

BEFORE THE  
TEXAS RACING COMMISSION  
AUSTIN, TEXAS

COMMITTEE ON HORSE RACE DATES MEETING

JULY 16, 2010

BE IT REMEMBERED that the above entitled matter came on for hearing on the 16th day of July, 2010, beginning at 10:43 A.M. at Lone Star Park, 1000 Lone Star Parkway, Champions Ballroom, Grand Prairie, Dallas County, Texas, and the following proceedings were reported by SHERRI SANTMAN FISHER, Certified Shorthand Reporter for the State of Texas.

1                   VICE-CHAIRMAN SCHMIDT: For those  
2 interested, if you can please take your seats. Let's  
3 call the meeting to order.

4                   I'd like to welcome everyone to Lone Star  
5 Park and for this regional meeting of the committee of  
6 horse race dates. It's the wish of Chairman Pablos and  
7 the Commission and the Commission staff that as there's  
8 been some discussion regarding changing the horse race  
9 dates that we have an open and transparent discussion  
10 over the course of the next month.

11                   And we have a meeting scheduled today at  
12 Lone Star. We encourage everyone to feel free to speak  
13 up, speak your mind. It will be heard. There will be  
14 a meeting on the 13th of August at Sam Houston. And  
15 there will be a subsequent meeting also in Corpus to  
16 address the greyhound issue.

17                   MS. KING: Galveston.

18                   VICE-CHAIRMAN SCHMIDT: Excuse me. In  
19 Galveston.

20                   Our concern was that if we simply had one  
21 meeting in Austin in late September and make a  
22 decision, the meeting, A, could go on for many hours;  
23 B, the Commission would not have time to reflect on the  
24 data present; and we'd reach a less than ideal solution  
25 to some of our problems.

1                   So I'd like to encourage everyone to feel  
2 free to speak their mind today. We will listen and  
3 carry these recommendations forward to Austin.

4                   I'd like to first introduce Charla Ann,  
5 director of the Texas Racing Commission, to make other  
6 introductions.

7                   MS. KING: Thank you, Vice-Chair  
8 Schmidt. Appreciate that.

9                   Welcome, everyone. We're glad to see  
10 such a good turnout from the industry, from the entire  
11 industry. We set this up to try to make it comfortable  
12 for people to have an exchange. So we've got the  
13 tables set up here for people to come up and use the  
14 microphone so we can get the record.

15                   Of course, this is a posted meeting, a  
16 governmental meeting, so we operate according to  
17 governmental guidelines. And you don't have to come up  
18 one at a time. You can come up as a group if you'd  
19 like to do that. So we're trying to make people  
20 comfortable to share their information and have a  
21 dialogue.

22                   Most of you know the folks who are here,  
23 but I'm going to go ahead and make some introductions.  
24 We have Sammy Jackson, one of our deputy directors from  
25 the Racing Commission. Most of you know Sammy. And

1       then starting over here at the industry table, we have  
2       Terry Blanton with the Texas Horsemen's Partnership and  
3       also from the Texas Horsemen's Partnership from the  
4       board is Jan Haynes and Dr. Tommy Hays. And then we  
5       have Karen Utecht from the Texas Paint Horse  
6       Association. And we have Dave Hooper from the Texas  
7       Thoroughbred Association. And we have Ed Wilson from  
8       the Texas Arabian Breeders Association.

9                       And then we have our representatives from  
10       the racetracks, Andrea Young with Sam Houston Race Park  
11       and Laredo Race Park, Howard Phillips with Manor Downs,  
12       and we have Drew Shubeck from our host, Lone Star Park,  
13       which I should thank Drew and his staff for hosting  
14       this meeting today. We appreciate it very, very much.

15                      MR. SHUBECK: You're very welcome.

16                      MS. KING: Here's how we're going to get  
17       started, get the discussion going. We're going to ask  
18       Drew to start off and give us kind of a status report  
19       and bring us up to date on some of the meetings that  
20       the industry has been having. And then Sammy Jackson  
21       after that is going to go through some of the materials  
22       that you picked up at the front table.

23                      And then after that we will ask you all  
24       to come up and share your ideas. Some of you have some  
25       handouts; so, you know, we'll just want to make sure

1 that we can get copies of those and you can review that  
2 and then we can have questions and answers as we go  
3 along.

4 But I'm appreciative of Commissioner  
5 Schmidt being here today and chairing the meeting, so  
6 we'll be following his lead and he'll be taking us  
7 through the agenda and the information that's to come.  
8 So thank you for coming.

9 VICE-CHAIRMAN SCHMIDT: A couple of --  
10 just a little bit of housekeeping as well. For the  
11 industry representatives and racetrack representatives,  
12 we know you well. For members of the public who have  
13 not testified frequently beforehand, we'd ask that you  
14 spell your name for the court reporter before beginning  
15 your talk so we have an accurate recording in that  
16 way.

17 Just one other issue also. Chairman  
18 Ederer had also planned to be here. In his other life,  
19 he's an attorney; and unfortunately, he has been  
20 delayed in court and is in court today in, I think, Del  
21 Rio. But he wishes he were here. He will be at the  
22 August meeting.

23 Drew, can you bring us up to date?

24 MR. SHUBECK: Thank you, Commissioner. I  
25 think where we want to begin today in this discussion

1 is to bring everybody up to speed on how we get to this  
2 place in time.

3           The Class 1 racetracks got together  
4 literally last November and started a discussion about  
5 2011 race dates. After we had discussions with one  
6 another, we invited the Texas Horsemen's Partnership to  
7 join in the discussion. I believe we had our first  
8 meeting in late December.

9           We understood the magnitude of what was  
10 going on in the industry and the U.S. economy at  
11 large. We were suffering in declines of simulcast  
12 wagering. We had had declines in live wagering in our  
13 previous meets. And we knew, for the short term,  
14 things weren't getting any better.

15           We had active discussions between the  
16 Class 1 tracks and we included Howard at Manor as well  
17 because we wanted to put together a plan that was  
18 respectful to all breeds and to do the most we could  
19 with the limited amount of purse dollars that we have.

20           The majority of purse dollars are earned  
21 from full-card simulcasting, which all of us do on a  
22 year-round basis. As I said, those numbers were in  
23 decline over the last couple of years and they continue  
24 to be in decline. And that is the engine that gets  
25 most of the purse dollars. It's not from live racing.

1 During live racing we consume purse dollars. We don't  
2 generate purse dollars.

3 So we budget those things. We look at  
4 purse reports literally on a weekly basis. We try to  
5 plan ahead. We want to maximize the amount of average  
6 daily purses that we can pay to horsemen. And we --  
7 our normal goal is not to have an overpay at the end of  
8 the meet, even though on a percentage basis we can  
9 stomach a small overpay and have the purse fund  
10 regenerate itself within the next 20 or 30 days after  
11 the live meet concludes.

12 So as I said, the first meeting we had  
13 that involved the Texas Horsemen's Partnership was in  
14 December. It was a productive meeting. We talked  
15 about the periods of decline that we're in right now.  
16 We openly shared numbers and we openly shared  
17 forecasts. And I believe, from that meeting, we  
18 decided to meet again in January, again in February,  
19 again in March. And we really worked hard to refine a  
20 plan that we thought would be acceptable to all sides.

21 The initial thing that we did do is  
22 determine that all three Class 1 tracks just could not  
23 operate separate breeds and separate meets for 2011.  
24 There just wasn't enough money available. So what we  
25 initially proposed is that Lone Star Park would host a

1 Thoroughbred meet of around 60 days, maybe a couple  
2 more than that, and our average daily purse could be as  
3 much as \$280,000 a day. We also proposed that we would  
4 host the majority of the Quarter Horse days in the  
5 state and we would run 49 nights of Quarter Horse  
6 racing in the fall and they would have an average daily  
7 purse of \$200,000 a day.

8           This plan from the Quarter Horse side,  
9 let's speak to that first. Even though the majority of  
10 the people here have Thoroughbred interests, let's just  
11 for the moment talk about the Quarter Horse.

12           They really rejected that plan. They  
13 said they -- they liked the idea of higher purses, but  
14 they didn't like the time of the year that it could be  
15 housed here at Lone Star Park because it was in the  
16 fall when we traditionally run it and they didn't think  
17 that we would have the horse supply to run five days a  
18 week during that period of the year.

19           We were respectful of that. The tracks  
20 went back and we developed a secondary plan that  
21 involved mixed breeds racing at Sam Houston and at  
22 Retama to try to accommodate Quarter Horses.

23           We also heard at that time about Howard  
24 Phillips and the problems that Manor was having, that  
25 they would possibly discontinue operations altogether

1 and that would put the spring meet in jeopardy that  
2 they host that's primarily Quarter Horses but there are  
3 some opportunities for Thoroughbreds at that meet. So  
4 that all came about fairly recently, and Howard can  
5 speak to that later on in the meeting.

6 So that's pretty much where we stand  
7 right now. I know we had an open horsemen's meeting at  
8 Lone Star a couple of weeks ago and at Houston, which I  
9 tried to attend, but unfortunately, because of weather  
10 difficulties, my flight literally circled Houston for  
11 about an hour until they were running out of fuel and  
12 then we had to return to DFW. So I missed that  
13 meeting. But they went on. And we had a lively  
14 discussion here at Lone Star and we heard a lot. And  
15 like I said, I think we're going to hear more today.

16 I think that gets us to where we are  
17 today without delving into specific numbers, but I  
18 think we can do that when we answer specific  
19 questions.

20 Charla Ann?

21 MS. KING: That's fine. That sounds  
22 good.

23 VICE-CHAIRMAN SCHMIDT: Mr. Shubeck, I  
24 appreciate the update. Could you again then just --  
25 since we do not have a formal proposal before us yet,

1 could you just again outline the current working  
2 proposal or a proposal in progress that --

3 MR. SHUBECK: Sure. Let me do that  
4 individually. I'll do that for Lone Star Park and then  
5 I'll hand the mike to Andrea for her portion of it.  
6 And I think she knows enough about Bryan Brown's  
7 proposal to speak on behalf of him and I'll swear to  
8 everything she says.

9 For 2011, Lone Star Park is proposing a  
10 Thoroughbred meet of 60 days that would either start on  
11 April 7th or April 14th. And we don't have the opening  
12 date pinned down because we're still waiting for a  
13 press release from Texas Motor Speedway to see when the  
14 big race is going to be because we always like to  
15 offset what they do in order to maximize the publicity  
16 we get for the opening of our Thoroughbred meet.

17 We find that very beneficial because we  
18 get news trucks out from all the local news, all the  
19 network news. We're also included in morning shows.  
20 And those opportunities do not exist if we open the  
21 same week that they do. The media attention that we  
22 garner from that helps us kick off the meet and gets  
23 attention in the DFW market for Lone Star Park that we  
24 wouldn't receive if we jump on top of them.

25 So we'll know the answer to that question

1 probably a couple of weeks from now when we submit our  
2 formal packet to the Commission. But it is 60 days.  
3 It is four days a week. And it pretty much mirrors  
4 what we're doing here this year.

5 Also we're proposing for the Quarter  
6 Horses that we're going to have a 26-day meet that  
7 starts September 16, operates three days a week, and  
8 concludes on November 12.

9 VICE-CHAIRMAN SCHMIDT: Drew, just a few  
10 questions before you pass that off. The current meet,  
11 which I think ends tomorrow, is how many days?

12 MR. SHUBECK: 60 days.

13 VICE-CHAIRMAN SCHMIDT: 60 days as well?  
14 And the Quarter Horse meet scheduled --

15 MR. SHUBECK: 26, which is the same we're  
16 scheduled to run this year.

17 VICE-CHAIRMAN SCHMIDT: So basically --

18 MR. SHUBECK: Literally no change.

19 VICE-CHAIRMAN SCHMIDT: Okay. Are you  
20 projecting a purse increase or would you like to  
21 discuss that later?

22 MR. SHUBECK: Well, I think we'll get  
23 into that later, which the levels of purses right now,  
24 you know, if we didn't have a purse supplement, would  
25 be similar to this year, a little lower, I'd say about

1 135 thousand dollars a day to 140. With a purse  
2 supplement, we're looking at about 230.

3 VICE-CHAIRMAN SCHMIDT: And currently  
4 we're at around 145, 150?

5 MR. SHUBECK: 145.

6 VICE-CHAIRMAN SCHMIDT: 145. And for  
7 Quarter Horses?

8 MR. SHUBECK: Without stake races, it's  
9 in the 45,000-dollar range. And it would be the same  
10 for next year. We're not forecasting a purse overpay  
11 for this year, so we feel that fund is relatively  
12 stable because of dropping some race dates and how  
13 we're working closely with the Texas Horsemen's  
14 Partnership. Last year we cut purses and we cut stakes  
15 races and even this year we trimmed a few stakes races,  
16 so we have that purse account managed fairly well right  
17 now.

18 VICE-CHAIRMAN SCHMIDT: We're at 145  
19 now. And at our peak we were at 180, 175, the high  
20 point of Lone Star?

21 MR. SHUBECK: That's correct, close to  
22 200.

23 VICE-CHAIRMAN SCHMIDT: Close to 200. I  
24 just want to get some baseline numbers.

25 MR. SHUBECK: Sure.

1                   VICE-CHAIRMAN SCHMIDT: Thank you.

2                   Andrea?

3                   MS. YOUNG: So a little bit about where,  
4 you know, Sam Houston stands in the mix here. We've --  
5 what we've come forth with is an interest in running  
6 one mixed meet over the course of the year. We've  
7 maintained a lot of flexibility on when that meet can  
8 happen. And we will continue to maintain flexibility  
9 on when that meet can happen.

10                   What we've heard back fairly definitively  
11 from the industry and in particular the Quarter Horse  
12 guys is that they'd like us to run that meet in June  
13 and July. It would be a mixed meet, but it would be,  
14 you know, strongly weighted -- heavily weighted to  
15 Quarter Horses.

16                   What that contemplates is us more or less  
17 running similar opportunities on the Quarter Horse side  
18 that we are running this year. What it also  
19 contemplates is that we will no longer run Retama's  
20 Quarter Horse dates like we have the last two years.  
21 That's something we kind of informed the industry of,  
22 you know, at the very first meeting, that we weren't  
23 going to be able to do that going forward.

24                   It's important to us to have some  
25 Thoroughbred racing at Sam Houston. We'd like to have

1 both breeds. And so, you know, we've also heard from  
2 the industry that, you know, there are some -- they'd  
3 like some opportunities for, you know, maybe, you know,  
4 not a 230,000-dollar race, but something a little  
5 bit -- or quite a bit less than that comparable to what  
6 we're running now.

7           Just, you know, because I think it's  
8 probably going to be your next question, our baseline  
9 at Houston for Thoroughbreds this year was about  
10 \$100,000 a day and Quarter Horses is just over \$50,000  
11 a day. So that's where we are.

12           And then Bryan -- you know, Bryan has his  
13 meet that he just reduced coming up here in the fall  
14 from 30 to 16 Thoroughbred dates. And for this year  
15 we've run his Quarter Horse dates. And I understand  
16 his purse level -- average daily purse is going to be  
17 around \$80,000 a day. Is that right, Terry?

18           MR. BLANTON: That's correct.

19           MS. YOUNG: And what he has proposed is a  
20 mixed meet that would start in, you know, August,  
21 September, and run into October time frame. I think at  
22 the last meeting we heard a lot about shortening the  
23 gap between Lone Star and Retama's meet if we were to  
24 go that direction. And I think Bryan expressed a fair  
25 amount of flexibility to doing that. So I definitely

1 think that's a possibility in, you know, wherever we  
2 end up going forward.

3 VICE-CHAIRMAN SCHMIDT: Andrea, just to  
4 get a baseline, again, for my own knowledge and so I  
5 can pass this along, it looks like at Lone Star that  
6 basically the number of dates is about the same. We're  
7 aware of the reduction that Bryan Brown requested at  
8 the San Antonio track.

9 Talk to me a little bit again. Your  
10 normal Thoroughbred meet begins in November?

11 MS. YOUNG: Correct. Usually the weekend  
12 after Thanksgiving.

13 VICE-CHAIRMAN SCHMIDT: Right. And  
14 extends for -- until the end of January?

15 MS. YOUNG: The first weekend in April.  
16 So we've been running, on average, around 60, a little  
17 bit more than that, Thoroughbred dates.

18 VICE-CHAIRMAN SCHMIDT: 60 opportunities  
19 there?

20 MS. YOUNG: Uh-huh.

21 VICE-CHAIRMAN SCHMIDT: And then your  
22 Quarter Horse meet runs in the springtime, which is --

23 MS. YOUNG: It runs in the summer, so  
24 we're running that meet right now. And it started in  
25 May and it concludes the middle of August this year.

1 And that includes the dates from Retama as well. So --

2 VICE-CHAIRMAN SCHMIDT: Under your  
3 current working proposal, it seems you'd be weighted  
4 toward Quarter Horses. So it would be a small  
5 reduction in the opportunities for Quarter Horse  
6 races?

7 MS. YOUNG: Probably limited to none.  
8 Probably about the same opportunities for Quarter  
9 Horses.

10 VICE-CHAIRMAN SCHMIDT: But a significant  
11 reduction for the Thoroughbreds?

12 MS. YOUNG: Yes, because that purse money  
13 would move over to Lone Star to help bring that average  
14 daily purse up. That's how that happens.

15 VICE-CHAIRMAN SCHMIDT: And when you say  
16 weighted, in general terms, a 10-race card, three  
17 races, seven races, it's weighted, or one race, nine  
18 races, in terms of mixed meet, Thoroughbreds versus  
19 Quarter Horse?

20 MS. YOUNG: I think, you know, it's  
21 just -- I mean, we would look at that as we get closer  
22 to a meet. But, you know, eight and two, nine and two,  
23 you know, something like that, just depending on supply  
24 and demand.

25 VICE-CHAIRMAN SCHMIDT: I just wanted to

1 clarify. Yeah. Great. Okay.

2 MS. KING: Drew, when is the Quarter  
3 Horse supposed to start again? What was the start date  
4 on the Quarter Horse proposal?

5 MR. SHUBECK: September 17th.

6 MS. KING: Thanks.

7 MR. SHUBECK: I'm sorry. 16th. The  
8 Friday, the 16th.

9 VICE-CHAIRMAN SCHMIDT: And based on our  
10 discussions today and during the month of August, then  
11 we will get a formal proposal at some time, correct?

12 MR. SHUBECK: That's correct. We intend  
13 to supply a packet to the Commission within the next  
14 three weeks.

15 VICE-CHAIRMAN SCHMIDT: I'll turn the  
16 meeting over now to Sammy Jackson who can review a  
17 little bit about the process and also some of the  
18 information he prepared for today.

19 MR. JACKSON: Thank you, Mr. Schmidt.

20 A little bit on the process. We -- at  
21 the last Commission meeting, the Commission opened the  
22 application period for race dates. We're required to  
23 open it a minimum of 30 days. The time period for  
24 accepting applications was set for, I believe, July 12  
25 through August the 18th, so we actually opened it for a

1 greater period than 30 days to make sure that we met --  
2 were in compliance with that section of our rules.

3 The actual -- there is an actual paper  
4 application that is required to be filled out by the  
5 racetrack which has a calendar in it where they must  
6 delineate the actual days of the month that they intend  
7 to run and there's other information that they are  
8 required to submit.

9 Those packets have now been sent to the  
10 racetracks. They were sent on July 9th. And the  
11 horsemen's organization as well as each member of the  
12 breed registry was also CC'd on those cover letters as  
13 well as with the packets that are in them.

14 There were two race date applications  
15 sent, one for calendar year 2011 and an additional one  
16 for the first eight months of 2012, which the Racing  
17 Commission traditionally now over the past few years  
18 has opened an 18-month period and that fits -- part of  
19 that reason for it is that it fits well with the  
20 agency's responsibility to file a legislative  
21 appropriation request to the Legislative Budget Board  
22 and the Governor's office as we get ready to go into  
23 session.

24 The race date calendar is one of the main  
25 guiding documents for the agency when it prepares its

1 budget because the majority of our costs are revolved  
2 around live racing. So looking at the race date  
3 calendar helps us prepare the budget that we must  
4 submit before the Commission and we're going to do so  
5 in August, so we're kind of handicapped with this  
6 process which is one of the reasons why we have the  
7 race date working group meetings is to get a feel for  
8 what that calendar looks like as we're preparing our  
9 budget in preparation for the Governor's office and the  
10 Legislative Budget Board.

