

1 BEFORE THE
2 TEXAS RACING COMMISSION
3 AUSTIN, TEXAS

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9 COMMISSION MEETING

10 APRIL 7, 2009

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19 Reported by: SHERRI SANTMAN FISHER

20 Job #76461

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1 BE IT REMEMBERED that the above entitled matter
2 came on for hearing on the 7th day of April, 2009,
3 beginning at 10:32 A.M. at 6100 Guadalupe, Building E,
4 Austin, Travis County, Texas, and the following
5 proceedings were reported by SHERRI SANTMAN FISHER,
6 Certified Shorthand Reporter for the State of Texas.

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9 APPEARANCES

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11 Commissioners: ROLANDO PABLOS

12 G. KENT CARTER

13 CHARLES L. "SONNY" SOWELL

14 RONALD F. EDERER

15 ROBERT SCHMIDT

16 GLORIA HICKS

17 C. TOM CLOWE, JR.

18 JIMMY ARCHER

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1 CHAIRMAN PABLOS: Okay. We're going to
2 get started, folks. Good morning. At this time I
3 would like to call this meeting to order. The time is
4 10:32 a.m.

5 Carolyn Weiss, would you please call
6 roll?

7 MS. WEISS: Commissioner Adams? Jimmy
8 Archer?

9 MR. ARCHER: Here.

10 MS. WEISS: Tom Clowe?

11 MR. CLOWE: Present.

12 MS. WEISS: Commissioner Ederer?

13 COMMISSIONER EDERER: Here.

14 MS. WEISS: Commissioner Hicks?

15 COMMISSIONER HICKS: Here.

16 MS. WEISS: Commissioner Schmidt?

17 COMMISSIONER SCHMIDT: Here.

18 MS. WEISS: Commissioner Sowell?

19 COMMISSIONER EDERER: He's --

20 CHAIRMAN PABLOS: There he is.

21 MS. WEISS: Thank you.

22 Commissioner Carter?

23 VICE-CHAIRMAN CARTER: Here.

24 MS. WEISS: Commissioner Pablos?

25 CHAIRMAN PABLOS: Here.

1 Do we have a quorum?

2 MS. WEISS: Yes, we do.

3 CHAIRMAN PABLOS: Thank you.

4 At this time I'd like to advise the
5 public that I have decided to pull Items IV-D, IV-E,
6 and IV-F. I'd like to thank the comptroller's office
7 for identifying some issues with those items and I'm
8 going to refer those items to our rules committee.

9 Thank you very much for your good work.

10 Do we have anyone signed up for public
11 comment at this time?

12 Okay. Let's step into the general
13 business section. I'd like to recognize Shelley
14 Harris, please, for our budget and finance update.

15 MS. HARRIS-CURTSINGER: Good morning,
16 Commissioners. Under Tab III-1 you will find the
17 update of the agency's FY 2009 budget status. We are
18 currently 50 percent through FY 2009; and as of
19 February 28th, we are currently under budget as you
20 will see.

21 At the last Commission meeting, I
22 reported that we had requested additional reductions
23 from the department heads; and with their cooperation,
24 we have identified 284,000 in additional reductions for
25 the fiscal year 2009 budget.

1 We met with the Governor's office to
2 update them on the agency's budgetary status on March
3 31st; and we continue to work with the Governor's
4 office, the Lieutenant Governor's office, and the
5 Speaker's office to determine whether we will be part
6 of the supplemental bill or will get funding through a
7 deficiency grant.

8 I'll switch now to the legislative
9 update. We have now gone before both the House and the
10 Senate subcommittees for the agency's budget. The
11 Senate has passed their version which includes a rider
12 that would provide the agency a 1.5-million-dollar
13 general revenue funding for FY '10 to assist with the
14 agency's budget. Senate Bill 1 will now go before the
15 full House and then before the conference committee.

16 I'd be happy to answer any questions.

17 CHAIRMAN PABLOS: Thank you.

18 Are there any questions, Commissioners?

19 Hearing none, thank you very much.

20 Our next item, report on racetrack
21 inspections. Carol Olewin, please?

22 MS. OLEWIN: Good morning,
23 Commissioners. I'm Carol Olewin. This is a report on
24 racetrack inspection activities.

25 This month we did -- or this reporting

1 period we did 10 inspections. Of the five inspections
2 for Manor Downs, these were pre-meet inspections and
3 there are no outstanding items.

4 The two Retama inspections were
5 unannounced inspections that were done toward the end
6 of their meet and there were no outstanding items.

7 The two Valley inspections were also
8 unannounced and there were no outstanding inspections.

9 We conducted one training track
10 inspection of Delta Training Center. That's a new
11 facility located in Edcouch. And Edcouch is in South
12 Texas between Edinburg and Harlingen. And there were
13 no outstanding items.

14 Are there any questions regarding
15 inspections?

16 CHAIRMAN PABLOS: Commissioners, do we
17 have any questions?

18 Thank you very much.

19 Next, Charla Ann King. We'll move into
20 Item C, report and update by executive director and
21 staff regarding administrative matters. Our
22 legislative update, please, Charla Ann. Good morning.

23 MS. KING: Good morning, Mr. Chairman and
24 members. Since our last Commission meeting on February
25 25th, staff attended six legislative hearings and is

1 anticipating a few more in the seven weeks that are
2 remaining until the session ends, which is on June
3 1st.

4 We have hearings tomorrow in the House
5 Licensing and Administrative Procedure Committee and
6 the Senate Nominations Committee. The committee
7 hearing will cover several bills in the House and will
8 cover several bills related to expanded forms of gaming
9 in Texas.

10 Commissioners, we've provided for your
11 use a list of priority legislation that we put at each
12 one of your places. This is the legislation that we've
13 been monitoring and in many cases for which we've been
14 providing fiscal note information to the Legislative
15 Budget Board.

16 In regard to our sunset legislation, our
17 sunset bill, HB 2081, was heard last week in the House
18 committee. Representative Isett did a great job of
19 laying out the bill in front of the committee. He
20 answered several questions from committee members about
21 the racetrack license review and renewal process.

22 Representative Isett clarified that the
23 Sunset Commission did discuss the viability of racing
24 during the sunset process and referenced efforts by
25 Senator Brimer at that time to highlight those issues.

1 Representative Isett also emphasized the need for the
2 sunset bill to address the regulatory process and
3 explained the Sunset Commission's purpose of sticking
4 to agency functions as opposed to getting involved in
5 matters of more general policies such as what is
6 authorized related to the racing industry.

7 We fielded a number of questions,
8 particularly on purses, in regard to where Texas ranks
9 in terms of purses nationally and regionally.

10 Regionally, we rank last; and nationally, Texas ranks
11 19th.

12 The committee substitute for HB 2081 was
13 left pending in committee. Presently we are working to
14 assist the House committee with any questions that come
15 up in regard to that legislation as well as other
16 legislation that they are considering related to
17 gaming.

18 We are awaiting a hearing for the Senate
19 version of our Senate bill, which is Senate Bill 1013,
20 which is sponsored by Senator Hinojosa. We have been
21 in frequent communication with sunset staff and the
22 staff of the Senate sponsor.

23 Overall it's an extremely busy time for
24 the agency staff. The labor -- the legislative session
25 is very labor intensive. We are putting in an

1 exceptional amount of time preparing for committee
2 hearings, responding to members' requests, attending
3 legislative staff meetings, and, very importantly,
4 responding to fiscal note requests from the Legislative
5 Budget Board.

6 We are required to estimate the costs of
7 the bills that have substantive impact on racing as
8 well as bills that affect State agency administration
9 and operations in more general, such as purchasing,
10 human resources, and IT. And we need to extend a thank
11 you to Sammy Jackson and Megan Goode who have been
12 working long hours on those fiscal note requests.

13 One item that I should mention is the
14 request we received from Senate Finance, House
15 Appropriations, and the House Licensing and
16 Administrative Procedures Committee for national gaming
17 and racing revenue statistics. Members wanted to see
18 Texas in comparison to other states with pari-mutuel
19 racing as well as expanded forms of gaming.

20 Staff spent quite a bit of time
21 researching and compiling the data, and we submitted
22 our report to the legislative committees in mid March.
23 It was also sent to the Commissioners, so you should
24 have a copy of it.

25 That concludes my report for today on the

1 legislative activities, Mr. Chairman. I'm happy to
2 answer any questions.

3 CHAIRMAN PABLOS: Thank you, Charla Ann.
4 Good work.

5 Are there any questions of Charla Ann?
6 I know you've spent a lot of time --
7 you've spent a lot of time up at the capitol and so I
8 thank you and your staff for good work on that.

9 Any questions?

10 Thank you, Charla Ann. Appreciate it.

11 MS. KING: Thank you.

12 CHAIRMAN PABLOS: Item C-2, I'd like to
13 recognize Lila Smith and Carol Olewin. We're going to
14 talk about a report on oversight of pari-mutuel
15 wagering and Gaming Laboratories International's
16 independent testing of pari-mutuel wagering systems.

17 Lila, good morning.

18 MS. SMITH: That was a mouthful.

19 CHAIRMAN PABLOS: And by the way, I've
20 asked staff to give us this overview. I thought it
21 would be important to also become conversant in this
22 topic, and so I really thank you for putting a lot of
23 work into this. Appreciate it.

24 MS. SMITH: Thank you. Good morning.
25 I'm Lila Smith, the pari-mutuel audit administrator,

1 and I'm going to give you a brief overview of the
2 pari-mutuel auditing program.

3 As most of you -- as most in this room
4 know, our wagering system is based on a system that
5 pools the bets, takes out money for the association,
6 purses, taxes, and calculates the payout odds by
7 sharing the pool among all winning bets. This differs
8 from fixed odds betting when the payout is agreed to at
9 the time that the bet is made. So we wait until all
10 the money is in the pool and then the payoff is
11 dependent on that.

12 The overall goal of the pari-mutuel
13 oversight program is to ensure the integrity of these
14 wagering components. We ensure each type of pool is
15 calculated correctly. We monitor wagering to protect
16 against the manipulation of odds. And we ensure that
17 all recipients of the takeout get their correct share.

18 In 1989 Texas' first pari-mutuel track
19 opened. The track -- the track had a computer system
20 referred to by the industry as a totalisator system, or
21 tote for short. The above right picture is a picture
22 that Sammy found of an old totalisator system.

23 Gates opened at 11:00 a.m. Patrons came
24 and began wagering on the 10 races of the day. After
25 race -- after wagering ended when the last race was

1 run, end-of-the-day reports were run. These were
2 pretty straightforward: For the 10 races run that day,
3 the total amount of money that was wagered, the total
4 handle, the total paid to the public, the total takeout
5 that was divided to the purse account, the Texas-bred
6 incentive program, the State tax, and the remaining was
7 for the association's share.

8 Here we are 20 years later, quite a
9 different picture. We import and we export races.
10 Now, nationwide, tracks no longer have their own
11 computer system. Rather, each has a communication
12 interface to a central computer in another state and
13 technology has put the patron in control of placing the
14 bets. Although tracks still offer manned teller
15 windows, many patrons prefer the self-service
16 machines.

17 Operations have gone not only from being
18 open when conducting live racing to being open anywhere
19 from four to seven days. For example, Gillespie County
20 is open for simulcasting Thursday through Sunday while
21 Lone Star Park, Retama Park, Sam Houston, and Gulf
22 Greyhound are open seven days a week. And the
23 end-of-the-day reports, well, that depends on if you're
24 a greyhound or a horse track. They've got a little bit
25 more complicated.

1 There are different allocations depending
2 on the type of wager, including if you're a greyhound
3 track taking an in-state greyhound signal or an
4 in-state horse signal, commonly referred to as
5 cross-species, versus wagering on an out-of-state
6 signal on a horse signal or a greyhound signal. And
7 now you see there are also new allocations, to
8 simulcast fee and hub fee. And the same goes for a
9 horse track, the different allocations, whether you're
10 in-state, out-of-state, whether you're a cross-species
11 signal, all the different allocations.

12 Let me put the activity into some context
13 for you. All but Manor Downs and Gillespie export
14 their signal. So out of the 7,350 live races in Texas
15 last year, 7,100 of the Texas races were wagered on by
16 people outside of the State of Texas and patrons at
17 Texas tracks had the opportunity to wager on over
18 650,000 races, from greyhound races in Florida and
19 Arizona to horse races in New York to Kentucky to
20 California to special events taken from China and
21 Dubai. So we literally go around the world.

22 But while the numbers and the complexity
23 of the racetrack operations have dramatically evolved
24 over the past 20 years, the overall goal of the
25 pari-mutuel oversight is the same: to ensure integrity

1 of wagering.

2 There are four main components of the
3 pari-mutuel oversight: Testing of the tote system to
4 ensure accurate calculations and allocations; auditing
5 all aspects of the simulcast contracts; auditing all
6 pari-mutuel pools; and auditing the revenue to the
7 purse accounts, the Texas-bred incentive program,
8 breakage, and State tax.

9 The first one is to conduct the tote test
10 to ensure the accurate calculations of payouts.

11 Currently our pari-mutuel audit team tests each tote
12 system and inspects the tote room at each Texas
13 racetrack at the beginning of each live meet and
14 whenever a tote company makes software changes.

15 The test covers all wagers that will be
16 offered during the meet to determine the reliability of
17 the system in handling, calculating, paying, and
18 reporting of all wagers. Later on in this presentation
19 Carol Olewin will be providing a preview of the
20 enhancements to the oversight program that begins this
21 test -- that brings this test up to 2009 standards.

22 Second, all simulcasting is strictly
23 regulated by both the Federal Interstate Horse Racing
24 Act and the Texas Racing Act and the Rules of Racing.
25 Our simulcast approval process is now totally

1 automated. The simulcast request is initiated by each
2 racetrack. Our auditors review. And approval is
3 granted when compliance is met.

4 This is a screen shot of a request by
5 Retama Park to take Emerald Downs races, and this is
6 where the basis of ensuring all of the allocations are
7 correct begins. The requesting track inputs all this
8 information, from the sending tracks to the dates
9 requested to the allocation of the takeout.

10 Our auditors ensure that the association
11 has the proper approvals from the sending jurisdictions
12 and the horsemen's organization. Once everything is
13 completed, the request to import a horse or greyhound
14 signal from another track is approved and the database
15 is updated and the template is now set and ready to
16 receive actual wagering data from each and every
17 different location, depending on the individual
18 contracts, track by track.

19 After the wagering has begun on an
20 approved simulcast signal, the wagering pool data is
21 downloaded into the TXRC database. Independent
22 calculations are performed. And any problems
23 identified will be researched by the auditor.

24 The raw wagering data comes from a file
25 provided by the tote company that is downloaded daily

1 into our database. Each line represents a wagering
2 pool. For example, the highlighted line tells me that
3 on March 28th, in the second race at Delta Downs, Trump
4 Taj Mahal Hotel and Casino wagered \$57 in the trifecta
5 pool; the total takeout was \$14.25; and \$42.75 was paid
6 to the public.

7 The raw data has been downloaded into our
8 database; and using these percentages that were loaded
9 from the simulcast contract when the simulcast contract
10 was approved, the database independently recalculates
11 the public payout and takeout. The results are
12 displayed and any inconsistencies are highlighted and
13 now the auditor must determine the problem.

14 On this day our auditor found that Gulf's
15 wagering on The Woodlands had a problem with the eighth
16 race. There was no commissions and not all the pools
17 got merged. So what the research showed was that the
18 tote company at Gulf lost, for a small amount of time,
19 communication with the tote company at Woodlands, so
20 not all of the pools got merged.

21 Further verifications are done on among
22 the -- on the amount of money allocated to the various
23 purse funds, including greyhound, Thoroughbred, Quarter
24 Horse, Arabian, Paints, et cetera. This has -- as well
25 as the amounts going to the Texas-bred incentive

1 program, amount of breakage allocated to the Texas
2 Greyhound Association, and, in addition, the
3 comptroller uses our database to establish that the
4 correct amount of State tax has been deposited by each
5 racetrack.

