

BEFORE THE
TEXAS RACING COMMISSION
AUSTIN, TEXAS

COMMISSION MEETING

MAY 13, 2011

BE IT REMEMBERED that the above entitled matter came on for hearing on the 13th day of May, 2011, beginning at 10:32 A.M. at the Texas Animal Health Commission, 2105 Kramer Lane, Austin, Travis County, Texas, and the following proceedings were reported by SHERRI SANTMAN FISHER, Certified Shorthand Reporter for the State of Texas.

APPEARANCES

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Commissioners:

- ROLANDO PABLOS
- ROBERT SCHMIDT
- RONALD F. EDERER
- MIKE MARTIN
- GLORIA HICKS
- SCOTT HAYWOOD
- VICKI WEINBERG
- ANN O'CONNELL
- ALLAN POLUNSKY

1 CHAIRMAN PABLOS: Okay, folks. Good
2 morning. The time is 10:32. And at this time I'd like
3 to call today's Texas Racing Commission meeting to
4 order.

5 Carolyn, will you please call the roll?

6 MS. WEISS: Commissioner Ron Ederer?

7 COMMISSIONER EDERER: Present.

8 MS. WEISS: Commissioner Scott Haywood?

9 COMMISSIONER HAYWOOD: Present.

10 MS. WEISS: Commissioner Gloria Hicks?

11 COMMISSIONER HICKS: Present.

12 MS. WEISS: Commissioner Mike Martin?

13 COMMISSIONER MARTIN: Present.

14 MS. WEISS: Commissioner Ann O'Connell?

15 MS. O'CONNELL: Present.

16 MS. WEISS: Commissioner Allan Polunsky?

17 MR. POLUNSKY: Present.

18 MS. WEISS: Commissioner Vicki Weinberg?

19 COMMISSIONER WEINBERG: Present.

20 MS. WEISS: Vice-Chairman Robert

21 Schmidt?

22 VICE-CHAIRMAN SCHMIDT: Present.

23 MS. WEISS: Chairman Rolando Pablos?

24 CHAIRMAN PABLOS: Here.

25 Do we have a quorum?

1 MS. WEISS: Yes, sir.

2 CHAIRMAN PABLOS: Thank you.

3 For public comment, do we have anyone
4 signed up to speak who's not speaking on the
5 proceedings on racetracks?

6 Okay. Hearing none, we'll move on to
7 Item III, general business, discussion and
8 consideration of the following matters: Reports by the
9 executive director and staff regarding administrative
10 matters.

11 I'd like to recognize Chuck Trout,
12 please.

13 MR. TROUT: Good morning, Commissioners.
14 You were provided four administrative reports in your
15 packets covering budget and finance, wagering and
16 statistics, enforcement actions, and racetrack
17 inspections. Deputy Director Harris-Curtsinger, Deputy
18 Director Jackson, Deputy Director Gougler, and Carol
19 Olewin are here to answer any questions you may have
20 about those reports.

21 CHAIRMAN PABLOS: Thank you, Chuck.

22 Commissioners, do we have any questions
23 on those items?

24 Hearing none, we'll move on to Item E,
25 report by the executive director and staff on the

1 status of sunset legislation and the legislative
2 proposals by the 82nd Texas Legislature, regular
3 session.

4 Chuck Trout, please.

5 MR. TROUT: Commissioners, the agency's
6 sunset legislation remains our top priority. Since the
7 last meeting, the House passed our sunset bill on April
8 the 11th. The Senate's sponsor made several minor
9 changes to the bill and then the Senate passed the
10 bill, the amended bill, on May the 5th.

11 The bill is now back in the House and is
12 eligible for consideration. They didn't take that up
13 this week because they've been preoccupied with the
14 bills that have not received second readings, and the
15 deadline for that was midnight last night, and we are
16 hopeful that they will take on our bill next week.

17 If the House accepts the Senate
18 amendments, then the bill will go directly to the
19 governor. If they do not, then it will go to a
20 conference committee. And both of the Houses of the
21 Legislature have until the 29th -- excuse me, the 29th
22 of May to act on any recommendations from the
23 conference committee.

24 We continue to follow the developments
25 related to House Bill 254. This is a bill from

1 Representative Harvey Hilderbran and it's been
2 nicknamed the Texas Derbies bill. This is a bill that
3 would require the Racing Commission to establish four
4 derby races, two Thoroughbred, two Quarter Horse, one
5 each reserved for Texas-bred horses. That bill did
6 receive a second reading yesterday. We expect it to
7 possibly go forward today.

8 Other than that, I have no other updates
9 on the Legislature.

10 CHAIRMAN PABLOS: Okay. Thank you.

11 Commissioners, any questions?

12 Thank you, Chuck. And thank you to your
13 staff. I know it's been a long haul. It's almost over
14 here. And I really want to thank you and especially
15 recognize Bill.

16 Where are you, Bill? Thank you for all
17 your good work. I know you're 24/7 on this. I get
18 e-mails from Bill at all times of the night. And so I
19 thank you very much. Appreciate that.

20 Okay. Next we'll move on to proceedings
21 on racetracks, Item IV-A, request by Lone Star Park for
22 approval of 100 percent change of ownership. At this
23 time I'd like to recognize Mark Fenner to lay this out
24 for us, please.

25 Mark?

1 MR. FENNER: Commissioners, we've
2 received a request by Magna Entertainment Corporation
3 for approval to change the ownership of Lone Star Park
4 from MEC Lone Star Limited Partners to Global Gaming
5 LSP. We received that request on January 26th, 2010.
6 We received an application from Global Gaming on March
7 31 of 2010.

8 In reviewing the application and the
9 subsequent amendments to the application that we've
10 received, we prepared a staff report that addresses the
11 statutory requirements that are set out for changing an
12 ownership of a racetrack association. This is the same
13 sort of checklist that we walk through every time we do
14 a change of ownership, so I think the process should be
15 very familiar to those of you who have been on the
16 Commission for some period of time.

17 And so what I'd like to do is kind of
18 walk you through the elements of the application that
19 are described in the staff report and put them into
20 context of the bullet points and the criteria that we
21 review.

22 A change of ownership requires the
23 submission of an updated information of the type that's
24 required to be submitted under Section 6.03(a) of the
25 act, and this includes the following types of

1 information: First, they have to identify the proposed
2 owners and ownership structure of the applicant.

3 Now, the proposed buyer of Lone Star Park
4 is Global Gaming LSP. It's a Texas limited liability
5 company. This company has two members. The first is
6 Racing Partners of Texas, which I'm going to call
7 Racing Partners, and the second is Global Gaming
8 Solutions.

9 Now, the ownership of Racing Partners,
10 which will have a 51 percent ownership interest in the
11 racetrack, will be held by Ricky Knox. He's a Texas
12 resident who meets the qualifications of having been a
13 U.S. citizen residing in this state for 10 years.

14 In order to acquire this interest, he
15 will pay \$255,000. \$80,000 of that will be up front
16 and \$175,000 will be paid through -- by the end of the
17 year. He's going to give a promissory note. That
18 amount will either be paid by him at the end of the
19 year or contributed by additional Texas residents as
20 they join and acquire a portion of his 51 percent
21 interest.

22 The other interest, the 49 percent
23 interest, will be held by Global Gaming Solutions.
24 Now, that is a subsidiary of the Chickasaw Nation
25 Division of Commerce from Oklahoma. The officers and

1 directors of Global Gaming are Bill Lance, Matthew
2 Morgan, John Elliott, Michael Chang, and Gregory
3 Pittman.

4 Now, the structure for the management of
5 this will be the management will be by the two members,
6 Racing Partners and Global Gaming. The company
7 agreement provides that most decisions will be made and
8 approved by Racing Partners or Ricky Knox as it is
9 right now. However, major decisions must be approved
10 by at least two-thirds of the ownership interests that
11 are represented on the management committee. That
12 committee is going to be composed of Ricky Knox, John
13 Elliott, and Michael Chang.

14 Now, Ricky Knox will have three votes to
15 Mr. Elliott's and Mr. Chang's one vote. As additional
16 Texas partners join the management committee, they will
17 take two of those votes so that ultimately the Texans
18 will have three votes and it will be three different
19 Texans on the management committee and then Global
20 Gaming Solutions will have two votes.

21 The management committee will be
22 responsible for hiring and firing Lone Star Park's
23 president and general manager and he will report
24 directly to the management committee. They're also
25 going to monitor and supervise the performance of

1 Global Gaming which is going to provide a variety of
2 advisory services and perform a variety of management
3 duties for Lone Star Park.

4 Now, the second criteria that's required
5 in the application is that they must identify the exact
6 location at which the meeting is to be conducted.

7 That, of course, is Lone Star Park at Grand Prairie at
8 1000 Lone Star Parkway.

9 They have to identify whether the
10 facility is leased or owned. The land and the
11 facilities of Lone Star Park are owned by the Grand
12 Prairie Sports Facilities Development Corporation and
13 they're leased to the license holder under the terms of
14 a lease dated October 23, 2002, and it was amended in
15 2007.

16 If the Commission approves the change in
17 ownership, the proposed buyer will step into the shoes
18 of MEC Lone Star Partners and assume all rights and
19 responsibilities under that lease.

20 The act requires that they identify any
21 other beneficial owners of shares that bear voting
22 rights. We believe that they have done that. All the
23 owners have been identified.

24 It requires a detailed statement of the
25 assets and liabilities. Global Gaming has -- Global

1 Gaming Lone Star Park, or LSP, has total current assets
2 and liabilities of three million dollars. These are in
3 the form of a three-million-dollar loan from Global
4 Gaming Solutions to the applicant and that note has a
5 12-year term with monthly interest payments at .67
6 percent and the entire balance is due at maturity in
7 2021. An amount of \$300,000 of that is held as cash or
8 cash equivalents and 2.7 million is held as restricted
9 cash which is to be used only for the purchase of Lone
10 Star Park.

11 If the change of ownership is approved by
12 the Commission, they're going to fund the purchase,
13 which is 47.8 million dollars, through a term loan of
14 50 million dollars from Global Gaming Solutions as well
15 as a five-million-dollar line of credit.

16 I do want to let you know that subsequent
17 to the issuance of the staff report, we received a copy
18 of the latest amendment to their purchase agreement;
19 and in that latest extension, Magna has agreed to defer
20 payment of 15 million dollars of the 47.8 million
21 that's owed for 27 months, at which time it will be
22 owed.

23 It's my understanding from speaking with
24 the parties that this accommodation was reached by them
25 as part of Global Gaming's agreement to pay for the

1 ongoing operations at Lone Star Park since the November
2 meeting.

3 The act requires them to identify the
4 kind of racing to be conducted and dates requested.
5 Lone Star Park's racing calendar already includes two
6 Thoroughbred meets and one Quarter Horse meet and these
7 have already been allocated to the track by the
8 Commission.

9 They have to provide proof of residency,
10 and the Department of Public Safety has already
11 addressed that issue in their DPS report.

12 They have to provide any copies of any
13 tote management and concession contracts, and these
14 were provided to you separately. These are existing
15 Commission-approved contracts that the buyer would
16 assume.

17 And finally, the list of the application
18 information that has to provide -- be provided includes
19 any other information required by the Commission. In
20 that category we included an assessment of the
21 facility's condition. And Lone Star Park has been well
22 maintained and is in good repair. There's no
23 outstanding facilities issues requiring attention.

24 Now, the applicant has, as part of the
25 application, stated that they contemplate making some

1 changes to the existing simulcasting pavilion. These
2 would include a new entrance with an enlarged lobby and
3 a covered valet area. They envision expanded VIP
4 simulcast suites and then a replacement of the existing
5 tabletop televisions with LCD panel TV's.

6 They are also required to provide a copy
7 of their business plan, including financial and
8 pari-mutuel projections. Now, the projections of the
9 applicant forecast that Lone Star Park will lose 52.95
10 million dollars from operations from 2011 through 2015
11 and that in order to maintain that, Global Gaming LSP
12 will have to secure an additional 42 million dollars in
13 equity over those years in order to continue
14 operations.

15 We have required them to provide a
16 description of their impact on -- anticipated impact on
17 horse breeding. They report that during the spring
18 meet they dedicated three races per day to the
19 accredited Texas-bred program and that Texas-bred
20 horses placed within the top three finishers 40 percent
21 of the time.

22 They provided a description of their
23 impact on the local economy. They estimate that the
24 local economic impact of Lone Star Park will total 45.7
25 million dollars and reported that during calendar year

1 2010 almost 500,000 people attended the Thoroughbred
2 and Quarter Horse racing at Lone Star Park.

3 In 2010 Lone Star also paid 13 and a half
4 million dollars in wages to 250 employees on a
5 year-round basis and 800 employees during live racing.
6 They also purchased 12.4 million dollars in goods and
7 services. They paid 12.6 million dollars in purses.
8 And they paid 1.14 million in pari-mutuel taxes to the
9 State, 1.4 million in other State taxes, and over 2.4
10 million dollars in property taxes to Grand Prairie
11 taxing districts.

12 They're required to provide copies of any
13 letters of support or opposition. We've received
14 letters of support from the Texas Horsemen's
15 Partnership, the Texas Thoroughbred Association, the
16 Texas Quarter Horse Association, three State
17 Representatives, the City of Grand Prairie, and the
18 Grand Prairie Independent School District. We've also
19 received 320 letters from individuals in support of the
20 application and only four letters of opposition.

21 One of the other issues that we
22 identified and researched as part of this staff report
23 were the implications of ownership by an Indian
24 nation. Frankly, there was some initial concern that
25 partial ownership of Lone Star Park by the Chickasaw

1 Nation could allow Lone Star Park to begin Class 3 type
2 gaming even without State authorization by utilizing
3 the Indian Gaming Regulatory Act.

4 However, after a review of the Indian
5 Gaming Regulatory Act and consultation with the
6 Attorney General's office, we found this concern to be
7 unfounded. In order to begin expanded gaming without
8 State authorization by legislation, the applicant would
9 first have to purchase the property and then enter into
10 a compact with the State of Texas authorizing them to
11 do that gaming and the tribe cannot compel the State to
12 enter into a compact.

13 There was also some concern that
14 ownership by an Indian nation could entitle Lone Star
15 Park to avoid civil liabilities or State regulation by
16 asserting sovereign immunity. However, the Chickasaw
17 Nation explicitly waived that immunity and made its
18 for-profit entity subject to liabilities and
19 regulation. And a copy of that waiver is in your
20 materials in Appendix K.

21 Finally, the Texas Racing Act, Section
22 6.031, provides that the Commission must require a
23 complete personal, financial, and business background
24 check of the applicant or any person owning an interest
25 in or exercising control of the applicant. The

1 Department of Public Safety conducted a background
2 investigation which addressed those issues and those
3 have been provided to you separately.

4 That is my summary of the staff report on
5 the proposed purchase of Lone Star Park.

6 CHAIRMAN PABLOS: Thank you, Mark.

7 I'd like to recognize Chuck Trout,
8 please.

9 MR. TROUT: Commissioners, after
10 reviewing the application, meeting with each of you
11 separately, and taking input from staff, I have decided
12 to offer a recommendation. I e-mailed this
13 recommendation to you last night and there are copies
14 at your place here.

15 If I may summarize the factors that
16 swayed me, they are, one, the Texas partners have
17 increased their investment to \$255,000. This amount is
18 similar to the amounts required by the Commission in
19 previous situations.

20 Two, a majority of the management
21 committee will be Texans, which is also consistent with
22 previous Commission decisions.

23 Three, while the Texans cannot make major
24 decisions unilaterally, neither can Global Gaming
25 Solutions. In essence, the Texans will hold a veto

1 power.

2 Four, Global Gaming's proposed fees are
3 reasonable. Until earnings exceed six million dollars
4 per year, profits will be distributed according to
5 ownership. Only after earnings exceed six million
6 dollars per year will Global Gaming collect a larger
7 share.

8 Five, and finally, the very capable
9 management team at Lone Star Park will remain and the
10 general manager will report directly to the management
11 committee.

12 To conclude, I recommend that the
13 Commission approve the application. A Texas resident
14 will own 51 percent of Lone Star Park's license and the
15 applicants are financially responsible, of good moral
16 character, and have a capable team in place.

17 Thank you.

18 CHAIRMAN PABLOS: Thank you, Chuck.

19 Commissioner Polunsky?

20 MR. POLUNSKY: Yes. I would -- first of
21 all, Mr. Trout, I did not receive an e-mail from you
22 last night and I think it's troubling to walk into this
23 meeting today and receive your recommendation at the
24 meeting. I think a recommendation of this nature and
25 of this significance should be generated way in advance

1 of a meeting to make a decision of this nature. I'm
2 troubled by the fact that I'm just now getting it as we
3 speak here.

4 MR. TROUT: I apologize.

5 MR. POLUNSKY: Over and above that, I
6 think you made the comment that you met with the
7 various Commissioners and that helped you formulate
8 your recommendation? Is that not what you just said?

9 MR. TROUT: I would say that, yes, sir.

10 MR. POLUNSKY: What relevance does
11 meeting with the other Commissioners have to do with
12 you making your recommendation as the executive
13 director of the Racing Commission?

14 MR. TROUT: Well, they voiced certain
15 concerns, and I went back and I looked at those
16 concerns.

17 MR. POLUNSKY: Thank you.

18 MR. TROUT: Yes, sir.

19 CHAIRMAN PABLOS: Thank you.

20 Mark, do you have anything to add to
21 that?

22 MR. FENNER: No, sir.

23 CHAIRMAN PABLOS: Okay.

24 MS. O'CONNELL: Question.

25 CHAIRMAN PABLOS: Yes, Commissioner.

1 MS. O'CONNELL: Mark, is there a pending
2 request for an Attorney General opinion on an issue
3 that relates to this decision?

4 MR. FENNER: Yes, ma'am, there is. And
5 the Attorney General's opinion was submitted in mid to
6 late December and so we expect a decision or an opinion
7 from the Attorney General's office in late June. It
8 was as to the constitutionality of the Texas residency
9 requirement as found in the Racing Act.

10 MS. O'CONNELL: Okay. So that's one of
11 the things that we must find in order to grant the
12 license. We would have to find that there is 51
13 percent or more Texas ownership in the license. And
14 that requirement is currently in the act and the
15 question of the constitutionality of that is pending
16 with the AG right now.

17 MR. FENNER: Yes, ma'am.

18 CHAIRMAN PABLOS: What I'd like to -- if
19 I may, Commissioner -- Commissioner Polunsky, if I may,
20 what I'd like to do is, in following the process that
21 we've had in the past, I'd like to take on -- first of
22 all, ask the Commissioners if they have any questions
23 of DPS and then take on public comment and then come
24 back and then address all the technical questions, if
25 that's okay with you.

1 Commissioners, we have DPS available for
2 any questions. Is there anyone who would like to have
3 DPS answer any questions at this time?

4 MS. O'CONNELL: Yes.

5 CHAIRMAN PABLOS: Who is representing
6 DPS? Is it Wynn Reynolds or --

7 MR. REYNOLDS: Yes, sir, I'm here, along
8 with Major Jesse Flores and assistant director Tom
9 Ruocco.

10 CHAIRMAN PABLOS: Will Mr. Ruocco please
11 come up?

12 Commissioner O'Connell, you have a
13 question?

14 MS. O'CONNELL: Thank you.

15 The background report that was done on
16 this applicant was done in August. I believe it was
17 completed in August. And there was an update to it in
18 September. Is that right?

19 MR. RUOCCO: That sounds correct, yeah.

20 MS. O'CONNELL: And when the update was
21 done, had there been any kind of dispute by the
22 applicant that any of the underlying facts in the
23 background investigation were not correct? The
24 underlying facts. I realize there may have been
25 some --

1 MR. RUOCCO: In general, the process that
2 was being used is we were -- they brought to our
3 attention that there might have been some facts that
4 were not correct or there were some inaccuracies in
5 reporting or a misunderstanding of some of the contract
6 language.

7 They brought that to our -- they actually
8 brought it to our director's attention, Mr. Steve
9 McCraw, at which point we were concerned that maybe our
10 report was inaccurate. So we did have a meeting with
11 those principals to find out what their concerns were,
12 with the feeling that the Commission is a customer of
13 ours and we had to deliver them a proper product.

14 So we listened to what they had to say.
15 We looked at our report and realized that while it may
16 not be inaccurate, there wasn't enough explanation to
17 understand where maybe some opinions were formed. And
18 based on that, we went back and reviewed the whole
19 application, where we believed there was opinion and
20 not supported by the investigative work, that we needed
21 to change that to reflect just the facts.