11           So that gives you the time line on that.  
12 We have these meetings in the middle of that  
13 application period so it helps us familiarize ourselves  
14 with what's going on so that we can answer questions  
15 and also ask questions when needed. And if we see  
16 stumbling blocks, sometimes we sit down at the table  
17 with the industry and the public and try to resolve  
18 those as we go through the process. That kind of gives  
19 you how I see the process and how it's been working the  
20 last few years.

21           To the material that we have in the back  
22 that we put up for you, I'm going to kind of hold them  
23 up and show them as I go through. The first thing we  
24 did was we put in the back a calendar which shows dates  
25 that have been granted and as consented by -- approved

1 by the Commission effective as of July the 7th, this  
2 past Commission meeting, and it shows dates granted for  
3 2010 as well as 2011.

4 One of the tracks that's not here today  
5 is Gillespie County Fair and I will kind of speak on  
6 behalf of them for a second and say that they have  
7 requested eight dates, their traditional eight-date  
8 meet in July and August. It's been approved and it is  
9 on the books for 2011. It's reflected on this  
10 calendar.

11 They usually don't come to these meetings  
12 because they always request their traditional dates and  
13 we sometimes speak up for them because they're a  
14 nonprofit volunteer organization and everyone tries to  
15 help them through the process. So that's my pitch for  
16 Gillespie County Fair today.

17 The other document that's in the back is  
18 a five-year review of state-by-state pari-mutuel racing  
19 data focusing on total purses paid, average purses paid  
20 per race, and racing opportunities. It not only has  
21 regional data, but it also has national data. This  
22 information comes from Equibase. The Racing  
23 Commission, when it goes through these processes, it  
24 goes out and reaches out to industry outside of this  
25 area to grab this data and analyze it before we go down

1       this path.

2                       This is something we have done over the  
3       last six years and we put this out so that we can look  
4       and see what's going on around us as there will  
5       probably be a lot of discussion today, I would think,  
6       about the regional and -- the region that we're in and  
7       the competition and what's being paid for purses and as  
8       well as the opportunities that are offered around us.  
9       So that's what this data is for.

10                      This is something we've done in the  
11       past. As I've said, we've actually prepared work group  
12       packets in the past and did this. So this is just  
13       another consistent document that we put out.

14                      The next document that we put out is --  
15       it's an excerpt from the agency's strategic plan. It  
16       was just submitted at the July 7th Commission meeting  
17       for approval. It's a requirement that the agency do  
18       every two years in preparation for the legislative  
19       process. We must do this before we submit our budget.  
20       And this is one of the key documents that drives some  
21       of the budget work that the Commission must do.

22                      The reason why we included it here today,  
23       the external assessment is, I think, more important to  
24       this process because it talks about our region that we  
25       operate in as a racing industry. And you'll see some

1 of the data that I just talked about in that five-year  
2 analysis is in this as well.

3 It also talks about another issue that  
4 we've gotten several phone calls over the past few  
5 weeks and that's advance deposit wagering and the lack  
6 of it being approved in this state and how that impacts  
7 us. There's actual projections on the impact ADW has  
8 had on this state for 2009, the five years leading up  
9 to 2009, and looking into the future as ADW's continue  
10 to develop and take over the market, what that impact  
11 would be to Texas, toward the racetracks, the purse  
12 accounts, the State of Texas itself, and the breed  
13 registries.

14 Everyone -- each of those entities is  
15 impacted negatively currently because of advance  
16 deposit wagering that's going on and people who have  
17 accounts and choose to wager on that in Texas. So  
18 there's information in there. We thought it was very  
19 important.

20 It also talks about the regional  
21 competition as well as wagering integrity issues with  
22 tote systems and stuff like that that the Commission  
23 handles day to day.

24 Lastly, another document that we put  
25 before you, this is a presentation that we have

1 prepared for January of this year. In December, the  
2 contracts for splitting simulcast money and approval of  
3 simulcast signals typically runs out and it has to be  
4 renegotiated and done. In December of this past year,  
5 there was disagreement over one of the contracts that  
6 handled that, dealing with purse money off of horse  
7 signals at greyhound tracks as well as greyhound  
8 signals at horse tracks.

9           Because of that process, the Commission  
10 stepped in and prepared this document to help people  
11 understand how simulcasting allocations work for purses  
12 off both those signals at the horse tracks. And since  
13 we've been fielding a lot of questions and there seemed  
14 to be some confusion over how purse money is calculated  
15 and who gets it, we thought it would be a good  
16 opportunity to put this document back out there today  
17 for people to have and browse through it.

18           I should say that all three of these  
19 three key documents have been posted to our website.  
20 If you didn't get one here today and you'd like to go  
21 home and pull it down, just go to our website,  
22 [www.txrc.state.tx.us](http://www.txrc.state.tx.us). At the top it says meetings. If  
23 you click that, the first thing that comes up says race  
24 date or committee meetings. Click it and you'll see  
25 the agenda today as well as the links to these three

1 documents.

2 If anyone has questions on this, you can  
3 see me today after the meeting or feel free to contact  
4 me at the Commission office and I'll be happy to go  
5 over it with you.

6 With that, Dr. Schmidt, I'll turn it back  
7 over to you.

8 VICE-CHAIRMAN SCHMIDT: Thank you,  
9 Sammy.

10 I think now we'll move along. I think  
11 we'll first work with the industry and then work with  
12 the public unless someone has an objection.

13 Jan Haynes?

14 MS. HAYNES: Terry is going to present  
15 our position.

16 VICE-CHAIRMAN SCHMIDT: Okay. Great.

17 MR. BLANTON: She'll turn that over to me  
18 to give an update.

19 It's actually a copy of our race date  
20 board meeting that we had about two weeks ago after our  
21 general meeting that was held here at Lone Star Park.  
22 There was about a three-hour discussion on race dates.  
23 And some people think that we have approved race  
24 dates. And that is not true.

25 We had a long discussion revolving around

1 the applications that Drew and both Sam Houston have  
2 proposed to us. And we think that's a viable plan.  
3 But we -- even though a vote was taken, there's a lot  
4 of if's to that plan that we're continuing to discuss  
5 because we have this meeting today and we have another  
6 meeting obviously at Sam Houston and we have meetings  
7 scheduled obviously with the Commission and listening  
8 to the horsemen out there.

9           So there's still concerns with that  
10 situation even though we think that is a very viable  
11 situation because if you'll study and look at this  
12 thing like I do each day, our purse structure is  
13 continuing to decline and that's with the handle and  
14 with the economy and that type of situation. We're all  
15 concerned about it.

16           And certainly there's concern from the  
17 standpoint of horsemen that there will be a loss of  
18 dates in the industry and people going out of business  
19 and that type of situation. It's a very dire  
20 situation. And we don't take this as a cut-and-dried  
21 situation.

22           We have agreed to, as Andrea mentioned,  
23 the 25 or whatever proposed Quarter Horse dates, to run  
24 a very limited Thoroughbred mixed meet which would be,  
25 at the most, two races a day and there will be some

1     purse limitations on that from either 3500 to 5,000.  
2     That has not been agreed to at this point.

3                 Bryan Brown has agreed to apply for 24  
4     days, and there's still discussion as to a mixed meet  
5     with Dr. Hays and with the Quarter Horses, that there  
6     may be some opportunities. If we could start that meet  
7     either in August, the 15th or whatever, before the Lone  
8     Star Quarter Horse meet, there will be a limited number  
9     of dates that the Quarter Horses could run.

10                But the 24 dates we think fits our purse  
11     structure of around 80,000 is what we're running at  
12     today. So that's the -- kind of what we're looking at  
13     on that. But there are if's because we are a  
14     partnership and our partners are the Quarter Horses.  
15     And so we all have to meet and agree upon those  
16     particular race dates and then it goes to a management  
17     committee before we make -- agree with any proposals  
18     from the racetracks.

19                And I know I have heard, in my office  
20     each day at the racetrack, tremendous concerns from  
21     many, many phone calls and from many, many people  
22     coming to my office. And I have been called some  
23     names. And I understand that because it's a very dire  
24     situation. And it's a business and an industry that  
25     some people may go out of or whatever on the situation

1 because it is not good. And we are affected directly  
2 by the -- by our handle.

3 And I hate to say this and admit it, but  
4 I am the first of a baby boomer generation that's going  
5 into retirement age and we're scared to death, to  
6 income, retirement, and that type of situation. So  
7 dollars to be spent on gambling is the last thing that  
8 we're looking at.

9 So status quo, we feel, as a board, is  
10 not a viable situation. We cannot stand by and not do  
11 anything. So we're looking forward to hearing from the  
12 horsemen today. Let us know where you're at. And then  
13 we will move forward from there.

14 And Commissioner and Charla Ann,  
15 Commission, we appreciate the opportunity for the  
16 horsemen to speak today. Okay? Thank you.

17 VICE-CHAIRMAN SCHMIDT: Thank you.

18 Karen Utecht?

19 MS. UTECHT: I think we can just agree  
20 with the whole industry in whole as well, that we  
21 understand it is a dire situation and we need help.  
22 Thank you.

23 VICE-CHAIRMAN SCHMIDT: Thank you.

24 Dr. Hays?

25 MR. HAYS: Thank you, Commissioner.

1                   I would say from the Quarter Horse  
2 perspective, you know, we're quite a bit further down  
3 the road than we were earlier. When we came with the  
4 proposal for one meet and a Lone Star 49-day meet, that  
5 would have required that we not race Quarter Horses for  
6 one year, basically 11 months, in the State of Texas.  
7 Now with the proposal, we're looking at six and a half  
8 months of nowhere to run Quarter Horses. And it would  
9 be devastating to the Quarter Horse industry to not  
10 have a place to run in the State of Texas for six and a  
11 half months.

12                   We've looked at all the scenarios. We've  
13 offered to run mixed meets at all of our Quarter Horse  
14 meets, which, you know, even amongst the Quarter Horse  
15 members that's kind of been hard to do because a lot of  
16 people kind of like to keep their identity. But in the  
17 interest to make this thing work, I mean, we have to  
18 give and the tracks have to give. And everybody has  
19 given somewhat. With the news that Manor Downs would  
20 be soon closing, that's put us into quite a different  
21 position right now than what we were.

22                   We would like to offer a suggestion at  
23 the Retama meet, that that be a mixed meet in the  
24 springtime and not in the fall. We have some concerns  
25 about legislation, whether it's passed or not, whether

1 that meet would go forward in the fall. We look at it  
2 as if we ran a mixed meet at Retama in the spring, a  
3 mixed meet at Houston in the summer, and then even if  
4 we had to run a mixed meet here at Lone Star in the  
5 fall in our Quarter Horse meet, we'd be willing to give  
6 up whatever we have to to have some type of racing  
7 year-round.

8           So like I say, we're willing to work with  
9 anybody and everybody on this. But we do need spring  
10 racing. So with that spring racing, though, I would  
11 say that the mixed meet would have to be -- it might be  
12 a 50/50 or whatever. Like I say, we have to look at  
13 purse money. And that's what I tell my guys. We  
14 can't -- we can't make racetracks run where we don't  
15 have purse money. We all know where it -- it's  
16 generated through simulcasts, and we can only expect to  
17 run at what kind of money we have. We can't just pull  
18 money out of the air.

19           So we -- like I say, that's basically  
20 what I have from the Quarter Horse industry.

21           VICE-CHAIRMAN SCHMIDT: Thank you.

22           Mr. Wilson?

23           MR. WILSON: The Arabian industry, Sam  
24 Houston, to be honest with you, has been our longest  
25 running meet. We usually run there from late November,

1 early December when they open, until April; and with  
2 them shutting down, that's going to really curtail the  
3 number of races that we'll be able to run. We run at  
4 Lone Star with the Quarter Horses and at Retama with  
5 the Thoroughbreds and we don't even have the money to  
6 run a portion of each one of those meets. So we can't  
7 run the entire meet at either one of them and they  
8 overlap anyway. So this is going to hurt us back quite  
9 a bit as far as number of races.

10 We're looking at Sam Houston running a  
11 mixed meet in the summer. Over the past three years,  
12 the Colorado people and the Texas people have gone  
13 together and have run in Colorado in the summer and run  
14 here September through the first weekend in April. And  
15 this has worked great for us. Their purses in  
16 Colorado, quite frankly, are bigger than ours are in  
17 Texas. So therefore our people and their people are  
18 not going to come down here to run for less purses and  
19 I think some of our people will probably go there to  
20 run for the greater purses.

21 So this is going to create a little  
22 problem for us, but we're going to work through it and  
23 we're going to do what needs to be done because, as we  
24 say, we know without purse money there's nothing to run  
25 for. So we've been there. So we want to continue to

1 try to run at a level -- the best level we can.

2 VICE-CHAIRMAN SCHMIDT: Sir, just to  
3 clarify, you do think you'll lose some horses to  
4 Arapaho, Colorado?

5 MR. WILSON: At the present time we have  
6 quite a few horses that go to Arapaho. As a matter of  
7 fact, most all the Texas horses are up there now  
8 running. They run there May -- the end of May, June,  
9 July, and into -- usually around the middle of August.  
10 So all of our -- basically all of our Texas horses are  
11 up there now.

12 But what has happened in the past is the  
13 Colorado horses have come here as well as we've got  
14 horses from California that have come here to run  
15 during the winter and from Delaware Park also. And  
16 we're going to lose -- we know we're going to lose some  
17 of those in the wintertime from Delaware. We won't get  
18 any of those horses. We will continue to get the  
19 Colorado horses, but not during the time that they're  
20 running there.

21 VICE-CHAIRMAN SCHMIDT: Not with an  
22 overlap.

23 MR. WILSON: Yes.

24 VICE-CHAIRMAN SCHMIDT: Thank you, sir.

25 And then David Hooper?

1 MR. HOOPER: Thank you, Mr. Chairman.

2 First of all, I want to commend Sammy and  
3 the TRC staff for the material that was posted  
4 yesterday and you have available today. As usual, it's  
5 very high quality work and it gives us a terrific  
6 insight into why we're in this crisis state and  
7 especially the excerpt from the strategic plan and your  
8 work on ADW and the projected impact that it's had  
9 already, the projections for the next five years and  
10 thereafter. I mean, that's really staggering and it's  
11 eye-opening. And I hope when you get before the Sunset  
12 Commission and others of us do, why, we'll hit a home  
13 run this time.

14 As far as the Texas Thoroughbred  
15 Association is concerned, the Class 1 track operators,  
16 all three of them, appeared before our board at our  
17 June 16th board meeting and laid out the plans that  
18 they've laid out again today. There was discussion,  
19 questions from those that were -- who were in the room  
20 as well as some that were out of the room and on a  
21 conference call. And I think several board members had  
22 a better understanding of why something different needs  
23 to be done with racing dates than has been for the last  
24 few years.

25 And we've had a greater decline in

1 business at the tracks this past year, 2010, than  
2 2009. All you've got to do is look at Lone Star's  
3 situation. The export handle, which in 2009 was over  
4 80 million, is now just over 42 million for this  
5 current meet. And that's 20 million less than what it  
6 was last year.

7 I don't want to get into purses beyond  
8 what Sammy has done, with this exception: Purses do  
9 drive the train. Money makes the mare go, as they  
10 say.

11 Back earlier this year I had a request  
12 and it was to develop statistical data for the last 10  
13 years dealing with the total purses paid here in Texas  
14 and our three neighbor states of Louisiana, New Mexico,  
15 and Oklahoma; also the amount wagered at all tracks in  
16 the four states; in addition, the number of live racing  
17 days over the 10-year period at all tracks in those  
18 four states. Also there was a request for the  
19 attendance, where it was available. And we added two  
20 other categories, the number of Thoroughbreds born in  
21 each of the four states and the total amount of revenue  
22 that was available for horses in the incentive program  
23 in each of the states.

24 And since Sammy's numbers go back five  
25 years and what I was asked was for 10 years, I wanted

1 to lay out to you that in 2000 -- now, this is all  
2 horse racing in the state. The total purses paid in  
3 2000 was forty-four million, here in Texas, seven  
4 hundred thousand. The total purses paid in 2009, the  
5 last full year, was thirty million two hundred  
6 forty-four. That's down 14 million.

7 In New Mexico, the total purses paid was  
8 25,600,000 in 2000; in 2008, the last full year that I  
9 have statistics for, 63,500,000. That's an increase of  
10 38 million dollars. In Oklahoma, in 2000, 20,300,000;  
11 also through 2008, 36,580,000, an increase of 16  
12 million. The Louisiana statistics, the farthest back I  
13 could go was 2004 when they paid out 84,500,000 and  
14 now, through 2009, 106,253,000. So that's a growth of  
15 22 million there.

16 And as far as the breed program is  
17 concerned, the number of Thoroughbreds born in Texas in  
18 2000 was 2,034. The number born through 2008 is 1164,  
19 down about 900. In Louisiana, the number of  
20 Thoroughbred foals registered with the Jockey Club in  
21 2000 was 1247; the number in 2008, 2449, nearly  
22 double. In New Mexico, 470 foals in 2000; in 2008,  
23 1,041. In Oklahoma, 1,083 foals in 2000; in 2008,  
24 855. There are a couple of reasons why that number has  
25 gone down according to my colleague at the Oklahoma

1 Thoroughbred Association.

2           As many of you know, we've had horses  
3 leave, both runners as well as mares. Back in 2000,  
4 there were 3663 mares reported bred in the State of  
5 Texas. In 2009, it's 1728. By contrast, I'm only  
6 going to use Louisiana here rather than get into a lot  
7 more statistics with Oklahoma and New Mexico, but I  
8 have that data as well. The mares bred in 2000 was  
9 2225 and the mares bred in 2009, 3431.

10           Obviously there are reasons behind those  
11 significant drops; but as I said earlier, money makes  
12 the mare go and a lot of mares have left the program  
13 here because there's more money in the neighbor  
14 states.

15           The whole industry is going through a  
16 consolidation except in some states like Pennsylvania  
17 and maybe West Virginia and so on where alternative  
18 gaming exists. But you see, on almost a weekly basis,  
19 that one state or another or one major track or another  
20 or even a minor track is cutting back in racing days  
21 and sometimes canceling days because they can't fill.

22           The Jockey Club estimates that this year  
23 there will be 30,000 foals registered. That's down  
24 five to seven thousand from recent years when there  
25 have been 35 to 37 thousand foals registered with the

1 Jockey Club. And I believe that they will announce in  
2 August that their expectation for the following year  
3 will be about 28,000 and it's likely to continue to  
4 fall in part because of the economic decline and  
5 downturn in business and loss of owners.

6 I want to be sure that at some point  
7 today we talk about some of the dates that have already  
8 been allocated. And that includes the fall dates at  
9 Sam Houston as well as early next year. These are of  
10 particular concern as to whether they're going to be  
11 run or not. If they aren't going to be run, I think  
12 some horsemen who may have current plans to go ahead  
13 and race in the 16-day abbreviated schedule at Retama  
14 because they believe that they're going to go on to Sam  
15 Houston, if they don't have those opportunities, they  
16 may not be going to Retama, which will affect that  
17 horse supply and size of fields, and, in turn, amount  
18 wagered.

19 But in addition, I have a particular  
20 second concern on behalf of all members of the Texas  
21 Thoroughbred Association who are either owners or  
22 breeders. And that is, we have had a long tradition of  
23 a terrific racing day in late November, early December,  
24 called Texas Champions Day and there are eight stakes  
25 that are traditionally held as part of that Texas

1 Champions Day program, which means 24 black type  
2 opportunities that owners have to earn the black type  
3 that goes into catalog pages and so on for their horses  
4 or the mares that those horses that are -- run one,  
5 two, three in those stakes are out of. And we want to  
6 preserve those eight stakes for sure.

7 We already lost a couple of ATB stakes  
8 within the last year right here at Lone Star Park. And  
9 owners and breeders in this state can't afford to lose  
10 any more stakes opportunities. And if Houston isn't  
11 going to run, we need to get Texas Champions Day stakes  
12 relocated within the Retama program or as an added  
13 weekend of racing at Retama this fall.

14 Those -- those are my remarks,  
15 Mr. Chairman, and I'd be happy to answer any  
16 questions.

17 VICE-CHAIRMAN SCHMIDT: Any questions of  
18 Mr. Hooper? No?

19 Thank you very much, sir.

20 Mr. Shubeck, could I ask you a few  
21 questions now that a few thoughts have been triggered?

22 MR. SHUBECK: Yes, sir.

23 VICE-CHAIRMAN SCHMIDT: Again, we haven't  
24 received a formal proposal; but you're discussing  
25 increasing your purses from around 130, 145 thousand to

1 hopefully 200, 230 thousand with a reduced schedule.

