

TEXAS RACING COMMISSION
MEETING

10:30 a.m.
Tuesday,
August 14, 2018

John H. Reagan Building
Room JHR140
105 West 15th Street
Austin, Texas

COMMISSIONERS:

JOHN T. STEEN III, Chair
RONALD F. EDERER, Vice-Chair
GLORIA HICKS
MARGARET L. MARTIN
ROBERT SCHMIDT, M.D. (absent)
TIM KLEINSCHMIDT
MANNY FLORES

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P R O C E E D I N G S

1
2 CHAIRMAN STEEN: Good morning. The time is
3 10:30. At this time I'd like to call today's meeting of
4 the Texas Racing Commission to order.

5 Jean, could you please call the roll?

6 MS. COOK: Commissioner Hicks?

7 COMMISSIONER HICKS: Here.

8 MS. COOK: Commissioner Flores?

9 COMMISSIONER FLORES: Here.

10 MS. COOK: Commissioner Martin?

11 COMMISSIONER MARTIN: Present.

12 MS. COOK: Commissioner Kleinschmidt?

13 COMMISSIONER KLEINSCHMIDT: Here.

14 MS. COOK: Commissioner Schmidt?

15 (No response.)

16 MS. COOK: Vice-Chair Ederer?

17 COMMISSIONER EDERER: Present.

18 CHAIRMAN STEEN: Chair Steen?

19 CHAIRMAN STEEN: Here.

20 Do we have a quorum?

21 MS. COOK: Yes, sir.

22 CHAIRMAN STEEN: Thank you, Jean.

23 Item 2, public comment. Jean, is anyone signed
24 up for public comment?

25 CHAIRMAN STEEN: thank you.

1 MS. COOK: No, sir.

2 CHAIRMAN STEEN: Next is agenda item III.A.1.
3 Budget and finance report.

4 Gerry Dube, would you give us the update?

5 MR. DUBE: Good morning, Chairman Steen,
6 commissioners.

7 On pages 5 through 9 of your agenda packet is
8 the agency's fiscal year 2018 operating budget with
9 revenue collection and expenditures through the end of
10 2018, with 83 percent of the year completed at that point,
11 the agency collected approximately \$6.3 million, or 84
12 percent of projected revenue, and expended approximately
13 \$6 million, or 80.9 percent of budget expenditures. Of
14 the \$6 million in expenditures, approximately \$5.1 million
15 are appropriated expenditures and \$849,954 are
16 unappropriated expenses, such as the agency's share of
17 retirement health care costs, employee insurance costs,
18 and FICA costs.

19 If you have any questions, I'll be happy to
20 answer them.

21 CHAIRMAN STEEN: Commissioners, do you have any
22 questions?

23 (No response.)

24 CHAIRMAN STEEN: Thank you, Gerry.

25 Next item is agenda item III.A.2. Wagering

1 statistics report.

2 Curley, please give us the report.

3 MR. TRAHAN: Thank you, Mr. Chairman. Good
4 morning, commissioners.

5 In your meeting materials on pages 10 through
6 12 is the comparison report on wagering statistics for the
7 period of January 1 through May 31 for years 2017 and
8 2018. For the 2018 reporting period, total wagering
9 activities at the greyhound racetracks increased by 4.6
10 percent over the same period in 2017, equating to just
11 under \$826,000 in additional handle. Total wagering
12 activities at the horse racetracks showed only a slight
13 increase of .02 percent for 2018 as compared to 2017.
14 This represents an increase of nearly \$38,000 in handle.
15 Overall, total wagers placed in Texas increased by .63
16 percent, or just over \$802,000, while total wagers placed
17 on Texas races reflect a slight decrease of .37 percent,
18 or just over \$289,000 in handle.

19 I'll be happy to answer any questions.

20 CHAIRMAN STEEN: Commissioners, do you have any
21 questions?

22 (No response.)

23 CHAIRMAN STEEN: Thank you, Curley.

24 MR. TRAHAN: Thank you.

25 CHAIRMAN STEEN: The next item is agenda item

1 III.A.3. Enforcement report.

2 Jim Blodgett, will you please give us the
3 report?

4 MR. BLODGETT: Mr. Chairman, commissioners,
5 good morning.

6 Commissioners, your enforcement report this
7 morning can be viewed on pages 13 and 14 in your materials
8 packet. This report highlights the violations handled by
9 our personnel during the Lone Star Park Thoroughbred Meet,
10 the first three race weekends at Retama Park Summer Meet,
11 and the first two weekends of the Gillespie County Meet.
12 Please keep in mind when reviewing these enforcement stats
13 that these numbers represent only the violations that were
14 adjudicated by our judges during this time frame and that
15 there are violations not included that remain in process.

16 Commissioners, within this material you will
17 notice that we report minimal medication violations.
18 Human alcohol and drug violation categories continue to
19 document significant violation numbers.

20 And I'd be happy to answer any questions that
21 you may have.

22 CHAIRMAN STEEN: Commissioners, any questions?

23 (No response.)

24 CHAIRMAN STEEN: Thank you, Jim.

25 MR. BLODGETT: Yes, sir.

1 CHAIRMAN STEEN: Next is agenda item III.B.
2 Discussion and possible action to approve the legislative
3 appropriations request.