6 Further verifications are made using the
7 track's reports. This happens to be a daily mutuel
8 report for Sam Houston on March 28th. This is the
9 first page that shows what Sam Houston bet on all these
10 different horse tracks, Aqueduct, Australia. We use
11 that to verify that they are doing the correct
12 allocation of the takeout.

13 Commissioners, that is a very brief
14 overview of the auditing program, the basis of which we
15 are able to produce detailed reporting on wagering in
16 Texas, such as the report shown. And I'm happy to
17 report that when we were audited by the State Auditor's
18 Office, they were satisfied with all the areas of the
19 pari-mutuel oversight programs; but because of the
20 tremendous technology changes in the industry, they
21 recommended enhancements to the area of tote testing.

22 And now, unless you have any questions
23 for me, Carol Olewin will take it from here.

24 CHAIRMAN PABLOS: Are there any questions
25 of Lila?

1 Thank you very much for your
2 presentation.

3 MS. OLEWIN: Commissioners, I'm Carol
4 Olewin and I'm going to give you an update on our
5 wagering system testing and certification project.

6 This project began with the routine audit
7 conducted by the State Auditor's Office in May of
8 2006. The SAO found the Commission was doing a good
9 job of testing our pari-mutuel wagering system.
10 However, they felt that we needed to improve our
11 testing of all the areas of access into the system, the
12 internal operations, also known as logical access,
13 especially the areas that are no longer located in
14 Texas at our pari-mutuel racetracks.

15 Each racing association in Texas
16 contracts with a tote service of their choice. There
17 are three tote companies that provide pari-mutuel
18 wagering in Texas: AmTote International, Scientific
19 Games, and United Tote. We, the Racing Commission,
20 rely on these tote systems to provide us accurate
21 information about the handle, which is then used to
22 determine purses, State tax, breed money, and racing
23 association revenue. The public relies on the tote
24 system for their integrity of their wagers and
25 payoffs.

1 This is a sample configuration of a tote
2 system, courtesy of AmTote and Lone Star Park. This is
3 a typical configuration of the tote equipment that's
4 located at a racetrack. All of the interfaces you see
5 on this screen are linked together and data is sent via
6 communication lines to the central processing hubs in
7 either Hunt Valley, Maryland; Mt. Laurel, New Jersey;
8 or Louisville, Kentucky.

9 Starting at the bottom of the screen, you
10 will see images of the various types of wagering
11 devices used at racetracks. There are also terminals
12 for cashing winning tickets that require IRS
13 reporting.

14 Above that, in the middle of the screen,
15 are the DECwriters used to print reports, the judges'
16 console used by the judges to close wagering and enter
17 the order of finishes, the TV processor used to send
18 odds and prices to the TV video department for
19 broadcast, and the infield processor used to send odds
20 and prices to the tote board.

21 Above that are the race day control
22 terminals used by the tote operator, mutuel managers,
23 and money room personnel.

24 To provide a context of the time line of
25 this project, we started in May 2006 with the State

1 auditor's report. After receiving the SAO findings, we
2 learned about an independent testing laboratory through
3 our membership with the Association of Racing
4 Commissioners International.

5 Seeing this as a viable method to achieve
6 the recommendations of the SAO, we requested and
7 received legislative appropriations of \$150,000 over
8 the 2008-2009 biennium to conduct wagering system
9 testing.

10 We began the process of writing an RFP.
11 In April 2008 we sent the RFP out for bids. Two
12 proposals were received, and the final award went to
13 Gaming Laboratories International in July 2008.

14 The goal of the RFP was to contract with
15 an independent laboratory to review, test, and certify
16 the validity of pari-mutuel wagers and payoffs to
17 ensure that the player, the racing associations, and
18 the State of Texas are getting reliable information.

19 The RFP was fairly technical and took
20 some time to put together since this was the first time
21 any specifications had been written for an independent
22 testing laboratory to test tote systems. The next two
23 slides will outline the specifications that were listed
24 in the RFP.

25 The RFP was to inspect, test, and

1 evaluate all of the components of the tote system that
2 you saw on the previous screen, with specific focus
3 upon betting terminals, race day operations and
4 information, bet types and processes, pool
5 calculations, auditability, backup and recovery
6 systems, data communications and security, and the
7 central processing system.

8 The central processing system was
9 evaluated for its logical access components. The CPS,
10 commonly known as the servers, were tested for network
11 and telecommunications access, network configurations,
12 user access, patching of servers and work stations,
13 virus detection, user account management, and audit
14 logs.

15 The logical access component of a tote
16 system is the area the Racing Commission has not been
17 able to test in the past. This is a technical area
18 that requires specialized information technology skills
19 and travel to server operations located outside the
20 State of Texas.

21 Since this was the first time something
22 of this nature has been done, there was considerable
23 up-front planning and meeting between the tote
24 companies, GLI, and the Texas Racing Commission staff
25 to work out the logistics and procedures for testing.

1 So far we've received a preliminary
2 report regarding Scientific Games, who is the tote
3 system provider for Sam Houston Race Park and Valley
4 Race Park. The preliminary report regarding United
5 Tote, who is the tote system provider for Gulf
6 Greyhound, Manor Downs, and Gillespie, was received
7 this week. And the AmTote report, which covers Lone
8 Star Park and Retama Park, is expected in May of 2009.

9 These reports will be provided to the
10 respective tote companies. After the tote companies
11 have reviewed their report and provided feedback, there
12 will be a final presentation made to you, the Texas
13 Racing Commission.

14 In the interest of sharing the results of
15 this project with our fellow regulatory jurisdictions,
16 we will present this project to the ARCI pari-mutuel
17 auditors conference which will be held in Indianapolis,
18 Indiana, in July.

19 This project and the resulting reports
20 will satisfy the SAO findings that the Texas Racing
21 Commission needed to improve its testing and assurance
22 of data from the tote systems. It will provide a guide
23 to the tote companies in areas where they may need to
24 make improvements. And it will provide us and the
25 wagering public with a level of confidence.

1 These reports will be used to shape the
2 future of regulation of pari-mutuel wagering and we've
3 taken a national leadership in testing and analyzing
4 wagering systems and the tote companies by engaging in
5 this project.

6 This concludes my overview. If there is
7 any questions?

8 CHAIRMAN PABLOS: Thank you.

9 Are there any questions? Commissioner
10 Clowe?

11 MR. CLOWE: This is a very interesting
12 report. Thank you for all the information that you've
13 given us. My sense is that Texas, as you pointed out,
14 is assuming a leadership role in monitoring the
15 accuracy and correctness of the wagering in the state.

16 Is there a Federal regulation? You
17 mentioned the Federal involvement at one point in the
18 report. Is there an oversight of all participants as
19 far as regulation and accuracy?

20 MS. OLEWIN: There is not really a
21 Federal level of regulation. There is the Interstate
22 Horse Racing Act, which really just has specifications
23 or agreements between the horsemen for purses and
24 racetracks.

25 MR. CLOWE: So each state is responsible

1 for doing what they're doing; and Texas is leading in
2 this, I believe, in correct activities, accuracy, and
3 that sort of thing.

4 MS. OLEWIN: Yes, that is correct.

5 MR. CLOWE: What, over a representative
6 period of time, is an expected online performance from
7 our system in Texas, all betting locations?

8 MS. OLEWIN: I'm not sure I understand
9 your question.

10 MR. CLOWE: How often and for how long
11 does any entity that participates in this system go
12 down over a lengthy period of time?

13 MS. OLEWIN: Oh, like a failure time or a
14 downtime?

15 MR. CLOWE: Yes.

16 MS. OLEWIN: I'd say -- if I were to put
17 a number to it, I'd say one percent of the time or
18 less.

19 MR. CLOWE: So there's a 99 percent
20 online performance over a representative period of
21 time.

22 MS. OLEWIN: Yes.

23 MR. CLOWE: Are there backup systems from
24 these three entities that provide this service? Do
25 they have more than one location that serves our

1 needs?

2 MS. OLEWIN: Each tote company has at
3 least two server locations. Some of the tote companies
4 have three or four. The trend is centralization. But
5 for the most part, all tote companies will have two,
6 generally an eastern and a western United States hub.

7 MR. CLOWE: None of those are in Texas.

8 MS. OLEWIN: That is correct. None of
9 them are -- the last hub left Texas -- it was at Sam
10 Houston Race Park; and it left Texas last July, I
11 think, time frame.

12 MR. CLOWE: Thank you very much.

13 MS. OLEWIN: Certainly.

14 CHAIRMAN PABLOS: Any further questions?

15 COMMISSIONER EDERER: Why did it leave?

16 MS. OLEWIN: Centralization, because of
17 cost and manpower and technology today, centralized
18 hubs, where in the past each racetrack had its own
19 server.

20 COMMISSIONER EDERER: Thank you.

21 CHAIRMAN PABLOS: Any other questions?

22 Thank you, ladies, very much.

23 MR. CLOWE: Mr. Chairman?

24 CHAIRMAN PABLOS: Yes, sir.

25 MR. CLOWE: I want to compliment whoever

1 is responsible for these graphics. Who's done that?

2 Who's responsible for that?

3 MS. OLEWIN: It was a collective effort
4 on the graphics.

5 MR. CLOWE: We've been trying to do this
6 for some months at DPS and we've never reached the
7 quality that I've seen here this morning. And I hope
8 somebody with the Racing Commission will talk with
9 Bryan Lane, who is the IMS chief, about the
10 presentations that you ladies have made here this
11 morning. This is what we want at DPS. We've got the
12 hardware, but we don't have the performance. This is
13 just great.

14 MS. OLEWIN: Well, thank you,
15 Commissioner. We appreciate that.

16 CHAIRMAN PABLOS: As Dr. Carter
17 mentioned, we'd be glad to do it for a fee.

18 MR. CLOWE: Wait a minute. Wait a
19 minute.

20 CHAIRMAN PABLOS: No. I echo that
21 sentiment. You guys did a great job. And I'd like to
22 have more of these presentations where, as a Commission
23 and the public, we become more educated on the
24 intricacies of what we do here. So that was really the
25 purpose of this. You've done a great job. It's not

1 our intention to upstage DPS, but we certainly take the
2 kudos. Thank you --

3 MR. CLOWE: Thank you.

4 CHAIRMAN PABLOS: -- very much.

5 We'll move on to our next item. That is
6 Mark Fenner, a status report on Austin Jockey Club's
7 application to transfer pecuniary interests and change
8 location of Longhorn Downs. And I've asked Mark to
9 give us this status update. There have been a lot of
10 questions. I've fielded a lot of phone calls as to
11 this particular item. And I felt it important to let
12 the public know and be on the record as to what the
13 process has been so that we have no questions as to
14 where we are.

15 So, Mark, would you please give us that
16 update?

17 MR. FENNER: Yes, Chairman.

18 Longhorn Downs is a racetrack license
19 originally issued in 1989 that is currently held by the
20 Austin Jockey Club. And so in my report, I would like
21 to begin in December of 2005.

22 At the December 2005 Commission meeting,
23 the Austin Jockey Club reported that it had entered
24 into a sales contract to sell Longhorn Downs to an
25 entity known as Dallas City Limits. Austin Jockey Club

1 stated that the purchaser would soon approach the
2 Commission with a request for a change in ownership
3 and, in all likelihood, a change of location.

4 In August of 2006 Dallas City Limits
5 provided an update to the Commission at its meeting
6 regarding the financing and site location, noting that
7 the details of the transaction and location would be
8 submitted to the Commission for its approval in the
9 near future.

10 At the May 14, 2007 Commission meeting,
11 Dallas City Limits assured the Commissioners that it
12 would complete the submission of its paperwork by June
13 1. And on June 1, 2007, they did submit a packet of
14 information regarding the proposed transfer. However,
15 when staff reviewed the application documents, we did
16 determine that there was some additional information
17 needed to assess the proposed change of location. And
18 also on June 12th, 2007, the Department of Public
19 Safety notified the Commission that it needed some
20 updated information to conduct its background checks.

21 On June 15th, 2007, the staff notified
22 the Dallas City Limits of those inadequacies and set a
23 new deadline of July 18th, 2007, for submission of the
24 additional documentation.

25 On July 9th, 2007, one of the general

1 partners of Dallas City Limits notified the agency by
2 e-mail of changes within the ownership of Dallas City
3 Limits and on July 17th submitted a second e-mail
4 providing additional details about litigation among
5 Dallas City Limits' general partners.

6 On or before July 18th, which was the
7 deadline for submission of the additional
8 documentation, each of the original partners in Dallas
9 City Limits, with the exception of one general partner,
10 submitted updated DPS background packets. We did not
11 receive the information we required for the
12 site-specific documentation as required by the
13 executive director's letter of June 15th.

14 As a result, at the August 8th, 2007
15 Commission meeting, Chair Adams directed that the staff
16 meet with the Longhorn Downs, Austin Jockey Club, and
17 Dallas City Limits parties so that they could bring the
18 staff up to speed on what's actually happening and that
19 there be some sort of schedule worked out that lays out
20 what's going to happen in the very near future so that
21 we can bring all this issue to a head as soon as
22 possible. That's a direct quote.

23 From August 8th, 2007, until June 13th of
24 2008, staff and the Austin Jockey Club and the various
25 owners of Dallas City Limits held a series of meetings

1 and conversations in an attempt to follow Chair Adams'
2 direction.

3 On June 13th of 2008 we did receive a
4 copy of signed settlement agreements and orders ending
5 the litigation within Dallas City Limits as of June 3rd
6 and June 4th of the various partners.

7 On July 25th of 2008 we received a new
8 request and application documents for the transfer of
9 ownership from Austin Jockey Club to Dallas City
10 Limits.

11 On August 12th we sent Dallas City Limits
12 another letter describing more deficiencies in the
13 application and setting a deadline of September 12th of
14 2008 for submitting that additional required
15 information.

16 Now, on September 8th of '08, an attorney
17 for the former limited partners in Dallas City Limits
18 copied the Commission on a demand letter he wrote to
19 Dallas City Limits' attorney, the attorney for the
20 general partner, requesting that Dallas City Limits
21 file an amendment to the application by September 19th
22 of '08 to reflect the limited partners' ownership
23 interests. And on that same date one of the former
24 limited partners wrote to the Commission on behalf of
25 those limited partners to formally object and contest

1 Dallas City Limits' second application.

2 On September 12th Dallas City Limits
3 filed suit against the former partners, filed a
4 declaratory judgment action, and we were not aware of
5 the lawsuit at that time.

6 The Commission then received letters from
7 Dallas City Limits requesting an extension of the
8 September deadline, the September 12th deadline, for
9 the filing of supplemental materials. On September
10 22nd Dallas City Limits did submit those additional
11 items.

12 On October 2nd of 2008 the Commission
13 notified Dallas City Limits that the application was
14 complete and that the Department of Public Safety would
15 begin its background checks. I'd like to point out
16 that the Department of Public Safety had never
17 completed a full background check on the majority
18 owners of Dallas City Limits.

19 On October 7th of '08 Dallas City Limits
20 testified at the Commission meeting. The attorney for
21 Dallas City Limits who had testified mentioned that
22 they had recently filed that declaratory judgment
23 action. And on October 13th, a week later, one of the
24 limited partners wrote to the Commission advising of
25 Dallas City Limits' lawsuit and again objecting to

1 Dallas City Limits' application.

2 On October 22nd, 2008, the limited
3 partner wrote to the Commission about their answer and
4 counterclaim against Dallas City Limits. He attached a
5 copy of the answer, which we have in our files.

6 On March 11th, 2009, DPS received the
7 personal financial documents regarding one of DCL's
8 five percent partners, Ms. Davis.

9 In a related event to the whole
10 transaction, on March 18th of '09 Representative Garnet
11 Coleman submitted a request for an Attorney General's
12 opinion on two matters specifically related to the
13 Longhorn Downs transfer. These requests included a
14 question about the adequacy of a declaratory judgment
15 for purposes of substitution of ownership names on a
16 license and the necessity for a DPS background check to
17 be on file with the Commission for 14 days before it
18 may hold a hearing on the application.