2 Is that correct?

3 MR. SHUBECK: That's correct.

4 VICE-CHAIRMAN SCHMIDT: Can you just  
5 clarify the business model for me for a little bit?  
6 Purse money comes from Sam Houston. Sam Houston loses  
7 that overhead. They're closed. They're dark. You  
8 have the purse money. Do you anticipate higher  
9 attendance with a higher purse rate? Do you anticipate  
10 a higher simulcast return? Or just supplemental purses  
11 make the races more attractive for the local public?

12 MR. SHUBECK: Sure. The business plan  
13 that we developed anticipates a slight raise in live  
14 attendance. I don't have the number pinned down on  
15 that yet, but we do have the number pinned down on  
16 wagering on live. We expect to be up 15 percent in the  
17 building, and export of our live product we expect to  
18 be up 15 percent.

19 VICE-CHAIRMAN SCHMIDT: That would be due  
20 to simply increasing the purses and making the races  
21 more attractive nationally?

22 MR. SHUBECK: Right, due to better field  
23 size and better all perception of our races  
24 nationally.

25 For the current year, I believe Dave

1 Hooper mentioned this, that we're down 30 percent this  
2 year export of our live signal. The primary reason for  
3 that is the perception of our live product nationally.  
4 I'd say a minor amount of that being down would be the  
5 overall U.S. economy because most tracks are trending  
6 down about eight or nine percent if everything is  
7 equal.

8                   And then we have to go back to what Sammy  
9 mentioned, the ADW that's going on in the State of  
10 Texas. Right now the State of Texas is one of the top  
11 three ADW states in the United States even though it's  
12 illegal. Those ADW companies offer opportunities to  
13 wager everything but Texas tracks. So they don't offer  
14 Texas tracks in Texas, but they offer everything else.

15                   So I could sit in my home in Grand  
16 Prairie or literally I could use my Smartphone right in  
17 this building and I could place a bet on Belmont Park  
18 through Twinspires.com or Youbet.com and I couldn't  
19 have an opportunity to wager on Lone Star. And that's  
20 because it's perceived to be illegal to make a Texas  
21 bet in a Texas area on a Texas track.

22                   So we're losing opportunities. We could  
23 be signing contracts with these ADW companies that  
24 would be giving us handsome proximity fees which we  
25 would share with horsemen to offset some of the decline

1 that we have on-track. And more than 50 percent of the  
2 decline that we're experiencing now on-track in the  
3 last three years is because of the proliferation of ADW  
4 in the State of Texas. That's a fact.

5 And, you know, these things weren't  
6 perceived, you know, over 20 years ago when the Texas  
7 Racing Act was passed. It's frustrating to me and my  
8 colleagues that State Representatives say that, you  
9 know, we're always trying to change the game. We're  
10 not trying to change the game. The game has changed.  
11 And it will continue to evolve.

12 Nobody could have foreseen over 20 years  
13 ago that you'd be playing Pokerparty.com and be playing  
14 Texas Hold'em literally anywhere you want in North  
15 America. Nobody could have foreseen that you were  
16 going to be playing eight-liners all over the State of  
17 Texas which are specifically illegal but there's over a  
18 hundred thousand units. Nobody could have foreseen the  
19 casinos in Shreveport being built up the way they are,  
20 the casinos in Oklahoma, the casinos in New Mexico, the  
21 games of skill in Arkansas. But all of these things  
22 are siphoning dollars away from this and we don't have  
23 the tools to compete.

24 We offer year-round simulcasting in the  
25 Post Time Pavilion. We offer a quality product for

1 live racing. But that's just not enough nowadays.  
2 There's constant advertising to our customers to go to  
3 all these other venues on a year-round basis and it  
4 sucks dollars away from us and the horsemen suffer and  
5 the association suffers.

6 Dave mentioned also how mares are able to  
7 leave the state. Well, we can't leave the state. We  
8 have a racing license here in Grand Prairie and we have  
9 to sit tight and we have to try to educate our State  
10 legislators and leadership in the state to show that we  
11 need the tools to compete with these out-of-state  
12 venues and these venues that can reach within the state  
13 and grab our customers and they can sit in their home  
14 in Grand Prairie or Keller and they could have a pretty  
15 quality experience wagering on races and watching TVG  
16 or HRTV on their broadband Internet connection and not  
17 have to come to Lone Star Park. And that hurts us  
18 all.

19 VICE-CHAIRMAN SCHMIDT: Just for  
20 clarification then, nationally, ADW is down about 10  
21 percent export?

22 MR. SHUBECK: Well, not ADW.

23 VICE-CHAIRMAN SCHMIDT: ADW is up.

24 MR. SHUBECK: No. Actually pari-mutuel  
25 racing as a whole is down that. The Jockey Club and

1 Equibase track those figures on a monthly basis and  
2 they've been tracking down seven, eight, nine percent  
3 on a monthly basis.

4 VICE-CHAIRMAN SCHMIDT: But our export is  
5 down?

6 MR. SHUBECK: Our export is down about 26  
7 percent right now. So our attendance is up for this  
8 meet two percent. Our wagering in the building is down  
9 12 percent. And our export is down 26 percent.

10 VICE-CHAIRMAN SCHMIDT: But you think  
11 that is less reflective of the purse structure and more  
12 of a fact that you're basically blacked out of most of  
13 the ADW wagering?

14 MR. SHUBECK: Well, I think it's a  
15 reflection of our quality of wagering, our product as a  
16 whole, because when we have short fields and we have  
17 cheaper races going, you know, our handle is down more  
18 than on when we're showing a quality product out  
19 there.

20 VICE-CHAIRMAN SCHMIDT: Great.

21 MR. SHUBECK: I mean, where I used to  
22 work in New Jersey -- I ran Monmouth Park and The  
23 Meadowlands for a long time. And they're doing an  
24 experiment this year. They're calling it their million  
25 dollars a day in wagering -- in purses. And their

1 numbers are up double digits. Their export is up  
2 phenomenally. I believe their export is up to several  
3 million dollars a day because of the high purses  
4 they're offering.

5 Those purses are attracting better  
6 horses. They're having field sizes which are  
7 phenomenal, especially for that area of the country.  
8 So it shows you there is a market out there for quality  
9 racing; but as the racing declines in quality, there's  
10 less and less of a market.

11 VICE-CHAIRMAN SCHMIDT: Thank you.

12 MS. YOUNG: Can I follow up on one thing  
13 Drew just said? Because I think this would be  
14 helpful.

15 VICE-CHAIRMAN SCHMIDT: Yes, please.

16 MS. YOUNG: Every day I get a report that  
17 says here's the amount wagered at every single track --  
18 you know, that everybody at Sam Houston wagered on  
19 these various tracks. And to follow up on what he said  
20 on Monmouth Park, the amount -- the total amount  
21 wagered at Sam Houston has been flat or slightly down  
22 this summer. And when I look at the tracks, though,  
23 Monmouth Park is up 150 percent at Sam Houston and Lone  
24 Star is the biggest loser in that equation. They're  
25 down the most of anything that we're carrying right

1 now.

2 And I think that's really an example.  
3 You know, people are still wagering a certain amount,  
4 but they're shifting their dollars. They're saying,  
5 "Hey, we'd like to bet on this type of product instead  
6 of this product." You know, I send that to Drew  
7 frequently.

8 VICE-CHAIRMAN SCHMIDT: For  
9 clarification, they're betting on allowance races as  
10 opposed to claiming races, bigger fields as opposed to  
11 smaller fields.

12 MS. YOUNG: Yeah. I'm not, you know,  
13 very familiar with their program and what types of  
14 races they're running, but certainly the purse  
15 structure is, you know, eight times.

16 VICE-CHAIRMAN SCHMIDT: And Monmouth  
17 receives approximately 30 million dollars from the  
18 State of New Jersey from their gambling revenue?

19 MR. SHUBECK: I believe so.

20 VICE-CHAIRMAN SCHMIDT: Mr. Hooper?

21 MR. HOOPER: Mr. Chairman, it came to my  
22 attention that I intended to, in that 10-year summary,  
23 also get into the record the amount of horse breed  
24 incentive program money that was available in 2000 in  
25 Texas was 5,800,000. Now, that's Thoroughbred, Quarter

1 Horse, Arabian, and Paint. In 2009, it's 3,796,000,  
2 down 2,100,000.

3 By comparison, in Oklahoma, in 2000, it  
4 was two million. In 2008, it's 5,174,000. In New  
5 Mexico, in 2000, it was 2,100,000. In 2009, the last  
6 year that I have available, it's 4,460,000. And for  
7 Louisiana, the first year that was available was 2001.  
8 The amount for Thoroughbreds only, not -- Quarters  
9 aren't in this number -- 2,115,000, and for  
10 Thoroughbreds only in 2008, 23,700,000. That's an  
11 increase of more than 21 million dollars in the  
12 Louisiana breed program for Thoroughbreds in just  
13 seven, eight years.

14 VICE-CHAIRMAN SCHMIDT: Do you have  
15 any -- Mr. Hooper, do you have any accurate numbers of  
16 the number of farms, breeding -- established breeding  
17 farms in Texas which have moved to Louisiana in light  
18 of those numbers, in light of those incentives?

19 MR. HOOPER: I do not have specific  
20 numbers. I do have a list of farms that are no longer  
21 operating in Texas which I can make available to you.

22 VICE-CHAIRMAN SCHMIDT: I think that  
23 would be useful, yes.

24 Let's turn now to the public comment  
25 section. And again, for the benefit of the court

1 reporter or the reporter, could you just please state  
2 your name and spell your last name?

3 Mr. Joe Kerby from Salado, Texas?

4 Mr. Kerby, are you here?

5 MR. KERBY: People find it strange for me  
6 to be quiet.

7 This is -- I'm Joe Kerby, J-o-e  
8 K-e-r-b-y.

9 VICE-CHAIRMAN SCHMIDT: Thank you, sir.  
10 Welcome.

11 MR. KERBY: Basically what we've done is  
12 put together a proposal for the race days based on the  
13 line-for-line versus what the racetracks handed out at  
14 the meeting earlier this year. There's only a few  
15 things that I'd like to point out. It's rather  
16 lengthy.

17 If you look at the back of the proposal,  
18 there is a couple of quotes from Tommy Azopardi  
19 concerning the effects of mixed meet racing in the  
20 State of Texas and how the HBPA could not support mixed  
21 meet racing. And there's also some quotes in the back  
22 concerning the transfer of monies between Retama and  
23 Houston and all that because of the hurricane.

24 VICE-CHAIRMAN SCHMIDT: I guess,  
25 Mr. Kerby, since we just received this or I just

1 received this this morning, could you just summarize  
2 your key points and how you would do things  
3 differently?

4 MR. KERBY: My key points are basically  
5 that the purse money and stuff like that, part of  
6 the -- it doesn't reflect the change. The dollars  
7 they're talking about doesn't reflect a change because  
8 of the Hurricane Ike. And when you take the racing  
9 dollars -- purse dollars generated from Houston and you  
10 move those race dates to Retama, Retama is not going to  
11 generate the same amount of purse dollars that Houston  
12 would have with the same number of days. And so  
13 basically it doesn't reflect in all these projections  
14 that are being made.

15 The other thing my proposal has in it,  
16 with the new ownership of Lone Star, we would all  
17 expect that the purse money generated would go up. We  
18 know Global doesn't have the track yet, but they're --  
19 looking at what they've done at Remington Park, they've  
20 already taken the signal from Remington and put it out  
21 to new venues. They've also gone towards -- I  
22 understand they purchased one of the smaller companies  
23 from Magna to basically tie the signals together and  
24 expand the -- expand the signals. And so that's in  
25 there.

1                   But basically what we did was we took  
2 line for line everything in the proposal or everything  
3 that the tracks put out at that other meeting and went  
4 line for line how it would impact the farms and the  
5 horsemen in the State of Texas. So there's nothing in  
6 here rather than just a rebuttal of that document that  
7 they put out for everyone.

8                   VICE-CHAIRMAN SCHMIDT: Sammy?

9                   MR. JACKSON: I think it would be  
10 helpful, Mr. Kerby, if you could answer a couple of  
11 these questions about the plan.

12                  MR. KERBY: Okay.

13                  MR. JACKSON: Does the plan specifically  
14 lay out a race date calendar? And if so, could you put  
15 into the record what the recommended race dates in your  
16 plan would be for each of the tracks?

17                  MR. KERBY: Basically we took their  
18 numbers. And the race date calendar is in here. It's  
19 in the back. It should be about like page six. I'm  
20 sorry. Yes, it is page six, an equitable proposal for  
21 racing in 2011 and 2012.

22                  We basically took \$180,000 per day for  
23 Lone Star because in their little graph they did to  
24 include Sunland Park into the racing circuit, they run  
25 at \$180,000 a day. \$180,000 per day for Lone Star

1 would actually be an increase over this year by \$25,000  
2 a day. Retama Park, 30 days at \$80,000 a day; Sam  
3 Houston, 52 days at 110,000. Total purse distribution  
4 would be 20 million dollars approximately.

5 And like I said, it's based upon the  
6 information or projections that if you go back two  
7 years, barring a hurricane, barring another 9/11,  
8 barring any other natural disaster, that we think that  
9 the purse level generated with the racing days will  
10 actually bounce back a little bit. And I think that's  
11 as good a guess as anybody else can put out right now.

12 MR. JACKSON: Okay. For a little further  
13 clarification, we're talking about 52 days of  
14 Thoroughbred racing at Sam Houston Race Park, 30 days  
15 of racing at Retama Park? Is that what you were  
16 saying?

17 MR. KERBY: Yes, sir. 65 days at Lone  
18 Star.

19 MR. JACKSON: And 65 days. And those are  
20 all Thoroughbred days.

21 MR. KERBY: All Thoroughbred days.

22 MR. JACKSON: These do not take into  
23 account a mixed meet or your plan doesn't have anything  
24 to do with Quarter Horse racing.

25 MR. KERBY: No mixed meet, no Quarter

1 Horse racing at all. Basically you're -- like I said,  
2 there is in here -- the impact of a mixed meet is in  
3 the -- one of the industry -- basically Tommy Azopardi  
4 explained that real well years ago. We just -- he's  
5 got three pages of it in there. We just highlighted it  
6 and put it in there for everybody to read. It's  
7 already done.

8 But the rest of this about being  
9 proactive and averting a crisis, all these heads come  
10 right off of their proposal -- or not their proposal,  
11 what they handed out. That was their handout. And so  
12 we just answered all the questions that they put out.  
13 That's it. And then our projections and everything  
14 else is just pretty straight out.

15 We did not get into the financials of the  
16 racetracks because there's a lot said that they'll be  
17 bankrupt and all that kind of wonderful stuff. We've  
18 got those. They've been evaluated. We really don't  
19 think that that's necessary to put that out at this  
20 time.

21 MR. JACKSON: And one more question about  
22 specificity on the dates calendar.

23 MR. KERBY: Okay.

24 MR. JACKSON: Are those dates that you're  
25 proposing in the traditional time slots that they've

1 run in the past?

2 MR. KERBY: Absolutely. Without  
3 year-round racing, a 50 percent cut in dates, you can  
4 basically count 50 percent of the farms, 50 percent of  
5 the people, 50 percent of the money, everything will be  
6 gone.

7 And also -- you can read also -- there's  
8 a deal in here from -- also from Tommy Azopardi to  
9 Charla Ann King at the Racing Commission stating his  
10 appreciation for the moving the race dates from Houston  
11 to Retama because without the winter racing that the  
12 Texas industry would be basically decimated. So that's  
13 in there also.

14 There's also -- we did put some of the  
15 stuff in for Oaklawn because Oaklawn keeps getting  
16 looked over a little bit. Instant racing machines at  
17 Oaklawn basically generated 250 million dollars last  
18 year. 10 percent went into purses, which is 25 million  
19 dollars.

20 The instant racing machines themselves  
21 are basically a form of gaming on races that have  
22 previously been run. We know that Retama has sold  
23 instant race -- some of their old races to instant  
24 races -- instant race gaming.

25 So it's a really phenomenal machine.

1 It's a phenomenal game because what makes it so unique  
2 is that people that play the game actually develop the  
3 skills to handicap races. And so they play the games;  
4 and then when their live race meet came up, all of a  
5 sudden all these little gray-haired ladies are out  
6 there betting on horses. And the impact of that thing  
7 is just incredible.

8                   The other part of the deal is Lone Star  
9 does have games of skill now, video poker and those  
10 other things. But even with those in place, the  
11 revenue generated from instant racing machines has  
12 continued to go up. Instant racing machines were put  
13 in in 2000 at Oaklawn Park. Basically we believe those  
14 machines would be illegal -- would be legal with one  
15 word change in the Racing Act. And that is another  
16 source of revenue and purse structure that we've just  
17 absolutely been overlooked and ignored for the last 10  
18 years.

19                   Next question?

20                   MR. JACKSON: I have no more questions.  
21 I believe he outlined his calendar pretty well. The  
22 associations may have questions, however.

23                   VICE-CHAIRMAN SCHMIDT: Yes.

24                   Ms. Haynes?

25                   MS. HAYNES: I have a question,

1 Mr. Kerby. On here you said you expect Global to  
2 expand the export handle. And we all know handle is  
3 what drives the purses. How do you expect Global to do  
4 that? I'm just asking because three weeks ago I was in  
5 Vegas. They weren't even showing Lone Star. I tried  
6 every channel.

7           And I went up to the window and I asked  
8 them in the racebook. I said, you know, "Why aren't  
9 you showing Lone Star?" He said, "Well, ma'am," he  
10 said, "we don't show it because the purse is too low,  
11 the quality of races. Nobody bets on it." And I said,  
12 "Well, I'm from Texas and I've always bet on Texas  
13 racing, so I want to see it. Can you put it on?" He  
14 said, "Sure."

15           And this was the first time ever, you  
16 know, and we go, I don't know, three or four times a  
17 year for 10 years. So I thought, well, maybe it's just  
18 this one casino. So I went to two other ones and it  
19 was the same thing.

20           I mean, Global cannot -- I don't see how  
21 they can change the United States, you know, opinion on  
22 when -- on racing when the purses are this low. I  
23 mean, it is a public perception. You know, they think,  
24 "Well, these horses that are running for this kind of  
25 money, they can't be very good. So, you know, I'm not

1 going to bet on that track."

2                   You know, and also my other question was  
3 these --

4                   MR. KERBY: Let me do one at a time. I'm  
5 not very bright.

6                   MS. HAYNES: Okay.

7                   MR. KERBY: Basically Global -- I visited  
8 with Michael Chang. I've talked to people at  
9 Remington. And they put -- first rattle out of the  
10 box, they put the signal out to all the indian casinos  
11 and networks across the country. It helps quite a  
12 bit. They do have a plan to expand the signals  
13 globally. They're not named Global for nothing.

14                   And the plan also -- as far as the  
15 quality of racing, stuff like that, being an occasional  
16 bettor also, the quality issue is really poorly done  
17 because a bettor wants full fields to spread out the  
18 money and bettable races.

19                   What we're seeing this year at Lone Star,  
20 in my opinion, is that we've got -- average winning  
21 odds have dropped like a rock. You've got -- the way  
22 the races are written, they're not written to be  
23 competitive races. That's more of a function of the  
24 racing secretary to make sure that they put the best --  
25 the most competitive horses in the same race so it

1 spreads the money out and you've got a chance to have  
2 bigger payouts for exactas, trifectas, whatever.

3           You can look at years past, when  
4 Mountaineer Park was not running at very much money, it  
5 was a great place to bet because of full fields,  
6 competitive races, and that's what the bettors go for.

7           As far as selling the signals,  
8 perception, sure, you're going to have some perception  
9 problems right now. You can look at -- a Grade 3  
10 stakes race at Lone Star probably doesn't get as much  
11 money -- well, I'm sure it doesn't get as much money  
12 bet on it as what you have in an allowance race at  
13 Churchill Downs because they're tied together.

14           So bettors look at the card and the depth  
15 of the card, the number of horses in the races, and all  
16 that kind of stuff. So that's where that's at.

17           Question 2?

18           MS. HAYNES: Yeah. The comments you have  
19 from Tommy Azopardi for mixed meets goes back to 2002.  
20 I mean, that was a total different economy than it is  
21 now. And so, you know, our thought behind the mixed  
22 meet was to try to help horsemen, since the days are  
23 going to be cut, to try to give them opportunities to  
24 run other than, you know, at Lone Star Park, and  
25 especially, you know, the one -- you know, the trainers

1 that are located further south in the state, you know,  
2 to be able to run at Retama and Sam Houston.