22 A small internal issue that came up with
23 our system was that what was given as a report is
24 what's known as a CLERIS report, which was part of our
25 records management system for investigations. Those

1 reports, when put final, close a file. Also, it's
2 written by an investigator that if somebody at
3 headquarters would review something and think something
4 was inaccurate or maybe it was a mistake, you can't
5 change that report.

6 So we realized that the process was very
7 limited in that an investigator, who may not see the
8 whole picture of the application, was providing their
9 opinions but since we were dealing with the Commission
10 at a headquarters level that a person at headquarters
11 should review all of the investigation from everybody,
12 including any outside materials which the other
13 investigators may not have had, and provide a report in
14 a letter format which then would allow the Commission
15 to review and, if they wanted additional investigation,
16 to come back and ask.

17 So the answer to that -- the long answer
18 to that question was we did provide a second report,
19 but it was -- it was a letter format which we then
20 adopted and not only for this Commission but for all
21 other background investigations, including work we did
22 for the Austin Police Department on their lab. So --

23 MS. O'CONNELL: Was there ever any
24 concern by the applicant that any of the facts asserted
25 in the background check about a subsidiary called

1 Freedom Trail Ventures was incorrect?

2 MR. RUOCCO: I think they felt that the
3 conclusion reached was premature because there was
4 still some legislation out there. And that's -- I'd
5 have to turn it over to the people who actually did the
6 investigation to ensure that.

7 MS. O'CONNELL: Some litigation pending,
8 you mean to say?

9 MR. RUOCCO: I believe there was. And
10 I'd almost have to turn it over to Mr. Fenner because
11 he kind of -- he was more aware of that than I was.

12 MS. O'CONNELL: Okay. And I do want to
13 separate a conclusion from a fact. But just was there
14 any -- there was not a concern with the underlying
15 fact, just that it may be -- there was pending
16 litigation?

17 MR. RUOCCO: I'm not sure. I'd have to
18 turn over -- I'd have to look at that report again.

19 MS. O'CONNELL: Thank you.

20 MR. RUOCCO: Sure.

21 CHAIRMAN PABLOS: Commissioners, any
22 other questions of DPS?

23 COMMISSIONER EDERER: You'd have to look
24 at that report again?

25 MR. RUOCCO: I was not a -- I did not

1 write the report. I just --

2 COMMISSIONER EDERER: But you knew there
3 was a meeting today and you knew the significance of
4 the meeting.

5 MR. RUOCCO: Uh-huh.

6 COMMISSIONER EDERER: And you're not
7 prepared?

8 MR. RUOCCO: I think -- well, I am --
9 personally, I am not. I believe our team is prepared
10 to answer that question. But I cannot answer to you.

11 COMMISSIONER EDERER: Well, then maybe
12 your team should answer the question.

13 CHAIRMAN PABLOS: Maybe it was unfair of
14 me to call on Mr. Ruocco.

15 Is there someone on your team who might
16 be able to answer that question? I'm sorry. I called
17 on you. I mean, I just made that assumption.

18 MR. RUOCCO: Not a problem.

19 MR. REYNOLDS: Wynn Reynolds. And I'm
20 here to answer any questions the Commissioners may
21 have.

22 CHAIRMAN PABLOS: Commissioners, any
23 other questions?

24 COMMISSIONER EDERER: I believe you
25 needed some clarification?

1 MS. O'CONNELL: Well, my question was not
2 geared towards DPS's conclusions but just to the
3 underlying facts about that company that were
4 represented in the report. And I just wanted to know
5 if the applicant had expressed any concern that the
6 underlying facts were not accurate.

7 MR. REYNOLDS: Actually the details
8 involving Freedom Trail Ventures, it was a company that
9 Global Gaming -- or excuse me, the Chickasaw Indian
10 Nation had an interest in at one time and that is
11 currently still in the court system as we speak today.
12 Actually there may be some decision made on that today
13 or next week or the upcoming weeks, but it may be out
14 as early as today, involving the seized asset that's
15 talked about in the report, I believe it was somewhere
16 over \$549,000, as well as a seizure of I believe it was
17 a hundred or so machines.

18 CHAIRMAN PABLOS: Mark?

19 MR. FENNER: Mr. Reynolds, would you
20 clarify? Litigation, is that civil or criminal?

21 MR. REYNOLDS: That would be civil
22 litigation. There is no criminal investigation
23 involved in this at all.

24 MS. O'CONNELL: So it's a civil asset
25 forfeiture issue?

1 MR. REYNOLDS: Yes.

2 CHAIRMAN PABLOS: Any other --
3 Commissioner Schmidt?

4 VICE-CHAIRMAN SCHMIDT: Just a
5 clarification question, sir. There are two reports.
6 One report was issued in August; and the second one was
7 issued, I would say, perhaps in early October. Was the
8 first report a draft or was the first report a report
9 which was later corrected?

10 MR. REYNOLDS: The first report completed
11 by Agent Richard Fulton was a report in the CLERIS
12 system that Assistant Director Ruocco had mentioned
13 earlier. DPS realized that we needed to go to a new
14 system to correct some of the conclusionary statements
15 that were in the first report and we met with Assistant
16 Director Ruocco and a new system was developed. And
17 that is the report that was used with Penn National
18 Gaming a month or so ago and that is my report that's
19 dated September 15th, 2010, that you each have copies
20 of.

21 VICE-CHAIRMAN SCHMIDT: Thank you.

22 CHAIRMAN PABLOS: So the second report
23 is -- was arrived at using the same process as the one
24 with Penn National? Is that what you're saying?

25 MR. REYNOLDS: Yes, Commissioner.

1 COMMISSIONER EDERER: Has the August
2 report been withdrawn?

3 MR. REYNOLDS: No, sir, it has not been
4 withdrawn.

5 COMMISSIONER EDERER: Is it factual?

6 MR. REYNOLDS: There are parts in there
7 that are factual, yes.

8 COMMISSIONER EDERER: But it contains
9 opinions and that is what you have changed.

10 MR. REYNOLDS: Yes. There are some
11 conclusionary statements that were in that report. I
12 believe one of them detailed a complex legal plumbing
13 system. Another one, I think, may have mentioned a
14 paper facade. And those are conclusionary statements
15 that should not be written in a report.

16 COMMISSIONER EDERER: One concerned
17 itself with the residency requirement.

18 MR. REYNOLDS: Excuse me, sir?

19 COMMISSIONER EDERER: One concerned
20 itself with the residency requirement.

21 MR. REYNOLDS: Right. Subterfuge, I
22 think, was the word that was mentioned in the report.
23 Global Gaming was very up front about their Texas
24 ownership, the members that were involved, with Ricky
25 Knox now, as well as the first report that involved

1 Phil Adams and Steve Mostyn. They never tried to hide
2 anything at all in the report as far as who owned what
3 percentage of the racetrack or the proposal.

4 I think a lot of the concern with Agent
5 Fulton's report was being able to grasp that someone
6 could make a 510-dollar investment and obtain 51
7 percent ownership in a company that is costing over 47
8 and a half million dollars.

9 COMMISSIONER EDERER: And that resulted
10 in his opinion.

11 MR. REYNOLDS: Yes, it did, sir.

12 COMMISSIONER EDERER: Thank you.

13 CHAIRMAN PABLOS: Commissioner?

14 COMMISSIONER MARTIN: I think Lone Star
15 has been up front with everybody and laid out on the
16 table and provided the Commission with everything that
17 we have asked of them and I make a motion to approve
18 the sale.

19 CHAIRMAN PABLOS: Well, we're not --
20 we're not going to be ready just yet to make a motion,
21 but I certainly appreciate that. I'll call for that
22 after we hear from the public.

23 Are there any other comments or questions
24 of DPS?

25 Thank you. And, Mr. Ruocco, I apologize

1 for calling on you. I didn't realize that I had called
2 on the wrong person.

3 Okay. At this time I would like to open
4 up the public comment section of our meeting here. And
5 I would call on Drew Shubeck to please come up.

6 MR. SHUBECK: Good morning, Chairman,
7 Commissioners, and Commission staff. My name is Drew
8 Shubeck. I'm president and general manager of Lone
9 Star Park. And I fully support Lone Star Park's
10 request to change control and ownership of our racing
11 license.

12 For over the past two years, Lone Star
13 Park has operated under the cloud of Magna
14 Entertainment's bankruptcy and in an industry that's in
15 great turmoil. To survive, Lone Star Park urgently
16 needs a committed owner. And I am convinced Global
17 Gaming LSP is that owner.

18 For almost two years Ricky Knox and
19 Global Gaming Solutions have worked with me and my
20 management team. During this extended period Lone Star
21 Park's staff has developed a great relationship with
22 Global Gaming's fine people. In fact, since last
23 December Global Gaming has contributed funding that
24 helped Lone Star Park meet many of its obligations.

25 Examples of the funding include monthly

1 lease payments to the City of Grand Prairie, funding
2 the bond payment to the Grand Prairie Urban Reclamation
3 District, payments in lieu of tax to the Grand Prairie
4 school district, and contributions to the Lone Star
5 Park Charitable Foundation. These payments, totaling
6 almost four million dollars, demonstrate Global
7 Gaming's strong commitment to the survival of Lone Star
8 Park and doing what is right for the City of Grand
9 Prairie.

10 Global Gaming's operation at Remington
11 Park gives me tremendous confidence that we can work
12 together to improve business with new innovative
13 solutions. Remington Park is a success story in an
14 industry that needs good news.

15 I want to give you a few statistics now
16 about Remington Park. Since December 31st, 2010,
17 attendance has increased 9.4 percent. Food and
18 beverage revenue increased eight percent. Export
19 racing revenue increased seven percent, and live handle
20 an astonishing 29 percent. Gaming revenue in that year
21 increased 16 percent. And operating costs were reduced
22 by six percent. This process was achieved at the same
23 time employees received pay increases and the number of
24 employees actually were increased.

25 These positive trends have continued just

1 this year in 2011. Current trends indicate Remington
2 Park will achieve a 25 percent increase in attendance
3 over 2009 levels, from 1.6 million visitors in 2009 to
4 two million-plus in 2011. The current Quarter Horse
5 meet is recording live handle up over 55 percent over
6 2010 levels and export revenue up over 10 percent.
7 Field size has increased, on Quarter Horses, from 9.5
8 to 9.6 and, for Thoroughbreds, 9.5 to 10 horses.

9 These numbers are no coincidence. They
10 reflect the hard work and improvements Global Gaming
11 made over overall ambience of Remington Park, the
12 physical facility, and its systems. Global Gaming has
13 added amenities such as a sports bar, has revamped
14 corporate suites, made changes in approach to marketing
15 and customer service, and have brought buying power to
16 the table.

17 Remington Park shows what a solid
18 commitment to horse racing, creative ideas, financial
19 wherewithal, and implementing all of the above can
20 really produce. And Global Gaming is the one that did
21 it.

22 In addition, employees were introduced to
23 comprehensive training programs that include customer
24 service training, supervisory skills, and money
25 handling practices.

1 Right now at Lone Star Park, together we
2 are developing good ideas of how to improve the
3 amenities of our fine racetrack that will attract and
4 retain new customers. Global Gaming's ownership of
5 Remington Park will bring potential synergies to our
6 company. I'm also excited about Global Gaming's buying
7 capacity in areas such as insurance, health care, food
8 and beverage, and entertainment, as well as other
9 capabilities they bring to marketing and construction.

10 I'm convinced that Lone Star Park will
11 enjoy strong and able leadership, guidance, and support
12 from Ricky Knox and the rest of the Global Gaming LSP
13 management committee. As Lone Star Park's president
14 and general manager, I'll report directly to the
15 management committee on all matters concerning the
16 racetrack's operations. This direct access will enable
17 me to bring to the immediate attention of the committee
18 any problems or concerns of Lone Star Park.

19 Over the years I've had a lot of
20 involvement with the Racing Commission. This is the
21 first time I've read anything in front of you. And
22 nothing will really change in that matter. I'll be
23 here to entertain you at least every other month.

24 On behalf of Lone Star Park management
25 and employees, we enthusiastically support and endorse

1 the granting of this request. And I would like to
2 offer myself for any questions. Thank you.

3 CHAIRMAN PABLOS: Commissioners, any
4 questions?

5 MR. SHUBECK: Yes, sir.

6 CHAIRMAN PABLOS: Commissioner Polunsky?

7 MR. POLUNSKY: Can you summarize
8 Mr. Knox's experience in the racing business?

9 MR. SHUBECK: Over the course of the last
10 five years, I've known Ricky from my lobbying efforts
11 here in Texas. He's always had a fine regard for horse
12 racing and is a person that can get things done. He's
13 a smart individual. He's been around business his
14 entire life as an entrepreneur. And I see him as the
15 right type of fit.

16 Myself, I come from a computer
17 background, but I also invested in horse racing when I
18 was a young person in New Jersey. My grandfather had
19 horses. My father had horses. My mother had horses.
20 So I meet with people from all different backgrounds at
21 the track at Lone Star Park and wherever I work. And
22 people from a business background will do just fine
23 associating themselves with a racetrack. It's just
24 like any other business.

25 MR. POLUNSKY: I'm not quite sure I agree

1 with that, but that's not what I asked. Can you tell
2 me what his experience in horse racing -- what
3 experience has he had in the horse racing business, if
4 any?

5 MR. SHUBECK: I'd like to defer to Ricky
6 to explain that on his own.

7 CHAIRMAN PABLOS: Chairman Polunsky, my
8 intention is to call Ricky up next and perhaps you can
9 ask him that.

10 MR. POLUNSKY: All right. So if I
11 understand this correctly, Global Gaming is -- has
12 infused cash into the operation?

13 MR. SHUBECK: That's correct, sir.

14 MR. POLUNSKY: So you are, in effect,
15 working for Global Gaming now in a de facto way.

16 MR. SHUBECK: Well, I wouldn't say that.
17 I've worked for Magna Entertainment for 10 years. I've
18 got a personal relationship with Frank Stronach and
19 former members of the board of Magna Entertainment.
20 It's my choice to stay here and I welcome working with
21 these people.

22 I've had previous job offers come at me
23 over the last few months and I've turned them all down
24 here to stay in Texas because I really believe in
25 what's going on here in Texas and eventually we're

1 going to get it right.

2 MR. POLUNSKY: So you have accepted a job
3 offer from Global Gaming --

4 MR. SHUBECK: Yes, sir.

5 MR. POLUNSKY: -- to be retained.

6 MR. SHUBECK: Yes, sir.

7 CHAIRMAN PABLOS: And in line with that,
8 Drew, I have that question, and I know you've said it,
9 but I need to hear it from you, whether or not you're
10 committed to staying and continuing your good work.
11 That's very important to me personally.

12 MR. SHUBECK: Yes, I am, Chairman. As
13 I've just stated, I've turned down several lucrative
14 job offers over the past three months to stay here in
15 Texas.

16 CHAIRMAN PABLOS: Very well.

17 Any other questions, Commissioners, of
18 Drew Shubeck?

19 Drew, thank you.

20 MR. SHUBECK: Okay.

21 CHAIRMAN PABLOS: Okay. Ricky Knox,
22 would you please come up? Good morning.

23 MR. KNOX: Good morning, Mr. Chairman,
24 Commissioners, and staff.

25 Why am I standing here before you today?

1 Because I have a love affair with people in the Texas
2 horse industry. And that love affair started 27 years
3 ago in 1984 when I was asked to coordinate the effort
4 to attempt to pass legislation to legalize horse racing
5 pari-mutuel wagering once again in the State of Texas.

6 We were successful in that effort; and
7 then in 1987 when we passed the Texas Racing Act in
8 special session in '86, the act required that we go to
9 a vote of the people to ratify that act, which was
10 unconstitutional but we didn't have a choice. We went
11 ahead and went to the people of Texas in that
12 campaign.

13 I was the campaign manager for that
14 campaign and was a spokesperson and traveled all across
15 the State of Texas. And that's where I met many of
16 these people that are out here in this audience. I was
17 12 at that time; and they looked old then, but they
18 really, really look old today.

19 When I heard that Lone Star Park had the
20 possibility of going into bankruptcy, I decided I
21 wanted to try to put together a deal to try to save
22 Lone Star Park, keep it open simulcasting, but most
23 importantly running live horse races in the State of
24 Texas. I knew who I wanted to be involved with Lone
25 Star Park and I knew who the horse industry needed to

1 be involved at Lone Star Park. And that was the
2 Chickasaw Nation. Why? Because we needed them to stop
3 opposing the efforts to expand gaming in the State of
4 Texas.

5 So I went to Ada, Oklahoma, and met with
6 the leadership of the Chickasaw Nation and Global
7 Gaming Solutions for a scheduled one-hour meeting one
8 afternoon. And the meeting went so well that they
9 asked me to stay over that night. I was a little
10 smelly the next day; but after 36 hours of meetings
11 with the leadership, Governor Bill Anoatubby of the
12 Chickasaw Nation, Bill Lance, the chairman of the board
13 of directors of Global Gaming Solutions, and John
14 Elliott, the CEO of Global Gaming Solutions, they were
15 excited about the possibility of coming to Texas and
16 getting involved in Texas and wanted to seriously look
17 at Lone Star Park.

18 I was straight up front with them on two
19 issues. And John Elliott and I spent a lot of time
20 discussing it. The first is the 51 percent requirement
21 of the ownership is by 10-year Texas residents.
22 Ironically, I helped draft that language in 1986 into
23 the Texas Racing Act when we were working on the effort
24 to pass the legislation because of the numerous
25 legislators that I was talking with had concerns that

1 they wanted to make sure that the racetrack licenses in
2 Texas were owned by Texans.

3 The second item that we talked about is
4 that I didn't have the millions of dollars to buy Lone
5 Star Park out of bankruptcy nor to operate Lone Star
6 Park. But after lots of discussions with John Elliott,
7 we felt like that we had the potential to move forward
8 with a deal if Global Gaming was successful in
9 acquiring Lone Star Park out of bankruptcy.

10 Global Gaming was successful in acquiring
11 Lone Star Park out of bankruptcy. I might add they had
12 to buy it twice through the Bankruptcy Court. But they
13 also acquired Remington Park. And you've heard from
14 Drew Shubeck of what they've done with Remington Park.

15 Once the auction was complete, that's
16 when the hard work really started. We started intense
17 negotiations, discussions, working this deal. We spent
18 a lot of time with conference calls and, as you can
19 imagine, with a lot of lawyers and a lot of legal
20 fees. And the deal you have in front of you today is
21 from that hard work.

22 I'm proud to stand here before you
23 representing Global Gaming LSP. As Mark Fenner and
24 Drew mentioned, Racing Partners of Texas will own 51
25 percent of Global Gaming LSP and I'm the sole owner of

1 Racing Partners of Texas. You can tell from this twang
2 that I grew up in Texas. I grew up in Lockney, Texas,
3 was born and raised, and we all know that's between
4 Sterley and Sand Hill. And I'm a lifelong Texan and I
5 think I meet the 51 percent requirement of a 10-year
6 Texas resident.

7 On the management side, I will be the
8 Chair, as Mr. Fenner has said, of Global Gaming LSP.
9 I'll have three votes right now until we bring other
10 Texans in by the end of the year. Global Gaming
11 Solutions will have two votes.

12 Drew Shubeck will report directly to the
13 management committee; and that efficient management
14 structure that I believe we have in place came about
15 from discussions with your staff, with Mr. Fenner and
16 Sammy Jackson, to have Drew reporting directly to the
17 management committee.

18 In regards to Drew Shubeck, it's our
19 intention, our desire, our want, our pleading, is that
20 he stay at Lone Star Park as the president and general
21 manager. In my personal opinion, he has done an
22 outstanding job under challenging circumstances for the
23 last couple of years to keep Lone Star Park operating
24 and, most importantly in my heart, running live horse
25 races of all breeds.

1 The management committee will have direct
2 oversight over Global Gaming Solutions, services that
3 they'll provide to Lone Star Park. And I mentioned the
4 additional Texans. When those Texans are brought on,
5 obviously they have to be approved by you, go through
6 the DPS process that we all know about. And the
7 Texans -- we will get up to -- we are proposing to
8 bring in up to five. We'll have three Texans that the
9 Texans will select amongst themselves to be the three
10 members of the management committee on the Texas side,
11 with the two members of Global Gaming. So Texans will
12 always be in control of the management committee, in
13 control of Lone Star Park.

14 The finances. Global Gaming Solutions is
15 borrowing the money to purchase Lone Star Park; and for
16 the projected significant operating losses, Global
17 Gaming LSP is borrowing it from Global Gaming
18 Solutions.

19 If LSP makes more money than it's ever
20 made in the past, then profits will be distributed.
21 And Global Gaming Solutions is loaning that money to
22 Global Gaming LSP. Therefore, they're entitled, in my
23 opinion, to a greater reward for the risk that they're
24 taking, in my opinion, to keep live horse racing
25 operating in the State of Texas.

