

BEFORE THE
TEXAS RACING COMMISSION
AUSTIN, TEXAS

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COMMISSION MEETING
FEBRUARY 11, 2014

BE IT REMEMBERED that the above entitled matter came on for hearing on the 11th day of February, 2014, beginning at 10:30 a.m. at 105 West 15th Street, Room 120, Austin, Travis County, Texas, and the following proceedings were reported by PAIGE S. WATTS, Certified Shorthand Reporter for the State of Texas.

APPEARANCES

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Commissioners:

- MIKE MARTIN
- GLORIA HICKS
- GARY P. ABER
- JOHN T. STEEN, III
- ANN O'CONNELL
- A. CYNTHIA LEON

1 COMMISSIONER O'CONNELL: Good morning.
2 Welcome to the meeting of the Texas Racing Commission.
3 It's February 11th, 2014, and it's 10:30. I'm glad
4 everybody was able to get here safely. I hope everyone
5 is here safely. We'll go ahead and start with our first
6 agenda item, and that is our roll call.

7 Mary Welch, could you call the roll?

8 MS. WELCH: Commissioner Ron Ederer?
9 Commissioner Cynthia Leon?

10 COMMISSIONER LEON: Here.

11 MS. WELCH: Commissioner Ann O'Connell?

12 COMMISSIONER O'CONNELL: Here.

13 MS. WELCH: Commissioner Gloria Hicks?

14 COMMISSIONER. HICKS: Here.

15 MS. WELCH: Commissioner Vicki Weinberg?

16 COMMISSIONER WEINBERG: Here.

17 MS. WELCH: Commissioner Michael Martin?

18 COMMISSIONER MARTIN: Here.

19 MS. WELCH: Commissioner John Steen?

20 COMMISSIONER STEEN: Here.

21 MS. WELCH: Commissioner Gary Aber?

22 COMMISSIONER ABER: Here.

23 MS. WELCH: And Chairman Robert Schmidt?

24 We do have a quorum.

25 COMMISSIONER O'CONNELL: Thank you. Our

1 next item is our Public Comment Section. We have
2 received two cards for public comment. The first is
3 Marsha Rountree.

4 Would you like to speak? No? Okay.

5 Our second card is Marnie McCormick.

6 MS. MCCORMICK: Commissioners, I'm here
7 on behalf of Penn National on the agenda item about the
8 change in management for the PM Texas LLC and I'm just
9 here and available to answer any questions.

10 COMMISSIONER O'CONNELL: Thank you very
11 much.

12 Our next item is general business and our
13 first report is from the Executive Director and staff
14 regarding administrative matters. Lane Goetsch for
15 budget and finance.

16 MS. GOETSCH: Good morning,
17 Commissioners. My name is Lane Goetsch, Director of
18 Administration and Finance for the Texas Racing
19 Commission. I'm here to give the budget and finance
20 update.

21 On pages 3 and 4 of your agenda packet,
22 you will find the Agency's fiscal 2014 operating budget
23 reflecting revenue collections and expenditures as of
24 December 31st, 2013. As of that date, the Agency had
25 collected 4.1 million or 41 percent of revenues and

1 expended 2.4 million or 26 percent of budgeted
2 expenditures. At this time, the Racing Commission is in
3 good operating condition. If you have any questions,
4 I'll be happy to answer them. Thank you, Commissioners.

5 COMMISSIONER O'CONNELL: Before we go any
6 further, it seems appropriate to elect the Chair Pro
7 Tem. I got a little ahead of myself there. As you've
8 noticed, Commissioner Chairman Schmidt is not here and
9 Commissioner Ederer, our Vice-Chair, are absent; so
10 we're going to go ahead and do a quick election of the
11 Chair Pro Tem.