3 So, you know, what he says in there, his  
4 perception of mixed meets from 2002, I don't think  
5 really you can use that same, just because of the total  
6 economy change, you know, from what it is now from back  
7 then.

8 MR. KERBY: Well, just read it. I'm  
9 pretty sure it -- to me, it's pretty self-explanatory.

10 But one of the places that they said to  
11 look at for your winter racing is Sunland Park. That  
12 is a mixed meet. That is four New Mexico-bred races a  
13 day. So you're only looking at three Thoroughbred  
14 races a day that they're suggesting to fill in your  
15 winter racing days. I mean, this is an answer to them,  
16 whoever -- nobody signed it, but whoever put together  
17 that little information sheet from the last meeting.

18 The mixed meet format at Manor is great.  
19 Gillespie is great. Those are fun places to go. But  
20 as far as to being able to sell the signal and make  
21 more -- put more money in the purses and all that kind  
22 of stuff and to -- in my mind -- I'm not a trainer.  
23 But in my mind, it's hard to -- really hard for a  
24 trainer to put together a group of horses, a stable of  
25 horses, to go down there to run at basically three

1 races a day. I mean, come on. It's just not a  
2 practical thing at all. Okay?

3 VICE-CHAIRMAN SCHMIDT: Any other  
4 questions?

5 I did want to comment, Mr. Kerby. I  
6 think everyone in the room appreciates the dire  
7 circumstances that Texas racing is dealing with right  
8 now and it is easy to be critical. And I'll actually  
9 speak for the Commission. I'm very, very appreciative  
10 of you taking the time to put this down in writing to  
11 give us something to review. And I assure you it will  
12 be reviewed and reviewed seriously and I appreciate  
13 your efforts there in giving us other proposals to  
14 consider. Thank you very much, sir.

15 Actually, I have one additional question,  
16 too. In just trying to review this while you were  
17 speaking, it's clear that you're -- I think you speak  
18 for yourself certainly and perhaps a subset of horsemen  
19 who would prefer more dates at a lower payout per race  
20 and per day.

21 I think our purse structures now average  
22 around 14 or 15 thousand dollars per race. Is there a  
23 number which you would find too low?

24 MR. KERBY: Well, you know, there's a  
25 comment in here from -- that we took from one of our

1 clients that's out of state. And basically his comment  
2 was that he has -- because of the purse structure,  
3 because of the status quo in Texas, because of where  
4 we're at right now, he has adjusted his horses to be in  
5 Texas because of what it is.

6 And so basically if you radically change  
7 the status quo, he's got to radically change his entire  
8 program. His horses will leave Texas. He cannot leave  
9 the mares and babies and be trained for 60 days a year,  
10 I mean, for one 60-day meet. It does not work. And so  
11 his whole investment in Texas, to board his mares at my  
12 place, to, you know, invest in the stallions, to pay  
13 the trainers and everything else, it just does not work  
14 on 60 days a year. It can't be done.

15 And the biggest reason that his horses  
16 are with me and other shareholders' horses are with me  
17 is the chance for year-round racing and the stallion  
18 stakes, the Texas Stallion Stakes, because it's a  
19 limited group that you're running against and the money  
20 is pretty good.

21 There is a filly which some of you guys  
22 may have heard of called Wrenice that was champion  
23 two-year-old in Texas. She's by one of our stallions.  
24 She was born at my house. She was bred at my house  
25 this year. And she won \$240,000 as a two-year-old.

1 That's the highest earning two-year-old Texas-bred  
2 ever.

3 All the money come from Texas. She won  
4 two of the stallion stakes, second in the sales  
5 futurity, and this filly ran the third fastest Beyers  
6 in the United States and she stayed in Texas for fans  
7 to go watch. When she went to -- was entered in the  
8 races, people drove for miles to see her.

9 If you take -- if you do this and if you  
10 do their proposal, that star is gone and she's gone  
11 fast and that trainer that would have had her would  
12 have been out a lot. And so there's -- it's definitely  
13 real, all over the place.

14 As far as the mare numbers and the  
15 stallion numbers and the farms, there were 14 viable  
16 Thoroughbred breeding farms when we got here. I  
17 managed the Oklahoma State University program for 14  
18 years before I came here, so I had a little background  
19 in this thing.

20 And part of the reason I came to Texas  
21 and did seminars every year and we evaluated -- part of  
22 my job was to evaluate state breeding programs and give  
23 the people an every-other-year summary and all those  
24 kind of wonderful things.

25 And -- but the reason we came to Texas is

1 because I didn't think that the Texas industry would  
2 sell out, that they would stay within Texas. And it  
3 was kind of a shock when I got here what happened after  
4 we got here, but so be it.

5 A lot of the reason that we lost the  
6 farms, that we've lost the mares, stuff like that, is  
7 the change in policies. Changing in the breed-back  
8 rule was a huge, huge impact on the breeding industry  
9 in Texas. And even before all these other things  
10 happened, we were already getting an exodus in mares.

11 These other states, Louisiana, Oklahoma,  
12 New Mexico, as soon as they got additional gaming, they  
13 changed their breed-back policies to help retain those  
14 horses in the state.

15 Part of the reason that Louisiana has  
16 such a huge increase in stallions and it's a -- it's to  
17 the point of being ridiculous. It is because the  
18 stallions have to be in -- the mares have to be bred in  
19 the state.

20 This is the first year in Oklahoma --  
21 which is not good for me, but this is the first year in  
22 Oklahoma. Their breed-back rule goes back in place  
23 this year. Those mares in Oklahoma this year, next  
24 year -- no. This year -- well, either this year or  
25 next year have to be bred in Oklahoma in order to be

1 producing Oklahoma-bred foals. So that's the reason  
2 their breeding numbers will go up this year even though  
3 they were down last year. Everybody ran out of state  
4 last year.

5 Part of the reason for the total number  
6 impact across the United States that has dropped on  
7 foal production was that Kentucky pretty well  
8 annihilated all the state and regional breeding  
9 programs across the nation. Texas was just the last  
10 one to give it up. Maryland, Virginia, New York, Ohio,  
11 Illinois, you can just -- it's just like dropping  
12 dominoes across there once they opened up the  
13 breed-back rules in those states because the  
14 breeding -- the breed-back rules, the breeding funds  
15 created a stakes opportunity for those state-bred  
16 stallions. And so when they were restricted, the  
17 state-bred stallions were producing enough stakes  
18 winners that they were actually making an impact on the  
19 stallions in Kentucky.

20 So the Kentucky boys are a way lot  
21 smarter than the locals, so they get back on the -- the  
22 people on the boards and stuff like that get those  
23 rules opened up and then they just hammered those  
24 stakes state by state on recruiting those mares out of  
25 the states. They took the cream off the top. And

1 basically all those states -- even without additional  
2 gaming and all that stuff, all those states started  
3 dropping because people want to go see their fans.  
4 They want to see their neighbors do well. They want to  
5 have -- root for the Texas horse, the Texas guy, the  
6 Texas deal. So that's my opinion on that.

7 VICE-CHAIRMAN SCHMIDT: Any other  
8 questions?

9 Great. Thank you very much, sir.

10 MR. JACKSON: Did you all have any  
11 questions of Mr. Kerby? Okay.

12 VICE-CHAIRMAN SCHMIDT: The next  
13 gentleman signed up to speak is Mr. Roger Williams,  
14 Williams Thoroughbreds. Mr. Williams?

15 MR. WILLIAMS: I want to thank you all  
16 for having this. This is an opportunity for people  
17 like me. And I like to call myself -- I'm not proud of  
18 the fact, but I am a bottom feeder in this industry. I  
19 breed a few horses every now and then. I break them.  
20 I raise them. I train them. I get my babies shod by  
21 my son. It's a one-man operation. I clean my stalls.  
22 I brush them. And a lot of things don't happen good  
23 because I'm not very smart. My horses run at a  
24 disadvantage because I'm the trainer.

25 When I got up here and looked at all this

1 good stuff you provided for us, it reminded me of a  
2 time at A&M that I had an emergency paper I had to  
3 present. I forgot about it. I had classes on Tuesday  
4 night, Monday. I had to come up with a paper that  
5 described the Texas education system, the number of  
6 school districts, and all the facts that go into it.

7 Now, being a good Aggie and being  
8 inventive, I pulled out my Texas Football magazine and  
9 I came up with a report. That's kind of like what I am  
10 now with you all. I have the Thoroughbred Times, one  
11 week, that has the numbers in it that show what I'm  
12 going to talk about for a little bit.

13 Joe is kind of a quiet guy. He doesn't  
14 talk very long. And I talk a lot. I'm teasing.

15 Again, thank you all. This is the -- I  
16 want to -- the Commission has been good to me. They've  
17 put up with me and they've answered me. And I think  
18 that's really good. And I don't know the format, if  
19 I'm going to do this right, so just correct me.

20 I can't remember your name, lady from Sam  
21 Houston. How did the Monday night racing go last  
22 spring?

23 MS. YOUNG: The Monday racing went okay.  
24 On outbound it did about -- a little bit above average  
25 than what we did the rest of the meet. On-track was

1 lower than what we did the rest of the meet.

2 MR. WILLIAMS: For some reason, something  
3 like 1,500,000 was bet the last night?

4 MS. YOUNG: We probably handled over --  
5 I'm pretty sure we handled over a million dollars from  
6 outbound, yeah.

7 MR. WILLIAMS: Would we agree that -- and  
8 again, I'm Roger. I'm not real sharp. Would we agree  
9 that the driving force in any racetrack would be the  
10 overnight purses? Isn't that where the bet money comes  
11 from? Isn't that where the good horses come from? I  
12 don't mean your stakes horses. I mean the day-in and  
13 day-out horses. The overnight purse kind of generates  
14 that, right? You get good horses if you've got good  
15 overnight purses.

16 MS. YOUNG: I think that's a reasonable  
17 assumption. I mean --

18 MR. WILLIAMS: You agree?

19 Just looking at this little thing, this  
20 is called "Purse Distribution by Track". And it's  
21 about two weeks old because I haven't -- I live in the  
22 country and the mail is slow. I don't get it always.  
23 But it says Lone Star Park has an average overnight  
24 purse of \$12,623. Is that about right for this year?

25 MR. SHUBECK: That's right.

1                   MR. WILLIAMS: It says Evangeline Downs  
2 has \$15,719. And it says that Louisiana Downs has  
3 \$14,323. And, you know, I thought that the purses were  
4 a lot more exaggerated than that. It says that the  
5 average purse at Evangeline is -- I mean, the average  
6 purse, daily purse, is 165,000. It says that the  
7 average daily purse at Louisiana Downs is 146,000. And  
8 the average purse at Lone Star Park is 155,000. That's  
9 total purses for a day. Is that pretty close?

10                   MR. SHUBECK: That's close.

11                   MR. WILLIAMS: Okay. The difference is  
12 Lone Star Park has, according to this, 26 percent of  
13 that purse money going into stakes races. Evangeline  
14 Downs has four percent going into stakes races. And  
15 Louisiana Downs has about 14 percent.

16                   So if you want to improve the quality of  
17 horses at Lone Star Park and if we're in this dire  
18 situation that we are in, doesn't it make sense that we  
19 could get more horses, more better horses to run, if we  
20 raise the overnights?

21                   MR. SHUBECK: That's a good point. And  
22 I'd like to say that at Lone Star we do have a purse  
23 goal for overnights versus stakes; and at that point in  
24 our meet, because we front load our stakes, it's on a  
25 percentage basis higher. So I think you'll see by the

1 time -- at the end of the meet, when those end-of-meet  
2 figures come out, it will be more like 18 or 19 percent  
3 because those figures were for races run at that point  
4 when that magazine was printed.

5 And I agree with you to some extent. We  
6 cut stakes -- in cooperation with the Texas Horsemen's  
7 Partnership, we cut stakes on a -- I believe it was  
8 almost 30 percent, Terry.

9 MR. BLANTON: That's correct.

10 MR. SHUBECK: It was the highest  
11 percentage stakes cut in the United States last year.

12 I've got colleagues that run Calder  
13 racetrack. I've got colleagues that run racetracks in  
14 New Jersey and in Maryland. And we were all on a  
15 conference call sometime in January and we were  
16 comparing notes. And, you know, nobody likes to talk  
17 about purse cuts and stakes cuts; but unfortunately, I  
18 was the leader of that conversation that day.

19 So we share your view. You can't be  
20 weighted too heavily in one direction. But you still  
21 have to preserve something. You need some goal for  
22 every horseman.

23 I was a small breeder in New Jersey,  
24 probably smaller than your operation because of land  
25 expenses in New Jersey. I was a backyard breeder. But

1 I didn't dream of winning a nickel maiden race. I  
2 dreamed of winning a stakes race at Monmouth Park or a  
3 stakes race at Atlantic City. So I bred horses with  
4 speed in mind to try to win one of those races. And  
5 unfortunately, dreams don't come true and I wound up in  
6 those smaller races and was thankful to win, you know,  
7 a maiden nickel at Atlantic City to just offset some of  
8 the expenses. So I hear you loud and clear.

9           Some mention before was made by Joe about  
10 Global Gaming. I've worked with these guys for almost  
11 a year now and it is a good group and we're looking  
12 forward to working with them long and hard into the  
13 future. I think together we can open up other avenues  
14 for export of our signal.

15           We've been working actually with  
16 TrackNet, which is a creation of Magna and Churchill  
17 Downs, and we had -- it had to go away because of some  
18 antitrust issues, but I'm sure it's going to regenerate  
19 itself into something else and we're going to be  
20 working within a company like that to export signal  
21 sales and try to get them in the right direction.

22           We're also talking to TVG to get our  
23 races on a broader platform than just HRTV, so that  
24 should increase export sales as well.

25           And we will look in 2011 at the

1 percentage paid in stakes versus overnights because the  
2 goal for 2011, at least my personal goal, is to get  
3 that maiden special weight that's about 20,500 -- to  
4 get that to about the 36,000-dollar range. And you  
5 can't get that by a percentage basis of the purse  
6 increase that we're proposing. Some of that money is  
7 going to be coming from stakes.

8           So I hear your message. I would say  
9 except for preserving our graded stakes -- we've got  
10 four left now and we want to keep that in our portfolio  
11 because that's a valuable asset not only for the owner  
12 of the horse that wins the race but to lure horses in  
13 to compete with local horses for those stakes races.

14           So everything is on the table for 2011.  
15 We've got quite a number of exciting things to  
16 announce. We're working with the Texas Racing  
17 Commission for some minor rule changes on the  
18 pari-mutuel side.

19           MR. WILLIAMS: I'm a little slow. You're  
20 giving me information. I can't digest all of it this  
21 quick. Can you slow down a little bit on me or let  
22 me --

23           MR. SHUBECK: All right. Well, there  
24 will be a transcript of this available. And  
25 unfortunately, we're going to be repeating ourselves a

1 lot through subsequent meetings.

2 But, you know, I would say, for Lone Star  
3 Park, the future is bright. We need to get across some  
4 legislative hurdles which are very large. But I didn't  
5 come down here to run bad racing. I could be sitting  
6 at Monmouth Park right now running million-dollar-a-day  
7 racing, but I chose to work for Frank Stronach. I've  
8 been working with him for almost a decade now. I'm the  
9 longest survivor. If we were playing the game of  
10 Survivor, there's not too many people that have got  
11 more seniority on me than working for Frank. And  
12 that's not because I'm slow either.

13 I love racing. I want to see the best  
14 for racing. And the only way you get what you want in  
15 the long run is to have a good plan. We've got a good  
16 plan. We're working with Global Gaming and their other  
17 interests. We've got a great plan working with the  
18 Texas Horsemen's Partnership and the breeders in this  
19 state. And everybody in this room only wants the best  
20 for Texas racing.

21 But it's how we get there and what we've  
22 got to get through for the next 12 to 24 months before  
23 we get the people in Austin to take notice of us and  
24 give us some extra tools so we can raise the purses to  
25 phenomenal levels and also have racing days that are at

1 the phenomenal level as well.

2                   And I hear Dave loud and clear that  
3 there's probably going to be less than a thousand foals  
4 born in Texas in 2011. That disheartens me because  
5 everybody knows only half of those foals are ever going  
6 to compete in a maiden race and probably only another  
7 half are going to win a maiden race. So when you boil  
8 down the numbers like that, it gets really  
9 frightening. But that's enough foals to get us started  
10 and I see that number increasing dramatically  
11 throughout the rest of the decade if we get some  
12 legislation passed.

13                   MR. WILLIAMS: One thing that was  
14 mentioned -- and I take a little exception to it  
15 because I am at the bottom end of this. But I've  
16 looked at the results. I live out of town, so I don't  
17 get to come up here except when I'm racing. And I haul  
18 every time I go. But I keep up with what's going on.  
19 I like to look at the results and I go to Equibase and  
20 do that.

21                   But a good example of what I'm trying to  
22 say is two or three weeks ago I ran a mare in a  
23 Texas-bred maiden claiming 7500. It doesn't get any  
24 lower than that, right? Absolutely the worst field of  
25 mares you ever saw in your life. I mean, when I looked

1 at it, I said "I'm going to cash a check tonight."

2 Right? Sorry. I mean, on paper those  
3 mares didn't have a lick of a chance, none of them. If  
4 we beat the ambulance, we would have been in good  
5 shape. That's the way it looked like in that race when  
6 you handicapped it. You know, that race had the  
7 highest handle of the whole night, almost \$70,000. So  
8 it's not necessarily the quality of horses as much as  
9 it is the number of horses.

10 MR. SHUBECK: Right. And there's a lot  
11 of elements that goes into that. I mean, I've run not  
12 only Thoroughbred tracks, but I've run harness tracks,  
13 and a lot of it can have to do with the placement of  
14 the race on the card. A lot of it has to do with  
15 what's going on in our simulcast world at that period  
16 of time. A lot of it has to do if a horse went back  
17 for a shoe repair or had to have a change of rider or  
18 adjust a girth. There's a lot of things that go into  
19 it.

20 But I would say that the most critical  
21 things to have the highest level of handle on a  
22 particular race on a card are a competitive race,  
23 meaning not having a one-to-five shot in the race, a  
24 fuller field, and probably going long on the turf.  
25 Those are probably the elements that will get you

1 noticed in your card.

2                   What that doesn't do, though, is get your  
3 race card noticed. There's a lot of people out there  
4 wagering on a lot of tracks at any given time. And to  
5 get your race card noticed, you've got to have a buzz  
6 out there. There's got to be people talking about  
7 you. There's got to be a little media attention. I'm  
8 sure Mary Rampellini is in this room or watching us on  
9 TV right now. So if people are writing about you out  
10 there and there's something exciting happening in the  
11 DFW market, people are more apt to pay attention to  
12 your races and there's going to be more cash available  
13 to bet on those races.

14                   MR. WILLIAMS: Can I address that?

15                   MR. SHUBECK: Sure.

16                   MR. WILLIAMS: If you get \$230,000 a  
17 night or a day, if you get that, that's going to put  
18 you only in the top 10 racetracks. Right now you're  
19 sitting at about -- I didn't count you up. But anyway,  
20 you're not going to be up there in the top five or  
21 six. You're still going to be competing with Belmont,  
22 Arlington Park, and on and on and on down, people who  
23 have --

24                   MR. SHUBECK: Those are some neat names  
25 to compete with, though, aren't they? It's better than

1 competing with the next rung.

2 MR. WILLIAMS: Will it make the  
3 difference? That's the difference. Will it make  
4 enough difference to justify what it's going to do to  
5 Texas, to the Texas racing industry? And that's what I  
6 want to talk about mostly, the Texas racing industry  
7 right now.

8 MR. SHUBECK: Sure. What I would say is  
9 it will make us the best nighttime signal available on  
10 Thursday and Friday nights, particularly early in the  
11 meet before Churchill goes into their night mode.  
12 We're considering doing Saturday nights after the  
13 Belmont Stakes is over next year, for some reasons, to  
14 get away from this Texas heat, to give the horses and  
15 the riders and the grooms that have got to lead these  
16 things over --

17 MR. WILLIAMS: I used to be a trainer.

18 MR. SHUBECK: Well, I used to lead them  
19 over when I was a kid and I wouldn't want to do that  
20 now. But to give them a little bit of a break. So  
21 we're looking into things that will put us into a niche  
22 that will get us noticed.