1 I'd like to talk about my partner, Global
2 Gaming Solutions. Former Speaker of the House Bill
3 Clayton wrote a book entitled "Money, Marbles, and
4 Chalk". That means you put it all in. You put your
5 money, marbles, and chalk on the line. And I've got to
6 tell you, Global Gaming Solutions, in my opinion, saved
7 Lone Star Park. I think they potentially saved live
8 horse racing in the State of Texas by funding the
9 operating losses of Lone Star Park while we've been
10 putting together this deal.

11 They're committed to Lone Star Park.
12 They have funded the operations of Lone Star Park since
13 December 1. The old adage "Be careful what you ask
14 for. You might get it," well, I went to Ada, Oklahoma,
15 and asked them to come to Texas and get involved. And
16 I didn't get what I asked for. I think the horse
17 industry got far, far more of the commitment that these
18 people have made to the Texas horse industry.

19 I'm proud to call them my partners.
20 They're honest. You can shoot dice over the phone with
21 them. You don't need written documents. Quite
22 frankly, I'm kind of tired of lawyers right now, except
23 for Chairman Pablos and Commissioner Ederer and
24 Chairman Polunsky.

25 CHAIRMAN PABLOS: Thank you.

1 MR. KNOX: The last comment that I would
2 like to make -- and this one is probably out of order,
3 but it's kind of hard for me to make and say. I got a
4 text this morning at five o'clock from a horse person
5 saying "Good luck. You're the hope of the horsemen."

6 There's no secret here in this audience
7 and with you all, gaming expansion possibility for this
8 session is dead. And the horse industry -- and you all
9 know this. It's desperate. And it personally hurts me
10 to see what I started my presentation with, that I love
11 the people in the Texas horse industry. And our
12 message that we're taking to the Legislature is not
13 enough and it's not working.

14 And if we don't come up with something --
15 and when we passed horse racing in 1986, Senator Ike
16 Harris was the sponsor. And he had a requirement that
17 all the meetings we went to, we all had to chant "We're
18 all in this together, aren't we?" And that's the way I
19 feel right now.

20 We're all in this together. We need you
21 all. The horse industry needs you all. We need your
22 voices in the future and your leadership with members
23 of the Legislature. We need to all start seeing the
24 track licenses working together. We need all the
25 horsemen's organizations working together. Because,

1 quite frankly, I think we're getting close to Don
2 Meredith's "Turn out the lights. The party's over."
3 And I would hate to see that for the Texas horse
4 industry.

5 My last comment before questions, I want
6 to thank you for serving. I know what your service is
7 to the State of Texas, the financial -- the finances
8 that you give up and to your family. And I would
9 respectfully urge you to grant this transfer of 100
10 percent ownership change in Lone Star Park because
11 we're all in it together. Thank you very much.

12 CHAIRMAN PABLOS: Thank you, Mr. Knox.
13 Commissioner Haywood?

14 COMMISSIONER HAYWOOD: Mr. Knox, one of
15 the things you talked about and you just concluded with
16 was the expanded gambling and what may or may not
17 happen with that. Can you talk a little bit more about
18 Global Gaming LSP's commitment to Lone Star Park if
19 that doesn't move forward at some point and what the
20 intention is with that?

21 MR. KNOX: We're -- we had a -- in fact,
22 we talked about it again last night. It's a
23 conversation that we have all the time. This team is
24 dedicated, Commissioner, to do whatever we have to do,
25 look at every opportunity, every idea, every concept to

1 keep simulcasting, but, more importantly, live racing
2 of all breeds at Lone Star Park.

3 And Global Gaming Solutions, you've seen
4 in the financial documents, they're committed to
5 putting the financial resources. My background is
6 marketing. I did marketing for a 10-state restaurant
7 chain. I've had my own restaurants and bars and other
8 businesses. And we're going to turn over every leaf.
9 And if gaming doesn't come, which it's not going to
10 this session, it's a challenge. I mean, there's no
11 question. There's no secret. It's a challenge to keep
12 these racetracks operating.

13 I read the transcript from the Sam
14 Houston transfer, Commissioner Ederer talking about
15 entertainment. Drew Shubeck has done a great job at
16 Lone Star Park. You can only have so many concerts at
17 a facility. And the challenge is that, as you all
18 know, does not put any money into the purses for the
19 horses that then increases the quality of the horses,
20 but it does keep the operation of the racetrack
21 operating.

22 But we've got to explore and find some
23 way to increase those purses or we're not going to
24 increase the quality of the horses running in the State
25 of Texas.

1 But short, we're dedicated -- and I think
2 you'll hear the same thing from John Elliott and any of
3 the leadership of Global Gaming Solutions -- to keep
4 Lone Star Park open. I'll keep working on it until my
5 last breath.

6 CHAIRMAN PABLOS: Commissioner Weinberg?

7 COMMISSIONER WEINBERG: Yes, Ricky.

8 Thank you for your speech. And I'm grateful that
9 you've been involved since '87. I like talking to
10 people who know the whole history of the industry. And
11 I, like you, am not an attorney, like a lot of my
12 cohorts here, but I have a couple of questions that I
13 just wanted some clarification.

14 You mentioned that you felt like you
15 followed the Texas Racing Act in the fact that 51
16 percent of Texans would be involved in the management.
17 Now, my interpretation, it's not just 51 percent
18 management. It's 51 percent ownership. And I guess
19 what I'm asking you is: Do you feel that this formula
20 here -- it may work with the letter of the law. Does
21 it truly work with the spirit of the Texas law?

22 MR. KNOX: I think so. We own -- Racing
23 Partners of Texas presently owns 51 percent of Global
24 Gaming LSP and that will never change. Of the
25 license. And we control the management committee with

1 the three-to-two vote. I think it meets the spirit of
2 the law.

3 I mean, I was -- when the questions were
4 raised before, I went to Senator Harris, since he wrote
5 the act and passed the legislation, and I went to him
6 with the same question and said, "Senator Harris, do we
7 meet the letter of the law, the spirit of the law?"
8 And he reviewed our documents and wrote a legal opinion
9 that we sent to you all and said "Absolutely, you meet
10 it 100 percent." I feel confident we do.

11 COMMISSIONER WEINBERG: Okay. Thank
12 you.

13 CHAIRMAN PABLOS: Any other questions?
14 Commissioner O'Connell?

15 MS. O'CONNELL: It seems from reading the
16 company agreement that the basis of the 51 to 49
17 percent split is based on the contribution that the two
18 members make to the initial capital infusion of
19 \$500,000. And what happens to your percentage after
20 that initial capital infusion is made? Your company
21 agreement talks about your interest is defined by your
22 right to receive distributions; and so once Global
23 Gaming starts to infuse very large amounts of money,
24 then doesn't that change the percentage that Texas
25 partners will own?

1 Can you just kind of expound on that and
2 explain how that will happen? Because it may be that
3 on the second day, when everyone is required to put
4 that money in, that the Texas partners do own 51
5 percent because that may be all the money that's in the
6 company. But after that how does that change? The
7 agreement talks about how those percentages -- those
8 membership interests will change. And so how will that
9 affect the ownership of the Texas partners and then how
10 will that affect the Commission?

11 Will you be having to come back and ask
12 for us to approve changes in ownership? And then are
13 we going -- are we then going to be faced with an issue
14 of the Texas ownership legal requirement?

15 MR. KNOX: Let me try. The 51 percent
16 owned by 10-year Texas residents of Global Gaming LSP
17 will never change. It can't change. It will always be
18 51 percent. It may not be all 51 percent me.

19 MS. O'CONNELL: Right.

20 MR. KNOX: We're talking about bringing
21 in other Texans between now and the end of this year
22 that would absorb some of that 51 percent.

23 MS. O'CONNELL: I understand how the
24 Texas partners may change, that you may bring in other
25 people. But your part compared to the Global Gaming

1 part is really what my question is interested in.

2 MR. KNOX: It will never change, even if
3 they put more money in it. There's no question they're
4 putting a lot of money in.

5 MS. O'CONNELL: Are you saying that your
6 right to distribution will be -- and your right to the
7 profits will be 51 percent?

8 MR. KNOX: No, absolutely not. I've
9 never been in a business deal in my entire life that if
10 I own 20 percent, 50 percent, or a hundred -- well, a
11 hundred percent, I've got it all. Except my wife got
12 her share. 75 percent of a deal. I have never gotten
13 a direct split of profits according to exactly what I
14 owned in the percentage ownership. I never got an
15 exact split of profits by the capital that I
16 contributed or the losses that I paid in.

17 Global Gaming Solutions will own 49
18 percent. Racing Partners of Texas or Texas 10-year
19 residents will own 51 percent. If Lone Star Park ever
20 starts making a profit over six million dollars, we
21 will have a distribution of profits 80/20, and 20
22 percent goes to the 51 percent Texans and 80 percent
23 will go to Global Gaming Solutions.

24 And I -- they're putting up 47 million;
25 and if we continue and the losses continue with what we

1 think, they're going to have to put up another 52
2 million over the next five years. So if we get to the
3 profit point, I think the risk of capital that they
4 have put up, they deserve the reward.

5 MS. O'CONNELL: And I just want to make
6 it clear that there's nothing wrong with that. That's
7 fine. And it could make business sense. But when
8 we're having to struggle with the Texas majority
9 ownership requirement and how that applies to the way
10 you've defined the business entity and we're having to
11 look at the way you have defined the interest and the
12 interest in your own -- in the company agreements is
13 defined by the distribution of split, then that can --
14 that's an issue that we have to deal with that normally
15 would be irrelevant to most business deals. Just
16 that's kind of where the question is coming from.

17 MR. KNOX: Okay. I guess the only thing
18 I can say -- and maybe I'm not answering it right. We
19 will -- Texans will always have 51 percent ownership of
20 Global Gaming LSP and Global Gaming Solutions will have
21 49 percent. There is no way that will change, that
22 ownership percentage. There's no mechanism where it
23 will change.

24 CHAIRMAN PABLOS: Commissioner O'Connell,
25 if I may, is your concern dilution of those shares with

1 increased capitalization by --

2 MS. O'CONNELL: Yes.

3 CHAIRMAN PABLOS: So the question is:
4 Will your shares be diluted by the fact that Global
5 Gaming brings in more capital?

6 MR. KNOX: No, sir. No, ma'am.

7 CHAIRMAN PABLOS: Commissioner Polunsky?

8 MR. POLUNSKY: Mr. Knox, you just
9 mentioned that Global Gaming will be contributing 48
10 million dollars for acquisition?

11 MR. KNOX: Global Gaming LSP.

12 MR. POLUNSKY: And there are projected
13 losses of 53 million dollars. So basically roughly
14 there's a hundred million dollars that is coming from
15 somewhere. What percentage of that is coming from
16 Global Gaming and what percentage of that will be
17 coming from your group?

18 MR. KNOX: I can't do the math in my
19 head; but I can pretty well figure, if you just do a
20 hundred million, I'm going to put in 255,000.

21 MR. POLUNSKY: So well over 99 percent of
22 the capital coming in to this venture will be coming in
23 from Global Gaming.

24 MR. KNOX: Yes, sir.

25 MR. POLUNSKY: And to go back to a

1 question I asked previously, can you give me what your
2 background is in managing an operating racetrack other
3 than being involved in the legislation and subsequent
4 passage as a lobbyist back in '87 when pari-mutuel
5 betting was enacted?

6 MR. KNOX: I have no management
7 experience at a racetrack. When you look at the
8 operation of a racetrack, the backside operation with
9 the horses, the racing secretary, that's their
10 specialty. But where the intricacy -- what I think is
11 the key component of a racetrack is the area that's
12 available for the fans and the patrons that drive the
13 wagering and the live handle that then, as we've talked
14 about, increases the purses that brings the horses.

15 That, I'm very familiar with, the
16 restaurant, food and beverage business, and am very
17 familiar with the marketing business. And I think
18 that's the area -- and the entertainment business.
19 That, to me, is what I bring to this is a new look and
20 what I personally think is going to be for the tracks
21 that do not have -- across the United States that do
22 not have the luxury of gaming at those facilities, we
23 have got to think out of the box and go and find -- as
24 I've said to Commissioner Haywood, I think we've got to
25 look for any opportunity, any idea. I think we've got

1 to go across the United States and look at trends that
2 are changing. We have got to come up with some way to
3 increase the attendance on any aspect at racetracks.

4 Managing a racetrack, Drew Shubeck is
5 going to do the day-to-day operations. But I have not
6 managed a racetrack, but I've managed a lot of
7 restaurants and a lot of businesses. And as I said, I
8 was director of marketing for a restaurant chain in 10
9 states.

10 MR. POLUNSKY: Okay. So as I understand
11 it, you're contributing at this point \$80,000.

12 MR. KNOX: Yes, sir.

13 MR. POLUNSKY: You may contribute up to
14 \$250,000 at some point.

15 MR. KNOX: Yes, sir.

16 MR. POLUNSKY: It is very likely that
17 Global Gaming will contribute well over a hundred
18 million dollars. You're also saying that you really
19 have no management experience in horse racing.

20 MR. KNOX: I've owned horses and I still
21 own horses.

22 MR. POLUNSKY: So other than the fact
23 that you're a resident of Texas and that there is an
24 effort here to somehow comply with the Texas Racing
25 Act, why are you involved in this transaction?

1 MR. KNOX: Basically because I'm
2 dedicated to the Texas horse industry. I don't want to
3 see it go away. And I think we're on the verge of
4 that.

5 Do I have an opportunity to make money?
6 I don't think I'll see anything out of this. I think
7 maybe my grandkids might. It's going to take a lot of
8 hard work to keep live racing going at Lone Star Park.

9 I think I bring a unique standpoint
10 that -- the horse organizations in the State of Texas,
11 we have -- I have a close relationship with all those
12 people. And I think it's going to take some new
13 creative ideas to save Lone Star Park and the challenge
14 is pretty substantial to keep it up and open and
15 operating. And that's the reason I want to do it.

16 I've always taken on challenges, things
17 that people told me couldn't be done, that we couldn't
18 have interstate branch banking in the State of Texas,
19 that we couldn't have a Texas lottery in the State of
20 Texas. And the challenge to me right now is can we
21 keep live horse racing of all breeds in the State of
22 Texas and keep these tracks open and operating and can
23 we compete with Oklahoma, New Mexico, and Louisiana.

24 That's the reason I'm involved. As I
25 said at the first, I do have a love and respect for the

1 people of the Texas horse industry.

2 MR. POLUNSKY: All right. But to
3 reiterate, your contribution is \$80,000.

4 MR. KNOX: Yes, sir.

5 MR. POLUNSKY: It appears to me that you
6 have no exposure financially. If and when profits are
7 generated, then the profits would be distributed in a
8 preferred manner to Global Gaming.

9 MR. KNOX: Yes, sir.

10 MR. POLUNSKY: So it appears to me that
11 your contribution here, for the most part, is you're a
12 Texas resident.

13 MR. KNOX: Yes, sir.

14 MR. POLUNSKY: One last question with
15 respect to the love of horse racing. Would you have
16 any objection, if this were to be granted, to have it
17 conditioned on the fact that -- or the requirement, I
18 should say, that horse racing, live horse racing --
19 live horse racing continue at Lone Star Park
20 continuously?

21 MR. KNOX: For the near future?

22 MR. POLUNSKY: For some number of years.

23 MR. KNOX: I wouldn't have a problem with
24 that, Chairman Polunsky. I think the challenge is the
25 quality of horses that we are seeing running at these

1 tracks right now. That's the challenge, to get a
2 quality product that is going to make these tracks
3 continue to be viable to stay open.

4 From my viewpoint, two thousand and --
5 the legislative session of 2013 is critical. We have
6 got to come up with some way to expand the purses at
7 the tracks in Texas or we're not going to get a quality
8 enough horse to run of all breeds to financially keep
9 Retama, Sam Houston, Lone Star Park open.

10 I can't give you a definite date. As I
11 said, I'm pledging to do everything I can; and I know
12 the Global Gaming Solution executives and the Chickasaw
13 Nation, they're dedicated to keeping Lone Star Park
14 open and operating as long as they feasibly and
15 financially can.

16 MR. POLUNSKY: All right. But in the
17 event that other types of gambling are not enacted this
18 session, next session, somewhere down the road, you
19 know, you're projecting losses of 50 million dollars.
20 Are you all willing to sustain those losses and
21 continue live racing? Because everything I'm hearing
22 here is you all are doing this to perpetuate horse
23 racing in Texas. So are you willing to be obligated to
24 do so in order for this to be effectuated?

25 MR. KNOX: Yes, sir. Yes.

1 CHAIRMAN PABLOS: And, Commissioner
2 Polunsky, I plan to call the folks from Global Gaming
3 up and the Chickasaw Nation so you can ask them that
4 sort of question as well.

5 MR. POLUNSKY: Thank you.

6 CHAIRMAN PABLOS: Yes, sir.

7 Commissioner Ederer?

8 COMMISSIONER EDERER: Yes. Mr. Knox,
9 your integrity is not in question and the integrity of
10 the whole deal, so to speak, is not in question. I
11 think that your intentions have been made very clear to
12 all of us from the very beginning, to DPS, as to what
13 the intentions were. As far as your ability or
14 Global's ability to do what you're saying, I believe
15 that that's there.

16 Drew has certainly shown over the past
17 four years that I've known him the ability to handle
18 that track as best anyone could possibly handle it.
19 And I believe that it is your intention also to, quote,
20 "protect the public health and safety and welfare of
21 the citizens of Texas".

22 The benefit to the industry is without
23 question. There's no question it's going to be there.
24 I don't think any of us, anybody in this room, wants to
25 block the application for the purpose of blocking the

1 application or because they don't like Global or
2 whatever.

3 But my question to you is, and the
4 problem is, all of us are wrestling with the residency
5 requirement. You know, that's very clear. You
6 wrestled with it starting back in March when you first
7 filed the application. And we continue to have that
8 residency requirement problem and we're going to
9 discuss it at length once -- I'm sure that there is
10 going to be a motion to -- on the floor. And then
11 we'll get into more of the details as far as the
12 legalities and this type of thing.

13 My question to you is: Will you,
14 representing Global, do everything within your power to
15 comply with the residency requirement if certain
16 restrictions are put on you by us, such as conditions,
17 conditional racetrack licenses, over a period of time
18 to work out the residency requirement, this type of
19 thing, as we see it or as we're interpreting the law?
20 Will Global do everything they can to comply with the
21 residency requirement, I guess, is what I'm asking
22 you.

23 MR. KNOX: Absolutely.

24 COMMISSIONER EDERER: And you're
25 committed to that.

1 MR. KNOX: Yes, sir.

2 CHAIRMAN PABLOS: Any other questions?
3 Commissioner Schmidt?

4 VICE-CHAIRMAN SCHMIDT: Sure. Mr. Knox,
5 I appreciate your being here. And I just wanted to
6 tell you that regarding your remarks regarding Global
7 Gaming and the management at Lone Star, I agree with
8 you a hundred percent. I think -- the chairman and I
9 actually traveled to Remington Park, met with Global
10 Gaming, and I think what you say is true. Texas and
11 Texas horsemen are very, very fortunate that Global
12 Gaming is involved and wishes to be involved here. I
13 think they'd be very, very fortunate to have this go
14 forward in that regard.

15 I am also, however, struggling with your
16 exposure. Perhaps because I'm not an attorney, I can
17 live with the way the management is structured. I
18 can -- I'm very confident in the current management and
19 I'm very confident in Global Gaming.

20 When I first looked at how this whole
21 process was set up, frankly, as a nonattorney, it made
22 no sense to me whatsoever. And then with the benefit
23 of staff here, I realized that patterns had been
24 developed with the sale of Valley Race Park, the
25 greyhound track in Corpus Christi, and then also Gulf

1 Greyhound. So there's kind of a pattern there, a
2 precedent that's been set here.

3 I guess I'm very comfortable with this
4 with the exception of the fact that -- and for very
5 simple terms, you really don't have enough skin in the
6 game or exposure. \$80,000 is really the price of a
7 horse and we're turning over 51 percent of our crown
8 jewel to that and that's where I struggle.

9 And so I looked for some guidelines. And
10 in looking at the Gulf Greyhound Park sale originally
11 20 years ago, that was a 50-million-dollar deal and the
12 Texans put in -- the Texans and their partners put in
13 \$500,000 apiece.

14 So I guess I'm asking you, will you be
15 comfortable if I introduce a condition later on stating
16 that -- asking that we follow the precedent that we
17 followed previously and increase your capital
18 contribution to 510 and their capital contribution to
19 490,000? Is that something you can live with?