19 DPS and the Dallas City Limits general
20 partner agreed to a March 31, 2009 deadline for Dallas
21 City Limits to demonstrate its financial capacity to
22 build the track. DPS has indicated to agency staff
23 that it intends to complete its background reports
24 sometime in April. Once that background report has
25 been submitted to staff, we will continue with our

1 ongoing evaluation of the application.

2 That's where we stand right now.

3 CHAIRMAN PABLOS: Thank you, Mark.

4 Are there any questions of Mark on this
5 convoluted process?

6 MR. CLOWE: Who holds the license?

7 MR. FENNER: The Austin Jockey Club,
8 which is the owners since about 2001. They've held it
9 for a number of years. And so until that license
10 transfer is approved, Austin Jockey Club holds the
11 license, the seller.

12 MR. CLOWE: As a matter of clarification,
13 why is it that they have not posted a bond and been
14 given dates to commence operations like other license
15 holders have?

16 MR. FENNER: This goes to a long-term
17 problem that we identified and that you certainly
18 raise, I think, because you're aware of it through the
19 racetrack licensing committee, that the Austin Jockey
20 Club, which holds the Longhorn Downs license as well as
21 the Saddle Brook Park license -- these are licenses
22 that have been out there for 20 years.

23 The statute requires that the Commission
24 require a security bond when the license is originally
25 issued. We can interpret that, and the Commission has

1 interpreted that, to mean that you have the continuing
2 authority to require a security bond; but not everybody
3 is in agreement with that. And so it's an ongoing
4 problem, what to do with these old inactive licenses.

5 MR. CLOWE: Is this the only one that is
6 in this status?

7 MR. FENNER: This is the one that is in
8 the worst status because it is not only a 20-year-old
9 inactive license. It does not have a current site.

10 MR. CLOWE: I don't think you answered my
11 question. Is this the only one that's in this status
12 where it's just continuing to evolve and it hasn't been
13 issued simulcast or race dates?

14 MR. FENNER: Saddle Brook Park is the
15 other one. There are two in this condition.

16 MR. CLOWE: Is there an inequity here?

17 MR. FENNER: Well, that's a policy
18 question that I think I'll leave to you.

19 MR. CLOWE: It's not a legal question?

20 MR. FENNER: No, sir.

21 MR. CLOWE: Are we in compliance with the
22 rules?

23 MR. FENNER: As of now, we are, yes.
24 However, we are reaching the point where that license
25 is -- without a site, there may exist grounds for

1 revoking it.

2 CHAIRMAN PABLOS: Mark, what are those
3 grounds?

4 MR. FENNER: Well, in order to -- in
5 order to be qualified to have a license, you have to
6 be -- what's the language in the statute? Hang on.

7 CHAIRMAN PABLOS: I remember reading
8 where you have to make substantial effort in beginning
9 the process of racing. Isn't that one of the
10 requirements?

11 MR. FENNER: Well, that's if you have
12 race dates granted to you. This track does not have
13 race dates, and so that rule isn't strictly
14 applicable. However, one of the grounds for revocation
15 of a license is that the applicant is unqualified, by
16 experience or otherwise, to perform the duties required
17 of a licensee under this act. So one could
18 legitimately question, I think, how one can be
19 qualified to hold a license and perform the duties if
20 there's no site on which to conduct racing.

21 CHAIRMAN PABLOS: Are there any other
22 questions of Mark?

23 COMMISSIONER EDERER: Yes. What was the
24 other one?

25 MR. FENNER: Saddle Brook Park. It's in

1 Amarillo.

2 COMMISSIONER EDERER: I'm sorry. What?

3 MR. FENNER: Saddle Brook Park. It's in
4 Amarillo. That does have a site.

5 CHAIRMAN PABLOS: Any other questions?

6 COMMISSIONER EDERER: Yes. I would like
7 to know what we can do to straighten out the mess.
8 We've got two licenses out there that are not in
9 compliance as I understand. Austin Jockey Club seems
10 like it may -- once the Dallas City Limits gets their
11 act together, it looks like that license may get itself
12 straightened out and at that point in time we can then
13 require security deposits and go forward with it, is my
14 understanding. Is that correct?

15 Once they finish the background checks at
16 DPS and they get everything in order, then once that
17 license is established -- is given to the Dallas Jockey
18 Club, if that does happen, if that comes to pass, at
19 that point in time we can require security deposits and
20 move forward.

21 MR. FENNER: That is correct.

22 COMMISSIONER EDERER: So that license is
23 not going to be a problem.

24 MR. FENNER: Yes, sir.

25 COMMISSIONER EDERER: But what about the

1 other?

2 MR. FENNER: I think we're going to be in
3 a better situation to assess that once we pass the
4 legislative session. The sunset bill, if I may dip
5 into one of the prior agenda items a little bit because
6 I don't want to get too far off the posted items, but
7 as far as -- one of the sunset requests that the staff
8 had made of the Sunset Commission and that became part
9 of the recommendations was to bolster the Commission's
10 ability to require security of licensees. If we do get
11 that additional authority, I think we'll be in a much
12 stronger position to do something about all of the
13 licenses.

14 COMMISSIONER EDERER: And when will we
15 know that?

16 MR. FENNER: The session ends in mid
17 May. I don't know the exact date.

18 MR. CLOWE: And if the bill is passed and
19 if the Governor signs it.

20 CHAIRMAN PABLOS: Probably mid June is
21 more likely.

22 MS. KING: We should know by mid May how
23 things are going, but June 1st is the end of the
24 session.

25 In addition, though, to that security

1 bond requirement, the provision there, the Sunset
2 Commission took a very detailed look at this; and if
3 you recall, the recommendation was to establish license
4 renewal requirements. They looked at the statute and
5 felt that it needed to be beefed up.

6 We do have the authority to move forward
7 on these licenses that are in inactive status if we put
8 them into the process of race date allocation and act
9 in a more proactive way in terms of managing those.

10 The Commissions in the past did not do that. This has
11 kind of gone dragging on as the Commission supported
12 the effort of the industry to try to get these licenses
13 up and active.

14 I would distinguish the Saddle Brook from
15 the other license, Austin Jockey Club, in one way that
16 Saddle Brook hasn't had a lot of ownership change
17 issues and trying to -- in terms of trying to propose a
18 change of ownership which has been happening in Austin
19 Jockey Club. And it does put the Commission in a
20 particular position to be supportive of that process as
21 people are trying to change the ownership as there's
22 another issue on your agenda doing that today.

23 But the Legislature felt that additional
24 statutory intervention was appropriate and has
25 established in the sunset bill the license renewal

1 process to assist the Commission in managing the two
2 inactives, if that helps.

3 COMMISSIONER EDERER: Our next meeting is
4 June what?

5 MS. KING: It is tentatively set for June
6 2nd.

7 CHAIRMAN PABLOS: I have a little issue.
8 We're expecting a child that day and so I might not be
9 here. So we're trying to work that out.

10 MS. KING: So we may be moving it back
11 some, which will also give us time to see the results.

12 COMMISSIONER EDERER: So that would give
13 you time to see the results of what the Legislature
14 does and the status.

15 MS. KING: That's right, the passage of
16 the legislation.

17 COMMISSIONER EDERER: Also we should have
18 something by then on the Dallas City Limits business,
19 right?

20 MS. KING: Yes, sir.

21 COMMISSIONER EDERER: Okay. Good. Well,
22 then I would request that at that next meeting you give
23 us, of course, the status of these two licenses and
24 what we can do, if anything, to get the -- get it
25 straightened out.

MS. KING: Yes, sir. There may be the requirement for us to also pass rules related to any provision that's passed in the sunset bill.

COMMISSIONER EDERER: Okay. We would request and welcome your suggestions.

CHAIRMAN PABLOS: Commissioner Sowell?

COMMISSIONER SOWELL: Yes. I'd just like to see what opinions the two of you have, if you do, as to whether the Commission's allowing these two situations, two licenses, to be dragged along and nothing seems to be happening one way or the other except, in one case, a lot of litigation -- by the way, is the litigation still ongoing?

MR. FENNER: Yes, sir, it is.

COMMISSIONER SOWELL: Okay. It seems to me that we could be accused of being remiss in not pursuing a situation whereby these two licenses may well be standing in the path of somebody else with a different idea and a different whatever to submit an application and try to move the ball down the field and eventually get somebody over the goal line.

Now, why shouldn't we take that course of action, if we shouldn't, as we have not done in the past?

MS. KING: I guess I'll try to respond to

1 that, Commissioner, by indicating that what we have in
2 terms of existing policy focuses on the race date
3 allocation process, and that's going to be coming up
4 this summer. And so staff will be coming forward with
5 recommendations for addressing those issues during that
6 process. And so I believe that we will move forward
7 and then we will also have the sunset legislation
8 working in conjunction with that process and those
9 things will have to be reconciled.

10 So I think we are on a schedule in terms
11 of identifying the issues, having visited about the
12 issues with the racetrack licensing committee as well,
13 and we are poised to move forward on that. And so I
14 think we've got options that the Commission will be
15 able to entertain at that point.

16 So, yes, there's been a history that's
17 been evident through the presentation that Mark gave;
18 but I think that we have the next steps coming up for
19 the Commission. And staff will be working with the
20 Commissioners and the committees as directed by the
21 Chair and making recommendations as appropriate.

22 CHAIRMAN PABLOS: Commissioner Sowell,
23 and Charla Ann is correct. We've started that
24 process. We're in it. And we basically started when I
25 named the licensing committee to identify those issues;

1 and along with the Sunset Commission, they've
2 identified very similar issues, the same issues; and so
3 it's just a matter of working through the process.

4 The purpose of today's presentation was
5 simply to inform you of the internal process of that
6 particular application. The last item on that
7 application occurred on March 11th, 2009, a couple of
8 weeks ago, where Ms. Yvonne Davis submitted her
9 personal financial documents. And so DPS didn't have a
10 complete file until then, or I'm assuming that that
11 would have completed the file, so I'm sure DPS needs
12 time to now analyze all that documentation. Once
13 they're finished, then we need to take our turn at
14 analyzing that documentation.

15 But it is still in litigation. We have
16 the limited partners claiming their stake. And really
17 that's where this issue is. But the purpose of this
18 was to inform you of where this process is. That way,
19 the world knows where we are on it.

20 COMMISSIONER SOWELL: Okay. Thank you.

21 CHAIRMAN PABLOS: Any other questions?

22 Thank you very much, Mark. Appreciate
23 it.

24 We'll move on to our next item, Item D, a
25 report by our rules committee. I'd like to recognize

1 Commissioner -- Vice-Chair Carter and Commissioner
2 Archer to give us a report. I want to thank you for
3 taking on this task. I know you've met. And so if you
4 could please give us a report, I would appreciate it.

5 VICE-CHAIRMAN CARTER: Yes. Can you all
6 hear me okay? Dr. Archer nominated me to give this
7 report, so here I go.

8 We met with members of the industry on
9 the 2nd of this month in this room to discuss some
10 upcoming rule changes. Actually there was three of six
11 proposed that got industry comments, and then we had a
12 whole list of new rule changes that will be coming up
13 that we'll be discussing and need to be posted and then
14 we will discuss in the June meeting.

15 And the industry was encouraged to give
16 us some feedback. They've come up with some
17 suggestions to -- how to make it better for them. We
18 had some areas that they mentioned that might create
19 some hardship in their management of their operations,
20 and we are seeking input in how to improve that and
21 seeking feedback from them.

22 So it's an ongoing process that is yet
23 resolved. We're expecting some feedback and proposals
24 from the industry to help us. And I guess that's about
25 it.

1 Any questions? Mr. Archer can answer
2 them.

3 CHAIRMAN PABLOS: Commissioner Archer, do
4 you have any comments?

5 MR. ARCHER: I'd just like to thank
6 everybody for participating. I think it was very
7 helpful. I think it will go a long way to keep
8 everyone engaged in the rulemaking process and make
9 sure everyone gets heard before these rules come up for
10 final adoption.

11 VICE-CHAIRMAN CARTER: And we had a good
12 turnout and a lot of participation.

13 CHAIRMAN PABLOS: Well, thank you. I
14 agree that, again, the purpose of this is to provide
15 the industry and the public an opportunity to share
16 your thoughts and viewpoints. And so it seems to be
17 working well. It's still in process. And so, you
18 know, we've seen today that I've referred a couple of
19 these items to your committee, so I look forward to
20 hearing from you all on that.

21 Any other questions?

22 Well, thank you for your good work. I
23 appreciate it.

24 We'll move on to Item IV-A, proceedings
25 on racetracks. I'd like to call on Andrea Young to

1 give us a status report on the reconstruction of Sam
2 Houston Race Park. Good morning, Andrea.

3 MS. YOUNG: Good morning, Commissioners.

4 I'm excited that this is the last update I plan to
5 provide on this matter. You have a letter in your
6 packet that I think pretty adequately describes the
7 process we've made to date.

8 A couple of just key updates as of
9 today. We are planning to relocate our simulcast
10 operations back into the grandstand facility a week
11 from today, on Tuesday, April 14th. We anticipate the
12 roof being completely finished, all the trim work, all
13 the detailing, by the 18th of April. And we anticipate
14 all of the new tote board systems to be installed by
15 the 19th of April.

16 We met with Commission staff last week to
17 work on scheduling, you know, inspections and such
18 around kind of a unique schedule. Usually it's a
19 little bit earlier, but they're being very flexible and
20 very helpful in that process given the tight time
21 constraints that we have. So, you know, we're very
22 pleased with the progress we've made -- that we have
23 made and, you know, are looking forward to reopening
24 May 1st.

25 If you have any questions, I'd be happy

1 to answer them.

2 CHAIRMAN PABLOS: Thank you for your
3 report.

4 Any questions?

5 COMMISSIONER SCHMIDT: Just one question,
6 Andrea. I appreciate your report. Could you just
7 clarify for me again, how much of your actual track
8 surface had to be rebuilt? Did you have to rebuild the
9 entire track?

10 MS. YOUNG: No. We had to add a lot of
11 material back on. A lot of it was basically swept off
12 during the storm. So we didn't actually rebuild the
13 surface. We had to add new material to the surface.

14 COMMISSIONER SCHMIDT: So the base was
15 left intact?

16 MS. YOUNG: Yes.

17 COMMISSIONER SCHMIDT: Okay.

18 MS. YOUNG: Any other questions?

19 CHAIRMAN PABLOS: Any other questions,
20 Commissioners?

21 Thank you very much. Appreciate it.

22 MS. YOUNG: Thank you.

23 CHAIRMAN PABLOS: Our next item is Item
24 IV-B, a report on bankruptcy of Magna Entertainment.
25 I'll recognize Gregg Scoggins, please.

1 MR. FENNER: This may take just a
2 moment.

3 CHAIRMAN PABLOS: Yes, sir. Take your
4 time.

5 MR. SCOGGINS: We have a backup system in
6 case the primary system doesn't work.

7 CHAIRMAN PABLOS: Good redundancy. I
8 like that. I'm sure Commissioner Clowe does, too.

9 (Discussion off the record)

10 CHAIRMAN PABLOS: Good morning.

11 MR. SCOGGINS: Good morning. Mr. Chair,
12 members of the Commission, my name is Gregg Scoggins.
13 I am the national director of regulatory affairs for
14 Magna Entertainment. I'm here on behalf of MEC and
15 Lone Star Park, which is a wholly owned subsidiary of
16 Magna Entertainment.

17 It's a pleasure to be here today. I
18 appreciate the opportunity to try to shed some light on
19 some of the issues relative to Magna's recent
20 declaration of Chapter 11. I've worked on several
21 issues with staff and have enjoyed the opportunity to
22 work with them and it's a pleasure to be here in front
23 of all of you Commissioners.

