15

16

17

18

19

20

21

22

23

24

25

1 STATE OF TEXAS )

2 COUNTY OF TRAVIS )

3

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

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

14 GIVEN UNDER MY OFFICIAL HAND OF OFFICE at Austin,  
15 Texas, this \_\_\_\_\_ day of December, 2012.

16

17

18

19

20

21

\_\_\_\_\_  
SHERRI SANTMAN FISHER, Texas CSR 2336

Expiration Date: 12-31-13

22

Sunbelt Reporting & Litigation Services

Firm Registration No. 87

23

1016 La Posada Drive, Suite 294

Austin, Texas 78752

24

(512) 465-9100

25

Job No. 105263