20 MR. KNOX: No, sir. When the Gulf
21 Greyhound -- when the Texans participated in that, it
22 was supposed to make huge amounts of money, I think
23 around 300 million where they were making some
24 projections over a five-year or six-year period. This
25 license is -- as we know, I mean, Lone Star Park is in

1 a financial challenge and that's just something that I
2 probably wouldn't be comfortable with.

3 VICE-CHAIRMAN SCHMIDT: So increasing
4 your exposure from 80 thousand to 160 is something
5 that -- to control 51 percent of the track is something
6 that would make you uncomfortable.

7 MR. KNOX: Yes, sir.

8 VICE-CHAIRMAN SCHMIDT: Okay. Thank
9 you.

10 MR. KNOX: Thank you.

11 CHAIRMAN PABLOS: Any other questions,
12 Commissioners?

13 Ricky, I have a question. You know,
14 being that we're regulating racing, we also have to
15 keep in mind that the tracks are in the entertainment
16 business. And so a lot of it is hospitality. A lot of
17 it is the food and beverage side of things. And with
18 your experience in that and in marketing, have you
19 clearly thought through, given recent news and given
20 the state of the industry, how much you really are
21 going to be able to think outside the box and get
22 creative as you market this track?

23 I mean, we've heard from Drew that it's
24 doing well and it's seeing some good figures; but in
25 bringing your years of hospitality experience and

1 marketing experience as, I guess, your effort of adding
2 value to this, just generally what are your plans? I
3 mean, what are you going to pull out of the hat here to
4 make sure that the track is marketed?

5 I know that Andrea Young and Sam Houston
6 have done a great job in getting creative and I just
7 kind of want to hear from you. How do you plan to get
8 creative?

9 MR. KNOX: I've looked at racetracks all
10 across the United States. And again, I'll just go
11 back. It's challenging. I mean, it is challenging
12 because there is only a finite number of people you can
13 get to come to a racetrack because we have got to get
14 over the patron disconnect of coming to a racetrack to
15 try to get them to come for other events, but we've got
16 to expand the market base for that racetrack into other
17 entertainment venues and it's been attempted with
18 concerts. And I know every racetrack -- I know Andrea
19 and Bryan have looked at other things that you attempt
20 to do.

21 I think we probably go get some of the
22 best marketing experts in the United States, some
23 people here in Texas. And it is a challenge. I mean,
24 there's just no easy way to say. I haven't had the
25 opportunity yet, because we've been working on this

1 application, to really sit down and go over specific
2 ideas.

3 But my number one priority would be for
4 the long-term future of racing, to go back to Chairman
5 Polunsky, is to keep these tracks open. If we don't
6 get the expansion of gaming or something that adds
7 purse money, we can come up with all the ideas and it
8 financially just will not happen. I mean, that's --
9 there's just no way to solve it, in my opinion. No
10 other racetrack in the United States that doesn't have
11 gaming hasn't figured out how to do it.

12 CHAIRMAN PABLOS: With respect to
13 Chairman Polunsky's concern about your experience or
14 the lack thereof, you know, we do have folks who are in
15 the beer distributing business, land development, you
16 know, car dealerships, who are owners and have multiple
17 licenses, so, you know, I'm not really concerned about
18 that aspect.

19 What I would be interested in knowing
20 from you is, as you populate this partnership and you
21 bring in your new Texas partners, would you be looking
22 for folks, as Chairman Polunsky was referring to, with
23 actual experience who can assist Drew and the rest of
24 the management committee with their experience and
25 knowledge in that area?

1 MR. KNOX: I think the key is going to
2 be, as Dr. Schmidt -- obviously we need people with
3 financial. We need people with horse experience. We
4 need a diversity. The creativity side, we might look
5 at advertising agencies or specific public relation
6 executives across the State of Texas that could add a
7 component of diversity, much like a -- Governor Perry
8 appoints members of this board, but especially to the
9 boards of universities, to where you try to have
10 different components since it is a public institution
11 that's meeting the needs of the public.

12 To me, that's what we should look for in
13 Lone Star Park to get our Texas diversity, that we not
14 only think out of the box on marketing Lone Star Park
15 but let's think out of the box on the Texans that come
16 in and make a contribution in entirely different areas
17 that they bring their expertise to help Lone Star Park
18 survive.

19 CHAIRMAN PABLOS: Other than the monetary
20 value that you bring to this deal and the fact that
21 you're a Texas resident, what other intangible value,
22 goodwill, reputation do you bring? What else would you
23 say you bring to the table?

24 MR. KNOX: I think I bring integrity. I
25 think I bring public relations experience, marketing

1 experience. I think I bring experience with the Texas
2 Legislature, how that process works. I bring
3 experience with the Texas horse industry and that
4 element.

5 My goal for Lone Star Park is that we be
6 a united team with you all and with track ownership,
7 management, and the horsemen and with the community,
8 with Mayor England, with Grand Prairie, is that we
9 bring all of that together. And that's one of the
10 talents that I think I have. I'm able to bring people
11 together and work on projects.

12 And as I've said, I think this is a
13 challenging project. Whether we can be successful, I
14 just don't know. I want to die trying to see if we can
15 make Lone Star Park survive without expanded gaming. I
16 think that is a huge challenge. I think our course of
17 action is to see how many years we can keep it open.

18 I think if we don't get expansion of
19 gaming, I don't think we can go on forever at Lone Star
20 Park. Because of the quality of horses from the
21 competition that we're seeing with the purse money that
22 they're giving away in Louisiana and Oklahoma and New
23 Mexico, regionally, we can't compete.

24 CHAIRMAN PABLOS: Okay. Thank you,
25 Mr. Knox.

1 Any other questions, Commissioners?

2 Thank you.

3 At this time I'd like to ask John
4 Elliott, who is the CEO of Global Gaming, to please
5 come up.

6 Good morning.

7 MR. ELLIOTT: Good morning.

8 CHAIRMAN PABLOS: How are you?

9 MR. ELLIOTT: Good. Thank you,
10 Commissioners and staff, for the opportunity to speak
11 today. I'm John Elliott, the CEO of Global Gaming
12 Solutions.

13 First I want to thank Drew and Ricky for
14 their kind words on Global Gaming Solutions and the
15 Chickasaw Nation. I also want to thank the TRC staff
16 and Department of Public Safety for their assistance in
17 this lengthy process that we've been in.

18 We look forward to expanding the Texas
19 relationship through our investment in Lone Star Park.
20 As you've heard, we acquired Remington Park and we feel
21 that Remington Park and Lone Star Park are natural fits
22 that will benefit both Texas and its horse racing
23 industry.

24 The progress we've made with improvements
25 and innovations at Remington Park that you've heard a

1 little bit about I think has earned us some respect
2 with the horsemen. And I certainly do not stand up
3 here saying that I have spent my career in the horse
4 industry. That's not the case.

5 But it's also increased our confidence
6 that racing can survive as part of today's
7 entertainment culture and encouraged us to take the
8 financial risk at Lone Star Park that Ricky discussed.

9 To survive, track owners must have the
10 financial strength to weather the storm that currently
11 engulfs the racing industry. We believe that Global
12 Gaming and the Chickasaw Nation, together with Drew and
13 his management team and Ricky Knox, have the
14 capabilities, expertise, and resources to bring Lone
15 Star Park safely through the storm.

16 We are very pleased and fortunate to have
17 Ricky Knox as our Texas partner, as he shares our
18 values and our desire to make the racing industry
19 profitable. We will look to him, as well as Drew, for
20 leadership and guidance as together we seek to find
21 solutions to the tough problems that confront the
22 racing industry.

23 We're eager to work and to find those
24 solutions. And certainly there's no panacea cure.
25 We'll do our best to work with you, the staff, Ricky,

1 and the Texas horse racing industry for the betterment
2 of the industry and to save Texas horse racing.

3 So on that note, I'd like to close and
4 say thank you and I'm happy to answer questions.

5 CHAIRMAN PABLOS: Any questions,
6 Commissioners?

7 Hearing none, I have a question. We've
8 heard Chairman Polunsky ask -- and this is a concern I
9 share. Should you be awarded this license, the last
10 thing I would want to see is for you to shut down the
11 track tomorrow and hold onto your license in
12 anticipation of any additional forms of gaming, I mean,
13 very plainly spoken.

14 And so the concern that I have is exactly
15 that, is knowing the commitment that you would have,
16 because in your documents that you've submitted, you
17 forecast out five years. And so in your commitment to
18 continuing to keep the track open, to fund it, I would
19 be interested in knowing -- and maybe it wasn't fair to
20 ask Mr. Knox because you're the one with the money.
21 Would you be committed to keeping the track open at
22 least during the time that you've estimated in your pro
23 formas?

24 MR. ELLIOTT: Yes, we are unequivocally
25 committed to keeping the track open. I think you've

1 seen that in the pro formas. We are not standing here
2 being delusional as to what the financial needs of Lone
3 Star Park might be. I think you've also seen the
4 demonstration of that commitment already with the
5 numbers that were referred to that have already been
6 invested by us in Lone Star Park without holding the
7 license. And without the license, that money is
8 completely lost by us. I think you've also seen the
9 evidence of it at Remington Park.

10 CHAIRMAN PABLOS: Would you be willing to
11 make that a condition of the issuing of this license?

12 MR. ELLIOTT: I think we would be willing
13 to make it a condition of the license through the
14 period of which those forecasts have been presented to
15 the Commission.

16 CHAIRMAN PABLOS: That's what I was
17 asking. That's what I was asking. Thank you.

18 Commissioners, any other questions?
19 Commissioner Ederer?

20 COMMISSIONER EDERER: If I understand
21 what was just said, that you will -- you will commit to
22 keeping the track open for the next five years.

23 MR. ELLIOTT: Correct.

24 COMMISSIONER EDERER: No matter what
25 happens.

1 MR. ELLIOTT: Correct.

2 COMMISSIONER EDERER: And you're going to
3 lose a hundred million dollars.

4 MR. ELLIOTT: Possibly, yes. We hope, as
5 I've indicated, that we can do better than that --

6 COMMISSIONER EDERER: That's your
7 projections.

8 MR. ELLIOTT: -- but you have the
9 projections.

10 COMMISSIONER EDERER: Well, it's a very
11 real possibility that there's not going to be any type
12 of gambling at all, including machines, at least for a
13 minimum of two years.

14 MR. ELLIOTT: We understand that. In
15 fact, in answer to your question, I guess, 50 million
16 dollars goes out the door on Monday if this license is
17 awarded.

18 COMMISSIONER EDERER: Right. I guess
19 I'm -- we're all wrestling with the rationale.

20 MR. ELLIOTT: Let me comment on it.
21 First, Lone Star Park was originally built for a cost
22 approaching some 100 million. So today it has a net
23 book value of assets of some 50 million dollars. Lone
24 Star Park has historically been profitable. Lone Star
25 Park was even profitable at the time we entered into

1 the acquisition.

2 Our record at Remington Park demonstrates
3 we feel that we have some chance of improving the
4 performance at Lone Star Park. We also believe that
5 there are clear synergies that exist between Remington
6 Park and Lone Star Park that will benefit both track
7 operations. And finally, Lone Star Park is a
8 prestigious entertainment asset in a prestigious
9 entertainment location.

10 Those are the reasons that we believe the
11 investment is justified.

12 CHAIRMAN PABLOS: Any other questions,
13 Commissioners? Commissioner Haywood?

14 COMMISSIONER HAYWOOD: Quick question.
15 You've talked a lot about the money today obviously. I
16 just want to make sure that I understand this right.
17 So is Global Gaming Solutions directly going to be
18 making capital contributions to Lone Star Park or is
19 this done through the Global Gaming LSP as loans? Can
20 you describe that a little bit more?

21 MR. ELLIOTT: Sure. Global Gaming
22 Solutions owns 49 percent of Global Gaming LSP. So the
23 financial contributions that are required for Lone Star
24 Park will be made by Global Gaming Solutions to Global
25 Gaming LSP.

1 CHAIRMAN PABLOS: Okay. Thank you very
2 much. Appreciate it.

3 At this time I'd like to recognize a
4 member of the Chickasaw Nation, the CEO of the finance
5 division, Bill Lance.

6 Will you please come up? Thank you for
7 making the trip down here.

8 MR. LANCE: Thank you, Chairman,
9 Commissioners. I really appreciate your consideration
10 on this very important decision. Honestly, we're
11 really excited about the opportunity and we believe the
12 DFW market is a rich, powerful market. And we're
13 hopeful -- we're hopeful to make a real positive impact
14 on Lone Star Park with our partners.

15 I'll just share with you an interesting
16 story. I took my mother up to Remington Park on the
17 Kentucky Derby. And she hadn't been to Remington Park
18 in two years. And anyway, she toured the entire
19 facility. She has arthritis, but it didn't slow her
20 down a bit. She went all over the facility. And the
21 thing -- and the statement she made to me, she said,
22 "Bill, what Global Gaming has done for this facility
23 has been transformational."

24 We bring energy, expertise, and we have
25 improved every line of business at that existing park.

1 And we would like the same -- we would like to offer
2 the same opportunity to Lone Star Park. We are
3 committed both to the short-term and long-term success
4 of Lone Star Park.

5 And I want each and every one of you to
6 personally, you know, hear our statements because those
7 are real. And if you talk to any of our partners that
8 we do business with, when we make a statement like
9 that, it's a real tangible commitment.

10 I would also like to thank all the
11 support that we've had from the horse racing industry
12 and from various partners through this entire process.
13 It's been very encouraging and we've had a high level
14 of support through the whole process. And thank you
15 for your time today.

16 CHAIRMAN PABLOS: Forgive me if I
17 misstated your title. Could you please state your
18 title and your responsibilities?

19 MR. LANCE: I'm CEO, Division of
20 Commerce, and then I'm also the chairman of the Global
21 Gaming Solutions board.

22 CHAIRMAN PABLOS: Any questions,
23 Commissioners?

24 Thank you.

25 MR. LANCE: Thank you.

1 CHAIRMAN PABLOS: At this time I'd like
2 to recognize the honorable Charles England, mayor of
3 Grand Prairie.

4 MR. ENGLAND: Thank you, Mr. Chairman and
5 members. Please excuse my dress. I was so excited
6 about coming to Austin yesterday that I left my suit
7 bag in the back of my Suburban. And so here I am,
8 jeans and all. And I apologize for that.

9 But I am glad to be here to speak on
10 behalf of Global Gaming and the Chickasaw Nation.
11 We've been talking to them and looking at them for a
12 long time, as you folks have. And horse racing, as
13 you've heard today and you all know, it's kind of
14 upside-down.

15 Lone Star Park, it's a world-class
16 facility. It was nice enough to hold the Breeders' Cup
17 a few years ago, the Super Bowl of horse racing as you
18 know. And it sits right in the middle of the
19 metroplex. It's the geographic center of the
20 metroplex. There's six million people within a 25-mile
21 radius. And we do believe it will be successful. It
22 has been.

23 The City of Grand Prairie invoked a sales
24 tax, the citizens did, on themselves to help build Lone
25 Star Park and we had 28-year bonds and paid those bonds

1 off in 12 years because of the great success of the
2 track in early years.

3 We all know what's happened in the last
4 few years. Our neighbors to the north and to the east,
5 those states have had gaming come in and supplement
6 their purses and there's no question it's hurt Lone
7 Star Park. What we've got now is a major league park,
8 kind of like the Rangers have got with their major
9 league park. We've got minor league horses and so that
10 has hurt the handle. There's no question about it.
11 And the horsemen, all the purses -- the lower the
12 handle, the lower the purses.

13 But we do believe that because of their
14 track record that they'll be able to come in to Grand
15 Prairie -- and I speak for the sports corporation. I'm
16 the mayor. I'm also the president of the sports
17 corporation which actually owns the track on behalf of
18 the City. So we -- you've heard from all these folks
19 and I'm not sure there's anything I could add except
20 that to tell you that we do support the transfer and
21 hope that you folks can see fit to approve it today.

22 Any questions, I'd be glad to --

23 VICE-CHAIRMAN SCHMIDT: Hearing none, we
24 appreciate you coming down here and we very much
25 appreciate your comments.

1 Any questions from any members of the
2 Commission?

3 COMMISSIONER EDERER: Did you say that
4 you own the track?

5 MR. ENGLAND: Yes. The City of --
6 actually the sports facility development corporation,
7 which is a leg of the city, actually own the track. We
8 do the -- these folks will have a lease on the track.
9 So their proposal for 47, 48 million dollars is
10 actually to purchase the lease to operate the track,
11 but the sports corporation actually owns the track,
12 which is a leg of the city that we funded with a
13 half-a-cent sales tax.

14 CHAIRMAN PABLOS: Commissioner Polunsky?

15 MR. POLUNSKY: Is there an option to
16 purchase?

17 MR. ENGLAND: There is an option to
18 purchase. It's down the road. I think there's
19 about -- I think it's about 20 years out. And they
20 have an option to purchase. And some of the rent that
21 they pay, the lease payments they've made, would apply
22 to the purchase price at a period down the road. And I
23 can't tell you exactly when that is, but it's about --
24 I believe it's about 20 years down the road they would
25 have that option.

1 CHAIRMAN PABLOS: Commissioner Weinberg?

2 COMMISSIONER WEINBERG: Do you own the
3 capital improvements as well, the buildings and the
4 barns and all the buildings?

5 MR. ENGLAND: Yes. We own the land. We
6 own the track, the barns. We don't own the -- we don't
7 own the TV's, the chairs, the equipment -- the
8 equipment that's inside, we do not own that. But we
9 own all the real property and including the barns and
10 the track, the parking lot, all those things.

11 COMMISSIONER WEINBERG: Thank you.

12 CHAIRMAN PABLOS: Any other questions,
13 Commissioners?

14 Thank you, Mayor. Appreciate it.

15 MR. ENGLAND: Thank you. Thanks for
16 letting me be here.

17 CHAIRMAN PABLOS: Okay. We've got
18 several folks signed up to speak in favor. I'm kind of
19 struggling through this. What I'd like to do is ask
20 you to keep your comments to less than a minute. That
21 way we can move forward.

22 So let's start with Bryan Brown, please.

23 MR. BROWN: Good morning, Mr. Chairman,
24 Commissioners. I'm Bryan Brown, CEO at Retama Park.

25 I want to speak in favor of this

1 application. I want to let you know, in no uncertain
2 terms, how important this is to our industry. We
3 depend on each other as tracks, particularly the Class
4 1's. We depend on the Lone Star signal. We depend on
5 sending our signal to Lone Star. They're a major part
6 of our betting. Their signal is a big money generator
7 for us, which means it's also a big purse generator as
8 well.

9 You know, a question has come up on Ricky
10 Knox's experience. And it reminds me of 14 years ago
11 when I stood before the Commission as someone that had
12 been to the racetrack probably five or six times before
13 coming to Retama. My experience on a scale of one to
14 10 was about .1. I had no experience. Ricky Knox has
15 been around our industry. I think he said 27 years. I
16 know in my 15 years of being around Retama, he's been a
17 big part of our industry.

18 There's several people in the last five
19 or six years, as you all have seen, bring us as an
20 industry together. The breeders, the horsemen, the
21 tracks no longer fight quite like we used to. We still
22 fight a little bit. Hopefully we always will. It's
23 fun at times. It's old at others. Ricky has been a
24 big part of the group that has brought our industry
25 together. And I can say that as someone who has sat

1 continually on the opposite side of issues from Ricky,
2 not on the same side of issues.

3 Ricky has been very, very important to
4 our efforts to bring this industry together for
5 legislation, for race dates, for breed splits, and we
6 very much have enjoyed working with him even though
7 he's been on the other side.

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

10 CHAIRMAN PABLOS: Questions,
11 Commissioners?

12 Thank you, Mr. Brown.

13 Marsha Rountree, please?

14 MS. ROUNTREE: Good morning. Marsha
15 Rountree, the interim executive director of the Texas
16 Horsemen's Partnership. Mr. Chairman, Commissioners.
17 It might seem kind of irrelevant after the passionate
18 and technical testimony, but I will keep it brief.

19 While we don't have the financial
20 investment that Global Gaming is making in Lone Star
21 Park, the horsemen of Texas do have skin in this game.
22 We have huge investments. Our owners, our trainers,
23 our grooms, and all the other people that have
24 investments of their times, their livelihoods, their
25 very existence is in this industry.

1 And so the Texas Horsemen's Partnership,
2 on behalf of the horsemen of Texas, would like to
3 enthusiastically go on record in support of the request
4 by Lone Star Park for the Commission's approval of a
5 hundred percent change of ownership.

6 We have been encouraged by the positive
7 changes made at Remington Park under the ownership and
8 management of Global Gaming and by their continued
9 commitment to Lone Star Park during this long
10 application process. Our hope is that this change of
11 ownership will be approved today and it will be a
12 positive bit of news for an industry that could
13 certainly use some positive news. Thank you.