24 The purpose of today's discussion is,
25 first off, to provide a bit of a background on the

1 concept of Chapter 11 and what MEC has done to date
2 with respect to its pleadings so that all of us are on
3 the same footing and then to explain certain aspects
4 about the pleadings and the process as they pertain to
5 Lone Star Park in a broader sense as well as it relates
6 to the other assets that MEC holds.

7 The first question obviously that all of
8 us need to understand is: What is Chapter 11? It
9 unfortunately is a much more common thing these days as
10 a result of some of the financial problems that we've
11 suffered as a whole. It is a process that allows
12 people to continue operating while they restructure
13 their debt or their obligations that they have to other
14 parties.

15 It's usually a process where you get
16 started. You file for bankruptcy. You put together a
17 plan with your creditors and those to whom you owe
18 money. You try to develop a plan that the Court will
19 approve. You come out of bankruptcy in a restructured
20 format so that you can continue your operations either
21 under the same umbrella of the company or under a
22 different structure.

23 It differs significantly from the notion
24 of Chapter 7, which is something people might be
25 familiar with, and that's when you liquidate

1 everything. You just -- you know, you go through and
2 you sell everything you've got; and to some extent, it
3 means you might have to go in and dispose of everything
4 or disburse everything, tables, chairs, et cetera, and
5 so forth.

6 That's an extreme that is not what has
7 been sought in this case because, quite frankly, in
8 that regard, we have a number of assets, including Lone
9 Star Park, that are performing quite well and quite
10 nicely and their best and highest use is to remain an
11 operating entity and that is our desire is to maintain
12 that value.

13 As I mentioned earlier, Chapter 11
14 involves the debtor in possession continuing to operate
15 its business during the process. Sometimes that is
16 referred to as -- the debtor in possession is referred
17 to as a D-I-P or a DIP.

18 When you file for Chapter 11, it creates
19 a couple of events. One is that there is a stay that's
20 imposed as it relates to anybody who has a claim
21 against the debtor prior to the date that you file for
22 bankruptcy. In other words, if I were a creditor of
23 MEC and they owed me money and they file for bankruptcy
24 and they still owed me money at that time, I would be
25 subject to limitations on what I could do to get my

1 debt satisfied. I would have to process my claims
2 through the Bankruptcy Court as opposed to any claims I
3 would typically have under State law, such as going to
4 a Court, getting a judgment, having a lien imposed, and
5 things of that nature.

6 In order for the DIP or the D-I-P to
7 go -- to come out of bankruptcy, it has to meet with
8 its creditors. There's a committee of creditors that
9 is formed. There's negotiations involved about how the
10 creditors are to get paid. And then there's a plan put
11 in place for that process to occur and how it's going
12 to occur which ultimately has to be approved by the
13 Court. And in this case, it's a Bankruptcy Court in
14 Delaware.

15 In order for the debtor in possession to
16 continue operating, it needs some financing; so what
17 often it will do is it will enter into a loan agreement
18 with a potential creditor. In this case, it's MI
19 Developments, which I'll go into in detail in a
20 minute. But that is the controlling shareholder of
21 MEC. It also is its largest creditor.

22 It will go into a DIP financing
23 arrangement whereby the bank or the lender will provide
24 finances to the debtor in possession in exchange for
25 terms for how that money is to be paid back and they'll

1 be in a senior position relative to other creditors in
2 light of the fact that they've extended credit to a
3 company already in bankruptcy proceedings.

4 So as it relates to MEC's filing in
5 particular, as all of you probably know by now, we
6 filed on March 5th of this year. There were certain
7 subsidiaries that were included as additional debtors
8 and there were certain subsidiaries that were
9 excluded. Up on the board are the list of subsidiaries
10 that were included as debtors in the Chapter 11 filing,
11 among -- or including MEC.

12 You'll notice several of the ones that
13 are known, with respect to Maryland Jockey Club,
14 Gulfstream Park, and Santa Anita, some of our premier
15 properties. You'll also note one notable exception to
16 that, and that's Lone Star Park, which was excluded
17 from the filing. They are not a bankrupt entity. They
18 have not filed for bankruptcy under Chapter 11. So
19 they are not -- you know, they're not a debtor for
20 purposes of this process. And I'll explain the
21 significance of that as we go on.

22 In connection with MEC's filing,
23 obviously, as I mentioned before, they have to enter
24 into debtor-in-possession financing. In connection
25 with that, there was a proposed arrangement struck with

1 MI Developments, the controlling shareholder and
2 largest creditor of MEC, and that was a proposed
3 transaction called a stalking horse transaction which
4 is designed to try and preserve value in the estate.

5 And in that stalking horse transaction,
6 MID identified several assets that it would like to
7 purchase from MEC for an aggregate price of 195
8 million. If you will, that's the starting bid. That's
9 the floor bid if you were looking at it from an auction
10 perspective. It's the reserve.

11 And the provisions for that are contained
12 in a purchase agreement that was filed in connection
13 with MEC's bankruptcy filing. And the provisions for
14 paying that is a combination, as set out in the slide,
15 of a combination of cash, an assumption of a capital
16 lease, and credit against some of the debt that MEC
17 owes to MID.

18 So there are other aspects of that deal
19 and agreements that MID has made, but these are the key
20 points of that.

21 The subsidiaries that were included in
22 MID's stalking horse bid are listed there for you. One
23 of them, obviously the most notable and the one of
24 greatest interest to this Commission, is Lone Star
25 Park.

1 Among the others are AmTote International
2 and AmTote Canada, which is our totalisator company,
3 which also does business here in Texas; Golden Gate
4 Fields in the San Francisco area; Gulfstream Park; Palm
5 Meadows, which is our training center outside of West
6 Palm Beach, Florida -- it supplies horses to
7 Gulfstream's race meet -- XpressBet, which is our
8 advance deposit wagering system, which doesn't take any
9 wagers from Texas residents but does take wagers from
10 residents in other states where it's licensed to do
11 so.

12 There's a holdback note in connection
13 with the sale that MEC had of the Meadows entity, which
14 is a Standardbred track in Pennsylvania, and then there
15 were several other pieces of real estate that MEC
16 currently holds that MID included in its stalking horse
17 bid.

18 In connection with the sale of the MID
19 assets, what I will call the MID assets and the non-MID
20 assets -- well, let me -- if you will, I'll back up for
21 a second.

22 You'll notice that there are several
23 assets that are in the bankruptcy proceeding that were
24 not identified in the stalking horse bid. Those assets
25 are for sale in a general sense. They are to be sold

1 pursuant to an auction that's going to be similar to
2 the one I'm going to describe in the MID stalking
3 horse. It's going to be handled by Miller Buckfire,
4 which is the broker that we have hired for purposes of
5 selling the assets. Miller Buckfire also will be
6 involved in the auction of the MID assets, but those
7 assets are unencumbered by any stalking horse bid or
8 any other transaction related to their sale.

9 We have proposed that on April 24th
10 anyone interested in any one or all of the assets
11 identified in the stalking horse bid submit a request
12 for or an expression of interest in purchasing any one
13 or all of those assets.

14 On July 8th, we have proposed that to be
15 the deadline for submitting formal bids to purchase any
16 or all of the assets. And on July 14th we will
17 determine which of those bids reflect qualified
18 bidders.

19 And what that means is we have put
20 together a proposed purchase and sale agreement with
21 respect to these assets as a part of the motion that's
22 reflected -- that refers to these dates. And when they
23 submit their bid, they're supposed to offer changes to
24 the proposal, if any, that they have. Also they're
25 supposed to provide assurances as to their ability to

1 make the payment that's -- of the bid price that they
2 have offered as well as other mandates that they need
3 to make. And if we deem that they are capable of
4 meeting those criteria, then they will be a qualified
5 bidder.

6 If there is a qualified bidder -- if
7 there is more than one qualified bidder for any one
8 asset or group of assets, then we will have an auction
9 with respect to those assets on July 16th; and MID,
10 just like everybody else, will sit in a room and there
11 will be a person there who will be conducting an
12 auction in the form of Christie's or Sotheby's or
13 things of that nature where they'll say, "Okay. I have
14 an opening bid on all these assets for 195. Anybody
15 who can come with 196 or more?" And then people will
16 bid in on that.

17 To the same extent, if anyone wants a
18 particular asset, they can say, "I don't want the whole
19 thing, but I want this particular asset, for example,
20 Lone Star Park, and I'm prepared to pay this for
21 that."

22 MID, under the stalking horse agreement,
23 will have the ability to match that bid and ultimately
24 be able to acquire that for that matched price; but it
25 will have to participate in the auction; and to the

1 extent that Lone Star Park or any other asset goes
2 beyond a level that MID is willing to pay for it, then
3 that particular asset will go for sale to that
4 successful bidder.

5 Once the auction is concluded, we'll
6 prepare a request for an order that will -- that would
7 designate the winning bidder and ask for a sale order
8 by the Court to approve the fact that this was the
9 winning bidder. And obviously we'll need to present
10 evidence satisfactory to the Court that the bid process
11 was fair, that the person who won the bid was entitled
12 to receive the sale order to their benefit.

13 Some of the future motions that we're
14 going to be discussing with the Court on April 20th --
15 let me take a step back, if I will.

16 There was originally a hearing scheduled
17 for last Friday, on April 3rd, at which this particular
18 motion and several other motions were going to be
19 heard. There are some issues that remain to be worked
20 out among MEC, MID, the creditors committee as it
21 relates to certain aspects of the various proposals,
22 the DIP financing, and things of that nature.

23 The parties have been working diligently
24 to resolve those. They needed some additional time.
25 They've asked the Court for an extension of 14 days, 14

1 to -- 14 to 17 days to resolve that, at which point in
2 time they would come back to the Court. The Court
3 granted that motion on the 3rd. And so all the motions
4 that I'm about to refer to are going to be heard on the
5 20th of April.

6 The first motion obviously for MEC is to
7 seek a permanent order to provide DIP financing to
8 MEC. It received an initial interim order of 13.4
9 million, I believe, to cover the time between March
10 5th, the filing date, and April 3rd. It has since
11 received an additional 2.5 million to continue its
12 operations, to provide cash funding for its operations,
13 from April 3rd until April 20th. It seeks a permanent
14 order for DIP financing. I believe the full request
15 was 62.5 million to get it through a six-month period,
16 from March 5th to -- I think that takes you to roughly
17 March -- or September 5th.

18 It will also ask for an order to approve
19 the procedures that I've just outlined for you
20 regarding the sale of the MID assets. And then it will
21 also ask for an order approving procedures for
22 auctioning off the non-MID assets. And those assets
23 are listed for you there on the screen.

24 What I'd like to do is I'm sure that
25 there's a lot of questions in your mind and I will open

1 it up for questions. There's some questions I'm sure
2 you have and I've tried to anticipate them for you as
3 it relates to Lone Star Park.

4 The first question obviously is: How
5 will MEC's pending bankruptcy affect Lone Star Park's
6 operations? And the answer to that is not at all.
7 Lone Star Park is not one of the debtors in the
8 bankruptcy proceedings. It has the ability to continue
9 to operate. In fact, as you all know, on Thursday we
10 start the Thoroughbred meet and that extends into late
11 July and so we would invite all of you to, at your
12 leisure, come and visit Lone Star Park to watch
13 Thoroughbred racing there and we are getting prepared
14 to start that meet and look forward to a very
15 successful meet.

16 A question on the stalking horse bid is:
17 Does the existence of the stalking horse bid prevent
18 anyone who might be interested in purchasing Lone Star
19 Park from making a bid of their own? And the answer
20 there is not at all. The goal of the stalking horse
21 bid is to set a floor for all of those assets, and
22 anyone who looks at purchasing the entirety or any one
23 or group of assets within that -- within that stalking
24 horse group of assets is encouraged to file an
25 expression of interest and then submit a bid at the

1 time that ultimately the Court will approve.

2 A related question is: Can I bid just on
3 Lone Star Park or do I have to take the entire set of
4 assets in the stalking horse group of assets? And the
5 answer is no. You can select particular assets that
6 you would be interested in purchasing. You would just
7 make that indication with respect to that decision on
8 your bid.

9 And then the question of: Where can I
10 submit a bid to purchase Lone Star Park or any of the
11 other MEC assets? And we have various areas. One, you
12 can submit it to Magna Entertainment Corp or you can
13 submit it to Miller Buckfire who is our broker for
14 purposes of that. You can submit it to our counsel,
15 which is Weil, Gotshal & Manges up in New York, and
16 file your bids through that process.

17 And then the final question, I'm sure,
18 people have is: Where can I find filings that relate
19 to all this process? And those filings are on a
20 website called www.kccllc.net/magna; and you will find,
21 for your reading pleasure, every single pleading,
22 order, or anything filed in respect to that case. The
23 list of those who have explored the website already is
24 quite impressively large; and if anyone suffers from
25 any hint of insomnia, I encourage, for your reading,

1 those particular documents. But they also will
2 hopefully help you answer any questions that you have
3 that I'm unable to answer for you today.

4 With that, that concludes my part of the
5 presentation. If anyone has any questions, I'm here
6 and able to answer them.

7 CHAIRMAN PABLOS: Thank you.

8 Any questions, Commissioners?

9 COMMISSIONER SCHMIDT: Just for
10 clarification, MEC has declared bankruptcy. MID is, I
11 guess, a related company which is your largest debtor.
12 Is that correct?

13 MR. SCOGGINS: Largest creditor.

14 COMMISSIONER SCHMIDT: Creditor. I'm
15 sorry.

16 VICE-CHAIRMAN CARTER: Owner.

17 COMMISSIONER SCHMIDT: Who is your
18 largest creditor that is not Magna-related?

19 MR. SCOGGINS: It would probably be the
20 bondholders of some subordinated debt that we have
21 issued in connection with -- in prior years. We have a
22 series of bondholders. I think the Bank of New York is
23 one of the largest bondholders.

24 COMMISSIONER SCHMIDT: So it would be
25 financial institutions --

1 MR. SCOGGINS: Yes, sir.

2 COMMISSIONER SCHMIDT: -- and not
3 horsemen's purses.

4 MR. SCOGGINS: That's right.

5 To touch on that point specifically as it
6 relates to horsemen's purses, one of the things I
7 didn't mention, primarily because it wasn't as much
8 relevant to Lone Star Park because it wasn't the status
9 of our Chapter 11 debtor, is that we made several
10 first-day motions to protect obligations that MEC and
11 its subsidiaries had to various parties, including the
12 horsemen.

13 And we received an order from the Court
14 saying that they agree that things like purses and
15 customer programs, that those are programs for which we
16 can make payments to the extent we owed any money on
17 those payments pre-bankruptcy. So those types of
18 payments, customers, uncashed tickets, purses, all of
19 those that existed pre-bankruptcy, all obligations that
20 existed pre-bankruptcy, we were allowed to make.

21 COMMISSIONER SCHMIDT: Were protected.

22 MR. SCOGGINS: Yes, sir.

23 COMMISSIONER SCHMIDT: I guess the second
24 question is I know we have the information here. I
25 just -- it doesn't come to mind immediately. Can you

1 clarify MEC's relationship with the City of Grand
2 Prairie? Do you own the racetrack and Grand Prairie
3 own the land?

4 MR. SCOGGINS: Essentially that's
5 correct. An indirect subsidiary of MEC, MEC Lone Star,
6 LP, holds the license. They have a lease with the
7 city -- or it may even be the sports corp. It's with
8 the Grand Prairie Sports Corp -- to operate the track
9 at that location.

10 COMMISSIONER SCHMIDT: So what, in fact,
11 you're auctioning is the track.

12 MR. SCOGGINS: We're auctioning
13 effectively the entity that holds the license, which
14 would be MEC Lone Star, LP.

15 COMMISSIONER SCHMIDT: Thank you.

16 CHAIRMAN PABLOS: Yes, sir. Dr. Carter?

17 VICE-CHAIRMAN CARTER: So in your
18 included and excluded list, am I to assume that Lone
19 Star Park is currently financially solvent?