23 I mentioned, you know, a little different  
24 wagering pattern. I talked about higher purses. We  
25 talked about new ownership. We want to have about 15

1 things to brag about for the 2011 meet.

2 MR. WILLIAMS: I don't think anybody here  
3 would disagree that this plan is excellent for the  
4 tracks. It's great. It's going to help you all. But  
5 when I see "Texas Horsemen's Partnership," I look at  
6 the racing industry as a partnership. We're all in  
7 this together. And I feel very much -- very strongly  
8 that if we go through with this, we will be lucky to  
9 keep 200 -- out of \$230,000, if we keep \$20,000 of that  
10 money in Texas, we'll be lucky. You're going to import  
11 because the money will be here. You're going to have  
12 stables come from out of the state from all over the  
13 country and they're going to take most of that money  
14 back out of the state.

15 MR. SHUBECK: I wouldn't say we would be  
16 able to take stables from all over the country, but I  
17 would say in our region that we would draw a stronger  
18 group of horsemen. I would have to say that.  
19 Otherwise I wouldn't be up here --

20 MR. WILLIAMS: I wouldn't disagree with  
21 that. The competition here will be fantastic next year  
22 if you get this. But what is that going to do to the  
23 Texas racing industry? It's good for you. It's good  
24 for those trainers outside of Texas who are coming in  
25 with the big bucks. But \$200,000 or \$210,000 a day is

1 going to leave Texas. That means feed stores won't  
2 have feed. That means people who work on the backside  
3 won't have jobs. It's going to negatively affect  
4 Texas. And I don't think we can disagree with that  
5 because the money is going to leave.

6 MR. SHUBECK: I think I can disagree with  
7 that. I'd say that regional horsemen and horsemen  
8 based here in --

9 MR. WILLIAMS: You said regional.

10 MR. SHUBECK: That's right.

11 MR. WILLIAMS: We're talking Texas.

12 MR. SHUBECK: And believe it or not,  
13 though, you are part of a region. You're part of a  
14 region that includes Oklahoma. You're part of a region  
15 that includes Louisiana. You tell me you don't jump  
16 across that border occasionally and do something --

17 MR. WILLIAMS: Those people over there  
18 already have a lot more than we have going for us. I  
19 mean, we've been talking about how bad this industry  
20 is. Yeah, we're in bad shape.

21 Let me just ask another question. You're  
22 right. It's going to help the region. I'm not going  
23 to disagree with that. But it's not going to help  
24 Texas.

25 MR. SHUBECK: It will help Texas because

1 the further the client -- you know, I'd like to take a  
2 step back and change the discussion a little bit and  
3 talk about Manor Down a little bit because I think if  
4 we had a discussion like this two years ago, instead of  
5 him shutting down completely, he might be still  
6 simulcasting and generating purse dollars for all of us  
7 to share in Texas instead of getting beat over the  
8 head.

9           So I mean, that's what I want to talk  
10 about. And I want to talk about, in Houston, if  
11 they're allowed to save a little operational dollars  
12 down there, they'll be around longer. You can't expect  
13 big corporations to just fund these places  
14 indefinitely.

15           As I said before, I worked for Magna for  
16 almost a decade. I worked for Frank Stronach. Frank  
17 Stronach is a friend of mine. They went bankrupt.  
18 They lost a hundred million dollars to a billion  
19 dollars nationally and they couldn't do it any longer.  
20 They had to reorganize under Chapter 11.

21           We've got a new company that's interested  
22 to take a shot in Texas. And it's not only about horse  
23 racing, but it's also about other opportunities for  
24 entertainment. Somebody said it before -- or maybe I'm  
25 just hearing things -- that Global Gaming is an

1 entertainment company. That's fantastic. But we need  
2 to think in those directions because we have these  
3 300,000-square-foot air-conditioned buildings that we  
4 need to at least cash flow. We need to cash flow these  
5 buildings; and, yes, we need to do what's best for  
6 these big buildings; and that's what's best for  
7 everyone.

8 MR. WILLIAMS: Well, I don't -- I don't  
9 fault you for making money. I mean, that's the system  
10 all about it. But I'm telling you all that if you give  
11 them this, it's going to really do a great deal of  
12 damage to the Texas racing industry as a whole. It's  
13 going to be great for them. But it will not be great  
14 for the people who have stallions and mares or the  
15 people who train their own horses. Let's talk about  
16 something that people want to hear about --

17 VICE-CHAIRMAN SCHMIDT: Mr. Williams, I  
18 would like to say -- Mr. Williams, just one second. We  
19 do have -- we want to have an open discussion, but we  
20 do have a few more people to speak. So what I'd like  
21 you to --

22 MR. WILLIAMS: I'll be through in just a  
23 second. Let me finish up.

24 VICE-CHAIRMAN SCHMIDT: Okay. Two more  
25 minutes.

1 MR. WILLIAMS: How many?

2 VICE-CHAIRMAN SCHMIDT: Two more  
3 minutes.

4 MR. WILLIAMS: Two?

5 VICE-CHAIRMAN SCHMIDT: Yeah.

6 MR. WILLIAMS: Okay. In Texas right now,  
7 the Texas-bred horses, if you want to know how good  
8 Texas-bred horses are, Dave has a really good page at  
9 his site. It's called entries and results. If you go  
10 to that entries and results, you'll see that Texas-bred  
11 horses in open races cannot compete above \$5,000 in  
12 open races across the country.

13 Now, you're going to come in here and  
14 take those open horses, horses that need to run in open  
15 company to make money, they cannot compete. Therefore,  
16 the money will leave the State of Texas. You're  
17 looking at 2,000 -- I mean, 1500 -- I don't remember --  
18 1400 foals on the ground that will be two-year-olds  
19 next year. You're going to offer them a whopping 30 --  
20 20 to 30 races to break their maiden in Texas-bred  
21 company.

22 I'm sorry. I get excited because I love  
23 horse racing and I love Texas. And we all do. This  
24 program is great for you, but it's not for people like  
25 me. There's got to be a different way. And all you

1 have to do is look at your overnight purses and you can  
2 make adjustments where we don't have to go this far.  
3 We've got to go somewhere with it, but not a hundred  
4 percent, where you get \$230,000 that leaves the State  
5 of Texas.

6 Thank you very much. I appreciate your  
7 time.

8 And, Dave, I do -- I appreciate you. I  
9 chew on you a whole lot, but I appreciate the job you  
10 do. And I don't always agree with you and you know  
11 that. But I rejoined the Texas Thoroughbred  
12 Association even if -- out of protest I quit one time.  
13 Bye.

14 VICE-CHAIRMAN SCHMIDT: Appreciate your  
15 comments, sir. Thank you very much.

16 Mr. Jack Bruner, Classic Racing Stable?  
17 Mr. Bruner?

18 MR. WILLIAMS: Can I submit my evidence  
19 to you all?

20 VICE-CHAIRMAN SCHMIDT: Sure. Very much  
21 so. Appreciate it very much.

22 MR. WILLIAMS: Thank you all very much.

23 VICE-CHAIRMAN SCHMIDT: Thank you.

24 Welcome, Mr. Bruner.

25 MR. BRUNER: Hello. Jack Bruner,

1 B-r-u-n-e-r. And I came up here kind of to talk and  
2 tell you all I really appreciate for you all thinking  
3 out of the box, trying to come up with something new to  
4 keep our racing going.

5 I think this is a good thing. I feel  
6 like we're losing a lot of people in the state. But I  
7 want to say something about Mr. Williams' comment about  
8 Texas racing. If this happens next year, it's just a  
9 onetime deal, right? We're not going to come up with  
10 newer, faster, better Texas-bred horses to run  
11 overnight. They're going to have the opportunities to  
12 run their horses at more money. If you have more money  
13 to run at, people are going to spend more money. And I  
14 just -- I really wanted to make that statement.

15 Everybody is saying that we're not  
16 offering them anything. They're offering them a whole  
17 lot, a whole lot more. If it doesn't happen --  
18 everybody knows who I train for and who I work for.  
19 We're planning on either getting ready for better  
20 racing with better horses, and we're in that process  
21 right now, or we are in the process of moving on to a  
22 different state where there is more money and better  
23 racing.

24 Really that's kind of all I have to say.  
25 Thank you all.

1                   VICE-CHAIRMAN SCHMIDT: Thank you, sir.  
2 Thank you very much.

3                   Dr. Tommy Bullard? Dr. Bullard?

4                   MR. BULLARD: Tommy Bullard,  
5 B-u-l-l-a-r-d. I might add that I'm also an Aggie.  
6 But I feel like -- I've been in this horse business  
7 since I was about 12 years old. I came through -- I  
8 was raised up close to Walter Merrick, who was a  
9 Quarter Horse phenom. I've been associated with Easy  
10 Jet, Dash For Cash, Special Effort. And we didn't have  
11 pro basketball, pro baseball, or Thoroughbred racing.  
12 So I didn't know anything about Thoroughbred racing.  
13 I'm glad that we have it.

14                   And I'm a member of the HBPA and on the  
15 management team. So I've been involved in a lot of  
16 this racing and I've seen both sides. I've probably  
17 talked to more people who are in favor of keeping  
18 racing dates and not raising the purses, but I think  
19 that's a big error. I think the plan that the  
20 management team of the CEO's of the racetracks and the  
21 plan that the Commission will probably come up with is  
22 in the best interest of racing in Texas.

23                   I think there will be a lot of Texas  
24 horsemen that are hurt in the long run. I think -- I  
25 have a farm that has been very successful. We've had a

1 lot of winners and actually won a lot of the stakes  
2 races. But I think -- and it's also shown that our  
3 horses can actually compete when they go to other  
4 states. They have gone and won stakes in other races.

5 But it's not so much the horses that are  
6 the problem here. It's the purse structure. So  
7 without purses, however you get the purses up, we've  
8 got to have purses to maintain this industry. And I  
9 have a farm. I've been in the business, like I say,  
10 most of my life. My present farm is about 25 years  
11 old. Unless something happens, it won't be here very  
12 much longer.

13 So I think you're on the right track and  
14 I appreciate all the work that everyone has done. And  
15 I'm convinced that without raising the purses some way  
16 that we're going to be in trouble.

17 And I know Tommy Hays has mentioned the  
18 fact that the racing opportunities have been reduced  
19 for the Quarter Horses. I have both Quarter Horses,  
20 cutting horses, Thoroughbreds. And I know that the  
21 Quarter Horses don't produce the signal that generates  
22 big purses; but if we don't help the Quarter Horse  
23 people out some way, give them some type of racing  
24 opportunities early in the year, we're going to chop  
25 down a big industry there.

1                   And I think by the fact that we don't  
2                   give racing opportunities to the Quarter Horse people  
3                   that we're going to force more racing into the brush  
4                   track situation, which we're trying to get rid of. We  
5                   have a huge Hispanic population that love racing and  
6                   they're going to continue to race; and if we don't give  
7                   them opportunities to race at the pari-mutuel tracks,  
8                   then we're going to see them go more to the brush  
9                   tracks and escalate that problem.

10                   So I appreciate your all's time. And I  
11                   think it's a problem that's almost unsolvable, but I  
12                   think you're on the track to the most logical  
13                   solution. And I appreciate it. Thank you.

14                   VICE-CHAIRMAN SCHMIDT: We appreciate  
15                   your points, Dr. Bullard, very much.

16                   Jimmy Ray? Jimmy Ray?

17                   MR. RAY: Jimmy Ray, R-a-y. I'm a  
18                   trainer here. I'm on the smaller end of the stables.  
19                   I run 20 to 24 Thoroughbreds every year.

20                   I have one question for Andrea to start  
21                   with. What about the dates at Houston this year, the  
22                   end of the year? It's already been asked. I get asked  
23                   every day. November, December, yes or no?

24                   MS. YOUNG: I get the question every  
25                   day. I don't have an answer for you today. There's a

1 process here that the Racing Commission has outlined.  
2 For us to get to the purse structure that we'd like to  
3 see happen at Lone Star, Sam Houston cannot run those  
4 November, December, spring days.

5 MR. RAY: Okay. I brought up this at our  
6 meeting the other day. I took the weekend before dates  
7 here, three days or four days of Drew's meet. There  
8 was two hundred -- 325 horses run. 209 of them were on  
9 the smaller stables, the people that make the races  
10 go. That's a little over 60 percent. You're fixing to  
11 put us with six months of no racing.

12 We can't just pick up and go to Sunland  
13 because they cater to the people that's been there for  
14 years. The Fair Grounds is already full with the  
15 better horses. Oaklawn is way over full. Remington,  
16 3400 stall applications this year. So you're going to  
17 lose 60 percent of your horses.

18 You're not going to be able to bring that  
19 many horses in next year to make your meet here at  
20 Dallas, to make this -- the field sizes what you want,  
21 because you're going to have to pull them -- that many  
22 horses from all these other tracks that have already  
23 got money, like Arlington, Churchill, and all of that.

24 So we just want it to be known that  
25 you're going to put us out of business because we can't

1 afford to keep the horses and bring them back for 60  
2 days and cut them back. Thank you.

3 VICE-CHAIRMAN SCHMIDT: Would you like to  
4 respond, Drew?

5 MR. SHUBECK: Yeah. I'd just like to  
6 respectfully respond to that, that I think any plan  
7 that we put forth for 2011 will have less race days.  
8 At the levels we are at Lone Star Park, I don't see us  
9 racing 60 days next year without a purse supplement.  
10 It just can't be done.

11 And, you know, if Sam Houston was forced  
12 into some other arrangement, it would be for less days  
13 than horsemen have seen in the past. And for Retama, I  
14 think the same could be said as well. Even though  
15 Bryan is not here, I'm sure he would back that up. And  
16 quite frankly, the reason is the limited purse supply.

17 You can only stretch a purse supply so  
18 far. We cannot continue to cut purses. I was of the  
19 mind this year, we did so many cuts at the beginning of  
20 the meet, I wasn't going to go back to the horsemen and  
21 talk about a purse cut even though, if I was still  
22 under the thumb of Magna, I would have been forced to  
23 do a purse cut this year. Because there was literally  
24 only a shell left of Magna this year, I wasn't under  
25 the scrutiny as I was in years past. We were able to

1 ride it out.

2 Our initial projections after the couple  
3 of -- first couple of weeks of racing were for over a  
4 500,000-dollar -- we would have been overpaid by over  
5 \$500,000. That would have been something that I  
6 wouldn't have been allowed to do a few years ago.

7 We rode it out. It looks like our  
8 overpay this year is going to be less than 400,000.  
9 But that's still got to be repaid and that will take 20  
10 to 30 days after the meet concludes to repay that purse  
11 fund just to get it back to zero before we start  
12 earning dollars for next year. So that's just a fact.  
13 Things will need to be adjusted for 2011, no matter  
14 what happens.

15 With the amount of racing days, we feel  
16 comfortable with 60 at 230 right now with the  
17 supplement; but without a supplement, it's going to be  
18 less. We just can't afford to pay an average daily  
19 purse that slips into the, you know, 120's or something  
20 like that. That's not going to attract the horses.  
21 There are going to be big stables leaving the state for  
22 that. And when they leave the state, there's going to  
23 be less national interest in our racing and the decline  
24 continues.

25 What we're trying to do is not only have

1 a modest increase budgeted, but we're trying to stop  
2 the bleeding. And the bleeding will continue if  
3 nothing changes. We've been challenged in the past to  
4 think outside the box. We've come up with more modest  
5 proposals in the past. Those modest proposals and that  
6 business thinking that I shared in the past is not  
7 working today. In today's world, we've seen  
8 accelerated declines; and those accelerated declines  
9 will continue unless we do something dramatically  
10 different.

11                   When I was back at The Meadowlands and  
12 Monmouth Park, we would baseline budget that we were  
13 going to be down three percent, up three percent, and  
14 we would always hit our numbers because we always would  
15 rely on an ever-expanding export number. I remember my  
16 accountant telling me, "Don't worry about it. We've  
17 got so much export money coming in that, you know, we  
18 can pay for a lot of different projects. So don't  
19 worry about it."

20                   Those days are far gone. The 1990's, we  
21 didn't think those were good days; but, boy, they sure  
22 were the good old days. I had days at Monmouth Park we  
23 were up over a million dollars a day because we made a  
24 couple of sweet simulcast deals and they paid off  
25 handsomely for us.

1                   But we've already mined that. We've  
2                   already dug those wells and they're dried up right  
3                   now. They're not producing like they were in the  
4                   past. So we're trying new tricks. You know, as much  
5                   as we don't like the ADW companies and the TV  
6                   companies, you know, we're doing deals with them to get  
7                   a better distribution of our product. We're reaching  
8                   out to the smaller places that do simulcasting. But  
9                   they're drying up as well.

10                   When I was in western Pennsylvania, they  
11                   operated six OTB's in the western part of the state.  
12                   But you know what? They're flourishing because of slot  
13                   machines and other things, so those OTB handles are  
14                   declining. And that's just a fact of life. There's a  
15                   rotation in the state that was healthy in Pennsylvania,  
16                   but it's at our detriment. There's less dollars  
17                   available.

18                   The Equibase and Jockey Club numbers back  
19                   up what we're saying. We wish we had better numbers to  
20                   report, but they're just not there. And the prudent  
21                   thing to do to weather this storm is to do some sort of  
22                   consolidation so we can be as healthy as we can when we  
23                   get to the point where we can add more forms of  
24                   entertainment for our customers.

25                   MS. YOUNG: I'd like to make a comment

1 because I think I've let Drew do a lot of the talking  
2 here today, and to some of the last couple of comments,  
3 because I think there's some perception maybe that, you  
4 know, if we don't do something like this, it's kind of  
5 business as usual as an option. And I couldn't be more  
6 definitive that for Sam Houston that's no longer an  
7 option.

8 We have seen, you know, the double-digit  
9 declines for, you know, several years running now. And  
10 you can't have double -- you know, you can't have 20  
11 percent declines year over year and not have some  
12 significant decline -- 20 percent declines in demand  
13 and not do something on the supply side. And that's  
14 what we're proposing to do here.

15 I want to run racing at Houston. I want  
16 to run more racing. That's what we do. But we can't  
17 keep our doors open if we keep going at the pace that  
18 we're going. It's real.

19 You know, I haven't had a chance to read  
20 Mr. Kerby's entire proposal here, but the first page  
21 jumped out at me. You know, make no mistake, our  
22 audited financials are with the Racing Commission. You  
23 can request them and I think they have to give them to  
24 you within 10 days. You know, you all can make that  
25 request and you'll see it because there's a lot of red

1 ink on those financial statements. And, you know,  
2 that's the ultimate proof for you of how things are  
3 going for us.

4 And when I got to Sam Houston, I told our  
5 board that I thought we had five or six years of  
6 runway, you know, to keep this thing going until we got  
7 legislative relief so we could continue to compete --  
8 we could start competing for real again. And, you  
9 know, the economy surprised us. It surprised us all.  
10 And all of a sudden five years became two and a half  
11 years and cut it in half.

12 And so it's serious. And, you know,  
13 we're trying to come up with something. And we feel  
14 that -- you know, we know change is hard and, you know,  
15 not any plan will satisfy everyone.

16 But to Drew's point, you know, this is  
17 the most -- you know, we can't -- we're so limited and  
18 we're so regulated in what we can do to grow our top  
19 line. You know, this is the most innovative thing  
20 we've been able to come up with and it's through a lot  
21 of hard work and a lot of discussions.

22 You know, we've thrown other things out  
23 there as well, but they haven't seemed to stick and so  
24 this is where we've landed. And I believe in this. I  
25 believe that it's going to help Drew push his numbers

1 up. I wish we were talking about running these dates  
2 at Houston, frankly.

3 But I don't think Drew is going to be in  
4 a position where he's going to be talking about making  
5 tons of money next year. I think he'll probably lose  
6 less money. We're not going to be making money next  
7 year under this plan, but we'll be losing less money.  
8 And that helps us all because that means when we get  
9 the message through to Austin, when we level that  
10 playing field, that all these tracks are still going to  
11 be here for you so that we can get a lot of race dates  
12 back in Texas.

13 VICE-CHAIRMAN SCHMIDT: Charla Ann had a  
14 follow-up question.

15 MS. KING: For Mr. Ray. I wanted to hear  
16 a little bit more about the 60 percent, the 209 horses,  
17 if you would carry that out a little further and  
18 explain where they go and how they don't come back or  
19 some come back. Go down that road a little further for  
20 us, would you, please?