14 CHAIRMAN PABLOS: Thank you.

15 Any questions, Commissioners?

16 Dr. Jackie Rich, please?

17 And thank you, Marsha, for being brief.

18 Appreciate that.

19 MS. RICH: Good morning. My name is
20 Jacquelyn Rich. I currently serve as the president of
21 the Texas Thoroughbred Association.

22 I want you all to know that we
23 enthusiastically passed a resolution from our board of
24 directors in January and sent that to you in February
25 to encourage the transfer of this license.

1 my entire life. I have worked in seven different
2 jurisdictions. And I can tell you I've never seen a
3 spirit of cooperation or a synergy between the
4 racetrack management and horsemen's organizations like
5 I see in Oklahoma and Remington Park. They are in step
6 in everything from racing to charitable organizations.

7 So we urge you to transfer the license.
8 Thank you very much.

9 CHAIRMAN PABLOS: Thank you very much.

10 Any questions, Commissioners?

11 Mr. Ed Wilson, please?

12 MR. WILSON: Mr. Chairman, Commissioners,
13 I'm Ed Wilson, president of the Arabian Breeders
14 Association.

15 And we wholeheartedly support the
16 endorsement in this change of ownership. We've been
17 knowing Ricky a long time on a personal basis. He's
18 been very helpful to the industry. He's been helpful
19 to our breed all the way through. So we certainly
20 endorse this ownership change. Thank you.

21 CHAIRMAN PABLOS: Thank you.

22 Any questions, Commissioners?

23 Dr. Tommy Hays, please?

24 MR. HAYS: Dr. Tommy Hays. I'm president
25 of the Texas Horsemen's Partnership. And we do speak

1 for the horsemen.

2 And what I would like to say is Global
3 Gaming has made a tremendous impact at Remington Park.
4 All the horsemen all over see what has happened there
5 and are very pleased with what's happened. They're
6 very horse friendly. The backside improvements are
7 tremendous. Their simulcasting is tremendous. And
8 like I say, we need that kind of ambition here in Texas
9 to come back to racing.

10 I've known Mr. Knox personally for the
11 last 25 years. And he's a good guy. He's really
12 brought the horsemen together. So I would
13 enthusiastically support the transfer.

14 CHAIRMAN PABLOS: Thank you.

15 Commissioners, any questions?

16 Jan Haynes, please?

17 MS. HAYNES: Hi. My name is Jan Haynes.
18 I'm president of the Texas Thoroughbred HBPA.

19 I'm here to also voice support for the
20 change of ownership from Lone Star to Global Gaming.
21 I've been as a horse person -- and I also run horses at
22 Remington Park. I've been up there, seen the
23 improvements that Global has done to the track since
24 they acquired it, and talked to several horsemen up
25 there and they've also -- the promises they have made

1 to the horsemen they have kept.

2 And so we believe Global Gaming is fully
3 committed to Texas racing and our board is really
4 looking forward to working with them. Thanks.

5 CHAIRMAN PABLOS: Thank you.

6 Commissioners, any questions?

7 Thank you.

8 Now Mr. Hooper.

9 MR. HOOPER: Mr. Chairman, members of the
10 Commission, I'm David Hooper, the executive director of
11 the Texas Thoroughbred Association.

12 Our president, Dr. Rich, has already
13 stated the TTA's position. I just want to add one
14 thing about Ricky Knox. He was one of the pioneers to
15 bring together the organization called Texas HORSE,
16 which comprises eight entities in the Texas horse
17 industry, the breed organizations, the horsemen's
18 organization on the racing side, and the nonracing
19 segment of the American Quarter Horse Association, the
20 National Cutting Horse Association, and the American
21 Paint Horse Association. And I think this adds to the
22 fact that he has a longstanding interest and love of
23 the Texas horse industry and participation in it is
24 going to be nothing but a plus to have him involved.

25 CHAIRMAN PABLOS: Thank you.

1 Commissioners, any questions?

2 Okay. Anyone else signed up to speak?

3 Okay. At this time I'd like to close the
4 public comment period. And, Commissioners, at this
5 time we can enter into a question-and-answer session
6 for any technical or clarifying questions of staff or
7 any of the parties involved.

8 I'd like to say that Mr. Bill Ford is
9 here from Magna Entertainment, the seller, as a
10 resource should you need to ask any questions of the
11 seller.

12 So I open the floor for questions of Mark
13 or Chuck or anyone else.

14 MS. O'CONNELL: I have a question for --

15 CHAIRMAN PABLOS: Commissioner
16 O'Connell?

17 MS. O'CONNELL: -- Mark Fenner.
18 Depending on how the Attorney General opinion comes
19 out, all of the concerns that have been stated about
20 the Texas ownership requirement may be moot. One of
21 the outcomes, I suppose, could be that the requirement
22 is found unconstitutional; and if that occurs, then the
23 concerns that have been expressed here about whether or
24 not the application meets that requirement would be
25 moot. Is that correct?

1 MR. FENNER: Well, as one Commissioner
2 mentioned to me, the Attorney General opinion is still
3 just an opinion. But I think that many of you would
4 find that argument to be persuasive.

5 MS. O'CONNELL: And then is there another
6 standard to be met that relates to the background
7 check?

8 MR. FENNER: I'm sorry?

9 MS. O'CONNELL: Is there a standard --

10 MR. FENNER: Oh, yes. Yes, ma'am.

11 MS. O'CONNELL: -- under 6.031 that
12 relates to the background check, evaluating the
13 background check?

14 MR. FENNER: Yes. The background check
15 in the language under 6.031 gives broad authority to
16 the Commission to reject an application. If it finds
17 that there are -- that there's anything in the
18 Commission's sole discretion that it finds to be
19 against the public interest or the racing interest, you
20 have the authority to reject that application.

21 MS. O'CONNELL: And do different states
22 have different ways and standards that they do their
23 licensing and background checks? I mean, is it
24 possible that Texas' process is different than the
25 processes that Global Gaming has already gone through

1 in other states?

2 MR. FENNER: It is my understanding that
3 other states have very different forms. There are many
4 varieties of licensing processes in the other states.
5 I am not familiar with the comparable background
6 investigation reports that the other states do.

7 But this idea of the Racing Commission
8 granting what are now perpetual licenses is fairly
9 unique, I believe, under -- to the Racing Act. Most
10 other states will grant the license for a limited
11 period of time. And it's not only just a -- sometimes
12 they'll even just grant a license for a particular
13 meet. It's not this ongoing thing because you're
14 licensed to conduct a fall meet at Santa Anita Park.
15 So there are wide varieties of licensing processes in
16 racing.

17 MS. O'CONNELL: Okay.

18 COMMISSIONER EDERER: I have a few
19 questions.

20 CHAIRMAN PABLOS: Yes, sir.
21 Commissioners Ederer, please.

22 COMMISSIONER EDERER: Thank you.

23 As far as the constitutionality is
24 concerned, I personally believe that it is
25 unconstitutional. I've looked at the law; and as far

1 as I can see, it is unconstitutional. It's been found
2 so by a United States District Judge in Austin. And
3 that ruling was confirmed by the Fifth Circuit. So I
4 believe that it will be found.

5 Again, if the Attorney General's office
6 comes back and they have an opinion that it is
7 unconstitutional, it's still just an opinion. We're
8 going to have to get a ruling. And I think that that's
9 going to be very important.

10 When I asked Ricky Knox if they would
11 support that, Ricky Knox is going to have to go
12 forward. It's my understanding that they have not had
13 standing to file any kind of a lawsuit at the present
14 time to get clarification. That's why it hasn't been
15 done up until now. If we were to deny their
16 application, then they'd have standing. But I think
17 there's a better way to do it. And that would be to
18 put a condition on the application. But I believe that
19 the law, in my opinion, is fairly clear that it is
20 unconstitutional.

21 I think that we need to act. I don't
22 think we can just go along with -- and I disagree with
23 our director's reasoning as far as asking for
24 approval. I believe, if we follow his reasoning, then
25 we've got three other licenses that are presently in

1 jeopardy because the law says, as you have said, that
2 the Commission may refuse to issue a racetrack license
3 or may revoke or suspend a license if they find out
4 there's been a problem.

5 So if we follow the reasoning of the
6 executive director, we have approved three licenses
7 that are a little suspect, so that could possibly put
8 those licenses in jeopardy. And I think that that's a
9 foolish state for us to be in at the present time.

10 I think we, as a Commission, have to
11 clarify this. And the only way that we can clarify
12 this, in my opinion, is to go forward with some type of
13 declaratory action, a dec action, so to speak, with the
14 court system and have this declared unconstitutional.

15 This is not -- this question is going to
16 come up again. It's going to come up again. Very
17 possibly it's going to come up often depending on what
18 the Legislature does. So I think that it is incumbent
19 upon us to do something to try to clear up what I
20 believe is an unconstitutional part of the act.

21 To do that, we can come forward with and
22 put a condition on the license. Then it would be
23 incumbent upon Global to go for a dec action to remove
24 that condition that has been placed on their action.
25 That would give them standing to go to court. They're

1 not going to have standing otherwise.

2 Now, am I off base somewhere or --

3 MR. FENNER: The problem with conditions
4 on licenses is whether or not the granting then of the
5 license is really final. The conditions that I have
6 seen that are successful are those that are easily
7 susceptible to determination whether or not that
8 condition has been met.

9 If I may give an example, when the
10 Commission revoked the license of Trinity Meadows, it
11 was because Trinity Meadows had not met the condition
12 of submitting 300 -- evidence of a 300,000-dollar
13 infusion of additional capital and the submission of a
14 management capitalization plan.

15 The trouble with a condition such as
16 demonstration that they've met the residency
17 requirement, that's not so easily susceptible to an
18 administrative determination. So I think there would
19 be question as to whether or not that order is final.
20 And in fact, it may require coming back to the
21 Commission for the Commission's decision and vote on
22 whether or not that condition has been met.

23 COMMISSIONER EDERER: So if we leave it
24 as it is and we would approve the license, it seems to
25 me that a different Commission could come in and they

1 could challenge that license and possibly revoke that
2 license following this section of the Texas Racing
3 Act.

4 MR. FENNER: Yes. Yes, you could.

5 COMMISSIONER EDERER: It could.

6 MR. FENNER: But the problem is --

7 COMMISSIONER EDERER: So why not take
8 care of it right now? Why not go forward, put a
9 condition on this, put a three-year condition that they
10 must comply with the residency requirement? That would
11 certainly encourage them to -- first off, we'd wait and
12 see when we got the Attorney General's opinion. If it
13 holds it unconstitutional, that gives them certainly a
14 leg up. If not, then the Attorney General, no matter
15 what they really do, they could still file a
16 declaratory judgment action in a United States District
17 Court. I believe that the precedent has been set. I
18 don't think that that would be difficult at all,
19 especially if the Commission would take the position
20 that the license should be granted.

21 So that's why I believe that a condition
22 to comply with the residency requirement, put 36 months
23 on it -- that would give them plenty of time. That
24 would give the Attorney General -- who knows how long
25 they're going to take to come out with their opinion?

1 Plus it would then give them -- it would be very simple
2 to go to Federal Court and get this done. It's not a
3 difficult thing to do when everybody is in agreement.

4 CHAIRMAN PABLOS: Okay. Well, we'll take
5 that up under the discussion part. Right now, any
6 other questions, any technical or clarifying
7 questions? Commissioner Polunsky?

8 MR. POLUNSKY: Yes. I would also like to
9 ask the general counsel a question. And I guess it's
10 just pretty straightforward. You're familiar,
11 obviously, with the application and the issues
12 surrounding it. In your opinion, do you feel that this
13 application complies with TRA Section 6.06, Section
14 (d)?

15 MR. FENNER: The residency requirement.

16 MR. POLUNSKY: Yes.

17 MR. FENNER: You're asking for my legal
18 opinion.

19 MR. POLUNSKY: Yes.

20 MR. FENNER: Yes, sir, I do. I do feel
21 that it meets that requirement. I feel that the
22 residency requirement of the Texas Racing Act is
23 constitutional and that this application meets that
24 residency requirement.

25 May I explain my rationale?

1 MR. POLUNSKY: Certainly.

2 MR. FENNER: When I look at the -- the
3 purpose of the residency requirement that's specified
4 in the statute in Section 6.06(a) begins it's to
5 protect the health, safety, and welfare of Texas. And
6 it provides some mechanisms that we are to use or you
7 are to use in making that determination, examining the
8 financial -- the financials of the applicant, their
9 capability, their moral character.

10 When I review all of those items, I find
11 that they meet those -- that if you look at those items
12 regarding each of these individuals, that they, in
13 fact, demonstrate financial capability as a whole.
14 They are very capable, as evidenced by the securing and
15 retention of Drew Shubeck as the track manager --

16 COMMISSIONER EDERER: That's not the
17 question. There's no question that they've complied.
18 And I mean, there's no question as far as the ability
19 to do it.

20 CHAIRMAN PABLOS: Commissioner Ederer,
21 excuse me.

22 COMMISSIONER EDERER: Yes.

23 CHAIRMAN PABLOS: He's going down the
24 requirements and he's laying them out. He's not
25 arguing either way. He's simply laying out the

1 arguments as they are required by the act.

2 MR. FENNER: And so when I look at the --
3 at those elements and see that they have -- that they
4 do meet those criteria for which you are instructed to
5 examine in determining whether or not a license should
6 be granted and then you go to the residency
7 requirement, when I see that Ricky Knox does have 51
8 percent -- now, I would agree, it's 51 percent on
9 paper.

10 And then I look at the history of the
11 Commission and see how the Commission has addressed
12 this issue in the past. There have been three examples
13 where the Commission has faced very similar
14 circumstances. And the Commission has said "These are
15 the types of things that we want to see. We want to
16 see a majority of the members on a management committee
17 or a board of directors be composed of Texas
18 residents. We want to see the Texas residents put in
19 some real substantial financial worth. We want to see
20 some skin in the game," as Commissioner Schmidt
21 mentioned. "We want to make sure that they pass the
22 background checks, that they are of moral substance."

23 And then I compare that to this
24 application and I see that they track very similarly
25 and, in fact, they intended to track very similarly in

1 the development of this application to the processes
2 that have been approved in the past.

3 So those are the reasons, Commissioners,
4 Mr. Chairman, that I think that it does meet the
5 requirements.

6 MR. POLUNSKY: Let me try to narrow this
7 question --

8 MR. FENNER: Yes, sir.

9 MR. POLUNSKY: -- as I got somewhat of a
10 broad answer here.

11 In your opinion, is the applicant entity
12 made up of residents of the State of Texas and
13 residents for the last 10 years? Forgetting precedent
14 from other -- from other actions that the Racing
15 Commission may have taken in the past or anything else,
16 financial wherewithal, this, that, whatever, my
17 question is: Do they meet the residency requirement?

18 MR. FENNER: You would like --

19 MR. POLUNSKY: It's pretty
20 straightforward. Are they residents? Are they not?
21 That's all I care about.

22 MR. FENNER: The answer is yes, sir.

23 MR. POLUNSKY: Thank you.

24 CHAIRMAN PABLOS: Okay. We're still on
25 technical and clarifying questions, Commissioners.

1 COMMISSIONER EDERER: And you're basing
2 that upon what you just said?

3 MR. FENNER: Yes.

4 COMMISSIONER EDERER: And in light of the
5 fact that you've got a United States District Court
6 opinion saying different and a Fifth Circuit opinion
7 confirming that the residency requirement is
8 unconstitutional?

9 MR. FENNER: The Appellate Court decision
10 didn't address the residency requirement. You're
11 talking about --

12 COMMISSIONER EDERER: No, it did address
13 it, and it left in place -- it left in place the
14 District Court. That's -- that is addressing it.

15 MR. FENNER: What I would suggest or say
16 is that, first of all, it's not my place to say that
17 the Texas Racing Act is unconstitutional. I need to
18 support the Racing Act. When I look at the types of --
19 when I do my constitutional analysis, of which I am not
20 really -- I have my own doubts about my ability to do
21 that.

22 But I look first at, you know, has it
23 been triggered, is it infringing the flow of interstate
24 dollars. And then the second is to what extent does it
25 infringe on the flow of interstate dollars, how much of

1 an infringement is it.

2 Now, first, I have a question about
3 whether it infringes on the flow of interstate dollars
4 at all because there are -- we just -- the Commission
5 just approved, on April 1, an ownership -- 50 percent
6 ownership in three racetracks by Penn National Gaming,
7 which is --

8 COMMISSIONER EDERER: There was a
9 difference in circumstance on each one of them and you
10 well know it. The financial institutions that were
11 supporting each one of those transactions was a bank in
12 California, a bank in Alabama, and a bank in Florida.

13 MR. FENNER: I'm not talking about
14 those. I'm talking about Penn National's acquisition
15 of essentially half of --

16 CHAIRMAN PABLOS: Last month.

17 MR. FENNER: Yeah. Sam Houston --

18 COMMISSIONER EDERER: That's a publicly
19 traded corporation.

20 MR. FENNER: Yes. But it demonstrates
21 that out-of-state entities may freely invest in Texas
22 without any need to comply with the residency
23 requirement. They can invest -- Global Gaming
24 Solutions could have created a publicly traded
25 subsidiary and purchased the license of Lone Star Park

1 without any regard to the residency requirement.

2 MR. POLUNSKY: But they didn't.

3 MR. FENNER: No, they did not.

4 MR. POLUNSKY: They didn't. See, that's
5 the problem. They didn't. So they're not residents
6 and they're not a publicly traded corporation, so they
7 don't fall within the two -- the two authorized
8 entities that can hold a racing license in Texas.

9 MR. FENNER: But the reason I brought
10 this up is I'm talking -- I'm actually trying to defend
11 the residency requirement that's found in the Racing
12 Act. I don't think that the residency requirement
13 poses that much of a burden to the interstate flow of
14 dollars into Texas racing because there are alternate
15 methods for them to do this that allow them to do it
16 without any regard for the residency requirement at
17 all.

18 Now, to the degree that it does, it's
19 minimal. I mean, they can do it the other way.

20 And then when I look at the past of the
21 Commission's actions, they haven't required that much.
22 They've required the investors in Gulf Greyhound Park
23 to put in \$10,000 as percentage of one and that was
24 approved. They've also required the Texas residents be
25 a majority of the governing board of that entity.

1 They've had, you know, a variety of other minor things;
2 but in essence, all they've required is that the
3 applicants -- the Texans have some skin in the game and
4 that they have veto power over the actions of the
5 association.

6 MR. POLUNSKY: They required that they be
7 residents of the State of Texas.

8 MR. FENNER: Yes, sir.

9 MR. POLUNSKY: That somehow has gotten
10 lost in your discussion for some reason. I'm not quite
11 sure why.

12 MR. FENNER: Yes. You're right. I have
13 made the assumption. But you are your own Commission
14 and so I --

15 MR. POLUNSKY: Well, but you are the
16 general counsel and we look to you for legal advice.

17 MR. FENNER: And I provide it.

18 CHAIRMAN PABLOS: And it's been
19 provided.

20 Any other technical or clarifying
21 questions, Commissioners?

22 COMMISSIONER WEINBERG: Can I ask the
23 question to Global Gaming why they did not set up a
24 publicly held corporation?

25 CHAIRMAN PABLOS: I don't see why not.

1 You sure may.

2 MR. ELLIOTT: I think as the
3 Commissioners know, we acquired Lone Star Park out of
4 bankruptcy. In that process, we were required to put
5 forward to the Bankruptcy Court how we would satisfy
6 the residency requirements in Texas. And we
7 essentially put forth the structure that we would
8 establish an equity interest for Texans in Lone Star
9 Park where they would have the majority control.

10 Our legal opinions and our legal advice
11 has been that that fully meets both the spirit and the
12 legal requirements, you know, of the act.

13 We are of the view, I guess, that if the
14 Attorney General tomorrow was to come forward and say
15 this is unconstitutional, the only implication would be
16 that it would imply that you do not need Texas
17 residents to hold any ownership in the track.

18 Our operating agreement is very clear as
19 we stand here today. It has an entity with a Texan
20 holding 51 percent. It has clear requirements in it
21 that we will bring in five more Texans or up to five
22 more Texans by December 31 this year. And that will
23 not change even if the Attorney General or some opinion
24 comes out that says it is unconstitutional and we don't
25 require Texans in the ownership.

1 CHAIRMAN PABLOS: I don't know about you,
2 but I'm more uncomfortable with the fact that a
3 non-Texan publicly owned company can just come in here
4 and buy 100 percent of a track. I'd rather see Texans
5 being part of the formula.