20 MR. SCOGGINS: Yes, sir.

21 VICE-CHAIRMAN CARTER: But Santa Anita is
22 not?

23 MR. SCOGGINS: Correct.

24 VICE-CHAIRMAN CARTER: And with the
25 status of racing in Texas --

1 MR. SCOGGINS: Well, let me back up on
2 that.

3 VICE-CHAIRMAN CARTER: -- versus the
4 status of racing in California, explain that to me.

5 MR. SCOGGINS: Well, I'll have to take a
6 step back. It's not that Santa Anita is insolvent. It
7 is not. It is cash positive. The strategy or the
8 decision behind which subsidiaries to include and which
9 subsidiaries to exclude circled around or hinged on
10 which subsidiaries either had debt or guaranteed debt
11 of another subsidiary or of MEC.

12 Lone Star Park did not -- does not have
13 any outstanding loans nor does it have any outstanding
14 guarantees of loans by MEC or any other subsidiary.
15 Santa Anita, on the other hand, Golden Gate Fields,
16 Gulfstream Park, they were all encumbered to some
17 extent on their own property or as it relates to their
18 operations. So in order to have an effective
19 proceeding for purposes of coming out of bankruptcy
20 with a plan, we had to include all entities that
21 guaranteed or had debt of their own and exclude those
22 who did not.

23 VICE-CHAIRMAN CARTER: Thank you.

24 CHAIRMAN PABLOS: Commissioner Archer?

25 MR. ARCHER: Mr. Scoggins, you say that

1 the entity that holds the license is up for sale? Is
2 that correct?

3 MR. SCOGGINS: Yes.

4 MR. ARCHER: And so are they notified --
5 are the bidders notified that if they buy that entity
6 that holds the license, they would have to pass Racing
7 Commission muster in Texas?

17 MR. SCOGGINS: Well, I think, if I
18 understand your question correctly, the goal of any
19 bankruptcy filing is to ensure that its obligations are
20 met to the greatest extent possible. MEC has chosen a
21 course, in consultation with its various creditors,
22 that the best way to achieve that is to sell off its
23 assets, its operating companies, in two different
24 ways.

25 MID has the opportunity to purchase that

1 cluster of assets that's in the stalking horse bid, but
2 it also has the opportunity to purchase additional
3 assets that are outside of that bid. But the ultimate
4 goal is to achieve a scenario where the operating
5 companies are able to be owned, whether by MID or
6 another entity, in a way that allows them to continue
7 operating, returning value to the communities where
8 they're located, the horsemen that race there, the
9 customers, and be still thriving businesses in their
10 own right because if you look at our various operating
11 companies that we have, the vast majority of them are
12 financially solvent and financially viable. The
13 problem that we ran into is we had to undertake a
14 significant amount of debt that the generation of
15 revenues was unable to meet and so MEC had to take this
16 course of going into bankruptcy.

17 The other goal that we're trying to
18 achieve is that while we want to dispose of these
19 companies in the various ways that ultimately they're
20 disposed of or transferred is we want to maximize value
21 because we have an obligation to our creditors to make
22 sure that they get paid to the greatest extent
23 possible. So we decided, with the advice of our
24 various advisers, that an auction process is the most
25 effective way to get the highest and best offers for

1 these various operating entities.

2 COMMISSIONER SOWELL: Thank you.

3 MR. SCOGGINS: You're welcome.

4 COMMISSIONER SCHMIDT: Getting back to
5 one point, I need some clarification. At the time of
6 your auction for Lone Star, were that to go through,
7 does your arrangement with Grand Prairie permit the
8 sale of your track for non-horse-racing use?

9 MR. SCOGGINS: I believe the lease has a
10 specific use and I believe the zoning for that has a
11 specific use aspect to it that contemplates its being
12 used as a horse racetrack.

13 COMMISSIONER SCHMIDT: It's your
14 understanding that the track couldn't be sold for a
15 mall development?

16 MR. SCOGGINS: Correct. And there
17 certainly is no intention. The purpose of selling Lone
18 Star Park is as a racetrack.

19 COMMISSIONER SCHMIDT: Thank you.

20 CHAIRMAN PABLOS: Any other questions?

21 Thank you, Mr. Scoggins. Appreciate it.

22 Good luck.

23 MR. SCOGGINS: Thank you.

24 CHAIRMAN PABLOS: Our next item is Item
25 C, a request by Sam Houston Race Park for approval of

1 its tote contract with Scientific Games Racing. I'll
2 recognize Mark Fenner, please.

3 MR. FENNER: Commissioners, Sam Houston
4 has submitted a new tote contract with Scientific
5 Games. This essentially extends their current -- it
6 extends their contract with Scientific Games for eight
7 years. Staff has reviewed the contract and believes
8 it's appropriate.

9 If you have any questions about it, we
10 could discuss it in executive session. If you have any
11 really surface-level questions, perhaps Carol Olewin
12 could answer them.

13 Staff recommends approval.

14 CHAIRMAN PABLOS: Is there anyone signed
15 up to speak on this item? No?

16 Okay. Does anyone on the Commission have
17 any technical or clarifying questions of Mark?

18 Okay. Well, then at this time I'd like
19 to invite a motion to approve the submitted tote
20 contract between Sam Houston and Scientific Games.

21 COMMISSIONER EDERER: So move.

22 CHAIRMAN PABLOS: Is there a second?

23 VICE-CHAIRMAN CARTER: Second.

24 CHAIRMAN PABLOS: Is there any discussion
25 on this item?

1 Hearing none, at this time I'd like to
2 take this item up for a vote. All those in favor
3 signify by saying aye.

4 COMMISSIONERS: Aye.

5 CHAIRMAN PABLOS: Any opposed?

6 That motion carries.

7 Let's go ahead and take a five-minute
8 break, please, before we move on to the next item.

9 (Recess from 11:52 a.m. to 12:02 p.m.)

10 CHAIRMAN PABLOS: Okay. Let's get
11 started. We're going to go ahead and get started,
12 folks, please. Okay. I'm going to call this meeting
13 to order. We're back on the record, folks.

14 At this time we're going to take Items G
15 and H together, G being a request by Corpus Christi
16 Greyhound Racetrack for approval of transfer of
17 ownership interest and H being an order for security
18 for compliance for Corpus Christi Greyhound Track under
19 Commission Rule 309.6.

20 At this time I'd like to recognize Mark
21 Fenner.

22 MR. FENNER: Commissioners, we received a
23 request from Corpus Christi Greyhound Racing Associates
24 to approve the transfer of ownership interest in
25 that -- in the racetrack license of Corpus Christi

1 Greyhound Racetrack to an entity led by the LaMantia
2 family members.

3 In reviewing the application, we had to
4 consider the elements that the Commission must review
5 and approve; and those elements are listed at the
6 bottom of page IV-22. These are the identification of
7 the proposed owners and the ownership structure; the
8 exact location at which a race meeting is to be
9 conducted; whether the facility is leased or owned; the
10 identification of any other beneficial owner of shares
11 that bear voting rights; a detailed statement of the
12 assets and liabilities of the applicant; the kind of
13 racing to be conducted and the dates requested; proof
14 of residency; copies of the tote, management, and
15 concession contracts; and then the act provides any
16 other information required by the Commission.

17 This review that was prepared by staff of
18 this application begins on page IV-22 and it runs for
19 several pages. You'll see that it covers each of those
20 elements as well as the additional information such as
21 the condition of the facilities and the management
22 team. We did an analysis of the finances and the
23 pari-mutuel projections, impact on the local economy,
24 impact on greyhound breeding, the profit and loss
25 statement. There are letters of support. And all

1 these materials in here, I hope you've had an
2 opportunity to review these.

3 If you have any questions about these,
4 I'd be glad to go over it; but now might be a good time
5 to have Corpus Christi Greyhound Racing Associates come
6 up and confirm that they do indeed want to transfer the
7 license.

8 CHAIRMAN PABLOS: Yes. Thank you, Mark.

9 At this time I'd like to call Leon
10 Reitnauer from Corpus Christi, please, to give us a
11 sense of what he's thinking. Good morning.

12 MR. REITNAUER: Good morning. My name is
13 Leon Reitnauer and I'm from Corpus Christi Greyhound
14 Racing Associates and I'd like to affirm Mr. Fenner's
15 comments, that it is our desire to transfer the assets
16 for Corpus Christi to a new purchaser. And if there's
17 any questions, I'd be glad to go through any of the
18 questions that you have.

19 CHAIRMAN PABLOS: Are there any questions
20 for Mr. Reitnauer?

21 Thank you. Appreciate that.

22 At this time I'd like to recognize Bill
23 Moltz representing 361 Muy Buena Suerte, the buyer.

24 MR. MOLTZ: Mr. Chairman, actually
25 Mr. Greg LaMantia is here and Ms. Sally Briggs for the

1 management.

2 CHAIRMAN PABLOS: I've got their cards.

3 MR. MOLTZ: And I will defer to them for
4 your questions and their proposal. We obviously want
5 to consummate this transaction.

6 And I'm kind of getting ahead of myself
7 here, but my only comments are actually on Item H on
8 the security order that goes with it. I'll go ahead
9 and make those. It's kind of jumping ahead. Or I'll
10 come back in a minute.

11 CHAIRMAN PABLOS: Let's come back on that
12 because we are going to discuss that item. I
13 appreciate that. And I'll leave the card up here for
14 you to discuss that.

15 MR. MOLTZ: That's fine.

16 CHAIRMAN PABLOS: Mr. LaMantia, would you
17 like to come up and talk to us, please?

18 MR. LaMANTIA: Yes, sir. Thank you. And
19 they want to sell it and we want to buy it and so we're
20 requesting the transfer to go through. And we've got
21 Sally and the people from Gulf Greyhound that can
22 answer any questions about how we'll operate it, when
23 we'll operate it. We've asked for race dates. We've
24 asked for time to open simulcasts, all those things.
25 And so I'll answer any questions you all have.

1 CHAIRMAN PABLOS: What I'd like to do is
2 I'd like to hear from everyone up front and then we'll
3 have an open discussion, so at any time you can let me
4 know if you'd like to say something. So I'm glad to
5 know that there's a willing buyer and a willing seller
6 and really that's the first step in this process.

7 So at this time, Sally, would you please
8 come up and --

9 MR. LaMANTIA: Thank you.

10 CHAIRMAN PABLOS: Thank you, Greg.

11 MS. BRIGGS: Good morning. Or maybe it's
12 afternoon now. Sally Briggs, Gulf Greyhound Park.

13 We're very excited and happy that we're
14 going to be able to operate and open Corpus Christi
15 Greyhound Racetrack back up. Our main goal, of course,
16 is to keep live greyhound racing in Texas.

17 Since December I've made three or four
18 trips to Corpus and I have made a decision to keep Rick
19 Pimentel. Rick has been the general manager there for
20 a few years.

21 Rick, would you raise your hand so
22 everybody will know who you are, please? Thank you.

23 I'm very impressed with Rick and the
24 other key employees that Flagler has kept there. They
25 have kept an administrative assistant, some food

1 service, maintenance, housekeeping, and security
2 employees. And these employees have not been
3 performing their respective positions. They have done
4 all of the painting and repairing that you saw last
5 month in the slide show.

6 Since that time, however, Rick and Vicky,
7 the food service employee, have evaluated the kitchen
8 and food service area and determined what needs to be
9 done. They also are working in the paddock doing some
10 painting.

11 I have had United Tote and SportView
12 there at the track during the last couple of months to
13 look and see what we have to do and what has to be
14 accomplished so we can open to the public.

15 We have made the decision to locate the
16 simulcasting area in the clubhouse lounge, which is on
17 the right of the building as you walk into the building
18 facing the building. That lounge area seats about 250
19 people and has a bar and a concession as well as a long
20 teller line, which we hope we will be using much. It
21 also -- overflow is the clubhouse tables right below
22 that. So we can use that for overflow.

23 Rick's met with the County Health
24 Department and fire inspection company to determine
25 what has to be done before we can open. He also has

1 procured bids on the carpet and floor repair which
2 we're evaluating. And we also are seeking bids on
3 parking lot repair and restriping the parking lot.

4 Rick is meeting with the City, County,
5 and State departments to determine what is required for
6 additional signage on the freeways and on the
7 surrounding streets. There aren't many signs that
8 designate where to turn to go to Corpus Christi
9 Greyhound Racetrack, and we want to improve that.

10 We're meeting with the area chambers and
11 the convention and visitors bureau, and I think you
12 have letters from most of them in your packet about
13 Corpus Christi Greyhound Racetrack. We are developing
14 an extensive marketing program, which hopefully will be
15 ready in the next couple of weeks. We're developing a
16 new website. We've already got our brochure almost
17 finished and as well as ads for the area newspapers,
18 which includes all of the area down through Padre plus
19 the other way to the coast.

20 Probably next week or the week after, I'm
21 going to be accompanying some key Gulf Greyhound Park
22 management employees so we can evaluate our hiring
23 needs and see what we need to do. I understand from
24 Rick that quite a few former employees have already
25 called and indicated an interest in coming back to work

1 at the racetrack. One of the first things we'll be
2 doing is naming a mutuel manager to submit for approval
3 to the Racing Commission and then a food and beverage
4 manager.

5 We will do extensive orientation as well
6 as customer service training prior to opening the track
7 for simulcasts. Simulcast Services will handle all of
8 the contracts with import greyhound and horse tracks.
9 They currently handle all of our contracts for Gulf and
10 Gillespie.

11 We will be offering approximately 14
12 greyhound tracks and 27 horse tracks depending on the
13 time of the year and which tracks are running live
14 racing. On Friday, Saturdays, and Sundays, we'll offer
15 up to 20 greyhound performances a day and 18 horse
16 performances as we do now at Gulf.

17 I do have a question. I had mentioned
18 this to Mark the other day. After talking to Rick and
19 looking at all the things that have already been
20 accomplished, plus the things that are in process now,
21 we have requested to open September 1st for
22 simulcasting, but I believe that we would be able to
23 open a lot earlier than that. I don't have a date
24 right now.

25 But my question is: What is the

1 possibility of opening before that date and what do we
2 need to do to accomplish that? I don't know who --
3 which one of you all need to address that or if that's
4 something you want to do right now.

5 MR. FENNER: I can answer that question.

6 Once race dates are granted, the
7 Commission, the executive director, has the authority
8 to approve simulcasting, which is what you're talking
9 about conducting at Corpus Christi. So the question
10 really would be for some guidance from the Commission
11 as to how far out in advance of September you're
12 looking to authorize that additional simulcasting.

13 There's no reason why we couldn't do it
14 other than perhaps the Commission might have some
15 reservations about approving simulcasting so far in
16 advance of actual live racing.

17 CHAIRMAN PABLOS: We don't have to do
18 that today, do we?

19 MR. FENNER: No, sir, you don't have to.

20 CHAIRMAN PABLOS: Why don't we get
21 together to talk about that and work out something that
22 we can then bring to the Commission.

23 MS. BRIGGS: That will be great.
24 Appreciate that.

25 If you have any questions, I'll be glad

1 to answer them.

2 CHAIRMAN PABLOS: Any questions?

3 Okay. Thank you.

4 COMMISSIONER EDERER: This question may
5 be answered in a few minutes. The race dates, I know
6 we have -- will you be applying for new race dates?
7 The race dates as established, will they stay as they
8 are?

9 MS. BRIGGS: Yes, sir, at this time, as
10 far as we're concerned. The live race date was July
11 2nd of '10 and then simulcasting was September 1st of
12 this year, and we're hoping to be able to open earlier
13 than that for simulcasting considering everything
14 that's already been accomplished in preparing the
15 facility.