12 COMMISSIONER LEON: I move to nominate
13 Ann O'Connell as Chair Pro Tem.

14 COMMISSIONER WEINBERG: I'll second.

15 COMMISSIONER O'CONNELL: All those in
16 favor say aye.

17 COMMISSIONERS: Aye.

18 COMMISSIONER O'CONNELL: All those
19 opposed? Okay, we are now square.

20 COMMISSIONER. HICKS: Official.

21 COMMISSIONER O'CONNELL: Our next item
22 will be on wagering statics, and Lila Smith will give us
23 that report.

24 MS. SMITH: Good morning, Commissioners.

25 I am Lila Smith, the Director of Pari-Mutuel. On page 5

1 through 7 of your agenda packet, you will find a report
2 on the wagering statistics for the periods of
3 January 1st through February 2nd for both 2013 and 2014.
4 The report reflects that on 2014, total wagering
5 activities has increased at the horse racetracks by
6 6.43 percent and has decreased at the greyhound
7 racetracks by 2.68 percent. If there's any questions,
8 I'd be happy to answer them.

9 COMMISSIONER O'CONNELL: Any questions?

10 Thank you, Ms. Smith.

11 MS. SMITH: Thank you.

12 COMMISSIONER O'CONNELL: Our next report
13 is on racetrack inspections and Jim Blodgett, Director
14 of Investigations, will give that report.

15 MR. BLODGETT: Good morning,
16 Commissioners. Commissioners, from a period of time of
17 December 1st, 2013, through January 31st, 2014, a total
18 of 13 racetrack inspections and two training facility
19 inspections are reported by staff. As outlined within
20 your packets, these inspections were conducted within
21 the areas of veterinarian, safety and security,
22 wagering, administrative, and racing at Saddle Brook,
23 Gulf Greyhound Park, Gillespie County Fair, Sam Houston
24 Race Park, Diamond D Training Center, and Oak Leaf
25 Training Center.

1 A breakdown of the inspections included
2 ten scheduled, two no notice, and three follow-up
3 inspections. As of the filing of this report, staff is
4 pleased to report that all unsatisfactory issues
5 identified by these inspections have been resolved and I
6 can answer any questions that you might have.

7 COMMISSIONER O'CONNELL: Any questions?

8 Thank you very much.

9 Our next report is the enforcement report
10 and Joel Speight, Deputy Director of Racing Oversight,
11 will present this report.

12 MR. SPEIGHT: Good morning,
13 Commissioners. On page 9 you will find the enforcement
14 report for the period of December 1st, 2013, to
15 January 31st, 2014. There are no significant issues to
16 report at this time, and I'll answer any questions you
17 have.

18 COMMISSIONER O'CONNELL: Any questions?

19 Thank you, Mr. Speight.

20 Our next agenda item is the recognition
21 of the Texas Horsemen's Partnership as the Official
22 Horsemen's Organization. Chuck Trout will lay this out.

23 MR. TROUT: Good morning, Commissioners.
24 The rules require that the Agency recognize one
25 organization to represent horse owners and trainers in

1 negotiation issues related to racing and simulcasting at
2 Texas racetracks. The organization is also responsible
3 for advocating before the Legislature for the interests
4 of owners and trainers. For the past several years, the
5 recognized Horsemen's Organization has been the Texas
6 Horsemen's Partnership.

7 A recognition is only good for two years,
8 and the last recognition period expired at the end of
9 January. Excuse me. In anticipation of this, we posted
10 notice in the December 13th, 2013, edition of the Texas
11 Register that we would be accepting new applications for
12 recognition. In response, we received only one
13 application, which was again from the Texas Horsemen's
14 Partnership. We reviewed the application and it was
15 complete and it met the requirements of the rules. I
16 then issued the Partnership a letter that continues
17 their recognition two more years, ending in
18 January 2016. Thank you.