6 MR. ELLIOTT: And that's how we set out
7 and that's how we will go forward. Thank you.

8 CHAIRMAN PABLOS: Okay.

9 COMMISSIONER MARTIN: Can I ask a
10 question of Mr. Fenner?

11 CHAIRMAN PABLOS: Commissioner Martin?

12 COMMISSIONER MARTIN: Has Ricky Knox and
13 Global Gaming met the same requirements that we've
14 asked every other license change to meet?

15 MR. FENNER: Yes, sir, we've gone through
16 the same evaluation of them that we've done for
17 others. Now, this residency requirement thing, though,
18 is, of course -- it has not been as close to the edge
19 previously. If we look at the ownership change in
20 Corpus Christi, the most recent one, not the original
21 licensing, but when the LaMantia group bought that,
22 there was no doubt about who was owning that. But they
23 met the requirement.

24 COMMISSIONER MARTIN: Okay. Thank you.

25 CHAIRMAN PABLOS: Okay. Any other

1 questions?

2 Okay. Dr. Martin, I think this is the
3 time. As a courtesy, I give you the floor.

4 COMMISSIONER MARTIN: I make a motion to
5 approve the sale.

6 CHAIRMAN PABLOS: Okay. I have a motion
7 on the floor.

8 Is there a second?

9 MS. O'CONNELL: I move to amend the
10 motion.

11 CHAIRMAN PABLOS: Okay. What is the
12 amendment?

13 MS. O'CONNELL: I move to defer the vote
14 until the next meeting after June 20th so that the
15 Commission can have the benefit of the Attorney General
16 opinion and know the outcome of the litigation that is
17 mentioned in -- was mentioned by Agent Wynn with DPS
18 and also so that Commissioners that did not have -- do
19 not feel like they had ample time to review the
20 recommendation will have such.

21 MR. POLUNSKY: I second that.

22 CHAIRMAN PABLOS: Are you satisfied with
23 that?

24 COMMISSIONER MARTIN: No.

25 CHAIRMAN PABLOS: Okay.

1 MR. FENNER: There's only one motion at a
2 time.

3 CHAIRMAN PABLOS: So I have a motion to
4 approve.

5 Is there a second to approve?

6 COMMISSIONER HAYWOOD: Second.

7 CHAIRMAN PABLOS: Okay. I have a second
8 to approve.

9 Now let's enter into discussion over
10 that. We'll take it up for a vote and then we'll
11 consider your motion.

12 Is that appropriate?

13 MS. O'CONNELL: Can we do the motion to
14 amend first and then the motion?

15 MR. FENNER: If we have a motion to
16 approve and the motion to amend was not acceptable,
17 you're asking if the motion to amend should be taken up
18 before you do the motion on the original motion? I
19 need a break to go to my book.

20 CHAIRMAN PABLOS: I would think that if a
21 motion is not approved that we would take up the first
22 motion. Would that be --

23 MR. POLUNSKY: Why was the motion to
24 amend not acceptable?

25 MR. FENNER: Just a minute.

1 CHAIRMAN PABLOS: I believe it's because
2 I have one motion already and I have to defer to the
3 person making the motion. Would that be --

4 MR. POLUNSKY: I think that a motion to
5 amend would take precedence over the original motion if
6 there's a second. But I'd defer to our general
7 counsel.

8 MR. FENNER: May I have a couple of
9 moments to --

10 CHAIRMAN PABLOS: Why don't we take a
11 break at this time. We will reconvene in five
12 minutes.

13 (Recess from 12:36 p.m. to 12:47 p.m.)

14 CHAIRMAN PABLOS: Okay. We are back on.
15 The time is 12:47.

16 MR. FENNER: All right.

17 CHAIRMAN PABLOS: What did you find?

18 MR. FENNER: I've reviewed Robert's Rules
19 of Order. Ms. O'Connell's motion I don't believe is a
20 motion to amend. It is -- it is not a motion to insert
21 language or delete language. It is a substitute
22 motion. It is a completely different motion. However,
23 it is a motion that she could make.

24 Now that we have a second of Commissioner
25 Martin's motion, there is a motion to postpone to a

1 definite time, which I am taking is what she's trying
2 or asking for. She's asking that the main motion on
3 the floor be postponed until after June 20th. Is
4 that -- and therefore, that's the present motion; and
5 if there is a second, then that would be the motion
6 that would be presently up for a vote.

7 CHAIRMAN PABLOS: I see. Thank you. So
8 if I understand correctly, Dr. Martin's motion stands;
9 but Commissioner O'Connell's motion is to request to
10 postpone and there is a second by Chairman Polunsky.
11 And so now at this time --

12 MR. FENNER: We have a second of
13 Commissioner Martin's --

14 CHAIRMAN PABLOS: Right. Correct.

15 MR. FENNER: Okay.

16 CHAIRMAN PABLOS: So it stands, right?

17 MR. FENNER: Yes, sir.

18 CHAIRMAN PABLOS: So now we have a motion
19 to postpone, seconded by Chairman Polunsky. And so
20 we'll take discussion of that up front.

21 MR. FENNER: Yes, sir.

22 CHAIRMAN PABLOS: So we have a motion and
23 a second. So now let's discuss Commissioner
24 O'Connell's motion. Anyone?

25 COMMISSIONER EDERER: Can we ask the

1 industry? Can we ask Global what effect a postponement
2 would have on the --

3 CHAIRMAN PABLOS: Sure. I mean, they're
4 here as a resource. I think you deserve to know.

5 Who would be able to come up and speak to
6 any impact that this would have?

7 MR. ELLIOTT: Our contract to acquire
8 Lone Star Park will expire again.

9 CHAIRMAN PABLOS: It will expire? Okay.

10 COMMISSIONER EDERER: When does that
11 happen?

12 MR. ELLIOTT: It happens in early June --

13 MR. SHUBECK: End of July.

14 MR. ELLIOTT: So depending on -- there
15 would be two consequences: One, whether or not we meet
16 that date inside our contract for a license transfer;
17 and two, the continuation of financial support to Lone
18 Star Park by us without having the license or without
19 any other rights.

20 MS. O'CONNELL: So it expires July 10th?

21 MR. ELLIOTT: July 10 is what I'm told.

22 CHAIRMAN PABLOS: Okay. Any --

23 COMMISSIONER EDERER: Well, the Attorney
24 General is kind of notorious for dragging their feet
25 and we could be waiting five years for that.

1 CHAIRMAN PABLOS: That's a good point.

2 COMMISSIONER EDERER: I'm a little
3 concerned about that. Is a representative here --

4 CHAIRMAN PABLOS: We have --

5 MR. FORD: I'm sorry. Yes. I'm
6 Mr. Ford. I'm the plan representative of Magna
7 Entertainment. Just if the sale to Global did not go
8 forward at this time, our instructions from the
9 creditors committee are to not fund Lone Star any
10 additional. So to the extent they were not able to pay
11 their bills going forward or meet their obligations
12 going forward, the track would likely close.

13 CHAIRMAN PABLOS: Thank you.

14 Commissioner O'Connell, I have a question
15 on your motion. Is your motion based on -- simply on
16 the fact that you would like to wait for the Attorney
17 General to respond and provide an opinion?

18 MS. O'CONNELL: That is the main basis of
19 my motion. And I'm under the impression that the
20 Attorney General has a -- seeks to return opinions
21 within six months and generally does meet that
22 six-month requirement. And June 20th would be the
23 six-month date; and if we had a meeting between June
24 20th and July 10th, that would be fine.

25 CHAIRMAN PABLOS: Well, I personally

1 called the Attorney General's office to ask for a
2 status and I was referred to the director of opinions.
3 And all he could tell me is he wouldn't give me any
4 certain dates, but he did say that they will get back
5 to us. And that's all I heard.

6 And so let's assume that the Attorney
7 General -- there's really two things that could
8 happen. The Attorney General could get back to us with
9 an opinion or perhaps with just some reading material
10 so that we can arrive at our own opinion. And those
11 are the two things that could happen.

12 And let's just assume that he does come
13 back to us with an opinion. That opinion could go one
14 of two ways. One, he can say it's constitutional; or
15 the other, he could say it's not.

16 So assuming -- let's just say that it is
17 constitutional. Then we're right back to where we are
18 today where we have an applicant who's met the
19 residency requirement. If it's unconstitutional, then
20 wouldn't it be the applicant's option or privilege to
21 waive that and we would still have an owner from
22 Texas?

23 So I don't understand why we would have
24 to wait if, in fact, today we have a -- you know, as
25 stated earlier, we have an applicant who has met that

1 requirement today. If a lot changes either way, I
2 don't see how that impacts them. And please walk with
3 me through my analysis. If I'm wrong, let me know.

4 MR. BENNETT: Yes, Mr. Chairman. My name
5 is Bruce Bennett. And we'll be happy to provide our
6 analysis of this issue, a legal analysis, if you find
7 it would be helpful to you, and I'm prepared to address
8 that.

9 CHAIRMAN PABLOS: I think it would be
10 very helpful.

11 MR. BENNETT: Yes. Mr. Cardwell and I
12 have intensively studied this issue. I'm board
13 certified in civil appellate law. I've been so since
14 1989. I've dealt with a lot of appeals involving
15 administrative law over my career.

16 The Texas residency requirement has been
17 met. There is no reason to delay.

18 And, Commissioner Ederer, you say go into
19 Federal Court. How can I go into Federal Court when
20 I'm not in violation of the act? The judge would first
21 have to decide if the act had been violated. We meet
22 the act. It's a fact. Ricky Knox owns 51 percent.
23 The Texans will always have 51 percent.

24 It's a fact that Ricky Knox and the
25 Texans control this entity. They do. They have a veto

1 power, just as your general counsel has told you.

2 It's a fact that this structure is
3 consistent with the legitimate goals that a State can
4 try to achieve through a residency requirement. I've
5 read the Southern Wine case. I've read the case from
6 South Dakota, which was a Racing Commission case that
7 struck down a very similar residency requirement.

8 And what the Courts say, there are three
9 legitimate goals: Protecting the health, the safety,
10 and the morals of its citizens. Okay. That's been
11 done. The DPS has done their job. They've come back
12 with a clean record on Mr. Knox and every one of the
13 people involved here today. They're fine, upstanding
14 folks.

15 You, the Commission, you have -- the act
16 gives you broad powers, emergency powers, to protect
17 the public interest. You can issue emergency cease and
18 desist orders. Those goals are met.

19 The second one is maintaining regulatory
20 jurisdiction, daily oversight, and tight control over
21 the persons and entities involved. You've got that.
22 You have extensive powers of regulation in the act and
23 in your rules. Ricky Knox and the Oklahoma residents
24 have submitted to your jurisdiction. They've expressly
25 done that in the documents, and your control. Your

1 rules require cooperation. You and your staff can
2 enter the park at any time to enforce or administer
3 your rules or your act.

4 And the final legitimate interest that
5 was identified was maintaining immediate access to
6 data, documents, and information within the possession
7 and control of the racetrack licensee. Your rules
8 require the books and records to be at Grand Prairie.
9 They won't be off in Oklahoma or anywhere else.

10 So those are the legitimate goals. Those
11 have been satisfied here by our ownership structure.
12 To go beyond those goals, as the TABC tried to do and
13 the State of South Dakota tried to do, you engage in
14 economic protectionism. That's what's bad. And that
15 resulted in the court decision saying the state
16 residency requirements are unconstitutional.

17 Now, to try to use the residency
18 requirement to regulate the internal business decisions
19 concerning how profits and losses are done I think gets
20 you into that unlawful area of economic protectionism.
21 Don't go there. Our structure is legal and it meets
22 the legitimate state goals that can be achieved here.
23 They are more than met.

24 Please don't delay this any longer.
25 Please don't kill Texas racing because of adherence to

1 a legally questionable rule. But I mean, we've
2 satisfied it, so there is no reason to delay. Please
3 defeat this motion and go with Commissioner Martin's
4 motion and let's save Texas racing and get this thing
5 going.

6 CHAIRMAN PABLOS: Thank you.

7 Commissioners, any questions?

8 Okay. So any further discussion on this
9 motion before I bring it up for a vote?

10 COMMISSIONER EDERER: Now, which motion?

11 CHAIRMAN PABLOS: I will be taking up
12 Commissioner O'Connell's motion to postpone. We are
13 having discussion about this. I'm certainly not in
14 favor of it and I will be voting it down. I will bring
15 it up for a vote the minute I learn that there is no
16 other discussion. So I need to know if you have any
17 other discussion on Commissioner O'Connell's motion.

18 COMMISSIONER EDERER: Can we just have
19 the motion repeated?

20 CHAIRMAN PABLOS: Would you please repeat
21 the motion?

22 MS. O'CONNELL: The motion is to postpone
23 the vote on the ownership transfer until after June
24 20th, the date that the Attorney General's opinion is
25 expected, and before the contract expires, which would

1 be July 10th, so that we may know whether a legal issue
2 that some people are struggling with is one that needs
3 to be determined.

4 CHAIRMAN PABLOS: So we have the motion
5 stated.

6 Any further discussion?

7 All those in favor please signify by
8 saying aye.

9 COMMISSIONERS: Aye.

10 CHAIRMAN PABLOS: Any opposed?

11 COMMISSIONERS: Aye.

12 CHAIRMAN PABLOS: Will you take a roll
13 call, please, of the votes?

14 MS. WEISS: Commissioner Ron Ederer?

15 COMMISSIONER EDERER: No.

16 MS. WEISS: Commissioner Scott Haywood?

17 COMMISSIONER HAYWOOD: No.

18 MS. WEISS: Commissioner Gloria Hicks?

19 COMMISSIONER HICKS: No.

20 MS. WEISS: Commissioner Mike Martin?

21 COMMISSIONER MARTIN: No.

22 MS. WEISS: Commissioner Ann O'Connell?

23 MS. O'CONNELL: Aye.

24 MS. WEISS: Commissioner Allan Polunsky?

25 MR. POLUNSKY: Aye.

1 MS. WEISS: Commissioner Vicki Weinberg?

2 COMMISSIONER WEINBERG: No.

3 MS. WEISS: Vice-Chairman Robert

4 Schmidt?

5 VICE-CHAIRMAN SCHMIDT: No.

6 MS. WEISS: Chairman Rolando Pablos?

7 CHAIRMAN PABLOS: No.

8 What is the tally, please?

9 MS. WEISS: Two ayes, seven nays.

10 CHAIRMAN PABLOS: That motion is

11 defeated.

12 So now we can go back to Commissioner

13 Martin's motion.

14 And will you please restate your motion?

15 COMMISSIONER MARTIN: I make a motion to

16 approve the sale of Lone Star Park.

17 CHAIRMAN PABLOS: Okay. And then we had

18 seconded by Haywood.

19 COMMISSIONER EDERER: Would this be

20 proper to file a motion for amendment?

21 CHAIRMAN PABLOS: Well, at this -- yes.

22 We would open it up for discussion. If you want to

23 amend the motion, you certainly may. But I will open

24 up the floor for discussion on Commissioner Martin's

25 motion.

1 COMMISSIONER EDERER: I guess I've got
2 the floor.

3 CHAIRMAN PABLOS: Yes, sir.

4 COMMISSIONER EDERER: As far as the
5 amendment is concerned -- and I'd like to hear from
6 everybody that's sitting here, too. The amendment that
7 I would have would be that the motion be approved and
8 that with the condition that the residency requirement
9 be met within the next 36 months.

10 Now, the residency requirement -- for
11 discussion purposes, the residency requirement that I'm
12 talking about is there's certainly -- you know, we've
13 just heard from counsel the position of Global and
14 that's not an unreal position that they're taking. I
15 think the position seems to be very valid.

16 However, it's not clear in my mind yet
17 and I don't think it's clear in everybody else's mind
18 whether or not they have met the residency
19 requirement. If you read the way it is structured,
20 each particular word, they don't meet it, in my
21 opinion. If they -- the intent is certainly there and
22 the pitfalls are certainly there. I mean, we have all
23 sorts of protection if the -- if Global would get out
24 of line, let me say. I don't think I'm making myself
25 clear.

1 But I believe that it needs to be
2 clarified as far as the residency requirement is
3 concerned. I think that we should attach an amendment
4 to it. I think it should be approved with the
5 amendment that the residency requirement be --
6 clarified? Would be that correct? That wouldn't be
7 right either.

8 CHAIRMAN PABLOS: If I may interrupt.

9 COMMISSIONER EDERER: I'm wrestling with
10 it. Help me.

11 CHAIRMAN PABLOS: I will. We have our
12 general counsel telling us that it has been met.
13 Okay? We've had commentary, although it's not legal
14 advice, that it has been met. And so you're saying
15 that it has not.

16 COMMISSIONER EDERER: I think if you read
17 the --

18 CHAIRMAN PABLOS: What I'm trying to do
19 is I'm trying to walk you through your reasoning so
20 that you can let us know why you think it hasn't been
21 met. And that's really what I think is really the next
22 step in trying to understand your reasoning. And
23 perhaps you may be misunderstanding Mark's reasoning.
24 And so I want to make sure that we get all on the same
25 page because I'm hearing from our general counsel that

1 it's been met. And so why do you believe it has not
2 been met?

3 COMMISSIONER EDERER: Just reading the
4 letter of the law.

5 CHAIRMAN PABLOS: Please proceed.

6 COMMISSIONER EDERER: As far -- well, I
7 don't have the complete letter of the law.

8 Mark, you might have to help me here.

9 But what I have here is -- as far as the
10 residency requirement is concerned, help me. What is
11 it, Mark? Read it, if you would, please.

12 MR. FENNER: Yes, sir.

13 MR. POLUNSKY: 6.06(d).

14 MR. FENNER: Yes, sir. That is -- (d)
15 requires that the majority ownership of a partnership,
16 firm, or association be held by citizens who meet the
17 residency qualifications.

18 The residency qualifications are
19 specified in 6.06(a)(12). It is that the applicant
20 have been a United States citizen residing in this
21 state for the period of 10 consecutive years
22 immediately preceding the filing of the application.

23 COMMISSIONER EDERER: And the applicant
24 is who?

25 MR. FENNER: The applicant is Global

1 Gaming LSP. And the majority ownership of that entity
2 is proposed to be Ricky Knox. He is the one who has to
3 meet the 51 percent -- the majority ownership
4 requirement of having been a U.S. citizen residing in
5 this state for 10 years.

6 COMMISSIONER EDERER: I understand. And
7 who owns the other 49 percent?

8 MR. FENNER: Global Gaming Solutions, an
9 Oklahoma entity.

10 COMMISSIONER EDERER: And they will be
11 financing the whole operation.

12 MR. FENNER: Yes, sir.

13 COMMISSIONER EDERER: So Ricky Knox, with
14 his 80,000-dollar investment, is going to be
15 controlling Global Gaming, who has a hundred million in
16 the operation?

17 MR. FENNER: Yes, sir.

18 May I speak to your motion?

19 COMMISSIONER EDERER: Yes. Please.

20 MR. FENNER: The problem that I have with
21 a motion that places a condition on the license
22 regarding the residency requirement is one of -- it's
23 two things. First of all, it's not easily susceptible
24 likely to an administrative determination by, for
25 example, Mr. Trout that the condition has been met. We

1 may very well be coming back to you with the very same
2 question once we get an answer from the Attorney
3 General's office or a declaratory judgment action.

4 And so it calls into question whether the
5 order is final or not. And if it's not final, I don't
6 know that Global Gaming wants to go through on that.

7 The second question that I have or
8 concern I have is this is one of those things that the
9 Commission is required to find before granting the
10 license. Now, you can condition it, but we've done
11 that in the -- no. The Commission has done that in the
12 past when it granted the application of Austin Jockey
13 Club to move its license to East Austin.

14 One of the requirements of the statute is
15 that you find that the applicant -- or the location is
16 zoned correctly for that site. That's one of those
17 condition precedents. But the Commission allowed that
18 to go forward. And the City didn't zone that property
19 for a racetrack and now since that time we've had a
20 racetrack floating around with no site and we all know
21 the problems that it has caused.

22 So this is kind of a similar situation.
23 We have this condition that is supposed to be met
24 before you approve the license. If you approve it on
25 the condition that they later meet the requirement, it

1 makes it very difficult if later on -- what happens in
2 three years and they haven't done it? Are we going to
3 try and just --

4 CHAIRMAN PABLOS: Plus I don't see how we
5 can even condition it when, in fact, we're being told
6 that it does. And if we look at Mr. Knox's residency
7 and the fact that he owns 51 percent, I mean, doesn't
8 it -- doesn't that meet the requirement? Going into
9 and delving into it further strictly on the residency
10 requirement component, in my mind, might be dangerous
11 ground to tread.