16 COMMISSIONER EDERER: Do you anticipate
17 asking for more race dates as, hopefully, once you're
18 established?

19 MS. BRIGGS: Possibly, hopefully, yes.

20 COMMISSIONER EDERER: What about
21 location? Or are we going to discuss that at another
22 time? At this point in time is there any --

23 MS. BRIGGS: That would be Greg that
24 would need to answer that.

25 MR. LaMANTIA: That would be me.

1 We're going to look at every
2 opportunity. Obviously we want to get it up and
3 running as Sally just pointed out. But if there's an
4 opportunity that creates itself to make a better
5 business model, something better for the community,
6 that the City supports, that the County supports, we'll
7 look at that. And if that happens, of course, we'll
8 bring it to you all. You all will make a
9 determination, this makes sense, it doesn't make sense,
10 stay where you're at, or whatever. And we'll go from
11 there.

12 We don't have -- we haven't had any
13 discussion so far with anybody with the City or the
14 County about moving, et cetera. I think that there is
15 some merit in looking at that because there are
16 potentially some better locations where you get better
17 activity, you get more people going, you get better
18 exposure, things of that nature.

19 But we're not asking for that now. We're
20 just saying if that comes up, then that's something we
21 certainly would look at and, of course, would bring to
22 you all and you all would look at it and decide whether
23 it's a good idea along with the information we
24 provide. But it would be to try and improve what we
25 have.

1 CHAIRMAN PABLOS: And, Mr. LaMantia,
2 you're talking about moving within the area.

3 MR. LaMANTIA: Yeah, within the county or
4 the city, yes.

5 CHAIRMAN PABLOS: Commissioner?

6 COMMISSIONER EDERER: Thank you.

7 CHAIRMAN PABLOS: Any other questions?

8 Thank you very much.

9 MS. BRIGGS: Thank you.

10 CHAIRMAN PABLOS: Diane Whiteley, are you
11 here? There you are. A key element in this whole
12 process. I'd like to hear from the greyhound
13 association to see what they're thinking to see if this
14 makes sense for them.

15 MS. WHITELEY: Good afternoon, Chairman
16 and Commissioners. I'm Diane Whiteley, executive
17 director of the Texas Greyhound Association.

18 The Texas Greyhound Association is
19 pleased to give its support to the new ownership. It's
20 been a real long road for us with the closing of Corpus
21 Christi. We've worked with the LaMantia family on
22 legislative issues, so we feel that we know them and
23 have a good working relationship with them. Of course,
24 we have a very long-term good working relationship with
25 Gulf Greyhound Park. And the combination, I think, is

1 very good for us.

2 I have gone over with Sally some
3 particular concerns that we have had at Corpus Christi
4 as far as the facilities as well as the race office,
5 and I believe that all of our concerns have been
6 answered.

7 While the 2010 meet is very short and
8 we've got some concerns if we'll be able to provide
9 enough dogs, we will make every effort to help make it
10 successful; and if they can simulcast a little bit
11 earlier than anticipated, that should help with the
12 purse situation and maybe be able to attract more
13 quality greyhounds for a short meet.

14 So we look forward to a new beginning.

15 And that's what we're looking at this as, a new
16 beginning for us. We have about four to five hundred
17 greyhounds that were displaced running in other states
18 that we are really looking forward to filling up the
19 kennels as soon as possible.

20 Do you have any questions?

21 CHAIRMAN PABLOS: Any questions of
22 Ms. Whiteley?

23 Thank you very much.

24 MS. WHITELEY: Thank you.

25 CHAIRMAN PABLOS: Is there a Robert

1 Holmes?

2 MR. HOLMES: Commissioner, if I have --
3 if anybody has any questions about the legal
4 intricacies about how we're transferring, I'll be glad
5 to answer them. Otherwise I don't need to make any
6 comment.

7 CHAIRMAN PABLOS: Thank you very much.
8 Appreciate it.

9 As part of our public comment process,
10 I'd like to recognize the letters of support that we've
11 received. We received a letter from State
12 Representative Abel Herrero, from County Judge Samuel
13 Neal, Jr. We received a letter of support from Corpus
14 Christi Mayor Henry Garrett. And these will all be
15 entered into the record.

16 We've seen a letter of support from the
17 chairman of the board of the Corpus Christi Hispanic
18 Chamber of Commerce, from the CEO of the Corpus Christi
19 Convention & Visitors Bureau, from the Greater Corpus
20 Christi Chamber of Commerce, from State Representative
21 Todd Hunter, from the Regional Economic Development
22 Corporation of Corpus Christi, and from the City
23 Council, District 1, Bill Kelly, City Councilperson.
24 So I'd like to also admit those into the record.

25 At this time I'd like to ask Mark to

1 please come back up. And now let's talk a little bit
2 about the process, Mark. And then I'd like to seek
3 your guidance with respect to the requirements that
4 have been satisfied. I'd like to have a little bit
5 more discussion about that. I'd like full transparency
6 in this process. And so I'd like for you to walk us
7 through from the very beginning and where we are
8 today. We've got a checklist that we've gone through
9 and I just want to make sure that the applicant has
10 satisfied all those requirements.

11 MR. FENNER: Sure. We did have a process
12 by which the applicants submitted an application and we
13 did have to go back and forth with them a couple of
14 times to request additional information, which they
15 did, in fact, provide. They also completed full DPS
16 background disclosure forms and fingerprint cards which
17 were provided to the Department of Public Safety which
18 has conducted a full background examination.

19 In looking at the factors and in going
20 over the materials that are in the staff review, I can
21 tell you, for example, about the proposed owners and
22 ownership structure. This will be a new limited
23 liability corporation, Gulf Coast Racing, that would
24 hold the license. It's 85.3 percent owned by the six
25 members of the LaMantia family who are part of the 361

1 Muy Buena Suerte group.

2 It is also owned 4.9 percent each by
3 Mr. Serafy, Mr. Phelps, and Mr. Bryant. Mr. Phelps and
4 Mr. Bryant are also owners in the Gulf Coast Greyhound
5 Park -- or Gulf Greyhound Park. Mr. Serafy is a Texas
6 resident. He has some interests in the South Texas new
7 licenses. All of the license applicants here hold
8 interests in existing racetracks in Texas. They have
9 all completed, previously, DPS background checks.

10 The location at which the track -- or the
11 race meetings will be conducted is at the current
12 location for Corpus Christi Greyhound Racetrack, at
13 least as it stands right now.

14 The facility will be owned by Gulf Coast
15 Racing. We identified no other beneficial owners of
16 shares. The ownership of this appears to be
17 straightforward. The statement of assets and
18 liabilities, as required, is described within the DPS
19 background report. Each of the applicants appears to
20 have the financial wherewithal required to actually
21 purchase and operate the racetrack.

22 They are taking, with the license, the
23 race dates that have been assigned to Gulf Coast Racing
24 Associates at the last Commission meeting, which means
25 they will start on July 2nd of 2010 and complete on

1 August 28th of 2010. That's a total of 43 live racing
2 days. And they will begin simulcasting on September 1
3 of 2009, possibly earlier. We'll see. But they're
4 expected to do it no later than.

5 Of the nine members, seven of them are
6 Texas residents. They have provided copies of their
7 proposed tote contract as well as the management
8 contract with Texas Pari-Mutuel Wagering -- Texas
9 Pari-Mutuel Management. Those are in the confidential
10 portions of your packets and appear to be appropriate.

11 The types of other information that the
12 Commission required to submit for you includes the
13 assessment of the facility's condition, and that was
14 brought up at the last Commission meeting, where the
15 staff brought a -- gave you a PowerPoint presentation
16 on the current condition of the facility.

17 The applicant has prepared a schedule of
18 the types of improvements and when those improvements
19 are intended to be made to bring the facility up to
20 condition in time for live racing as well as
21 simulcasting.

22 We required them to submit a business
23 plan including the financial and pari-mutuel
24 projections. Sammy Jackson did an extensive study of
25 that. He found that perhaps some of the admissions

1 projections were high, but some of the per capita
2 wagering projections were a little low in his
3 estimation. On the whole, it kind of washed out to the
4 reasonable range.

5 We did see that their profit and loss --
6 they anticipate losing 1.6 million dollars in 2010 and
7 they anticipate that that loss on an annual basis will
8 decrease to 1.2 million dollars by 2014, but they've
9 also provided some strategies that they hope will help
10 to reduce that loss.

11 They provided a description of their
12 anticipated impact on the local economy. They estimate
13 that they will have a three-million-dollar impact in
14 2009, creating 27 jobs. That material is on page IV-32
15 through 33 of the materials. The letters of support
16 and opposition are in the materials.

17 The DPS has completed its background
18 report. That was in your packet. And there are
19 representatives of the Department of Public Safety
20 present to answer any questions you may have about
21 that.

22 And to ensure compliance with the act and
23 the rules, the staff has prepared a proposed security
24 order that would require the buyers to put up \$100,000
25 in security. If they do not open for simulcasting

1 before or on September 1, they would forfeit \$1115 per
2 day for the failure to begin simulcasting. \$502 of
3 that amount would go to the accredited Texas-bred
4 program, \$572 would go to the General Revenue Fund, and
5 \$41 would go to the Racing Commission.

6 If they fail to open for live racing by
7 the scheduled date of July 2nd, 2010, they would
8 forfeit a total of \$575. \$25 of that would go to the
9 Texas -- the accredited Texas-bred fund and \$550 of it
10 would go to the Racing Commission.

11 It is our impression or our
12 understanding -- our analysis shows that they have met
13 the minimum qualifications to have the license
14 transferred to them. It's now your decision whether or
15 not that's an appropriate thing to do.

16 CHAIRMAN PABLOS: Okay, Mark.

17 At this time I'd like to ask Mr. Moltz to
18 come up now. Let's talk about that bond.

19 Mark, before you step aside, tell us what
20 the Racing Act talks about when it comes to ensuring
21 compliance by an association and why bonds are
22 required, please.

23 MR. FENNER: Yes, sir. Under Section
24 6.04(b) of the Texas Racing Act, it says "Before
25 issuance of a license under this article, an applicant

1 for a racetrack license must post security in an amount
2 determined by the Commission to adequately ensure the
3 association's compliance with the act and the rules of
4 the Commission." It then goes on to describe the types
5 of funds and security that can be used to satisfy that
6 requirement.

7 Also I would point to Section 6.06,
8 Subsection (e), which says that "The Commission may
9 condition the issuance of a license under this article
10 on the observance of its rules. The Commission may
11 amend the rules at any time and may condition the
12 continued holding of the license on compliance with the
13 rules as amended."

14 CHAIRMAN PABLOS: What does that mean,
15 Mark?

16 MR. FENNER: That means that you can
17 place conditions on the issuance of a license and you
18 can also place conditions on the continued holding of a
19 license. The security rule under Section 309.6
20 provides that you can require an existing licensee to
21 provide security under certain conditions, one of which
22 is that they have not conducted any live racing in the
23 previous calendar year. Corpus Christi does meet that
24 condition.

25 CHAIRMAN PABLOS: Okay. Okay,

1 Mr. Moltz.

2 MR. MOLTZ: Thank you, Mr. Chairman.

3 I'll be pretty brief. I don't want to get into a big
4 legal discussion with Mr. Fenner here.

5 But I believe in response to some
6 questions earlier by Commissioner Clowe, we talked
7 about the security bonds; and Mr. Fenner correctly
8 said, and I believe what he read here a minute ago, is
9 that those are applicable to licenses -- his direct
10 quote earlier was "when originally issued". And he
11 just read from Section 6.04(b) of the act which starts
12 "before issuance of a license".

13 I would point out that there's no license
14 being issued here today, that we are changing ownership
15 interests in an entity that holds a license. So as far
16 as the legality of applying a bond to this particular
17 transaction, it's no different than Austin Jockey Club
18 or Saddle Brook Park. It's an existing license. And I
19 say at least -- I know Mark and I disagree to some
20 degree on when you can apply these, but I say it's a
21 valid question which is being answered right now in
22 that the committee on rules is looking at this issue
23 with regard to fees and we have requested on behalf of
24 other tracks that let's look at this all in one big
25 package. You don't apply it to some and not to

1 others. Let's be uniform and let's be equitable here.

2 I believe the date that was discussed
3 earlier was, you know, by the June 2nd meeting we're
4 going to know what the Sunset Commission's proposals
5 happen to them on whether or not you can apply these
6 things or how you should apply them to existing
7 tracks.

8 And I guess what we're suggesting is that
9 with regard to Issue H on the agenda, which is this
10 bond, we're sort of jumping ahead of ourself by a
11 meeting here, that we certainly don't want to
12 postpone -- in fact, we cannot postpone approval of the
13 ownership transfer under the documents. I mean, that
14 sort of lives or dies here today.

15 But with respect to the item on the
16 security bond, we don't believe it's appropriate or
17 legal. I know that your staff believes that perhaps it
18 is. The issue has been joined with regard to other
19 racetracks, the equity of it; and we would request that
20 rather than single this one out for a new problem in
21 this discussion that we put this issue off and consider
22 it with everybody else's that these are being
23 considered on. The existing tracks, the old licensed
24 tracks that don't have these bonds, let's don't add a
25 new problem to that. You can consider this along with

1 those. And I suppose that's what we're proposing here
2 today. But definitely not to postpone this transfer
3 approval. That really cannot be postponed. That's
4 what we prefer, Mr. Chairman.

5 CHAIRMAN PABLOS: Okay. With respect to
6 the legality of it, you know, I want to refer that to
7 Mark. But certainly whenever we issue -- whether it's
8 a license -- an original license or a transfer, we need
9 to make sure that the applicant is, in fact, going to
10 achieve the objectives that they have come up here and
11 told us they were going to do.

12 And so I see no other way of ensuring
13 that unless you might have an alternate method of
14 guaranteeing us that you will start up simulcasting the
15 day you say you want to and that the deficiencies that
16 are already part of the seller's process are going to
17 be rectified. And so I just don't see any other way of
18 ensuring ourselves and getting that comfort feel that
19 we need in order to allow this transfer to occur.

20 How do you recommend we achieve that?

21 MR. MOLTZ: Well, Mr. Chairman, this
22 agency, as well as most, if not all, but at least most,
23 other State agencies have authority for enforcement.
24 You have administrative penalties where you determine
25 if there is a violation; and if there is a violation,

1 then you can come after the money that you're talking
2 about here.

3 Really all the bond does is put the money
4 up front. There's nothing in the Racing Act, if you
5 will look, about forfeiture of that bond. It says put
6 it up. And our position -- and we're not here to argue
7 that today, but taking money out of there is imposing
8 an administrative penalty.

9 But regardless of the bond, you do have
10 the authority to extract monetary penalties, whether
11 you call them bond forfeiture or write us a check
12 tomorrow. There's really no difference. So you do
13 have authority.

14 CHAIRMAN PABLOS: Where would we extract
15 those penalties from if there's not any secured pool of
16 funds that is readily available to us?

17 MR. MOLTZ: Well, like every other agency
18 does, you enter an order requiring an entity to pay
19 that money and take them to court and you -- you know,
20 if they don't pay on that penalty -- I don't believe
21 other agencies really have that big problem of once
22 you've got an administrative penalty and an order
23 requiring a penalty that the licensee says no. I mean,
24 you definitely have legal authority to collect that.

25 CHAIRMAN PABLOS: Any questions?

1 VICE-CHAIRMAN CARTER: I have a question,
2 Mr. Moltz. How much money are we talking about here
3 for a bond?

4 MR. MOLTZ: A hundred thousand, I
5 believe.

6 VICE-CHAIRMAN CARTER: We surely wouldn't
7 want to argue about a hundred thousand dollars and
8 jeopardize the transfer of this license, would you?

9 MR. MOLTZ: No, sir. No.

10 VICE-CHAIRMAN CARTER: I didn't think you
11 would.

12 MR. MOLTZ: That's why we're saying we
13 don't want to -- I'm not arguing "Don't approve this
14 transfer today." That is not an option. To the extent
15 you're only going to approve the transfer if it has the
16 bond, so be it. But we would request that that not be
17 the case.