19 COMMISSIONER O'CONNELL: And Marsha
20 Rountree is here to speak on this agenda item.

21 MS. ROUNTREE: Good morning,
22 Commissioners. I'm Marsha Rountree. I'm the Executive
23 Director of the Texas Horsemen's Partnership. I just
24 wanted to thank Chuck for issuing another letter again
25 for two more years of recognition and for Mark with his

1 help with the application. The Texas Horsemen's
2 Partnership has been an officially recognized Horsemen's
3 Organization by the Commission since 1996 and we're
4 committed to continuing that relationship and that
5 recognition for many years to come and I just want to
6 thank you again for recognizing us and we'll carry on.
7 Thank you.

8 COMMISSIONER O'CONNELL: Thank you.

9 Our next agenda item is the election of
10 the Vice-Chair, and I will recognize Mark Fenner to give
11 us some information on how this election takes place.

12 MR. FENNER: Commissioners, the rules
13 just require the election of the Vice-Chair at the
14 beginning of every even year. Vice-Chairman Ederer has
15 served the past two years, but you have the option at
16 this point to select him or any other member. There's
17 no restrictions on which one of you could be the
18 Vice-Chair, and the process is very similar. You
19 nominate yourself or anybody else that you would like to
20 serve. It doesn't require a second, and then just a
21 majority of you will select the Vice-Chair.

22 COMMISSIONER. HICKS: I would like to
23 nominate Ron Ederer.

24 COMMISSIONER LEON: I would like to
25 second it.

1 COMMISSIONER O'CONNELL: Okay, a motion
2 has been made to nominate Commissioner Ron Ederer and it
3 has been seconded. All those in favor?

4 COMMISSIONERS: Aye.

5 COMMISSIONER O'CONNELL: All those
6 opposed? Okay, the motion carries.

7 Our next agenda item is the proceedings
8 on racetracks and we have a request by PM Texas LLC for
9 approval of two changes in their management committee
10 representation. And, Mark, would you like to lay out
11 the specifics of the request?

12 MR. FENNER: Yes, ma'am. This is
13 regarding the management committee of PM Texas LLC,
14 which holds the licenses to Sam Houston, Laredo Race
15 Park, and Valley Race Park. As you may recall, those of
16 you who were here when this was transferred, half of it
17 to subsidiary of Penn National Gaming. At that time,
18 they set up a management committee of four members. Two
19 of which are represented -- represent a subsidiary of
20 Maxxam, two of which represent a subsidiary of Penn
21 National Gaming.

22 And so what they've required or requested
23 at this time is to replace the two members who represent
24 the subsidiary of Penn National. The currant members
25 are Peter Carlino and Steven Snyder. The substitute

1 members will be Timothy Wilmott and David Schippers.
2 Both of these individuals have undergone DPS background
3 checks and come through with no disqualifying
4 information, so staff is recommending that the
5 Commission approve the change in the management
6 committee.

7 COMMISSIONER O'CONNELL: We have Marnie
8 McCormick here to speak on the agenda item.

9 MS. MCCORMICK: Commissioners, I won't
10 take much of your time. But I just wanted to explain
11 briefly that this request is a result of a pretty
12 significant corporate restructuring event that Penn
13 underwent in November of last year and as a result of
14 that event, there are now two entities, separate
15 entities. One is a real estate investment trust that
16 owns most of the gaming properties that Penn National
17 used to own; but the Texas licenses were not affected by
18 that transaction. So Penn National still owns the same
19 interest in the three licenses that Mr. Fenner just
20 mentioned.

21 But as a result of that restructuring
22 event, there have been quite a few changes in officers
23 and directors proposed at Penn and so these two
24 gentlemen are proposed to now be the new member
25 representatives of the Texas entity that owns the three

1 Texas licenses and both these individuals have extensive
2 business experience and they're intimately familiar with
3 the gaming industry and Penn's business and they will
4 maintain the good management that this entity has
5 enjoyed, along with the two Maxxam members. So we're
6 just asking for your approval of this change in
7 management.