21 MR. RAY: Okay. The horses that we  
22 picked out on this deal were the smaller stables, the  
23 ones that usually go to Retama and stay, go to Houston  
24 and Manor, not the Calhouns, the Asmussens, or  
25 Milligans. They've got a little -- they go out of

1 state. They come here for one meet. Then they go  
2 out. This is the people that stay in Texas  
3 year-round. That was the numbers we took.

4 I took them off of the four overnights,  
5 marked the charts, and said -- and come up to that.  
6 And we were pretty close on that a long time ago. It  
7 was 60 to 70 percent of the horses are from the smaller  
8 stables that fill the races.

9 Does that answer it?

10 MS. KING: It does. Though -- and maybe  
11 I'm asking you to predict the future a little bit with  
12 this. But if Sam Houston Race Park doesn't do their  
13 dates in November, December, what will actually  
14 happen -- estimate what will happen to those. Will  
15 people be going out of business?

16 MR. RAY: From what I have heard from  
17 friends, they're going to be out of business. Some of  
18 us have been contacted by a track out of state offering  
19 us one, but they can't take everybody. They're going  
20 to turn some people away to try to bring some of the  
21 Texas people in to get some fresh blood to their  
22 track. They called us.

23 MS. KING: Okay.

24 MR. RAY: But the majority of the people,  
25 the smaller stables, they're going to be out of

1 business because they can't keep their horses for six  
2 months and not run, then expect their owners to get  
3 them back up two months before a meet to get them  
4 ready. Then they get to run them a little bit and it's  
5 time to turn them out again.

6 That's from the people that I've talked  
7 to, the friends that I've run with the last several  
8 years, because I've run the Texas circuit. I've gone  
9 to Louisiana maybe 10 starts in 10 years and I went to  
10 Remington for one spring meet back in 2000 when I was  
11 coming back off. I just went up there with a friend.  
12 The rest of the time I've ran in Texas and these are  
13 the people that I've talked to, the ones that make the  
14 circle.

15 MS. KING: Okay. If you would, and maybe  
16 get back to us, is to try to project if you think which  
17 percentage -- what percentage of that 209 or that 60  
18 percent you believe -- and I understand that it's an  
19 estimate -- would actually go out of business or find  
20 racing opportunities in other states and kind of break  
21 that down into what you think might really happen. And  
22 you don't have to give that to us today, but we're  
23 collecting information and I'd just like to talk about  
24 that a little further down the road.

25 MR. RAY: Okay. No problem.

1 MS. KING: Thank you. Thank you very  
2 much.

3 VICE-CHAIRMAN SCHMIDT: Mr. Andrew  
4 Konkoly from Houston?

5 MR. KONKOLY: Thank you. My name is  
6 Andrew Konkoly, K-o-n-k-o-l-y. I'm a trainer. I had  
7 quite a bit to say, but I'm just going to kind of sum  
8 it down a little bit because we've had quite a bit of  
9 talk this morning.

10 I talked to a lot of my cohorts before  
11 coming to this meeting, and most of them told me  
12 there's no sense going to this meeting because the  
13 Commission has already made up their mind. They're  
14 going to side with the racetracks.

15 From my observation at this meeting, I  
16 can see they're pretty much wrong. I can see you're  
17 trying to evaluate as best as possible. I appreciate  
18 that.

19 I recognize we do have a problem in  
20 Texas. It's a big problem. I commend these people for  
21 watching out for their interests. They're doing their  
22 job. I have to watch out for my interests. And I'm  
23 probably one of those that if we don't continue to race  
24 a circuit in Texas, I will go out of business.

25 I think we need to race all year round.

1 I think a purse cut a lot of people would accept. Some  
2 of my people that spoke before us here, before me, said  
3 that a lot of the cheaper races, the purses -- or the  
4 handle was pretty good. I think we need to stick  
5 together and I think there's got to be a different  
6 answer than what's been come up with here.

7 I'm not sure they have the answer. I'm  
8 not sure we have the answer. I think there has to be  
9 something in between so that everybody can benefit, as  
10 it looks like they're going to survive and most of us  
11 are going to be out of business. Thank you.

12 VICE-CHAIRMAN SCHMIDT: I appreciate your  
13 comments, sir. I would want to stress to you, however,  
14 that we are truly transparent in an  
15 information-gathering process and absolutely no  
16 decisions have been made. I think the Commission is  
17 really trying to search for input. I think we're all  
18 searching for answers in a difficult time.

19 And I understand fully the problems of a  
20 horse owner who has horses in other states. You can't  
21 manage your horse. You get phone calls and vet bills.  
22 And the joy of raising a horse and racing a horse is  
23 extremely difficult. And I can certainly empathize  
24 with your position. I think we're just trying to get  
25 the input and try to do best.



1 bit more of a statement. Then I've got some questions  
2 if that's -- just to go along with the statement.

3 First of all, I appreciate the  
4 opportunity. I read thoroughly the 2009 to 2013 plan  
5 and the update that you put out yesterday or a few days  
6 ago. It was also a good eye-opener. And one of the  
7 things that's -- you read through that and it's very  
8 disappointing.

9 And I guess the other thing I should also  
10 add is I'm also a member of the TTA board, but I'm here  
11 speaking for myself today. I think the dynamic of a  
12 board is always good because you get input going both  
13 ways as to what's good and what's bad.

14 I don't think anybody disagrees that we  
15 do have a crisis to a degree. Some of it's man-made.  
16 And by reading the report, we've man-made a lot of  
17 that. I mean, if you look at the industry as a whole,  
18 I think everybody here wants to say it and has been  
19 afraid to say it, but this is really all about slots.

20 So kind of taking that aside, with the  
21 report that was put out by the Racing Commission, I  
22 think it's pretty pointed that in 2009 -- or actually  
23 2008 when the 2009 report was written for the five  
24 years, that they pointed very directly that ADW would  
25 be a very good option. And in the report yesterday, it

1 says based on the position of the Racing Commission and  
2 what they see their future as, I just read  
3 disappointment in that, that as an industry, both as  
4 our association and as THP and also as the tracks, that  
5 nothing has been done except for slots or nothing.

6 And every argument that I hear built is  
7 all built around the fact of purses drive the handle  
8 and, in effect, we can all make all the track numbers  
9 work the way we want to. If I look at Monmouth,  
10 actually Lone Star has much fuller fields this weekend  
11 than Monmouth Park does.

12 MR. SHUBECK: Closing weekend.

13 MR. LECKINGER: It doesn't matter. You  
14 can use opening weekends or closing weekends. But when  
15 you look at the last two weeks, the numbers have gone  
16 down at Monmouth. They have not continued to go up.  
17 The field size has continued to come down. It's just a  
18 fact.

19 Arlington -- we want to use Arlington as  
20 the poster child for we might be able to draw some  
21 trainers back from there. Arlington is running for 230  
22 this year. They just cut a lot of their stake purses.  
23 They're still not getting the handle. Their signal is  
24 not doing well. Their purse -- they cut the stakes  
25 races to keep the purse handle up. So what the reality

1 of it is there is they don't have the field size.

2 So I guess what I want to -- what I want  
3 to ask or I want to put out there is: We all know it's  
4 about slots. We all know we've got limited resources  
5 to go after next year. You've got a lot of trainers, a  
6 lot of owners, a lot of breeders that, quite frankly,  
7 we have choices on -- I'm probably fortunate. I've got  
8 a choice to where I want to go breed my horses. I've  
9 chosen to do it in Texas. I think it's a good place  
10 and I think long term it's going to be a very good  
11 place to do it.

12 But the cuts that -- first of all,  
13 Mr. Shubeck, I understand you want to get the best  
14 purses possible out there; but from going from 145 to  
15 230, is that -- is that really going to drive it?  
16 Because it's not driving the handle for Arlington.  
17 It's not driving the field size for Arlington.

18 Is there something that can compel the  
19 tracks to say, "All right. We have 16.5 to 18 million  
20 dollars available" -- I think there's not a horseman  
21 here that would say that Lone Star and Houston are the  
22 two strongest assets as far as the Class 1 tracks. Is  
23 there a way to take and better evenly distribute that  
24 purse money? That's still going to impact us, but  
25 raise purses above a level that we've never seen. If

1 you take yourself to 200, that's above anybody -- that  
2 is above everyone except for Arkansas.

3 So why is the drive to get so much  
4 higher? I know you want to try radical and be  
5 creative, but I just think there's something missing  
6 here in trying to drive date cuts that deep from a --  
7 and really that's from an owner and a breeder's  
8 perspective.

9 MR. SHUBECK: Sure. I'd like to answer  
10 that. I mean, first of all, the comparisons between us  
11 and Arlington, I mean, I take that as a compliment  
12 because Arlington is a world-class racetrack. They've  
13 got one of the finest facilities in North America.  
14 Illinois has a vast OTB network that they can get purse  
15 money from on a year-round basis. And it shows you  
16 with, you know, a big city like Chicago and a vast OTB  
17 network and ADW that they still can't get it done.

18 Part of Arlington's problem is it's a  
19 daytime track in the summer; and quite frankly, there's  
20 a lot of it. That's why I mentioned earlier that, you  
21 know, we'd like to be the premier signal at night and  
22 run some days to highlight our meet.

23 But Arlington's problems, you know, could  
24 be the time that they're running. It's the perception  
25 of their racing surface with the polytrack. I mean,

1 that's working against them in the export field. The  
2 riders had -- they had some -- they had a tough year  
3 last year. They had two terrible accidents on their  
4 track. The riders are not comfortable with the  
5 surface. There's some horsemen in Chicago that aren't  
6 comfortable with the surface. And I don't want to  
7 speak for them because I just read what I read in the  
8 press and I'm not an expert on polytrack, by any  
9 means. I've never worked at a facility that has it.  
10 But I think that kind of encapsulates where they are.  
11 But that really doesn't say where we want to be.

12           What we did is we didn't try to pick a  
13 number out of the air for an average daily  
14 distribution. We looked at the purse money that was  
15 available. Sam Houston, it's a fact that they lose  
16 money when they operate live. They wanted to have a  
17 plan where they minimize the bleeding down at Houston.  
18 And Lone Star looked to pick up some dollars.

19           Going at a certain purse level, meaning  
20 just raising it to 165 or 170, really isn't going to  
21 move the needle for anybody. It's not going to change  
22 public perception of Lone Star's races. And I've said  
23 here in the past that we are looking to change the mix  
24 of stakes versus overnights because overnights, I do  
25 believe -- there's a couple of speakers that came up

1 already and talked about the overnights are the bread  
2 and butter of the track. And of course they are. You  
3 always want to have some big stakes races for people to  
4 key on, for owners and breeders to dream about, for  
5 trainers to run in and have a good time with, but you  
6 need a good overnight card.

7 MR. LECKINGER: But would you -- if you  
8 looked at Remington Park, because that's the poster  
9 child that everyone is putting up to us.

10 MR. SHUBECK: And we're going to be  
11 commonly owned, again, in a few weeks.

12 MR. LECKINGER: Right, commonly owned.

13 MR. SHUBECK: Right.

14 MR. LECKINGER: And what is Remington  
15 Park running for today?

16 MR. SHUBECK: It's going to be about the  
17 same as our book.

18 MR. LECKINGER: 200,000.

19 MR. SHUBECK: A little north of 200,000.

20 MR. LECKINGER: And maiden special  
21 weight?

22 MR. SHUBECK: Couldn't tell you off the  
23 top of my head.

24 MR. LECKINGER: Twenty-six five.  
25 Twenty-six five, but we're hearing here today that

1 we've got to have 36,000.

2 MR. SHUBECK: I didn't say we had to have  
3 that. I said that was my goal.

4 MR. LECKINGER: That was your goal. And  
5 the goal also was -- the initial one was 60 days at 280  
6 and now we've driven that down to 60 days at 230.

7 MR. SHUBECK: That's correct. And that's  
8 because of some mixed breed opportunities in San  
9 Antonio and Houston.

10 MR. LECKINGER: Right. And some of the  
11 things that were said earlier, and I tend to agree with  
12 it, mixed breed really is not the best solution for the  
13 Thoroughbred side and probably the Quarter Horse side  
14 as well. I think it does well with the Arabians down  
15 at Retama. I think that makes sense. But it hasn't  
16 made sense in the past. And maybe 2002 is too far to  
17 go back, but it would be interesting to hear what Tommy  
18 has to say about that today.

19 But what it all comes back to is if  
20 Remington -- and we all look at Remington today and are  
21 using Remington as a good example as a track that is  
22 competitive. It's got the trainers that we want to  
23 drive to the state. Is that correct? I mean, Dave,  
24 that's one of the comments that's been made and been  
25 out there in the paper, so I think that's a fair

1 assessment.

2                   So if Remington is able to drive that,  
3 what we need to have to make Lone Star successful, and  
4 it's going to be commonly owned in a few -- hopefully  
5 in a few weeks, you know, is that reasonable then to  
6 use that figure as maybe the top, the top that we need  
7 to get to to achieve what you want to achieve as a  
8 business here and take some of those dollars that are  
9 left -- because right now there's a great perception  
10 that Retama is not going to be a good place to run at  
11 and Retama has already come back before the Commission  
12 this year and said, "Hey, we can't run the dates that  
13 we committed to." So that puts horsemen in limbo as  
14 well.

15                   And, Ms. Young, I understand that you  
16 don't want to run. That's okay. But understand that,  
17 as horsemen, we look at it and say you did make some  
18 good improvements in your product last year and your  
19 handle did better than it had done previously. That's  
20 on Mondays. You instituted Mondays, overall began to  
21 bring your product up.

22                   So if we were able to take that same  
23 sixteen two to that 18 or 19 million that's being  
24 tossed around, which is just projections and best  
25 guesses, because nothing has been presented, it's kind

1 of hard for me to sit here and give you a proposal  
2 because nothing has come really forth that's hard  
3 copied.

4 But if I've got 60 days to run at and I  
5 can run at \$200,000 and we're saying that that's enough  
6 to drive better stables, better horses, and at the same  
7 time give the same number of dates that are here, that  
8 leaves about between four and a half and six million  
9 dollars that, combined, you've stated that you can  
10 raise through your simulcast collectively.

11 Is it not better -- would Houston be  
12 willing to take a 30- or a 40-day meet and be able to  
13 run at 140? Because that's what the numbers add up to  
14 and those are your numbers.

15 MR. SHUBECK: No. I mean, we're talking  
16 about a purse shift of about five million dollars from  
17 Houston to us. So that exhausts their purse supply.  
18 So I don't understand where the money comes from for a  
19 140,000-dollar meet in Houston.

20 MR. LECKINGER: Well, the money is  
21 simple. You're telling me that you -- it started out  
22 at 280 a day. You're down to 230. 230 times 60. And  
23 some of that other money was allocated off because  
24 Retama wanted to run some dates in a mixed meet  
25 format.

1 MR. SHUBECK: That's their own money.

2 MR. LECKINGER: So is Retama not willing  
3 to collaborate and share dollars?

4 MR. SHUBECK: They're not part of this  
5 mix right now. They are stand-alone on their own.

6 MR. LECKINGER: Okay. I don't think the  
7 horsemen were aware of that because you presented  
8 yourselves two weeks ago as a united front.

9 MS. YOUNG: We are united. It is a  
10 united front. But the 230, you get there with Lone  
11 Star and Sam Houston's money. Retama then adding that  
12 kind of 24 days, I think, is what Bryan has said in the  
13 fall, the August, September, that's the money that he  
14 generates there, so he's not shipping any money  
15 anywhere because he has to keep it there to run those  
16 dates.

17 MR. LECKINGER: So when will there be a  
18 time that you're going to be able to put out a proposal  
19 that says exactly what it is we're going to be looking  
20 at that truly can be discussed then?

21 MR. SHUBECK: I mean, I think we're  
22 pretty clear today what it is. True, it's not  
23 available to you on paper; but we already stated that  
24 we're going to submit within three weeks our calendar.

25 MR. LECKINGER: So basically 230 a day

1 for 60 days, which is fully compensating of Houston's  
2 purse account, will be here; and Retama is really not  
3 part of that conversation anymore.

4 MR. SHUBECK: They never really were part  
5 of that purse transfer. They were, right, part of the  
6 280. So right now they're not part of that discussion  
7 at all. They want to try to generate a stand-alone  
8 meet and support it.

9 MR. JACKSON: Excuse me, one second.  
10 Mr. Leckinger, when you speak, please use the  
11 microphone. The court reporter can't hear you.

12 MR. LECKINGER: Sorry.

13 MR. JACKSON: And if it's possible, I'd  
14 like to ask a couple of questions. And it's spurred  
15 based off this conversation.

16 Drew, what does -- as far as horses and  
17 stables, at 230 you have an idea of what you think you  
18 would bring into your track. What's the difference  
19 between 230 and 215 or 230 and 200? And then slide it  
20 down to, say, 175.

21 MR. SHUBECK: That's a very difficult  
22 question to answer because what we need to do is, you  
23 know, we need to have a goal and we need to do some  
24 recruiting. We have an idea of the stables that we can  
25 lure back with the 230 amount. But we've never, you

1 know, gone through the math and say, okay, five percent  
2 less than that, what does that do or does that change  
3 somebody's mind where now they'll stay in Chicago and  
4 they're not going to participate.

5           So, no, I don't think you can do that  
6 finely an analysis on this. A lot of it is the racing  
7 office doing their winter recruiting and surely that  
8 will double the budget for that if some kind of purse  
9 shift is agreed upon. But without a purse shift, you  
10 know, it would probably be the normal spent on  
11 recruiting.

12           MR. JACKSON: Well, as the one who  
13 usually does the analyst work for the Commission, I  
14 think as we go through this process, that question is  
15 going to continue to come up and it might be beneficial  
16 if you could give us something addressing those points,  
17 where are those imaginary break lines, do you think  
18 they're at.

19           MR. SHUBECK: All right. Well, we'll  
20 attempt to do that.

21           MR. JACKSON: The other thing I would  
22 suggest is that possibly your all's plan on paper, you  
23 know, that we have it prior to the August 13th meeting  
24 at Houston because that, too, is going to be beneficial  
25 as we go through this process as well.

1                   MR. SHUBECK: Right. Well, the time line  
2 I outlaid would have it in plenty of time for that.

3                   MR. JACKSON: Okay. My next question is  
4 to you, Mr. Leckinger, if you don't mind. You stated  
5 you didn't really believe that a mixed meet scenario  
6 would work. Could you articulate to us why that is?  
7 And again, if you don't mind, please use your  
8 microphone.

9                   MR. LECKINGER: I think that it -- I  
10 think the big argument that always goes back is to the  
11 breed splits and really the breakout of the handle.  
12 That's something that just over the last couple of  
13 weeks I've read some old comments, and obviously it  
14 seemed to be more driven from the Quarter Horse side as  
15 far as -- let me take a step back on that.

16                   It's difficult as from the Thoroughbred  
17 side to want to go into a mixed meet opportunity. I've  
18 run at Sunland and I'll tell you I will never go back  
19 to New Mexico. It's not because my horses weren't  
20 competitive. It's because I could wait six weeks to  
21 draw into one of those three races. It's not a  
22 competitive environment.

23                   It was a waste of money. We made money,  
24 but it was -- we didn't have the opportunities that  
25 should have been afforded for the time and effort spent

1       there. I should have taken those dollars and gone  
2       either -- probably gone to Louisiana would have been  
3       the best bet at that time with those horses.

4                        It's just -- it's difficult from -- you  
5       know, a lot of what everybody is hearing here today is  
6       that 60 days puts a lot of people out of business.  
7       Well, 60 days as an owner, if you're in a position  
8       where you can move your horses, it's not a big deal.  
9       It's more expensive. But you've got to make sure  
10      you've got the horses that can compete where they want  
11      to go.

12                      Where a lot of owners, especially -- I  
13      think there's a -- I think there's a tremendous amount  
14      of owners in this state that are one- and two-horse  
15      owners and there's some small training stables that  
16      ship in. And the whole reason of putting, I think, the  
17      racing circuit together was to give Texans an  
18      opportunity to race in Texas. And we're not taking  
19      advantage of that.

20                      We're simply saying -- and I understand,  
21      because I'm in business as well and I've got to drive a  
22      profit to my business. So what Global Gaming is  
23      saying -- or not Global Gaming. But what Mr. Shubeck  
24      is saying today is, "Hey, I need to have -- I want to  
25      have more high-profile stables in here because that's

1 going to help to drive fan base." It's also going to  
2 drive ADW wagering, something that unfortunately we  
3 haven't achieved and, to some degree, we've neglected.