12 COMMISSIONER EDERER: Who are we to
13 second-guess our legal counsel and prior counsel from
14 Global on this particular narrow issue?

15 CHAIRMAN PABLOS: Right.

16 COMMISSIONER EDERER: Is that --

17 CHAIRMAN PABLOS: I have documentation --
18 I have documentation in front of me that shows that
19 Ricky Knox owns 51 percent and that he's been living
20 here -- that he's a U.S. citizen and that he's been
21 living here for 10 years. And according to the reading
22 of the requirement, that is the requirement. And so in
23 my mind, he meets that requirement.

24 Now, whether he's putting in 80,000 and
25 the other side is putting -- that's a -- in my mind,

1 that is outside of that scope if it doesn't encroach on
2 the health, safety, and welfare of the Texas -- or of
3 Texas.

4 And so I don't know how we get to what
5 you're trying to accomplish, but I want to help you get
6 there. I mean, I want to make sure that you're
7 satisfied with the way it's being presented.

8 COMMISSIONER EDERER: Well, if, in fact,
9 the company did encroach upon the health, safety, and
10 welfare of the citizens of the State of Texas, we have
11 other -- we have the ability to shut them down and to
12 take their license actually, couldn't we?

13 CHAIRMAN PABLOS: Mark, can you speak to
14 our ability of stripping the license if we discover
15 that the applicant is either lying to us today, is
16 behaving in a criminal manner, and all those things?
17 Can you tell us what authority we have to strip the
18 applicant of its license?

19 MR. FENNER: If you later determine that
20 the residency requirement was not met, that is grounds
21 for revocation of that license. We can bring it back
22 to the Commission and you can take a vote to strip it.

23 COMMISSIONER EDERER: Such as let's say
24 Ricky Knox came to us and said, "Hey, these people
25 are -- you know, I'm not controlling. They've taken --

1 they've taken all control away from me."

2 We could step in at that point in time
3 and say, "Hey, we were misled at the time they took the
4 residency requirements." Is that correct?

5 MR. FENNER: Yes, sir.

6 CHAIRMAN PABLOS: Or if we discover that
7 he was born in China.

8 COMMISSIONER EDERER: That may be.

9 But as far as running the company is
10 concerned and running the track, I'm not really
11 concerned. Drew is going to run the track, so we all
12 know that. But --

13 CHAIRMAN PABLOS: What --

14 COMMISSIONER EDERER: So we do have the
15 ability if, in fact, we have been misled, if it does
16 come to pass that it is a big misrepresentation, they
17 are controlling, Ricky Knox has nothing to do with it,
18 it's being controlled by the --

19 MR. FENNER: It's a specifically
20 identified ground in the act for suspension or
21 revocation.

22 COMMISSIONER EDERER: And that is
23 provided for in the act itself when it says that the
24 Commission may refuse to issue a track license. It
25 goes on to say after notice and hearing there is

1 reasonable grounds to believe and finds -- no. Where
2 am I? I'm reading wrong. Oh. May revoke or suspend a
3 license.

4 MR. FENNER: Yes, sir.

5 COMMISSIONER EDERER: And that's under
6 TRA Section 6.06(a)(12).

7 MR. FENNER: Yes, sir.

8 COMMISSIONER EDERER: Okay.

9 MS. O'CONNELL: I have a question for
10 maybe an attorney for the applicant.

11 MR. BENNETT: Yes, ma'am.

12 MS. O'CONNELL: And that is, in your
13 company agreement do you use the phrase "ownership
14 interest" anywhere?

15 MR. BENNETT: I believe it's ownership
16 interest is 51 percent in --

17 MS. O'CONNELL: Is it called ownership
18 interest or membership interest?

19 MR. BENNETT: Ownership. Well, it's
20 membership, but it has ownership percentages. And the
21 ownership percentage is 51 percent in Racing Partners
22 of Texas, Ricky Knox.

23 MS. O'CONNELL: Okay. But it doesn't say
24 ownership on the document. It says membership
25 interest.

1 MR. BENNETT: But that's ownership.

2 MS. O'CONNELL: That's what I'm trying to
3 ask you. But you define membership interest in the
4 document.

5 MR. BENNETT: Yes, as ownership
6 interest.

7 MS. O'CONNELL: Well, maybe -- could you
8 get your document out? I just want to ask you just to
9 help me understand your world. I guess on page E-42 is
10 what I'd like to start asking you about. Page E-42.

11 MR. BENNETT: Page E-42?

12 MS. O'CONNELL: Actually it may be page
13 38 on your document.

14 MR. BENNETT: Right. Exhibit A?

15 MS. O'CONNELL: Exhibit A.

16 MR. BENNETT: Right.

17 MS. O'CONNELL: And it has a split that's
18 51 to 49 percent.

19 MR. BENNETT: Right. And that is
20 ownership.

21 MS. O'CONNELL: That is called -- it's
22 called membership.

23 MR. BENNETT: Well, but it's the same.
24 They're equivalent. Membership is ownership. You have
25 a member who owns 49 percent and a member who owns 51

1 percent.

2 MS. O'CONNELL: Does it say membership?

3 MR. BENNETT: It says membership.

4 MS. O'CONNELL: Okay. And then do you
5 define membership interest in the company agreement on
6 page five?

7 MR. BENNETT: Membership interest has the
8 meaning given in BOC 1.002. That's the Business
9 Organizations Code.

10 MS. O'CONNELL: And as to each member, it
11 is the percentage stated.

12 MR. BENNETT: In Exhibit A.

13 MS. O'CONNELL: As amended from time to
14 time.

15 MR. BENNETT: From time to time.

16 MS. O'CONNELL: Okay. And what is the
17 definition in BOC 1.002?

18 MR. BENNETT: I don't have that with me,
19 but I'm sure it's ownership. It's all related to
20 ownership.

21 MS. O'CONNELL: Okay. Well, I looked
22 that up. And it says that with respect to a limited
23 liability company, the term includes a member's share
24 of profits and losses and similar items and the right
25 to receive distribution and that it does not include a

1 member's right to participate in management.

2 So I think that is where there's some of
3 the struggle is that there may be 51 percent of the
4 right of ownership at the time that it's initially
5 funded, but after the infusion of money comes in, those
6 percentages are going to change according to here when
7 it says as amended from time to time.

8 MR. BENNETT: No, that will not change --
9 excuse me. Pardon me. I didn't mean to trespass on
10 you.

11 MS. O'CONNELL: I'm just asking you to
12 help me understand --

13 MR. BENNETT: Well, the money is coming
14 in as loans, not as capital contributions, so that
15 won't change. The only -- and it's going to be a 51
16 percent/49 split of any profits up to about six million
17 dollars, which, as we've heard today, the track has
18 never made more than six million dollars.

19 Only after you go beyond six million
20 dollars will there be a special allocation of profits.
21 That is permitted under the Business Organizations
22 Act. You can do that. But that doesn't mean the
23 ownership has changed. That just means they're going
24 to split the profits if it ever gets above six
25 million. It's never gotten above six million.

1 So anything up to six million is going to
2 go -- 49 percent of the profits are going to go to
3 Global Gaming Solutions, 51 percent of the profits will
4 go to the Texans. And they're not -- I think there's
5 been a misapprehension here that when the money was
6 being loaned in, that comes in as equity or as
7 capital. It's coming in as a loan. But it's not going
8 to change those percentages.

9 CHAIRMAN PABLOS: It's not a capital
10 contribution.

11 MR. BENNETT: It's not a capital
12 contribution. It's a loan. And it's structured as a
13 loan. And you have a loan commitment up to 50 million
14 dollars in there. So that 49 -- 51/49 is not going to
15 change. And the infusion of capital is not going to
16 change that.

17 COMMISSIONER HAYWOOD: And if that were
18 to change, this body would have to approve that
19 change.

20 MR. BENNETT: If that were to change, if
21 we violated it, then you just heard you've got the
22 power to come in here and say, "You can't do that. You
23 better get it corrected. You're going to lose your
24 license."

25 CHAIRMAN PABLOS: Mark, do we perform

1 annual audits?

2 MR. FENNER: Yes, sir. We require annual
3 audited financials from the racetracks each year. They
4 have a certified public accountant perform those and
5 submit them.

6 MR. BENNETT: And I assume, Mr. Chair --
7 I'm pretty sure. Mark can correct me on it. If we
8 were to amend this operating agreement, you're going to
9 get that amendment.

10 MR. FENNER: Yes.

11 MR. BENNETT: Yes. So you're going to
12 know what's happening up there. But there's going to
13 be no unequal -- like I said, the 49/51 is not going to
14 change. And the only time you're ever going to have a
15 special allocation is if lightning strikes and this
16 thing makes more than six million a year. That will be
17 the reward that Global Gaming will get for pulling that
18 off.

19 CHAIRMAN PABLOS: So -- thank you.

20 So, Commissioner Ederer, going to your
21 concern about the residency requirement ever going out
22 of whack that is tied to Commissioner O'Connell's, we
23 have the ability to come back. We review. We monitor
24 and track. And if it ever goes out of whack, we have
25 the ability to strip the license.

1 Is that correct?

2 MR. FENNER: Yes, sir.

3 COMMISSIONER EDERER: Thank you.

4 CHAIRMAN PABLOS: Okay. I'd like to
5 revisit the topic that Commissioner Polunsky brought
6 up, and that is the issue of ensuring that the track
7 doesn't shut down. But I would also like to add a
8 couple of my concerns.

9 And that is, in your documentation -- and
10 I'm speaking to the applicant -- you talk about
11 performing renovation -- construction renovation on the
12 site. And then you also talk about populating the
13 Texas partnership. And so I'd like to discuss how do
14 we ensure that you do all three. And I'd like to see
15 how we might be able to get some guarantees that you
16 won't shut down in those five years as Mr. Elliott
17 said, that you will renovate. And we've been up to
18 Remington Park and we've seen what you've done, so I
19 personally don't doubt it, but I have to verify that
20 you will. And finally, that that Texas partnership
21 will be populated. To me, personally, that's very
22 important. I want to see Texas partners in there. I
23 want to see diversity in the partnership.

24 And so maybe, Mr. Elliott, you might be
25 able to address that.

1 MR. ELLIOTT: I think as you know,
2 Mr. Commissioner, Ricky Knox has had to leave for his
3 son's graduation.

4 On the first point, I think, you know,
5 we've indicated we are very comfortable with the idea
6 that we will commit to live racing at Lone Star Park
7 through the duration of the financial projections that
8 we have put forward to the Commission.

9 I think on the question of capital
10 improvements, I think we did put forward some
11 commentary about capital improvements and the sorts of
12 ideas that we had for facility improvements at Lone
13 Star Park. I'm very happy to talk about what some of
14 those ideas are. The other party that's involved in
15 those, clearly, is the City of Grand Prairie. That's
16 why they're not specified in black and white because
17 you may or may not know there is a process of approval
18 from the City of Grand Prairie and also some matching
19 funds made available for certain capital
20 contributions.

21 I think as a matter of priority, speaking
22 only on behalf of Global, because clearly this is a
23 decision with Drew and Ricky, the areas we see are
24 things like the simulcast facility we believe has been
25 allowed to deteriorate to a level that it's not

1 conducive to what a customer would expect and it is
2 having a negative impact on attracting customers. So
3 we have some plans and you've seen some of those
4 sketches to look at what we might do about that.

5 We believe that there are improvements
6 that need to be made on the back stretch of the track.
7 You know, frankly, I don't know enough about those
8 today. They'll need to be prioritized and some, you
9 know, plan laid out to address them. But they include
10 things such as, you know, water leakage in the walls of
11 some of the barns.

12 We believe the group sales operations at
13 Lone Star Park are not of the standard that are
14 necessary in a market like DFW, so we'd like to take a
15 look at, you know, what can be done about that.

16 And then I guess we get to some of the
17 kind of more, I guess, visually obvious stuff. You
18 know, there's a parade of 20-year-old TV's in the
19 building and there is a tote board that is probably on
20 its last breath of life that something will have to be
21 done with.

22 So there's some of the things that we'll
23 be prioritizing with the City of Grand Prairie and Drew
24 and Ricky to move on with expediently in this calendar
25 year.

1 I forget what the third question was
2 now.

3 CHAIRMAN PABLOS: Texas partners.

4 MR. ELLIOTT: Texas partners. I think we
5 have clearly -- and I emphasize "clearly" -- set out in
6 our operating agreement that we will bring in up to
7 five Texans by December 31 this year. We did that very
8 deliberately. I mean, we did that having regard to
9 that's a licensing year, so the Commission can actually
10 see that we have lived up to the commitment we make
11 here today.

12 We have not started the process of, you
13 know, identifying those Texans because we've been
14 focused on this application proceeding. What I would
15 say about it is that we would hope that we will find
16 Texans that support the Texas horse industry, that
17 share our desire and values to attempt to improve it,
18 that will be good partners with Lone Star Park, with
19 the Commission, with Ricky and ourselves, and of course
20 meet the obvious requirements, that they can meet the
21 backgrounding requirements and the residency
22 requirements in Texas.

23 CHAIRMAN PABLOS: Very well. Thank you.

24 Excuse me. One question. Would you be
25 opposed to making all of those three conditions?

1 MR. ELLIOTT: No.

2 CHAIRMAN PABLOS: Okay. Any further
3 discussion on Dr. Martin's motion, Commissioners?
4 Okay. Yes, Chairman Polunsky.

5 MR. POLUNSKY: Are you ready to take a
6 vote?

7 CHAIRMAN PABLOS: Yes, sir, I'll be ready
8 to take a vote.

9 MR. POLUNSKY: Chairman, I just want to
10 state for the record that I'm going to be voting
11 against that motion. And it is not because I don't
12 feel it's good public policy for the license to be
13 transferred to Global Gaming. Quite the contrary. I
14 think that they are set up to do a very good job and it
15 would be very positive and, you know, I have complete
16 confidence in their ability to do what they say they're
17 going to do and run a first-class racetrack.

18 My trouble or my issue here is that I
19 still believe that this does not comply with the Texas
20 Racing Act with respect to either the owner being a
21 publicly traded corporation or the entity being owned
22 by residents of the State of Texas for the last 10
23 years.

24 And with all due respect -- and I do not
25 intend to be disrespectful. I see this arrangement as

1 basically a marriage of convenience or legal subterfuge
2 to get around this. That is what my problem is here.
3 And I just feel that we ought to comply with State law
4 when we issue a license or transfer a license or do
5 anything. And to me, we're not doing that because the
6 statute is very clear as to who can hold this license.
7 And I think that that's not what's taking place here.

8 So that's what my problem is, not with
9 Global Gaming, not with their ability to perform. I'm
10 sure they will if they end up with this license. But I
11 just wanted to state that for the record.

12 CHAIRMAN PABLOS: Thank you.

13 MS. O'CONNELL: I would like to state for
14 the record that my comments today don't have anything
15 to do with Global Gaming's ability to run a racetrack.
16 It's clear that they know their business and know what
17 they're doing. And the comments I've expressed today
18 relate to whether or not a legal requirement has been
19 met and it relates to whether it is good public policy
20 to request an Attorney General opinion on a specific
21 legal issue that's the basis for our opinion and then
22 to go ahead and vote without receiving the benefit of
23 that legal advice.

24 So that is my -- that is the concern of
25 the vote on this.

1 CHAIRMAN PABLOS: Anyone else before I
2 take this up for a vote?

3 Okay. Hearing none, at this time I'd
4 like to take this up for a vote. All those in favor
5 please signify by saying aye.

6 COMMISSIONERS: Aye.

7 CHAIRMAN PABLOS: Any opposed? One
8 opposed.

9 Carolyn, will you please call roll?

10 MS. WEISS: Commissioner Ron Ederer?

11 COMMISSIONER EDERER: Aye.

12 MS. WEISS: Commissioner Scott Haywood?

13 COMMISSIONER HAYWOOD: Aye.

14 MS. WEISS: Commissioner Gloria Hicks?

15 COMMISSIONER HICKS: Aye.

16 MS. WEISS: Commissioner Mike Martin?

17 COMMISSIONER MARTIN: Aye.

18 MS. WEISS: Commissioner Ann O'Connell?

19 MS. O'CONNELL: Abstain.

20 MS. WEISS: Commissioner Allan Polunsky?

21 MR. POLUNSKY: No.

22 MS. WEISS: Commissioner Vicki Weinberg?

23 COMMISSIONER WEINBERG: Aye.

24 MS. WEISS: Vice-Chairman Robert

25 Schmidt?

1 VICE-CHAIRMAN SCHMIDT: Aye.

2 MS. WEISS: Chairman Rolando Pablos?

3 CHAIRMAN PABLOS: Aye.

4 What is that?

5 MS. WEISS: One abstain, one nay, and
6 seven ayes.

7 CHAIRMAN PABLOS: That motion carries.
8 Thank you very much.

9 At this time, Commissioners, I'd leave it
10 to your discretion to tell me what you would like to
11 do. Would you like to take a break? Would you like
12 to -- no break? Let's keep moving forward then. We'll
13 punch through. I promise, hopefully, we'll get out of
14 here.

15 Congratulations, gentlemen.

16 MR. CARDWELL: Mr. Chairman, if I may, on
17 behalf of everybody, thank you so much for your careful
18 considered deliberations. We appreciate it. We take
19 your message to heart.

20 CHAIRMAN PABLOS: Okay. The next item is
21 Item IV-B.

22 If you could please -- if you could
23 please be quiet, I would appreciate it. I'd ask you to
24 take your conversations to the lobby. We're still in
25 session.

1 Item B, request by Retama Park for
2 approval of one change of ownership of less than one
3 percent.

4 I'd like to recognize Mike Gougler,
5 please.

6 MR. GOUGLER: Good afternoon,
7 Commissioners. Mike Gougler, interim deputy director
8 for racing oversight.

9 On April 19th we received a written
10 request from Retama Partners for a transfer from the
11 estate of Howard Halff of five units ownership to 210
12 Muy Buena Suerte and five units to Straus 2003
13 Irrevocable Trust.

14 Background information was supplied to
15 DPS on the same day. And on May 5th we received the
16 written report from DPS saying there was no
17 disqualifying information. And the staff recommends
18 that the ownership transfer be approved.

19 CHAIRMAN PABLOS: Very well.

20 Commissioners, are there any technical or
21 clarifying questions at this time?

22 Hearing none, we have one citizen signed
23 up to speak, Marnie McCormick.

24 Are you here?

25 MS. MCCORMICK: Chairman, I'm here on

1 behalf of Penn National on the next agenda item and
2 I'll only take your time if you have questions for me.

3 CHAIRMAN PABLOS: I'm sorry. I was
4 reading the wrong card.

5 Okay. Is there anyone else signed up to
6 speak on this item?

7 COMMISSIONER EDERER: Motion we approve.

8 CHAIRMAN PABLOS: I have a motion to
9 approve.

10 Is there a second?

11 COMMISSIONER HICKS: Second.

12 CHAIRMAN PABLOS: Motion to approve by
13 Ederer, seconded by Hicks.

14 Any discussion on this item,
15 Commissioners?

16 Hearing none, I'll take this up for a
17 vote. All those in favor please signify by saying
18 aye.

19 COMMISSIONERS: Aye.

20 CHAIRMAN PABLOS: Any opposed?

21 That motion carries.

22 Item IV-C, request by PM Texas LLC for
23 approval of a two-member -- of two member
24 representatives.

25 I'd like to recognize Mark Fenner,

1 please.

2 MR. FENNER: Commissioners, you may
3 remember that at the April 1 Commission meeting you
4 approved the transfer of the licenses of Valley Race
5 Park, Laredo Race Park, and Sam Houston Race Park to a
6 new entity, PM Texas LLC. This was an entity owned
7 half by Maxxam and half by Penn National Gaming.

8 As part of the application, they
9 identified the -- they established a four-member
10 management committee to control the limited liability
11 corporation and they identified the two member
12 representatives for Maxxam. And they are Charles and
13 Shawn Hurwitz.

14 We have now received the request of PM
15 Texas to approve the appointment of the two member
16 representatives on that committee for Penn National
17 Gaming. They are Steven Snyder and Peter Carlino.
18 Both of these individuals had background checks
19 conducted on them as part of the licensing and there
20 was nothing in the background checks that would
21 preclude you from approving that. And therefore, staff
22 would recommend that you approve them.

23 And Ms. McCormick is here for this item
24 if you have questions.

25 CHAIRMAN PABLOS: Commissioners, any

1 technical or clarifying questions of Mark Fenner?

2 Hearing none, yes, Ms. McCormick, would
3 you please come up? Simply introduce yourself.

4 MS. McCORMICK: Good afternoon. I'm
5 Marnie McCormick. I am a lawyer representing Penn
6 National Gaming, Inc., and its subsidiaries. And I
7 worked on the proceeding that was before you last
8 meeting for the transfer of 50 percent ownership
9 interest in the three Texas tracks.