18 CHAIRMAN PABLOS: There's a gentleman
19 behind you grinning, so I'd like to give him an
20 opportunity to say --

21 MR. LaMANTIA: No, we don't want to
22 jeopardize that obviously. But you've got a situation
23 where you have a track. You have a facility. It's
24 there. You heard what Sally said. She knows the
25 business as far as getting it going, et cetera. It's

1 just an additional burden business-wise that would be
2 put on us, that obviously the bond would go away once
3 we met these dates, but it's just an additional
4 business burden.

5 I mean, it's up to you guys. You've
6 heard the two arguments on whether it's legal or not
7 legal, et cetera. We want the license. We want to buy
8 it. We would rather not have to put up a hundred
9 thousand dollars to do it. It's your all's call.

10 MR. ARCHER: Mr. Chairman?

11 CHAIRMAN PABLOS: Yes, please.

12 MR. ARCHER: Go ahead.

13 COMMISSIONER EDERER: No, I didn't have
14 any questions for Greg. I just wanted to just make a
15 comment to try to get some clarification here on some
16 things.

17 I'm not too concerned about whether the
18 LaMantia family is going to come up with the money or,
19 if they don't open the place, we wouldn't have somebody
20 to go after and fine and get the money from. That
21 really is of no concern to me.

22 What I am concerned about is if we would
23 require the bond in this particular transfer, what does
24 that do to our other problem that we're trying to clean
25 up from the other two licenses? Doesn't this just add

1 more confusion to that? Couldn't we take all three of
2 them up at the same time? In other words, table this
3 bond question until we know what the State Legislature
4 is doing and until we can decide what we're going to do
5 with the other two licenses?

6 I just -- it seems to me that all we're
7 doing is confusing the issue by requiring a bond here.
8 Am I correct or not? I don't know.

9 MR. FENNER: Well, the only -- the only
10 issue that gives me pause in that is the language that
11 Mr. Moltz mentioned about -- that says "Before issuance
12 of a license under this article, an applicant for a
13 racetrack license must post security." So that's kind
14 of central to the issue of the timing.

15 Can -- I mean, they've made the argument
16 that once the license has been issued that you can't
17 come back. This is the type of argument that Saddle
18 Brook is making, the argument that I expect to hear
19 from Austin Jockey Club, though I've not heard it yet
20 from them.

21 So there is a strategic advantage of
22 requiring it now. Now is the time, when it's here
23 before you, to approve or not approve the transfer of
24 the license. Now is when you have the leverage.

25 CHAIRMAN PABLOS: Commissioner Archer,

1 did you have a question?

2 MR. ARCHER: I had a question for
3 Mr. LaMantia.

4 MR. LaMANTIA: Yes, sir.

5 MR. ARCHER: And Mr. Moltz said this,
6 too. And, Mr. Fenner, I'm going to have to ask you a
7 question in a minute, too, so you might as well not sit
8 down yet.

9 Mr. Moltz suggested that since we have
10 the other three issues before the rules committee that
11 we postpone the issuance of the bond until that's
12 decided, correct?

13 MR. MOLTZ: Yes.

14 MR. ARCHER: Is that what you suggest?

15 MR. MOLTZ: Yes.

16 MR. ARCHER: Mr. LaMantia, if the
17 decision of the rules committee at that time is to
18 recommend to this Commission that a bond be -- a
19 different bond structure or a bond be required of any
20 track that has a license outstanding that is not
21 operating or whatever the language is, would you be --
22 would you be amenable to paying the bond then?

23 MR. LaMANTIA: Well, if we're talking
24 about Corpus Christi and if I understand your
25 question --

1 MR. ARCHER: We're talking about Corpus.
2 I'm not talking about anybody else. There's three
3 other issues before the rules committee now that were
4 reflected or diverted from this agenda dealing with
5 bonds, correct?

6 MR. FENNER: Yes, sir.

7 MR. ARCHER: And the issues are similar,
8 correct?

9 MR. FENNER: Yes, sir.

10 MR. ARCHER: My question is: If we
11 postpone the decision on the bond and make a decision
12 purely on the ownership today, we can decide at a later
13 time about the bond. I mean, will you abide by the
14 ruling of the Commission at that time is my question.

15 MR. LaMANTIA: I don't know that I would
16 have a choice. Would I have a choice?

17 MR. ARCHER: I don't think you would
18 legally, but I'm asking -- I guess I'm asking you to go
19 along quietly.

20 COMMISSIONER EDERER: I think what he's
21 asking for is a commitment on the record.

22 MR. LaMANTIA: If we postpone this and
23 you bring it back up in June or July or whenever it is
24 and come back to me and say, "Okay, Greg. We've
25 decided that you need to put up a

1 hundred-thousand-dollar bond for Corpus Christi," would
2 I do it? The answer is yes. I mean, I may not like
3 it, this, that, or the other. But we would potentially
4 do it. We would do it.

5 Now, the question I have is I think
6 there's some proposals that were given to the rules
7 committee on different ways to handle this. And I
8 don't want to get into that. But for Corpus Christi,
9 if you said, "Hey, Greg, the rules committee decided
10 that we need you to put up a hundred thousand dollars.
11 You didn't put it up when we gave you the license. Put
12 it up now," would I put it up? You know, I guess I'd
13 have to say yes because I don't know what I could do
14 about it.

15 MR. ARCHER: Well, the Commission is
16 going to decide whether or not the rules committee is
17 right or not. You know, I guess my point is this. We
18 already have three different bonds that are before the
19 rules committee that have similar issues. Why don't we
20 decide all at one time instead of doing yours today and
21 then three others later on? I think that's what I'm
22 saying. The other ones are going to be ordered, if the
23 Commission deems so, to put the bonds up or forfeit the
24 bonds or renew the bonds or whatever the case might
25 be.

1 I'm saying you want to see the ownership
2 issue resolved today, right?

3 MR. LaMANTIA: That is correct. That is
4 correct. And like I said when I was up here while ago,
5 I mean, I really don't want to put up the hundred
6 thousand dollars; but if you all say you've got to put
7 up the hundred thousand dollars today or if you say it
8 in June, well, then I don't have much choice. I'd put
9 up the hundred thousand dollars.

10 You know, we can talk about whether it's
11 equitable or not equitable. We can talk about
12 different ways to do it. We can talk about other fees,
13 et cetera. But I don't have a choice. If you all say
14 put it up today, if you say put it up in June, I guess
15 I'll have to put it up.

16 MR. ARCHER: Mr. Chair, that's all.

17 Thank you, Greg.

18 CHAIRMAN PABLOS: Any other questions on
19 this particular topic?

20 COMMISSIONER SCHMIDT: I just have one
21 comment.

22 CHAIRMAN PABLOS: Yes, please.

23 COMMISSIONER SCHMIDT: Mr. Chairman, I
24 just think I'd like to remind the Commission that the
25 past three licenses that have been issued by this body

1 have resulted in a failure to build tracks. So I think
2 it's incumbent that we consider -- to act favorably, we
3 should consider a current bond at the same time.

4 CHAIRMAN PABLOS: Mark, did you have
5 something?

6 MR. FENNER: I'd like to clarify. Only
7 two so far are in that condition. Laredo Race Park's
8 deadline for beginning simulcasting has not yet come.
9 That's July 15th.

10 COMMISSIONER SCHMIDT: Okay. Corrected
11 then. Thank you.

12 CHAIRMAN PABLOS: Any other comments,
13 Mr. LaMantia, Mr. Moltz?

14 MR. LaMANTIA: No. Unless there's more
15 questions, I have no more comments. Thank you.

16 CHAIRMAN PABLOS: Okay. At this time
17 I'll conclude our public comment section of the item.

18 And so taking up both of the items
19 together, I'd like to see what the Commission wants to
20 do. What is the wish of the Commission as it relates
21 to the transfer of ownership and as it relates to the
22 bond?

23 So let's take a -- let's take the
24 transfer of ownership first. What do we want to do?
25 We have the staff who has indicated that the applicant

1 has satisfied the requirements, that it has the
2 financial ability. Operations expertise is shown.
3 It's got the community support, greyhound support.
4 Dr. Carter has indicated that we should -- I was remiss
5 in talking about the DPS background investigation.
6 Perhaps we can go over that, Mark, and talk about
7 that.

8 And, Commissioner Clowe, feel free to
9 step in on that. I was remiss in skipping that item.

10 MR. FENNER: The materials are in your
11 packet. I would not want to speak for the Department
12 of Public Safety. They do have some representatives
13 here who could answer any questions that you may have.

14 CHAIRMAN PABLOS: Commissioner Clowe, do
15 you want to take over this particular item?

16 MR. CLOWE: Well, we're now deliberating
17 Item IV-G. Is that correct?

18 CHAIRMAN PABLOS: Yes, sir.

19 MR. CLOWE: Early last week I received a
20 packet in the mail from the Racing Commission and it
21 was covered with a page that gave us, as Commissioners,
22 instructions. It titled the material "Confidential
23 Meeting Materials" and indicated that these materials
24 should be treated as confidential and said they were
25 not part of the public packet.

1 Additionally, the Commissioners were
2 instructed that this could not be discussed -- this
3 issue could not be discussed in executive session and
4 must be discussed in the public.

5 Now, I'm a little uneasy about talking
6 about confidential materials in a public meeting and
7 how that's to be managed. Would you give some legal
8 advice to the Commissioners on that?

9 MR. FENNER: Yes, sir. It is a touchy
10 subject. Section 2.15 of the Texas Racing Act provides
11 that "The contents of the investigatory files of the
12 Commission," which includes the DPS records, "are not
13 public records and are confidential," but then it
14 provides an exception. It says "except in a criminal
15 proceeding, in a hearing conducted by the Commission,
16 on a court order, or with the consent of the party
17 being investigated".

18 This is a hearing being conducted by the
19 Commission. It's a -- under Section 307.4, it is a
20 decision-making proceeding. It requires notice to the
21 licensee and the industry organizations, a reasonable
22 opportunity for each affected licensee and industry
23 organization to review relevant information presented
24 to the Commission, and a reasonable opportunity for
25 each affected licensee to present information to the

1 Commission on the matter.

2 They've received notice. I believe this
3 does meet the definition of a hearing. And I can tell
4 you that it's also consistent with past practice of the
5 Commission to discuss these matters in open meeting.

6 I can tell you that one of the license
7 applicants for the Manor Downs had an issue relating to
8 a criminal conviction, a minor criminal conviction many
9 years ago. That was discussed in the open meeting.

10 When Magna acquired Lone Star Park, there was some
11 issues relating to XpressBet which were revealed by the
12 DPS background report which were also discussed in the
13 open meeting.

14 So it's consistent with my interpretation
15 of the law and with past practice of the agency.

16 Obviously good judgment, I think, I wouldn't think that
17 this is just an invitation to go anywhere with these
18 things.

19 MR. CLOWE: So is it then our
20 understanding that the material in this packet is not a
21 package of public documents at this point in time?

22 MR. FENNER: That is correct, sir.

23 MR. CLOWE: And they are protected from
24 the open records request.

25 MR. FENNER: Yes, sir, they are.

1 MR. CLOWE: Would your answer be the same
2 in regard to the letter that I have received which in
3 this case happens to be marked "draft" directed to
4 Charla Ann King from Commander Gene Hawkins?

5 MR. FENNER: Is that one dated April 6,
6 2009?

7 MR. CLOWE: It is.

8 MR. FENNER: Yes, sir. That is a
9 transmittal letter and it is not part of the
10 investigative or background report, so this would be
11 subject to release under the open -- under the public
12 information act.

13 MR. CLOWE: So it's public information.

14 MR. FENNER: Yes, sir.

15 MR. CLOWE: Is this letter directed to
16 Charla Ann King -- has it been furnished to all the
17 Commissioners?

18 MR. FENNER: Yes, sir, it has.

19 MR. CLOWE: I would like to ask Commander
20 Hawkins at this point in time, if he is ready to, to
21 discuss this. And as one Commissioner, there is one
22 item that seems to be open that he covers in his letter
23 that has not been resolved and I'd like to -- I'd like
24 to hear about that.

25 MR. HAWKINS: Good morning,

1 Commissioners. Do you have any questions of me?

2 MR. CLOWE: Commander, I have read your
3 letter, and the item that I'd like to ask you to
4 comment on -- and I think we're all struggling here a
5 little bit, based on the instructions that we've had
6 from the general counsel of the Racing Commission, how
7 to address the item covered in the last paragraph of
8 your letter which identifies an issue that remains, in
9 your words, unresolved.

10 MR. HAWKINS: Yes, sir.

11 MS. KING: Commander, could you identify
12 yourself for the record, please?

13 COMMISSIONER EDERER: Excuse me. Could I
14 see that? I don't have my copy. Neither of us do.

15 CHAIRMAN PABLOS: Please identify
16 yourself, Commander.

17 MR. HAWKINS: My name is Wilber Gene
18 Hawkins. I'm the commander of the criminal
19 intelligence service, Texas Department of Public
20 Safety.

21 MR. CLOWE: Does every Commissioner have
22 a copy of this letter or not?

23 COMMISSIONER SOWELL: No, I don't.

24 MR. CLOWE: Well, I think they need -- I
25 think the Commissioners need a copy of this letter for

1 this discussion to be germane.

2 CHAIRMAN PABLOS: Yes, Charla Ann?

3 MS. KING: I would like to provide notice
4 that we sent the letter by e-mail last evening; so if
5 you weren't able to retrieve it, that's why you don't
6 have a copy.

7 MR. CLOWE: Everybody has a copy now?

8 COMMISSIONER SOWELL: Yes, sir, I think
9 we do down here.

10 MR. CLOWE: Commander, I'll try to get
11 you on as firm footing as I can here. The report is
12 confidential.

13 MR. HAWKINS: Yes, sir.

14 MR. CLOWE: But the letter is a public
15 document.

16 MR. HAWKINS: It's my understanding,
17 sir.

18 MR. CLOWE: So my feeling is you're at
19 liberty to answer any question about the letter that's
20 posed to you, where you would be limited to some extent
21 about discussing items in the packet. And I'm looking
22 at the general counsel as I make this comment.

23 MR. HAWKINS: Yes, sir.

24 MR. FENNER: Yes, sir. I appreciate your
25 efforts to find a successful -- a safe way for us to

1 discuss this issue, yes, sir.

2 MR. CLOWE: I'm trying to make a record.

3 And I want to get the commander where he's comfortable
4 answering the question completely and fully but not
5 make a mistake.

6 Now, in the last paragraph, Commander --
7 and I think all the Commissioners now have a copy of
8 the letter -- you say there are -- there is an issue
9 that remains unresolved.

10 MR. HAWKINS: Yes, sir, there is.

11 MR. CLOWE: Can you shed any light for
12 the Commissioners on that issue?

13 MR. HAWKINS: Yes, sir. Basically
14 there's been an inquiry made as to certain contacts
15 that have been made with certain members of the Gulf
16 Coast Racing, LLC, and there is an investigative
17 inquiry going on at that time. We are not
18 participating in that inquiry. We have offered our
19 assistance. But we understand that this matter will
20 not be resolved until some hundred-plus days later.

21 MR. CLOWE: Until what, sir?

22 MR. HAWKINS: Over a hundred days later.

23 Initially we were told that it would be resolved or the
24 matter would become open probably in 180 days. It's
25 been probably a month and a half since that comment has

1 been made by the investigative authority.

2 But I will say this. In reviewing the
3 background investigations of all the members that we've
4 been directed to investigate, we have seen no evidence
5 to support the denial of the transfer of the license.

6 MR. CLOWE: And you so stated in your
7 letter.

8 MR. HAWKINS: I'm looking at the last
9 paragraph. Let me look at the first paragraph.

10 COMMISSIONER EDERER: It doesn't say
11 that, but you've just stated it for the record.

12 MR. HAWKINS: Yes, sir. So I'm saying in
13 the very first part of the letter, we talk about the
14 background investigation and the inquiries that we made
15 through Federal, State, corporate records, and so forth
16 and so on. And we have found nothing that -- we have
17 found nothing that would indicate that the applicants
18 are in violation of Section 6.06 of the Racing Act as
19 it relates to integrity, conviction for offenses such
20 as moral turpitude, and so forth and so on.