4 But instead of -- one of my frustrations  
5 with the whole industry over the last 10 years is we've  
6 sat there and complained about what we don't have,  
7 which is slots, and haven't done really a darn thing to  
8 go get the other stuff.

9 And so I'm off point. And I apologize.  
10 But that's really -- you know, that's what the whole  
11 thing is about today. It's not the fact that we need  
12 to cut dates and we're all saying it's just a one-year  
13 deal; but what no one is saying beyond that, it's a  
14 one-year deal if you get slots. That's what no one is  
15 saying. Because if you don't get slots, forget about  
16 it. Right? I mean, that's really what we're saying  
17 because you can't sit there and say we're going to do  
18 this for one year unless we get slots.

19 MR. JACKSON: Well, let me go back to my  
20 point because we are going back to the mixed meet issue  
21 and I want to follow back up with that.

22 MR. LECKINGER: Sorry about that.

23 MR. JACKSON: I think you've acknowledged  
24 and everyone who's come to the podium that's spoke on  
25 that table has acknowledged that we have problems that

1 need solutions.

2 MR. LECKINGER: Right.

3 MR. JACKSON: The purse dollars have  
4 shrunk even with running somewhat of a status quo meet  
5 over the past.

6 MR. LECKINGER: Right.

7 MR. JACKSON: I think no one disagrees  
8 with that and we've talked about it. Actually very  
9 good comments about one -- I think Drew addressed his  
10 decline, 50 percent was due to ADW's, the other 50  
11 percent was due to his shrinking purse from that and  
12 shorter fields. You can't run trifectas and  
13 superfectas, et cetera.

14 MR. LECKINGER: Absolutely.

15 MR. JACKSON: These all roll into the  
16 whole issue.

17 MR. LECKINGER: Right.

18 MR. JACKSON: We hear foals are  
19 declining. We hear people are shipping out of state.  
20 So as there's this continual shrinkage and we're  
21 talking about year-round racing between a circuit and  
22 if you're going to shrink at some point, even with what  
23 we do today, there are holes in the calendar --

24 MR. LECKINGER: Right.

25 MR. JACKSON: -- even with three tracks

1 running their meets. So if one was to shrink, say, 20  
2 percent, the holes in the calendar continue to get  
3 bigger, the gaps get further, et cetera.

4 MR. LECKINGER: Correct.

5 MR. JACKSON: We've also heard the tracks  
6 talk today that -- one of the first things they said --  
7 and we've talked a lot about Thoroughbred racing but  
8 nothing about the Quarter Horse industry and I'm going  
9 to tie into this now -- is that they cannot run two  
10 meets. They can only run one meet. So this is why the  
11 mixed meet format starts to come up.

12 When you try to -- or at least in my  
13 mind-set, the issue of trying to weigh the options that  
14 you're bringing forward about opportunities throughout  
15 the calendar of the year, the circuits, trying to tie  
16 them together, filling the gaps, that's when that  
17 starts to become the -- what I see is the only option,  
18 although it's not the best option, but it's the only  
19 option left on the table that brings 60 to 70 percent  
20 of the points that you're bringing to the table today  
21 specifically when it comes to opportunities on the  
22 calendar. So --

23 MR. LECKINGER: Well, I think you can  
24 look at, though, our racing calendar has been decreased  
25 every year over the last five years; and obviously at

1 the 155 dates where we're at right now, that creates  
2 voids in the calendar. I think what everybody --

3 MR. JACKSON: Right. And let me follow  
4 up on that.

5 Many, many years ago, prior to  
6 Commissioner Schmidt and Charla Ann being here, we had  
7 a very active Commissioner, Dr. Schultz, who was a  
8 veterinarian, and he really tasked the industry and  
9 asked them this question: What is it you want to run  
10 for? What's the dollar threshold you want per day?  
11 And the industry from the Quarter Horse and the  
12 Thoroughbreds came forward and they were forced to give  
13 a number.

14 And at that time many, many years ago, it  
15 was -- for Thoroughbreds, you had to run for a hundred  
16 thousand dollars a day. So a lot of the calendars were  
17 driven on -- specifically for Retama and Houston was  
18 drove around building a race date calendar for  
19 Thoroughbred opportunities that were a hundred thousand  
20 dollars a day. Lone Star obviously was in a different  
21 league and their push was for \$200,000 a day at that  
22 time.

23 And what has happened over the years is  
24 just what you're talking about, is the shrinking of the  
25 calendar. A lot of that has revolved around trying to

1 maintain a purse level per day, or by average per race  
2 even to this point over the last few years, at a  
3 constant level. And I know that's in our strategic  
4 plan, where we show the average purse for the  
5 Thoroughbreds has been status quo in the State of Texas  
6 over the last five years. And how that maintained its  
7 level was because of the shrinking actually of the  
8 opportunities to maintain that. And we can talk about  
9 the long-term effects of that on the industry as a  
10 whole.

11 But where we're at as a point is that the  
12 decline in handle and things that have occurred over  
13 the last few years aren't five percent declines.  
14 They're not four percent declines. They're 20 percent  
15 declines or 23 percent declines. And that brings a  
16 whole other element into this. And that's why I'm  
17 asking the questions about the mixed meet now or a  
18 mixed meet format and hearing -- I've heard several  
19 people today say that's just not a good option.

20 MR. LECKINGER: Personally, to me, it's  
21 not a good option. So I'm just -- I --

22 MR. JACKSON: Right. And I was just  
23 trying -- I was trying to get that --

24 MR. LECKINGER: I don't want to pretend  
25 to speak for anybody else.

1                   MR. JACKSON: Right. And I'm trying to  
2 get out a little of the information as to why because I  
3 think it's good for us to hear that because over the  
4 last four or five years, when we've had the working  
5 groups, one of the analysis stuff that we've done,  
6 we've looked at New Mexico a great deal, who we knew  
7 were running mixed meets.

8                   MR. LECKINGER: And it's -- for me, it's  
9 not a good thing. Maybe there's some -- there's quite  
10 potentially some Thoroughbred owners that would feel  
11 differently. But for me, it's not a good place to go.  
12 The opportunity is not there. I would rather run a  
13 compressed meet at Sam Houston that has 30 days of live  
14 racing and leave some time open on the calendar than  
15 try to go over and sit at Sunland Park for 120 days,  
16 because it's not viable.

17                   That's -- and I guess that's where I'm  
18 trying to -- I'm trying to formulate in my mind, you  
19 know, those total purse dollars, where are they coming  
20 from? And you said, hey, what's that threshold that  
21 we're willing to run for? And everybody is going to  
22 have a different number here.

23                   MR. JACKSON: Absolutely.

24                   MR. LECKINGER: And I guess where I'm  
25 coming from on it is we're simply -- what we've said is

1 over the last five years we've lost a few dates every  
2 year and now what we're saying is we're going to take  
3 it and really go. So we've got the law of diminishing  
4 returns already working against us.

5 There's been two suggestions, what I  
6 consider radical -- one radical suggestion, and that is  
7 to shut the whole thing down for a year, because  
8 everybody keeps saying a year without the caveat that  
9 it's all based on slots.

10 So -- and to your point, Mr. Shubeck,  
11 yeah, all of a sudden Global Gaming is -- it's better  
12 for them just to land-base a casino and we don't have  
13 to worry about horses and we all go away and that would  
14 be very unfortunate.

15 MR. SHUBECK: I didn't say that, though.  
16 I didn't say that for Global Gaming.

17 MR. LECKINGER: Well, you didn't say it  
18 for Global. I'm sorry.

19 MR. SHUBECK: I was talking about  
20 Mr. Pratt and their goal for these destinations.

21 MR. LECKINGER: Right. And that's one of  
22 the reasons I keep wanting to use Remington Park as the  
23 poster child of where the purses are today because my  
24 experience personally with Remington Park -- and I've  
25 raced there since '91. So my personal experience is

1       that Mr. DeBartolo did a great job. I don't have a lot  
2       of good things or bad things one way or another with  
3       what Mr. Stronach has done. But I can tell you that I  
4       have yet to speak to a horseman or an owner at  
5       Remington Park that is not pleased at the support that  
6       they receive at Remington Park. So I'm hoping to have  
7       the same experience here at Lone Star Park because they  
8       seem to be fully supportive and understand the  
9       horsemen.

10                So that's why I want to use them, because  
11       Global Gaming seems to have done a very good job with  
12       the signal. They seem to have done a very good job --  
13       and I understand they have slots, so it's not -- it's  
14       not apples and oranges. Or it is apples and oranges.  
15       I understand that. But we're still looking at the same  
16       purse levels. We're still talking about the same purse  
17       levels.

18                So again, it's so easy in here to --  
19       we're all taught to think globally and act locally, to  
20       use a cliché. So it's really easy to throw out all the  
21       numbers at Monmouth Park. It's real easy then to come  
22       back and combat it and say, well, Arlington is really  
23       not doing as well.

24                So then let's take the sheets that you  
25       guys put out a couple of weeks ago and let's take that

1 one example of Remington Park that seems to be having  
2 success. The fields are good size. The purse  
3 structure is acceptable. It's much better than  
4 anything we've ever run at here before.

5 So all I'm asking is there has to be a  
6 better solution from a racing perspective than taking  
7 our racing opportunity from 155 days that we currently  
8 have all the way down to 60. And it's misleading and  
9 misguiding to sit and tell everybody it's for one year,  
10 because there's one year with a caveat there.

11 And again, I'll finish now; but I  
12 appreciate what the Racing Commission has done in their  
13 report to really point out the glaring omission that as  
14 far as directives and as far as goals that ADW hasn't  
15 been a bigger part of that because we've walked by  
16 dollars while we've gone for slots or nothing; and  
17 unfortunately, we've done that as an industry for 10  
18 years with no results.

19 MR. SHUBECK: Let me speak to that  
20 because you've said it several times and I want to  
21 respond. This is only my fifth season at Lone Star  
22 Park. (Inaudible). It's the home of XpressBet. I've  
23 got a great personal relationship with Ron Luniewski,  
24 who's the president of XpressBet. We used to sit back  
25 in our little cave back there in Pittsburgh and talk

1 about, "Boy, it would be easy to flip Texas on.  
2 They're not really looking at it. They've got their  
3 eye on the gold. They're looking at something else."

4 So I came down here and I've been here  
5 for two legislative sessions and I've talked to a lot  
6 of State legislators in that pink building about ADW.  
7 I think I've mentioned ADW at 20 Texas Racing  
8 Commission meetings. There's been nobody that's said  
9 more, maybe except for Andrea, about ADW than myself.

10 There's no stomach for it. There's no  
11 stomach for it at all. Leadership has told us time and  
12 time again that they are opposed to expand the  
13 footprint of gambling. Once you legalize ADW, that  
14 makes the footprint every square inch of Texas. And  
15 that's a lot of square inches. So that's where we  
16 are.

17 There's even State Representatives that  
18 say, "Fine. Get ADW. But you're not going to do it in  
19 my district." Well, could you imagine if ADW rules  
20 were like -- I love to say this -- like the liquor  
21 rules in Texas and the beer rules, which are -- which  
22 from a New Jersey perspective, which is pretty screwed  
23 up, it's absurd here. It's a local rule and everything  
24 and I respect that because we're playing their game.

25 So I think we have to respect the rules

1 and laws in the State of Texas and we have to respect  
2 the fact that ADW is a very tall mountain to climb,  
3 particularly with the home rule, particularly with how  
4 leadership perceives gambling in this state.

5 And the Texas tracks have not ignored  
6 ADW. We would love to have it. It wouldn't solve all  
7 the problems in Texas, but it would certainly create a  
8 better atmosphere for us to work in.

9 We've also looked at instant racing,  
10 which Joe talked about earlier. I talk to Lewis Cella  
11 almost on a weekly basis and he's part of the company  
12 that developed that product. I got it passed in South  
13 America. In Uruguay they're going to start using  
14 instant racing machines. They're going to be using  
15 instant racing machines in Panama, which I'm associated  
16 with. So we love instant racing. The problem with it  
17 is it's not legal here in Texas and so far there's not  
18 been the appetite to do something like that.

19 MR. LECKINGER: So one just quick  
20 question to that. So there's not an appetite for that,  
21 but so therefore there's been no legislative action  
22 taken to try to put that forward, but yet we continue  
23 to go down a legislative path on slots where it's been  
24 denied for four years.

25 MR. SHUBECK: All right. Let's talk

1 about that. It's a very sexy think to talk about in  
2 the press. There's some media here today. People love  
3 talking about slot machines. They just love to. And I  
4 can't control that fact. But we talk about a wide  
5 range of things when we're in the presence of State  
6 legislators. We don't talk about just one subject.  
7 But there's a couple of subjects that get the most  
8 media attention and are the sexiest things to talk  
9 about. That's all.

10 But we're cheerleaders for the industry.  
11 As Andrea said, we love running live racing. Even  
12 though it's not the profit center for what it once used  
13 to be, it still generates positive EBITDA for Lone Star  
14 Park and we still want to host the live racing. So  
15 we've got a 300,000-square-foot facility here. We make  
16 a lot of money on F and B. I've got a great group  
17 sales department. Driving those numbers is because  
18 people want to watch horses competing on the track.

19 So you've got a great cheerleader in me.  
20 When people come to Lone Star Park, they don't want to  
21 hear about any of those other subjects. They want to  
22 talk about horse racing. They want to see the horses  
23 in the paddock. They want to get close to the horses  
24 in the winner's circle or near the starting gate. So I  
25 mean, that's something for all of us to be proud of.

1 VICE-CHAIRMAN SCHMIDT: Thank you very  
2 much.

3 Let's just take a five-minute break.

4 Thank you.

5 (Recess from 1:22 p.m. to 1:31 p.m.)

6 VICE-CHAIRMAN SCHMIDT: Again, if you can  
7 take your seats, we can resume and hopefully let  
8 everyone speak and ask any more questions and conclude  
9 this initial exchange of information.

10 Mr. Robert Procade, Italy, Texas?

11 Mr. Procade?

12 MR. BLANTON: That's Bob Pickard. He's  
13 left. Is that P-i-c-k-a-r-d? Bob left. Bob's gone.

14 VICE-CHAIRMAN SCHMIDT: Okay.

15 Mr. W.P. Spaeth?

16 MR. BLANTON: He's still not back. He's  
17 gone.

18 VICE-CHAIRMAN SCHMIDT: He's gone as  
19 well?

20 And Mr. Bill Martin we saw at break and  
21 he would like to speak.

22 Mr. Martin?

23 MR. MARTIN: My name is Bill Martin,  
24 M-a-r-t-i-n. I'm a Texas owner, breeder. I've been in  
25 the business for about 25 years. I just wanted to

1 address a little bit of the economics from the  
2 ownership side.

3 I race in a lot of states.

4 Unfortunately, I don't race in Texas right now. For  
5 all practical purposes, economically, I got forced out  
6 of this state about three or four years ago for any  
7 meaningful racing on my part.

8 Recognizing several years ago that this  
9 industry is changing and it's changing fast, meets are  
10 consolidating, I couldn't compete economically with  
11 cheaper horses. And so I made a conscious decision to  
12 raise the level of my stable to a point where it made  
13 economic sense in the purses that I could run for  
14 versus my cost of operating the stable.

15 It costs me about \$3,000 a month to run a  
16 horse. Whether I'm running in Oklahoma, Texas, New  
17 York, Philadelphia, it doesn't matter. It's higher in  
18 California, mainly because of workers' comp policies  
19 out there. But I find that at a 3,000-dollar-a-month  
20 operating cost, I can't run for 13-, 14-thousand-dollar  
21 purses and make sense out of the economics.

22 Unfortunately, the IRS tells me that I  
23 have to run my business as a profit business. If I  
24 don't, they reclassify me for tax purposes as a  
25 hobbyist. None of my expenses are then tax deductible,

1       which is very important. We have to take every edge  
2       that we can in making these numbers work as owners.

3                 So not only from a practical standpoint  
4       but from a necessity, I've got to -- I've got to race  
5       where the income meets or exceeds the expenses that I'm  
6       going to incur. And I think it's important for the  
7       Commission to hear that because there is no way to  
8       support a racing stable on an economic basis running  
9       for the kind of money we've been running for here in  
10      Texas the last few years. It just doesn't work.

11                And nobody wants it more than me to be  
12      able to stay in the state and run our horses and  
13      compete. I've been, you know, like I say, forced to  
14      other states. My travel costs are high. The cost of  
15      doing that, you know, everything connected with moving  
16      from state to state is expensive. Yet the purse  
17      structure that I'm going after supports that.

18                And you say, well, you can't -- as an  
19      owner, you know, you've got the money to go buy those  
20      kind of horses to run in those kind of meets. That's  
21      not necessarily true. But what we've had to do as  
22      owners is make adjustments. It's required multiple  
23      ownership in a lot of cases. You can't go buy a good  
24      horse if you don't have the money. You might have to  
25      take partners that you would not have normally wanted

1 to take in a deal to get a good horse bought where  
2 you're competitive. So the game has changed  
3 significantly.

4           Somebody said earlier about 60 percent of  
5 the horses would disappear here if we raised our purse  
6 levels, or 60 percent of the Texas horsemen. And those  
7 numbers were taken from races that are being run here  
8 currently. And the reason those numbers are high is  
9 because there are more local people running for less  
10 money than there would be if the purses -- if the purse  
11 structure was higher.

12           I understand that. I understand that  
13 there are some people that are willing to run for that  
14 kind of purse structure. And I simply can't make the  
15 mathematics work in my racing stable operation.

16           So to address a particular point that  
17 Drew made earlier about -- I think someone asked  
18 what -- I believe it was to evaluate the difference  
19 between running for 175 thousand a day up to 230 or  
20 whatever. I can tell you from my perspective as an  
21 owner, if we're not running for \$200,000 a day, I will  
22 not be here. I can't be here. If the maiden special  
23 weight races aren't at least \$28,000, you won't see my  
24 horses here. It's not because I don't want to be.  
25 It's because the numbers don't work at anything less

1 than that.

2 And I'm happy to share my numbers with  
3 the Commission or with anybody that would like to  
4 look. And I don't think they're unrealistic.

5 VICE-CHAIRMAN SCHMIDT: Mr. Martin, I  
6 just had a few questions. You say you've been forced  
7 to race out of state. How large is your stable with  
8 partnerships? How many horses do you have?

9 MR. MARTIN: I run anywhere from eight to  
10 14 horses in the stable depending upon the time of the  
11 year.

12 VICE-CHAIRMAN SCHMIDT: And your horses  
13 have now left Texas? What states do you now run in?

14 MR. MARTIN: I run in about 15 different  
15 states, a lot on the east coast, a lot in the Midwest,  
16 and we run some in California.

17 VICE-CHAIRMAN SCHMIDT: And do you breed  
18 in Texas or --

19 MR. MARTIN: I do. I do have some mares  
20 here, yes.

21 VICE-CHAIRMAN SCHMIDT: Or breed out of  
22 state as well?

23 MR. MARTIN: I do breed out of state as  
24 well.

25 VICE-CHAIRMAN SCHMIDT: All economically

1 based.

2 MR. MARTIN: Yes.

3 VICE-CHAIRMAN SCHMIDT: Any questions?

4 MR. JACKSON: May I ask a follow-up  
5 question?

6 MR. MARTIN: Yes.

7 MR. JACKSON: Do you breed for your own  
8 purposes of running or do you run them through the  
9 market and the sale?

10 MR. MARTIN: Both.

11 MR. JACKSON: Do you find that your Texas  
12 babies have a good market value here or is that a  
13 declining market value?

14 MR. MARTIN: Declining market value in  
15 Texas.

16 MR. JACKSON: How about those that you  
17 breed out of state?

18 MR. MARTIN: Well, the entire market, the  
19 breeding market, is declining. As you know, prices are  
20 off 40 to 50 percent industry-wide right now. Stallion  
21 fees have dropped 50 percent across the nation. I  
22 don't care if you're in Kentucky or Florida or Texas or  
23 Oklahoma. Those numbers are far less than what they  
24 were at the peak in '07.

25 So, yes, to answer your question, it's

1 declining. The breeding operations and breeders are  
2 seeing declining revenues everywhere right now. A lot  
3 of that is the economy driving that.

4 MR. JACKSON: One of our neighboring  
5 states, Louisiana, I know they restrict a great deal of  
6 their alternative form of gaming purse money to  
7 accredited Texas -- Louisiana-bred animals who run in  
8 their state. In Texas, we don't necessarily have that  
9 established here. Does that tend to drive some of the  
10 decisions that you've made as an owner and a breeder as  
11 to where you place your horses specifically for  
12 breeding so you can have animals that are accredited in  
13 those states that do that?