10 And there's really -- these two
11 gentlemen, Steve Snyder and Peter Carlino, have a
12 wealth of experience and decades of experience in being
13 involved in the racing industry and managing tracks
14 and -- or not doing the day-to-day operations, but the
15 business. And we just hadn't named those two
16 individuals at the time that we requested you approve
17 the transfer of ownership and they've since been named
18 and we're just requesting your approval of that.

19 CHAIRMAN PABLOS: Any questions,
20 Commissioners?

21 Okay. At this time -- thank you very
22 much.

23 I'll entertain a motion. Do I have a
24 motion?

25 COMMISSIONER WEINBERG: I make a motion

1 we approve.

2 CHAIRMAN PABLOS: Motion to --

3 COMMISSIONER WEINBERG: Approve.

4 CHAIRMAN PABLOS: We have a motion to
5 approve by Weinberg, seconded by Schmidt.

6 Any discussion on this item,
7 Commissioners?

8 Okay. I'll take this up for a vote. All
9 those in favor please signify by saying aye.

10 COMMISSIONERS: Aye.

11 CHAIRMAN PABLOS: Any opposed?

12 Okay. That motion carries.

13 Item D -- Item D, request by Valley Race
14 Park to modify its 2011 live racing schedule.

15 I'd like to recognize Sammy Jackson to
16 lay out the item, please.

17 Sammy?

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

19 We have been contacted by Valley Race
20 Park approximately four months -- four weeks ago and
21 were notified that there was a concern by the Texas
22 Greyhound Association that the race dates that they had
23 on the books for late June and the 4th of July weekend
24 were not going to be good for the greyhound industry.

25 The two concerns that were raised -- and

1 there is a letter in your packet about this from the
2 Texas Greyhound Association -- is the heat at that time
3 of the year and the stress it would put on the
4 greyhounds to haul them in for a short five-performance
5 race week; in addition, the ability to get dogs during
6 that period of time since there's no transition of
7 meets between tracks on the calendar.

8 Staff has reviewed their request. There
9 is no problems in regards to compliance with rules.
10 It's a matter of the Commission's will.

11 I've also briefed Commissioner Hicks on
12 this issue. These were issues that were brought forth
13 before the greyhound race date working group when we
14 met this past year on the race dates. There was no
15 resolution at that time and the dates had already been
16 approved previously by the Commission. So this matter
17 has brought itself to today.

18 CHAIRMAN PABLOS: Very well.

19 Commissioners, are there any technical or
20 clarifying questions of Sammy?

21 At this time I'd like to recognize Andrea
22 Young, please.

23 MS. YOUNG: Thank you, Chairman Pablos,
24 Commissioners. My name is Andrea Young. I'm the
25 president of Valley Race Park.

1 Mr. Jackson just laid out the request to
2 you. We'd like to move some dates from the end of June
3 and the first part of July into November and December
4 of this year. This request came from the Texas
5 Greyhound Association. We, in fact, had started making
6 plans for this summer's meet and were moving forward
7 with them when this request came in.

8 Upon evaluating it, you know, we think
9 it's a fair request. So what we've done is move into a
10 time of year where the concerns about the welfare of
11 the animals would be addressed. We've also, instead of
12 having five consecutive days, put the meet over two
13 weekends, which actually reduces the numbers of dogs we
14 actually need on site, on property, to run the meet
15 successfully.

16 So we think it's win-win for everyone and
17 I'm happy to answer any questions you may have.

18 CHAIRMAN PABLOS: Commissioners, any
19 questions of Ms. Young?

20 By the way, I failed to notify the
21 Commission. I was advised that Diane Whiteley has
22 fallen ill and so I'd like for you to add her to your
23 prayers. She is a strong advocate and she's not able
24 to be with us today and so I would encourage you to
25 please think of her.

1 Thank you very much.

2 MS. YOUNG: Thank you.

3 CHAIRMAN PABLOS: Harlyn Goebel?

4 MR. GOEBEL: Yes, sir.

5 CHAIRMAN PABLOS: TGA.

6 MR. GOEBEL: My name is Harlyn Goebel.

7 I'm president of the Texas Greyhound Association.

8 And my board has two concerns which

9 they've addressed, which is the heat transporting the

10 dogs during July and we don't think the dogs will be

11 available that they would have enough dogs to have

12 eight-dog races to run a complete meet because Valley

13 has primarily always relied on the kennels from Iowa,

14 which that meet doesn't close until, I think, the end

15 of October. And we move dogs during the heat, but

16 never have we ever moved this amount of dogs this

17 distance. And we have two concerns, the availability

18 of the dogs and trying to transport them in the heat.

19 CHAIRMAN PABLOS: Very well.

20 Any questions, Commissioners?

21 Thank you.

22 Yes. Commissioner Schmidt?

23 VICE-CHAIRMAN SCHMIDT: I move we approve

24 the change in dates as requested.

25 CHAIRMAN PABLOS: Okay. I have a motion

1 to approve by Schmidt, seconded by Martin.

2 Is there any discussion on this,
3 Commissioners?

4 Okay. I'll take this up for a vote. All
5 those in favor please signify by saying aye.

6 COMMISSIONERS: Aye.

7 CHAIRMAN PABLOS: Any opposed?

8 That motion carries.

9 Item E, discussion and consideration on
10 the following matters: Report on application to change
11 ownership and location of Longhorn Downs.

12 I'd like to recognize Mark Fenner for the
13 report. No action is required.

14 MR. FENNER: Commissioners, I just wanted
15 to let you know that we've already notified Austin
16 Jockey Club that the application submitted by KTAGS to
17 acquire Longhorn Downs is administratively complete and
18 we have begun our substantive review.

19 We have distributed that to staff and
20 they are to get that back to us by Monday and it is our
21 intent and hope to be able to present to you at the
22 June Commission meeting a completed staff report on
23 that application for your consideration and potential
24 vote on that.

25 CHAIRMAN PABLOS: Any questions,

1 Commissioners?

2 Okay. We'll move on to Item F, report on
3 request by Laredo Downs for conditional approval to
4 change location.

5 Mark Fenner, please?

6 MR. FENNER: Commissioners, you may
7 recall this is a request by Laredo Downs to relocate
8 their license to the west side of Fort Worth. We have
9 begun our review for administrative completeness on
10 this one and I do expect to get the results back from
11 that fairly shortly. And once we get the results back
12 from the staff, then we'll have to make a determination
13 as to whether or not it is complete, in which case
14 we'll go back to the applicant and ask for additional
15 information or we will begin work on the staff report
16 so that you may consider that one as well.

17 I do not expect that to be ready for the
18 June 21 meeting, but we will begin work as quickly as
19 possible.

20 CHAIRMAN PABLOS: Great.

21 Commissioners, any questions of Mark?

22 Okay. Hearing none, we'll move on to
23 Item G, progress reports. G-1, progress report by
24 Austin Jockey Club.

25 I'd like to recognize Bryan Brown,

1 please. This is what I call our tap dance period of
2 our --

3 MR. BROWN: No, not here.

4 CHAIRMAN PABLOS: I'm kidding.

5 MR. BROWN: I'm Bryan Brown with the
6 Austin Jockey Club.

7 Just a couple of quick things. We had a
8 very good meeting with the mayor of Creedmoor. We
9 talked about several things. The most important and
10 promising as it relates to our application is the
11 municipal utility district which has been set up in the
12 Creedmoor area by the principals behind Texas Disposal
13 Systems.

14 They are very eager to get moving with
15 wastewater treatment facilities funded by the utility
16 district, but the utility district needs some type of
17 development to justify moving ahead. So we will be
18 meeting with them, we hope, next week to talk about our
19 plans and the timing vis-a-vis the timing of the
20 potential wastewater treatment project and lines
21 leading out to our project.

22 As you may know, we do have included in
23 our application an on-site treatment facility. We'd
24 rather not do that. We'd rather be part of a
25 wastewater treatment system for a lot of reasons. One,

1 it's a lot more reliable over the years, but also it
2 encourages development around the area.

3 The mayor reiterated his citizens that he
4 speaks with desire for us to come and build the track
5 in Creedmoor and also to annex the property that we
6 have acquired.

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

9 CHAIRMAN PABLOS: Commissioners, any
10 questions?

11 Well, I'm certainly encouraged by the
12 progress. Please keep up the good work. I'd like to
13 see that up and running as soon as possible.

14 MR. BROWN: Thank you.

15 CHAIRMAN PABLOS: Thank you very much.

16 The next item, Item G-2, report by Saddle
17 Brook Park.

18 I'd like to recognize Drew Alexander,
19 please.

20 Good afternoon.

21 MR. ALEXANDER: Good afternoon. My name
22 is Drew Alexander, owner of Saddle Brook Park.

23 Commissioners, Chairman, I don't really
24 have anything special to report to you today; but in
25 light of your actions, perseverance, and some of the

1 things that have happened in this meeting, I think that
2 at our next meeting I'll be bringing you some more -- a
3 lot more information than what I've been able to in the
4 past.

5 So we will be diligently working on what
6 we're trying to do and I hope that we are able to
7 please all of you and you'll be happy with what we come
8 back to you with.

9 So other than that, if you have any
10 questions, I'll try to answer them, but --

11 CHAIRMAN PABLOS: That was a little
12 cryptic. What do you mean by coming back to us with
13 some good news?

14 MR. ALEXANDER: Coming back with some
15 more information and planning for what we're going to
16 do with our track.

17 CHAIRMAN PABLOS: Okay.

18 MR. ALEXANDER: That's what I think
19 everybody wants to see happen is movement on the
20 tracks. That's what I mean. So I hope that we can
21 please everybody. Nobody ever does that, but we
22 might.

23 CHAIRMAN PABLOS: Commissioners, any
24 questions?

25 Okay. Hearing none, thank you very

1 much. Appreciate it.

2 MR. ALEXANDER: Yes. Thank you.

3 CHAIRMAN PABLOS: Our next item, progress
4 report by Valle de los Tesoros and Laredo Downs. We'll
5 take those up together.

6 Mr. Bill Moltz, please?

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

8 With respect to Laredo Downs, I really
9 have nothing to add to what Mr. Fenner elaborated on
10 earlier, the status of the application for relocation.

11 With respect to Valle de los Tesoros, an
12 application was filed last week for a temporary
13 simulcast facility. It's under review by the staff.
14 We have a site. Sally Briggs who is also here is very
15 anxious to get on site and start doing the remodeling.

16 The only holdup at this point from our
17 end -- I don't want to get into too much detail. Valle
18 de los Tesoros negotiated and actually signed a lease,
19 and the only thing that's holding Sally up from getting
20 on the ground and doing work is we haven't gotten the
21 signed lease back from the landlord yet.

22 I don't see any problem there. Nobody
23 sees a problem. Just they haven't given it back to us
24 yet and that's what's holding up Sally. Hopefully,
25 that will be --

1 CHAIRMAN PABLOS: What's taking the
2 landlord so long?

3 MR. MOLTZ: I tried to check on that this
4 morning. It's been unavailability, you know, excuses
5 type things. No indication that there's a problem.
6 And we've sent -- my client has sent in the rent money
7 and the deposit money and signed the lease and we're
8 just waiting to get the paperwork back.

9 We will certainly let you all know if
10 there is a problem. We're going forward as if we've
11 got a lease. That's where we are at this point. In
12 fact, I didn't find that we hadn't gotten the paperwork
13 back until this morning. Our application indicates
14 that we do have a lease and we're going forward on that
15 basis.

16 I don't mean to be alarmist about it. I
17 think there's no problem. That's what I've been told.
18 It's just getting the paperwork back. And we really
19 can't go on the site and start doing physical work
20 until we get the paperwork back from the landlord.

21 The current plan is to open as soon as
22 possible. The furthest out, to kind of give you a
23 worst case, it would be August 3rd. We hope to get
24 open before then, but that's sort of a -- if things
25 just get strung out. So we will be open within a few

1 months, assuming that we get approval from the
2 Commission to do that. That's the current plan and the
3 status.

4 CHAIRMAN PABLOS: Mark, procedurally, how
5 do you see this? Are we on track for that date that's
6 been set forth?

7 MR. FENNER: I hope so. We've got a lot
8 of work to do before then. We just received that
9 application on Monday, I believe it was.

10 MR. MOLTZ: Well, Friday.

11 MR. FENNER: Friday. That's right. We
12 were out of town. And I have not really had much
13 chance to open it up.

14 CHAIRMAN PABLOS: I understand.

15 MR. MOLTZ: We'll provide any additional
16 information. I know our representatives have met with
17 Sammy. He's been very cooperative and very helpful.
18 And we're trying to push this as quickly as we can.

19 CHAIRMAN PABLOS: Commissioners, any
20 questions?

21 Thank you very much, Mr. Moltz.

22 MR. MOLTZ: Yes, sir.

23 CHAIRMAN PABLOS: G-5, progress report by
24 Laredo Race Park.

25 I'd like to recognize Andrea Young,

1 please.

2 MS. YOUNG: Thank you, Chairman Pablos,
3 Commissioners. Andrea Young. I'm also the president
4 of Laredo Race Park. I've testified many times on this
5 matter before this Commission.

6 I wanted to let you know that recently
7 what we've done -- we've long been focused on some
8 additional properties in Laredo and Webb County because
9 of real economic concerns we have about our current
10 site and we've recently expanded that to focus beyond
11 just the local municipality, Webb County, that we've
12 been dealing with.

13 In fact, yesterday I met with a group of
14 landholders of a significant -- about a thousand-acre
15 parcel in Webb County. So that's contemplating a
16 number of developments, a golf course, hotels, and so
17 on. So that's where we are. And, you know, I
18 committed to them that I'd probably make a trip down to
19 Laredo during the month of June.

20 I'm happy to answer any questions.

21 CHAIRMAN PABLOS: Any questions,
22 Commissioners?

23 Thank you.

24 Item 6, progress report by Manor Downs.

25 I'd like to recognize Howard Phillips.

1 MR. PHILLIPS: Good afternoon,
2 Mr. Chairman, Commissioners. I'm Howard Phillips
3 representing Manor Downs, president of Manor Downs.
4 And after 21 years of attending these meetings, I was
5 forced to miss the last two meetings and I can tell you
6 I am pleased to be here.

7 CHAIRMAN PABLOS: Welcome back.

8 MR. PHILLIPS: Manor Downs currently, as
9 you know, is in the process of a recapitalization
10 project. I've got two very enthusiastic and optimistic
11 investment bankers working with me. It's a tough time
12 for Texas horse racing and hopefully something that
13 went on here today will stir some more interest and
14 create a little bit of excitement and we continue in
15 that process.

16 And I'll be glad to answer any
17 questions.

18 CHAIRMAN PABLOS: Any questions,
19 Commissioners?

20 Well, welcome back.

21 MR. PHILLIPS: Thank you.

22 CHAIRMAN PABLOS: I'm glad you're feeling
23 better.

24 MR. PHILLIPS: Much better. And I'm glad
25 to be here.

1 CHAIRMAN PABLOS: Thank you very much.

2 To all of you, thank you for making an
3 effort to take your licenses to an active status. I
4 think that's very important to everyone around this
5 dais. As you know, we're certainly intent on ensuring
6 that you do run. So please continue down that road.

7 We'll move on quickly to a couple of
8 rulemaking items and we'll be done. So let's move
9 through these quickly. Item V-A, adoption of amendment
10 to Rule 313.110, Coupled Entries.

11 I'd like to recognize Mark Fenner.

12 MR. FENNER: Commissioners, this is as a
13 result of a request by Lone Star Park for a change to
14 the coupled entries rule so that it does not require
15 coupling of a trainer's horses when the trainer also
16 owns an interest in one or more of the horses.

17 This has been discussed at a couple of
18 rules committee meetings and it's also been the subject
19 of discussion when executive staff -- our executive
20 director went to an RCI meeting last year.

21 We believe that we have sufficient
22 authority to address any potential problems. And this
23 proposal was published in the March 18th, 2011 edition
24 of the Texas Register and the agency received no
25 comments.

1 Oh, one of the -- I'm sorry. I've got a
2 clarification here. It does not require coupling of a
3 trainer's horses when a trainer also owns an interest
4 in one of the horses.

5 Staff recommends adoption.

6 CHAIRMAN PABLOS: Commissioners, any
7 technical or clarifying questions of Mark?

8 Mark, has this process or this rule been
9 vetted at the committee level through Commissioner
10 O'Connell's committee?

11 MR. FENNER: I believe it has, sir, but
12 I'd defer to Ms. O'Connell.

13 MS. O'CONNELL: This rule has had -- has
14 been on the rules committee agenda a number of times.
15 It has been very vigorously discussed. And it has also
16 been discussed by -- at RCI. Other jurisdictions' way
17 of handling this issue have been examined and it's been
18 determined that they handle it differently but it
19 depends on other safeguards they have in place. And
20 through our process, we've determined that we think
21 that this rule will be okay for Texas.

22 CHAIRMAN PABLOS: Excellent.

23 Anyone else, Commissioners, questions?

24 I don't have anyone signed up to speak
25 who would like to speak. So at this time I'd like to

1 entertain a motion.

2 VICE-CHAIRMAN SCHMIDT: So move. I move
3 to approve.

4 CHAIRMAN PABLOS: Move to adopt.

5 COMMISSIONER EDERER: Second.

6 CHAIRMAN PABLOS: Move to adopt by
7 Vice-Chair Schmidt, seconded by Commissioner Ederer.

8 Any further discussion on this item?

9 Okay. All those in favor please signify
10 by saying aye.

11 COMMISSIONERS: Aye.

12 CHAIRMAN PABLOS: Any opposed?

13 That motion carries.

14 Item B, adoption of amendment to Rule
15 319.111, Bleeders and Furosemide Program.

16 I'd like to recognize Mark Fenner,
17 please.

18 MR. FENNER: Commissioners, this is an
19 amendment that was requested by the Texas Quarter Horse
20 Association regarding the furosemide program. It has
21 been discussed not only at the rules committee. It has
22 actually literally been discussed for years.

23 The proposal has been adopted from the
24 model rule and it has the support of the Quarter Horse
25 Association, Thoroughbred Association, and the

1 Horsemen's Partnership. It was published in the March
2 18th, 2011 edition of the Texas Register and we
3 received no comments.

4 Staff recommends approval.

5 CHAIRMAN PABLOS: Staff recommends
6 approval.

7 Commissioners, are there any questions?

8 I have three cards from -- one from David
9 Hooper, one from Dr. Tommy Hays, and one from Rob
10 Werstler, all in favor.

11 Is there anyone else who would like to
12 speak?

13 Okay. Hearing none, I would like to
14 entertain a motion.

15 COMMISSIONER MARTIN: Make a motion to
16 approve.

17 CHAIRMAN PABLOS: I have a motion to
18 approve by Dr. Martin.

19 COMMISSIONER WEINBERG: Second.

20 CHAIRMAN PABLOS: Seconded by
21 Commissioner Weinberg.

22 Is there any discussion on this item?

23 Okay. All those in favor please signify
24 by saying aye.

25 COMMISSIONERS: Aye.

1 CHAIRMAN PABLOS: Any opposed?

2 Okay. Is there any old or new business,
3 Commissioners, that you'd like to take up at this
4 time? We will not be entering into executive session.

5 Hearing none, I'd like to thank the
6 Commissioners for rearranging your schedule -- your
7 schedule to be here today. Chuck and I have been
8 talking since he stepped in back in December about
9 taking some of those items that have been collecting
10 dust at the Commission and processing them through.
11 And that, as you know, requires more frequent
12 meetings.

13 And as I'm understanding, staff is liking
14 the fact that we're having more frequent meetings
15 because we're able to process more and be more
16 efficient. And so we might have a couple more meetings
17 close to each other like we've had in order just to
18 clear a lot of those issues that we had -- or have.
19 And a lot of those issues have been heard today. So I
20 want to thank you for accommodating your schedule to be
21 here today.

22 And I also want to thank staff. I think
23 you're doing a fabulous job. Chuck, thank you for your
24 leadership.

25 And if there's no other comment, the time

1 right now is 1:50 and I'd like to adjourn today's
2 meeting of the Texas Racing Commission. Thank you very
3 much.

4 (Proceedings concluded at 1:49 p.m.)

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1 STATE OF TEXAS)

2 COUNTY OF TRAVIS)

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

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

14 GIVEN UNDER MY OFFICIAL HAND OF OFFICE at Austin,
15 Texas, this _____ day of May, 2011.

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SHERRI SANTMAN FISHER, Texas CSR 2336

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23

1016 La Posada Drive, Suite 294

Austin, Texas 78752

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(512) 465-9100

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