21 MR. CLOWE: Anything further that you
22 could add in your comment?

23 MR. HAWKINS: No, sir. I feel that we've
24 done a thorough background investigation with the time
25 constraints and all that we put forth and we stand

1 by -- we stand by the investigation.

2 MR. CLOWE: Thank you, sir.

3 CHAIRMAN PABLOS: Thank you, Commissioner
4 Clowe. And again, I apologize.

5 Thank you, Commander. Thank you very
6 much for your input. That's all.

7 MR. HAWKINS: I appreciate it. Thank
8 you.

9 CHAIRMAN PABLOS: Thank you.

10 So at this time I'll read again. We have
11 an applicant who has satisfied the requirements, has
12 the financial ability. It has the operations
13 expertise. It's got community and greyhound
14 association support. And DPS has performed a
15 background check.

16 Yes, Mark, please.

17 MR. FENNER: Commissioners, in the
18 context of the DPS background check, I want to let you
19 all know of one change that the buyer made when they
20 found the results of that DPS background check.

21 Both 361 Muy Buena Suerte, which is the
22 members of the LaMantia family, as well as Gulf Coast
23 Racing, which is currently owned by Corpus -- the
24 current owners, have amended their company agreements
25 to provide that if any individual within the

1 organization has a conviction or other type of
2 determination made that places their license in
3 jeopardy that the remaining members of the corporation
4 can essentially force that person to be bought out and
5 it gives them 60 days' notice in which to either cure
6 that problem or the remaining members will buy them
7 out.

8 So I just wanted to let you know that
9 that's something that has occurred in direct response
10 to the outcome of the DPS background check. I'd also
11 like to point out that this same provision is already
12 in place for the Valle de los Tesoros and the Laredo
13 Downs licenses.

14 CHAIRMAN PABLOS: And because this is an
15 unresolved issue, we have that backstop at the
16 contractual level with the buyer and their partners?

17 MR. FENNER: This is why they put it into
18 place.

19 CHAIRMAN PABLOS: What else do we have in
20 place in the rules or the act, Mark, that would allow
21 us to take corrective action and have recourse should
22 anyone, any licensee, be convicted or find of any
23 wrongdoing?

24 MR. FENNER: If any licensee were to have
25 that type of situation occur, we, of course, would

1 notify the association, the racetrack license holder,
2 that there is a problem and give them an opportunity to
3 solve that problem. If, in fact, they don't take
4 action, we would be able to refer it to the State
5 Office of Administrative Hearings for potential
6 revocation of that license.

7 CHAIRMAN PABLOS: This is not just for
8 the applicant here but all of our track owners and
9 licensees as well?

10 MR. FENNER: Yes, sir.

11 CHAIRMAN PABLOS: Okay. Now I'm prepared
12 to ask the Commission, what is the wishes of the
13 Commission as it relates to this transfer of
14 ownership?

15 COMMISSIONER EDERER: I'm looking at
16 Mrs. Hicks.

17 COMMISSIONER HICKS: I should make a
18 nomination that I would like to accept the change of
19 ownership.

20 CHAIRMAN PABLOS: Would you like to make
21 the motion?

22 COMMISSIONER HICKS: Yes, please.

23 COMMISSIONER EDERER: I second.

24 CHAIRMAN PABLOS: So we have a motion to
25 approve -- we have to take this in two parts. First,

1 I'll entertain a motion to approve the transfer of
2 ownership interest in Corpus Christi Greyhound
3 Racetrack's license from the Corpus Christi Greyhound
4 Racing Associates to its wholly owned subsidiary Gulf
5 Coast Racing.

6 COMMISSIONER SOWELL: So move.

7 CHAIRMAN PABLOS: We have a motion. Do
8 we have a second?

9 COMMISSIONER EDERER: Second.

10 CHAIRMAN PABLOS: Any further discussion
11 as to that?

12 At this time I'll take a vote. All those
13 in favor signify by saying aye.

14 COMMISSIONERS: Aye.

15 CHAIRMAN PABLOS: Any opposed?

16 MR. CLOWE: Show me voting no.

17 CHAIRMAN PABLOS: Commissioner Clowe
18 votes no.

19 That motion carries.

20 Now we need a motion to approve the
21 transfer of ownership interest in Gulf Coast Racing
22 which now holds Corpus Christi Greyhound Racetrack's
23 racing license to Nick Serafy, Sam Phelps, Paul Bryant,
24 and the 361 Muy Buena Suerte, LLC. Do I have a
25 motion?

1 COMMISSIONER SOWELL: So move.

2 COMMISSIONER EDERER: Second.

3 CHAIRMAN PABLOS: Is there a second?

4 Moved by Sowell, seconded by Ederer.

5 Any discussion?

6 At this time I'll take a vote. All those
7 in favor signify by saying aye.

8 COMMISSIONERS: Aye.

9 CHAIRMAN PABLOS: Any opposed?

10 That motion carries.

11 At this time now we will take up the item
12 regarding the order for security, security for
13 compliance. We've heard from Mr. Moltz as to what his
14 position is. In effect, he's saying that we do not
15 have the authority -- and correct me if I'm wrong -- to
16 require this security. We've heard from Mr. Fenner.

17 I've mentioned the fact that we need to assure
18 ourselves that there will be compliance as the Texas
19 Racing Act contemplates.

20 And so I ask you, what do you want to
21 do?

22 COMMISSIONER EDERER: I believe it should
23 be tabled until the next meeting when we have more
24 clarification from the State Legislature and we can at
25 that point in time take up the issues that are

1 presently pending before the rules committee and the
2 rules committee at that point in time I'm sure will be
3 prepared to report to us what their recommendations
4 are.

5 CHAIRMAN PABLOS: Is that in the form of
6 a motion, Commissioner?

7 COMMISSIONER EDERER: So move.

8 MR. ARCHER: I'll second.

9 CHAIRMAN PABLOS: A motion and a second
10 to table.

11 Any further discussion on this item?

12 At this time I'll take it up for a vote.

13 All those in favor to table please signify by saying
14 aye.

15 COMMISSIONERS: Aye.

16 CHAIRMAN PABLOS: Any opposed?

17 COMMISSIONER SCHMIDT: Yes.

18 CHAIRMAN PABLOS: Commissioner Schmidt
19 opposed. And I am opposed.

20 VICE-CHAIRMAN CARTER: And I.

21 CHAIRMAN PABLOS: We have three opposed.

22 That motion carries.

23 Okay. There will be no executive session
24 today.

25 So at this time I'd like to take up some

1 new business. As many of you know, Governor Perry has
2 appointed Vicki Weinberg and Thomas Latham as
3 Commissioners. They are here with us today. If you
4 would please stand, I'd like to recognize you. Thank
5 you for being here. We look forward to having you on
6 the Commission. Tomorrow we have a nominations
7 hearing. And so I look forward to working with you.
8 You will be coming in to take the seats of Jesse Adams
9 and Commissioner Sowell. So I thank you very much for
10 being here today. Please help me welcome them.

11 And as you can see, Jesse is not here
12 today; but we do have the wonderful Sonny Sowell with
13 us today. And, Sonny, I would like to take a moment to
14 thank you for all your work, for everything you've done
15 for this Commission. We're sorry to see you leave.
16 You have been a great asset. For the time that I've
17 been here, you've been a mentor. And so I want to
18 thank you.

19 Charla Ann, would you like to read a
20 House resolution that we have for you, Sonny, in
21 appreciation for all your good work?

22 COMMISSIONER SOWELL: Thank you very
23 much. I want you to be real careful using the word
24 "wonderful" in the same paragraph with my name.

25 CHAIRMAN PABLOS: Thank you.

1 Charla Ann, please.

2 MS. KING: Commissioner, this morning
3 when I was driving in, I was trying to think of all the
4 adjectives that we could apply to you and your service
5 and things like smart and humorous, supportive, strong
6 leader. We're really sorry to see you go. We
7 appreciate your service so very much. The staff felt
8 your support and your guidance with every visit and all
9 the time that you contributed to us and we tell you
10 that from the bottom of our heart. But we have
11 something a little more formal. And perhaps --

12 COMMISSIONER SOWELL: Cookies.

13 MS. KING: Yes, we have cookies and we
14 have an opportunity for people to send good wishes to
15 you on your way out. But we also have something from a
16 higher power, a comment from the Legislature, and so
17 I'm going to take a moment and read this into the
18 record.

19 This is a resolution from the State of
20 Texas House of Representatives, HR No. 1142. "Whereas,
21 Charles L. Sowell, III, of Houston served as a member
22 of the Texas Racing Commission from 2003 until 2009,
23 and his exemplary tenure stands as a shining example of
24 public service; and whereas, the Texas Racing
25 Commission oversees the racing industry in Texas in

1 order to enforce the Texas Racing Act and to ensure the
2 safety, integrity, and fairness of Texas pari-mutuel
3 racing; Mr. Sowell was appointed to the Commission by
4 Governor Rick Perry to begin his term on August 26,
5 2003; and whereas, a graduate of the University of
6 Texas and the University of Texas School of Law,
7 Mr. Sowell is vice-president of governmental affairs
8 and community relations with The McNair Group; he
9 currently contributes to his community as a member of
10 the Gulf Coast Regional Blood Center board of
11 directors, and he is a member of the University of
12 Texas Chancellor's Council Executive Committee, the
13 Longhorn Foundation Advisory Council, the University of
14 Texas Development Board, and the C Club; and whereas,
15 he has shared his time with a number of professional
16 associations, holding such leadership positions as
17 vice-chairman of the Houston Bar Association
18 Legislative Committee, vice-president and director of
19 the Texas Young Lawyers Association, and chairman of
20 the Texas Young Lawyers Association Legislative
21 Committee; he is also a member of Phi Gamma Delta
22 social fraternity, Delta Sigma Pi business fraternity,
23 and Phi Delta Phi international legal fraternity, and
24 he is listed in Who's Who in American Law; and whereas,
25 Mr. Sowell is vice-chairman of the Harris County Sports

1 & Convention Corporation board of directors and an ex
2 officio member of the Houston Livestock Show and Rodeo
3 board of directors and committee; a life member of the
4 Houston Livestock Show and Rodeo and Quarter Horse
5 Committee, he is president of the Houston Athletic
6 Committee, cofounder and chairman of the Houston
7 Baseball Dinner, and director of the Touchdown Club of
8 Houston, Incorporated; and whereas, Charles Sowell is a
9 notable civic leader, and his outstanding contributions
10 and continuing commitment to the Texas Racing
11 Commission and the State of Texas truly merit special
12 recognition; now, therefore, be it resolved, that the
13 House of Representatives of the 81st Texas Legislature
14 hereby commend Charles L. Sowell, III, for his years of
15 service on the Texas Racing Commission and extend to
16 him sincere best wishes for the future; and, be it
17 further resolved, that an official copy of this
18 resolution be prepared for Mr. Sowell as an expression
19 of high regard by the Texas House of Representatives."
20 Signed by Joe Straus, Speaker of the House, April 2nd,
21 2009.

22 COMMISSIONER SOWELL: Wow.

23 MR. CLOWE: Wonderful.

24 COMMISSIONER SOWELL: Thank you very
25 much. I would like to say a whole lot, but we don't

1 have time and the cookies are waiting anyway.

2 What I'd like to say is that I have only
3 one regret about my connection with this august body,
4 and that is that it's not going to be continued. I
5 can't come back here and raise hell with you folks. So
6 what I want to say is it has been a magnificent
7 experience for me, six years of -- I may have missed
8 one meeting, but I'm not sure I did that. I don't
9 know -- all I know is that I've tried to make every one
10 of them and I would certainly continue that if it were
11 possible.

12 But what I'll miss most of all, as usual,
13 with somebody like this, is the people connected with
14 this organization and the horsemen that cause us to all
15 be here. This is as fine a group of people as I've
16 ever been associated with. The horsemen are
17 magnificent guys. They have earned all of the
18 accolades that we could bestow on them for loving their
19 role as horsemen and participating with the Racing
20 Commission. And it was for them that makes all this
21 important, it seems to me.

22 And I want to tell you that I've seen all
23 of you in action and there's not a -- there's not a bad
24 worm in the whole bunch. Everybody in here is worthy
25 of all the good things that can be said about them.

1 And the other thing I want to talk about
2 is the members of our staff. This staff is absolutely
3 incredible. I've been connected with an agency or so,
4 and years ago -- in fact, you all don't know this
5 probably, but I was the first lobbyist for liquor by
6 the drink. Unfortunately, I was not successful. It
7 was several sessions after that.

8 But the point is I've been around the
9 ring in the Legislature a few times; and if we've got
10 any weakness, that's where you'll find it. There are a
11 lot of wonderful people in the Legislature, but
12 sometimes it takes them forever to get something done.
13 And sometimes they even make a mistake, as weird as
14 that might seem.

15 But anyhow, it's been great working with
16 this staff because -- I won't try to name everybody,
17 but particularly our executive director, Charla Ann
18 King, a lovely lady who's worked harder than anybody
19 I've ever seen at an agency job like this, particularly
20 in light of the fact that every one of them is
21 underpaid. We've tried on occasion to do that, but so
22 far -- and this is something you new members might keep
23 in mind.

24 If you don't know, you need to know that
25 this organization is self-supporting. The State of

1 Texas doesn't support this organization. This
2 organization has to make its own money. Now, there are
3 permissible ways and not permissible ways to do that;
4 but the fact is they've managed to keep things going,
5 working hard and late hours, and, as I say, without
6 much remuneration. But that's something you all can
7 work on, along with the rest of the group, to try to
8 see if we can't change that situation where these folks
9 are rewarded and supported and recognized for what they
10 really have accomplished and what they will accomplish
11 in the future.

12 And it's also a thing I want to mention
13 that the owners of the racetracks in this state have
14 been just magnificent to me and to the other members of
15 the Commission. They don't always agree. We don't
16 always agree with them. But the relationship that
17 we've had with the owners of the tracks have been, I
18 think, very fine and very much a part of the success of
19 this organization.

20 And as I said, the horsemen, of course,
21 are the backbone of the whole thing; and I want to
22 commend all of you and tell you it's been a hell of a
23 lot of fun. My only regret is that it has to come to
24 an end. But so does everything. Any time you ever
25 need me or want me for whatever, a special assignment

1 or get the hell out of Dodge, just give me a call and
2 I'll be glad to do whatever you need me to do.

3 But again, thank all of you for your
4 support and your wonderful spirit and I wish you the
5 best of luck and I hope the Legislature performs a few
6 tricks that would make this stronger and even more
7 successful than it has been and I hope they do
8 something that is right. And I believe that the
9 leaders of our state will support whatever the
10 Legislature comes through with and I wish it happens
11 this session. We've waited too many as it is.

12 And I just want to tell you again, thanks
13 a lot for the friendships that I've developed and
14 the -- all the many wonderful things that I've
15 learned. And I've learned a whole lot about horses and
16 the gear and the -- all the stuff that goes with it.
17 And as I told somebody before the meeting, my biggest
18 regret is I've got all this knowledge and now I don't
19 have anything to do with it. But thanks a million and
20 best of luck to all of you.

21 CHAIRMAN PABLOS: Sonny, the staff and
22 the Commission have this token of our appreciation for
23 all your dedication and years of service, so you can
24 put it up on your wall and think of us. And please
25 don't be a stranger. We'd love to see you now on the

1 other side heckling us. It would be nice to see that.

2 So anyway, thank you very much.

3 COMMISSIONER SOWELL: Thank you.

4 CHAIRMAN PABLOS: Hearing no other new
5 business, this meeting is hereby adjourned. Thank you
6 all very much.

7 (Proceedings concluded at 1:11 p.m.)

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1 STATE OF TEXAS)

2 COUNTY OF TRAVIS)

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

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

14 GIVEN UNDER MY OFFICIAL HAND OF OFFICE at Austin,
15 Texas, this 14th day of April, 2008.

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22 SHERRI SANTMAN FISHER, Texas CSR 2336

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