14 MR. MARTIN: I'll give you an example.  
15 Drew mentioned Pennsylvania earlier. I just ran a  
16 horse at Presque Isle, an allowance horse, the first --  
17 second allowance condition, 39,000-dollar purse.  
18 Because this filly was Pennsylvania-bred, she got a 40  
19 percent premium added to that purse. There's no reason  
20 to run that filly out of the State of Pennsylvania,  
21 although she could compete. She could compete well  
22 here. She could compete in a lot of states. But  
23 that's where the money is and that's where she has to  
24 stay. And it's a state-bred program and the money that  
25 they pay that drives that decision.

1 MR. JACKSON: Thank you very much.

2 MR. MARTIN: You're welcome.

3 VICE-CHAIRMAN SCHMIDT: Thank you very  
4 much, sir.

5 I think we've exhausted our cards here.  
6 Does anyone else wish to speak, state their mind  
7 today?

8 If you could, state your name and spell  
9 it. And then when you're done, please, sir, fill out a  
10 card for us.

11 MR. BOYER: That would be fine. I'm  
12 sorry. I've been out of town and I didn't know you had  
13 to fill out ahead of time. This is the first meeting  
14 I've ever been to like this. My name is Richard Boyer,  
15 B-o-y-e-r.

16 And I'm just very brief. I'm a horse  
17 owner, small. I just think that the Commission  
18 represents everyone here and I think we have to try to  
19 stay away from exaggeration toward one direction in  
20 hopes of something happening or no movement toward that  
21 direction and letting things stay the same.

22 And I would like you to pose one question  
23 in your evaluation of this situation and ask, who is  
24 the customer. That's the most important. As a  
25 handicapper, they don't look at Lone Star racing at

1 three-to-five, four-to-five, two-to-one, Bruner,  
2 Asmussen, and Calhoun running six of the nine horses.  
3 And it's nothing personal against them. The  
4 handicapper looks at what can I make if I bet on this.

5 We have one of the largest takeouts here  
6 at Lone Star. Four years ago I went to a tipster just  
7 to see what they have to do. They won't even -- they  
8 won't even evaluate Lone Star. There's no money in  
9 it.

10 So the handicapper is a customer. The  
11 breeder is a customer. This gentleman here had a great  
12 point. He had a great point. Put money into the Texas  
13 breeding program. Make us stay here. Also the horse  
14 owner. The horse owner has got to be able to run on  
15 equal grounds. When you go to a large track -- I go to  
16 Remington. I'm not faced with just running with two or  
17 three big-time trainers. It's equal ground. And maybe  
18 that's because of the purse structure, but I don't  
19 think so.

20 I do think that when you have a  
21 competitive race, a claimer 5,000, and you've got 10  
22 horses and the chalk is -- there's not a whole lot of  
23 chalk there, people bet. I do think that when my wife  
24 and I are here in the sixth race and we've got four or  
25 five of the eight, nine horses under two-to-one odds,

1 we get a taco salad. That's when we eat, because we're  
2 not going to bet on that. We leave in the fifth or  
3 sixth race when you have a rock concert, which is a  
4 whole different culture than the betting public for  
5 horse racing.

6 And so we could also be focusing on  
7 things that are different from people who bet. Those  
8 kids may bring a lot of money to the track to hear the  
9 rock singer, but they don't bet. And they clog up the  
10 lines so you can bet.

11 And so we need to look at who is the  
12 customer, what are we trying to do, and I think an  
13 equal playing field and some of the proposals here  
14 where we don't exaggerate one way or another.

15 I think that casino gambling would have  
16 gone through about two or three years ago if the  
17 tracks, rather than being self-centered as they may  
18 have to be -- they're almost self-wrapped now -- had  
19 looked and given more of a takeout.

20 When I talked to John Locke, who I was  
21 working with at the time, he said it was the lowest  
22 offer of all the surrounding states. And it may be  
23 wrong, but it was like six percent. Well, there's a  
24 group of owners that could have moved some things. But  
25 I tell you what. If you're going to be that greedy at

1 six percent, we're not moving for casino gambling. Why  
2 would we? To sign an agreement like that? And where  
3 would we have been if we had signed it and we got  
4 casino gambling? Where would we have been today to  
5 take that low a cut?

6 So there's a little anger and resentment  
7 there, but I have faith. I have faith. And I like  
8 this guy from Lone Star. I do. I don't know where  
9 he's going to be when Global takes over or whatever.  
10 Is he still going to be here? But I really like you  
11 guys because you seem neutral in your approach. And I  
12 ask, will you please ask who is the customer and let's  
13 go from there.

14 The tracks are not the customer. They  
15 applied for licensing in an industry, but they are not  
16 the customer. And I think if they will realize who the  
17 customer is in certain areas that we will do better.

18 And I think that to put everything on the  
19 line, as one of the horse owners here mentioned, that  
20 casino gambling is going to come in this next year, I'm  
21 not too sure. I'm not too sure. Because you've got a  
22 segment of horse owners that are looking and saying,  
23 "You're not giving us enough takeout. You're not  
24 giving us enough cut in a casino, so we're not going  
25 get involved with our State reps. We contribute to

1 their campaigns, but we're not going to get involved  
2 with them because you're not being fair with us."

3 So I think that if we look at that and  
4 spread it out a little bit more for this first year and  
5 don't overexaggerate and base everything on casino  
6 gambling coming in, then if it comes in, great.  
7 Great. But if it doesn't, we have maybe another year.  
8 Now, Houston may defer and say, "No, we don't have  
9 another year," but they're getting out of the business  
10 anyway this year.

11 That's all I have to say.

12 VICE-CHAIRMAN SCHMIDT: Thank you, sir.

13 I think we had a follow-up question.

14 Mr. Jackson, you had a follow-up question  
15 with the track owners?

16 MR. JACKSON: I would like to follow up  
17 with both the racetrack owners as well as the industry  
18 to discuss this mixed meet issue a little further. Not  
19 that we are advocating any position, but we would like  
20 to get feedback from others about a mixed meet concept,  
21 what are the negatives and the positives about it.

22 And I'll start with Drew. And I don't  
23 know if you've had experience with that in other  
24 states. But what are your thoughts on them?

25 And, Howard, we'd like to hear from you,

1       too, because you're one of the tracks who have actually  
2       ran one and you may have some wisdom in this that would  
3       be beneficial to this group.

4               MR. SHUBECK: I mean, I'd just like to  
5       say that I don't have any mixed breed experience at  
6       one -- at one meet. I think there was a time in Texas'  
7       history that the Thoroughbreds in particular didn't  
8       want to involve themselves in mixed breed racing. But  
9       I think we're at a period now, with purse levels the  
10      way they are, with tracks struggling to, you know,  
11      maintain themselves, that we're at a point where Retama  
12      and Sam Houston are both looking towards mixed breed  
13      opportunities for them in 2011.

14             MR. PHILLIPS: Well, as you know, we have  
15      run mixed meets, I guess, the last five years. And  
16      we're kind of a unique situation in that all of our  
17      racing is done in the daytime and we don't export the  
18      signal. So we don't have to worry about whether  
19      Quarter Horses or low-level Thoroughbred racing is  
20      going to draw more outbound simulcasts. It's no  
21      consideration at all. We just look at what's available  
22      and how it serves the industry.

23             And that's how we came up with our  
24      format. And we average about 25 races over the weekend  
25      and probably five of them are Thoroughbred on an

1 average roughly. The other 20 are Quarter Horses or  
2 one or two Paints maybe. And it's worked for us. We  
3 have a good crowd.

4 And, you know, I think the Quarter Horse  
5 people have embraced the Thoroughbred racing we have  
6 been doing; and the Thoroughbred people, I think, are  
7 probably spilling over to the Quarter Horse. The  
8 crowds like it. It's successful for us.

9 You know, I don't know how that works at  
10 a big track, though. You know, I'm not sure that  
11 that's got the kind of glamour or the sizzle, the sex  
12 appeal at a big track running a mixed meet. But in  
13 this day and age, who knows what's going to work?  
14 Because we're in a whole new era right now.

15 MS. YOUNG: Well, we've never --  
16 certainly in my tenure, I've never run a mixed meet.  
17 You know, when we talk about it internally, I'm sure  
18 there are things that are different than running  
19 straight breeds. But nothing, when we talk internally  
20 about it, that has come up is an alarming concern.

21 You know, some people ask about room on  
22 the backside. We're shipping in, you know, sometimes  
23 close to 40 percent of the horses that are running at  
24 Sam Houston. That's been the case for the Thoroughbred  
25 meet and the Quarter Horse meet. And so we're not full

1 on the backside and so we've got room and I imagine  
2 people would continue to ship in much like they have.

3 MR. JACKSON: Terry?

4 MR. BLANTON: Very simply, I have always  
5 been against it. I've never thought it was good for  
6 the Thoroughbred racing industry. But this is a  
7 different time, a different world.

8 And again, we're not talking about a full  
9 mixed meet. The proposals at Sam Houston would be two  
10 Thoroughbred races a day at some kind of limited purse  
11 structure of 3500 to 5,000. And then you need to look  
12 at that type of horse. And he can't be coming up here  
13 to 300 -- 250 miles to Lone Star Park to compete. And  
14 so if there's some way we can help some Thoroughbred  
15 that's based in Huntsville or based somewhere between  
16 San Antonio or wherever, then Tommy and I have  
17 discussed that we should work together to try to make  
18 that work.

19 San Antonio, again, it has been talked  
20 about. It is a -- again, it's a limited mix because,  
21 number one, depending on when we start, if we start  
22 August 15th or September 1st, obviously there's only a  
23 couple of weeks of mixed meet available because Drew  
24 will start his meet September 17th. So it's -- yes,  
25 it's maybe defined as a mixed meet, but it's a very,

1 very limited mixed meet.

2                   And just as Azopardi -- and someone  
3 mentioned his name. But we were looking at the  
4 paradigms on those mixed meets several years ago.  
5 Number one, you couldn't sell the signal. No one  
6 wanted to take that signal. If you did, you couldn't  
7 get any money for it. And then you -- there's two  
8 different bettors, Quarter Horse bettors and the  
9 Thoroughbred bettor, and they didn't commingle.

10                   So that was some of the disadvantages and  
11 advantages of the situation. But I don't consider this  
12 a true, in the sense, Zia Park or Sunland mixed meet.

13                   So that's my two cents' worth.

14                   MR. HAYS: You know, I just -- I mean, I  
15 would say that years ago we were all against mixed  
16 meets, but times have changed and so we're looking at  
17 solutions. We're trying to be part of the solution  
18 with the Quarter Horse industry.

19                   I mean, I have a lot of my clients that  
20 started out with Quarter Horses and went to  
21 Thoroughbreds and I have some people that were in  
22 Thoroughbreds and have come back to Quarter Horses to  
23 make it work, you know, in Texas. You know, just like  
24 Baffert and D. Wayne Lukas started out with Quarter  
25 Horses. Now they're at the top of the Thoroughbred

1 world. I don't see that we can't get along.

2 Obviously the betting drives the whole  
3 program. We're looking at lower -- you know, the lower  
4 level Thoroughbreds, trying to help them out. And like  
5 I say, some of our guys are crossover both ways.

6 In a perfect world, if we could all run  
7 our own meets, that would be great, but I just don't  
8 see that we're there now. With the proposal that's out  
9 there, we're willing to help and we're willing to look  
10 at it.

11 That's all I have.

12 MR. HOOPER: I would echo what Dr. Hays  
13 and what Terry have said. You know, if we had our  
14 druthers and it was close to a perfect world, well,  
15 we'd all like to have a straight Thoroughbred meet and  
16 a straight Quarter Horse meet, certainly at the Class 1  
17 tracks. But this is a different time. And to bring up  
18 what Azopardi said in 2002, it is a far different time  
19 in 2010 than it was in 2002 and that's why the mixed  
20 meet concept has been revisited.

21 And there was a suggestion earlier that  
22 Retama run in the spring next year rather than in the  
23 fall and in a mixed format to take the place of Manor  
24 Downs if Manor is not going -- is headed in the  
25 direction that was announced here a short while ago.

1                   And in part, I look at a mixed spring  
2 meet or a late winter or early spring meet as a  
3 necessity for some of the Texas Thoroughbred horsemen  
4 and it will give them an opportunity to get a race or  
5 two for their horses before Lone Star opens and  
6 therefore they'll have a fitter product than they  
7 otherwise would have and hopefully will be more  
8 competitive.

9                   And I applaud Sam Houston for looking at  
10 the mixed option, which would provide some additional  
11 racing opportunities for some of the lesser Texas  
12 horses that might not be competitive here at Lone Star  
13 Park.

14                   But I do want to interject that, you  
15 know, the Texas-breds have been competitive in open  
16 company here in Texas. We filed our annual performance  
17 measures on June 15th for the accredited Texas-breds  
18 for 2009. At the five tracks here in Texas, the three  
19 Class 1's, plus Gillespie, plus Manor, there were 1,015  
20 open company races in 2009. Texas-breds finished first  
21 in 407 of those races, they finished second 395 times,  
22 and they finished third 408 of those races.

23                   That's basically 40 percent across the  
24 board, 40 percent first, 40 percent second, 40 percent  
25 third. So the Texas-breds can be competitive in open

1 company. And a lot of people want restricted races and  
2 so on. That's fine. And I applaud -- I applaud Drew  
3 and his racing department because we've averaged almost  
4 three Texas-bred races per day during this 60-day meet  
5 and that's a pretty -- that's a pretty high percent of  
6 the races at Lone Star, higher than it has been in some  
7 years past. And actually the accredited Texas-breds  
8 have won more than 50 percent of the races here during  
9 the current meet.

10 That's all I have.

11 MR. JACKSON: Mr. Wilson? Mr. Wilson,  
12 would you like to say anything about mixed meets?

13 MR. WILSON: Really it doesn't matter  
14 that much with us whether it's mixed or the other  
15 because we only run a limited number of races anyway,  
16 so we're mixed regardless. But we're happy to run  
17 either way. And whatever is best for the track and for  
18 the industry, that's what we're interested in.

19 MS. KING: I just wanted to make a couple  
20 of comments based on what I've heard today. I really  
21 appreciate the input that we've been getting. What it  
22 did is it reminded me of the discussion that I heard  
23 back in the 1990's when I worked at the Texas Sunset  
24 Commission and I heard the Texas industry come and talk  
25 about the Texas circuit and what it meant. And I was a

1 little disappointed that Bob Pickard didn't stay  
2 because I assume that that was what Bob was going to  
3 talk about.

4 This is a very difficult time because of  
5 the type of change that needs to occur. And I'm very  
6 appreciative of the almost covenant that the horsemen  
7 feel was made in terms of what pari-mutuel racing in  
8 Texas was to mean to them and that people move to Texas  
9 and that the Texas circuit was something that was so  
10 important. And we heard about that again today. And I  
11 heard that back in the '90's and I'm still hearing it  
12 now. And so it is -- it's not lost on me personally  
13 what that means.

14 But we are faced with a very difficult  
15 time in terms of trying to make change. And the  
16 Commission is going to be faced with the issues of  
17 survival for any number of components of the industry.  
18 So it's a matter of identifying, I think, the least  
19 amount of hurt that can occur while people are trying  
20 to survive this difficult time.

21 One of the things that you've pointed out  
22 that's been advantageous to me and I want to keep that  
23 door open for additional information is your caution  
24 about making sure that the information that we're  
25 looking at is accurate and that we're trying to drill

1 down into the most accurate picture possible.

2           And that's why Sammy's asking a lot of  
3 the questions that he's asking and why we're going to  
4 be encouraging people to get to that next level -- you  
5 know, Drew indicated that he would work on some of  
6 those numbers -- and that that would be helpful to us,  
7 because we are trying to remain as neutral as possible  
8 and try to do the analysis in a way that it shows us  
9 something different. And the mixed meet format is a  
10 part of having to evaluate that.

11           And I think mixed meet means something --  
12 what I'm finding is when I'm asking people about mixed  
13 meet, it means something different as I'm talking to  
14 each person. And so I do think that we need to drill  
15 down into the idea of the mixed meet and what it means  
16 and if there -- if it is to be considered an option,  
17 what kinds of improvements could be made to that so  
18 that it could respond to the issues that we're having  
19 in Texas now.

20           I don't know if that's possible, but we  
21 have to ask that question at the Commission. And that  
22 was why I was asking Mr. Ray for some additional  
23 information and then asking -- and I was talking to  
24 Mr. Love at the break about evaluating that further.

25           But I also appreciated the testimony

1 about keeping the customer in mind. And that's  
2 something that Sammy Jackson is very good at is  
3 thinking about the patron and the betting product and  
4 what the bettors are interested in. So we're going to  
5 try to mix that in as well.

6 But some of the basic assumptions about  
7 Texas racing that are built into the Texas Racing Act  
8 no longer apply given the economics of the situation.  
9 And that's the unhappy situation for everyone. The  
10 idea of a number of tracks with separate meets, you  
11 know, the racetracks have given -- submitted their  
12 financial records to us. It's a very difficult  
13 situation.

14 Their message of needing to do one meet,  
15 in the case of Retama and Sam Houston Race Park, does  
16 resonate with us because we understand we have to staff  
17 it also. And so the cranking up of the meet and the  
18 winding down of the meet and then going back and doing  
19 it again is expensive. And so it's no surprise to me  
20 that we're at this juncture where they're saying, "We  
21 can't afford to do that anymore."

22 So with that, I believe that is an  
23 accurate statement. We're just going to have to try to  
24 get into this next phase of change and try to be as  
25 creative as possible and then do what some of you have



1 the past, on developing a staff-recommended calendar.  
2 We're going to do the best that we can given the  
3 circumstances.

4 And so I want to thank you all for  
5 participating and I think Commissioner Schmidt will  
6 probably close for us now unless someone has some  
7 questions for me.

8 VICE-CHAIRMAN SCHMIDT: Dave?  
9 Mr. Hooper?

10 MR. HOOPER: There has been concern  
11 expressed by one or more people who have testified  
12 today relative to, well, you know, you hang up on  
13 230,000 a day for 60 days and a lot of the money is  
14 going to end up going out of state.

15 I've been looking at Monmouth Park and  
16 the conditions and especially where they related to the  
17 state-bred horses, the New Jersey-breds, and there are  
18 built in -- some pretty unique conditions that have  
19 helped keep some of those New Jersey horsemen who raced  
20 at Monmouth for a lot lower purses in the last couple  
21 of years have given them an opportunity to stay at  
22 Monmouth and participate with a much higher purse  
23 structure and be competitive with this meet.

24 And I have floated around a couple of  
25 memos with some suggestions relative to incorporating

1 some unique conditions. And I know that Jan and Terry  
2 are aware of that. And I'm sure that Drew, with his  
3 racing department, will be willing to sit down and  
4 discuss some things that might be incorporated into  
5 race conditions for a 60-day meet at 230 per day that  
6 will protect the local horsemen who have supported  
7 Texas racing for some period of time and particularly  
8 for the Texas-breds and the horsemen who have them in  
9 their stables.

10 So I just wanted to make that a part of  
11 the record.

12 VICE-CHAIRMAN SCHMIDT: Good point.

13 Thank you.

14 I'd also like to echo Charla Ann's  
15 comments. I think our first meeting today was really  
16 to set the table and to hear a wide range of opinions  
17 and hopefully help us refocus on the critical issues  
18 and reevaluate them and continue to reevaluate and  
19 reevaluate and question and reevaluate in order to  
20 achieve the best possible solution in a very difficult  
21 situation.

22 I'm very appreciative of the horsemen who  
23 left their stables, in some cases drove here, and  
24 presented materials to us. We'll definitely seriously  
25 consider everything you tell us. I think you've

1 certainly made some very strong points.

2 I'm very appreciative of the horsemen's  
3 groups and also the track owners. I think it's been a  
4 very effective dialogue and I'm very appreciative of  
5 all of your participation.

6 I think hopefully in mid August, when we  
7 reconvene in Houston, our arguments and our  
8 understanding of this issue can be further refined and  
9 we can hopefully go forward and do the best for Texas  
10 in a difficult time.

11 Thank you.

12 (Proceedings concluded at 2:07 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  
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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  
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13 COMMISSION.

14 GIVEN UNDER MY OFFICIAL HAND OF OFFICE at Austin,  
15 Texas, this 21st day of July, 2010.

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25 (512) 465-9100