8 COMMISSIONER O'CONNELL: Thank you.

9 COMMISSIONER MARTIN: I make a motion to
10 approve the change.

11 COMMISSIONER O'CONNELL: Okay, any
12 discussion? Okay, we have a motion to --

13 COMMISSIONER. HICKS: I'll second.

14 COMMISSIONER O'CONNELL: Okay, we have a
15 second by Ms. Hicks for a motion to approve the request
16 by PM Texas to make two changes to the management
17 committee. All those in favor, please say aye?

18 COMMISSIONERS: Aye.

19 COMMISSIONER O'CONNELL: All those
20 opposed? The motion carries.

21 Our next agenda item is a request by
22 Retama Park for approval of an amendment to its Tote
23 Contract with AmTote International, and Mark Fenner will
24 lay out this request.

25 MR. FENNER: Yes, ma'am. The current

1 Tote Contract between Retama Park and AmTote
2 International is scheduled to expire on March 1st of
3 this year. They are in negotiations on some of the
4 terms of that contract and so what they've proposed is
5 to just extend that current contract, which has already
6 been approved by the Commission, through June 30th and
7 that will give them an opportunity to complete their
8 negotiations and bring a new contract to you for review
9 and approval at the June meeting.

10 COMMISSIONER O'CONNELL: Thank you.

11 Do we have anyone here that would like to
12 speak on this agenda item? Okay, any questions from the
13 Commissioners? Okay, I'll entertain a motion to approve
14 the request by Retama Park for approval of the amendment
15 to its Totalisator Contract with AmTote International.

16 COMMISSIONER WEINBERG: I'll make a
17 motion to approve.

18 COMMISSIONER O'CONNELL: Thank you.
19 Motion by Commissioner Weinberg. Is there a second? We
20 have a second. All those in favor, please say aye.

21 COMMISSIONERS: Aye.

22 COMMISSIONER O'CONNELL: All those
23 opposed? The motion carries.

24 The next item on our agenda is the
25 section of proceedings on rulemaking and today we have

1 one item on the agenda, which is one rule that is
2 eligible for adoption and that is the adoption of
3 amendment to Rule 313.103 eligibility. Mark Fenner,
4 would you like to lay this out?

5 MR. FENNER: Yes, ma'am. This change
6 merely adds to the current rule regarding quarter horses
7 that paints and apps must also have a qualifying
8 published workout around the turn in order to be entered
9 in a race around the turn for the first time.

10 We believe that it's a fairly
11 noncontroversial amendment. We've received no written
12 comments in response to the publication in the Texas
13 Register. Also, I knew that the Rules Committee Meeting
14 got canceled; so I reached out to the Paint Horse
15 Association, in particular, and I spoke with Ms. Utecht.
16 She did not have any objections to the adoption of this
17 amendment. The appaloosas don't participate in Texas
18 racing very much, so there really wasn't somebody to
19 contact on behalf of them.

20 COMMISSIONER O'CONNELL: Okay. Do we
21 have any public comment today on this proposal? Okay,
22 any questions or discussion by the Commissioners? Okay,
23 is there a motion to adopt the proposed amendment of
24 Rule 313.103 as it has been published in the Texas
25 Register?

1 COMMISSIONER. HICKS: I'll make the
2 motion.

3 COMMISSIONER O'CONNELL: Okay, motion by
4 Ms. Hicks.

5 COMMISSIONER STEEN: Second.

6 COMMISSIONER O'CONNELL: Second by
7 Commissioner Steen. All those in favor, say aye.

8 COMMISSIONERS: Aye.

9 COMMISSIONER O'CONNELL: All those
10 opposed? Okay, motion carries.

11 We are posted for an Executive Session;
12 however, my understanding is that there will be no
13 Executive Session today.

14 The next Commission Meeting is scheduled
15 for April 8th of 2014, and we invite everyone to attend.
16 And with that, we are adjourned.

17 (Proceedings concluded at 10:50 a.m.)

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1 STATE OF TEXAS)
COUNTY OF TRAVIS)

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

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

GIVEN UNDER MY OFFICIAL HAND OF OFFICE at Austin,
8 Texas, this 21st day of February, 2014.

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20 _____
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