4 Adrienne, will you please present this item?

5 MS. COURTNEY: Good morning, Mr. Chairman,
6 commissioners.

7 I would like to present the agency's 2019
8 operating budget and fiscal year 2020-2021 Legislative
9 Appropriations Request, or LAR, for your consideration and
10 approval. The agency's deadline for submission of the LAR
11 to the LBB and to the Governor's Office of Budget and
12 Planning was Friday, July 27. The draft of the LAR was
13 submitted on time, pending your approval at today's
14 meeting. The details of the LAR and operating budget
15 begin on page 16 of the meeting materials.

16 The fiscal year '19 operating budget was
17 prepared assuming the agency will regulate and support 36
18 live greyhound performances, 146 live horse race days, and
19 approximately 2,200 simulcast race days. The number of
20 race dates is based on the previously granted race dates
21 and racetrack requested race dates that you'll be
22 considering today.

23 Based on these assumptions, staff projects the
24 agency will require 37.8 full-time positions, and \$6.7
25 million in appropriated budget authority. Of that \$6.7

1 million, \$3.6 million is for the agency's operating budget
2 and \$3.1 million is of the Texas Bred Incentive Program, a
3 pass-through account. In addition, an estimated \$1
4 million is needed in unappropriated budget authority for
5 benefits. The revenue for fiscal year 2019 is projected
6 at \$7.7 million. This estimate is based on the proposed
7 amendment to the racetrack license fee rule being voted on
8 today.

9 Next I would like to present the fiscal year
10 2020-2021 Legislative Appropriations Request. The LAR is
11 prepared assuming the agency will continue to regulate and
12 support the same number of live race days and simulcast
13 race days as the fiscal year 2019 operating budget. The
14 agency's total baseline request is \$13.34 million in
15 appropriations for the biennium, or \$6.67 million for each
16 year, plus approximately \$1 million in unappropriated
17 budget authority for benefits in each year. As a
18 reminder, the appropriations approved by the legislature
19 grant the agency the authority to spend up to that amount
20 but does not fund the agency's expenditures.

21 The agency only requested one exceptional item
22 that is for an information security officer network
23 specialist. Texas Administrative Code, Title I, Part 10,
24 and the Texas Government Code mandate the designation of
25 an information security officer, or ISO, who reports to

1 executive level management, has authority over information
2 security for the entire agency, possesses the training and
3 experience required, and when possible, has information
4 security duties as their primary responsibility. This
5 individual would be responsible for developing and
6 maintaining security policies, maintaining and reporting
7 on an agency-wide security plan, and ensuring the security
8 of the agency data and network. The total requested for
9 this exceptional item amounts to \$83,000 per year.

10 This concludes my overview of the fiscal year
11 2019 operating budget and 20-21 Legislative Appropriations
12 Request. Staff asks for your approval of both the
13 operating budget and the LAR. I'd be happy to answer any
14 questions you may have.

15 CHAIRMAN STEEN: Thank you, Adrienne.

16 Commissioners, any questions or discussion?

17 (No response.)

18 CHAIRMAN STEEN: Anyone signed up to speak on
19 this item?

20 MS. COOK: No, sir.

21 CHAIRMAN STEEN: With that, is there a motion
22 to approve the LAR for FY 2020 and 2021 and the operating
23 budget for FY 2019?

24 COMMISSIONER EDERER: So moved.

25 COMMISSIONER HICKS: Second.

1 CHAIRMAN STEEN: Motion made by Commissioner
2 Ederer, seconded by Commissioner Hicks.

3 All in favor please signify by saying aye.

4 (A chorus of ayes.)

5 CHAIRMAN STEEN: Any opposed?

6 (No response.)

7 CHAIRMAN STEEN: Okay. That motion carries.
8 Thank you.

9 Next is agenda item III.C. Discussion and
10 possible action to approve the memorandum of understanding
11 with the Texas Veterinary Medical Diagnostic Laboratory
12 for fiscal year 2019.

13 Devon, will you please present this item?

14 MS. BIJANSKY: Yes, Mr. Chairman.

15 Commissioners, in the materials on pages 137 to
16 142 is an updated memorandum of understanding with TVMDL
17 for drug testing services for the upcoming fiscal year.
18 There are no changes to the prices of the tests and is
19 identical to last year's MOU except that the expected
20 number of samples has been updated in light of anticipated
21 numbers of races.

22 The MOU is before you today for approval, and I
23 believe representatives of TVMDL are here to answer any
24 questions you may have for them.

25 CHAIRMAN STEEN: Thank you, Devon.

1 Commissioners, any discussion or questions?

2 (No response.)

3 CHAIRMAN STEEN: With that, then is there a
4 motion to approve the MOU with TVMDL for FY 2019?

5 COMMISSIONER MARTIN: So moved.

6 CHAIRMAN STEEN: Motion made by Commissioner
7 Martin.

8 COMMISSIONER HICKS: Second.

9 CHAIRMAN STEEN: Seconded by Commissioner
10 Hicks.

11 All in favor signify by saying aye.

12 (A chorus of ayes.)

13 CHAIRMAN STEEN: Any opposed?

14 (No response.)

15 CHAIRMAN STEEN: The motion carries. Thank you.

16 The next item is agenda item IV.A. Discussion
17 and possible action regarding a third party economy,
18 efficiency and effectiveness audit, review or similar
19 process. The agency has received proposals from the
20 industry regarding changes to the RFP that was issued
21 earlier this year.

22 Tommy Azopardi, would you step forward to speak
23 on this issue?

24 MR. AZOPARDI: Mr. Chairman, my name is Tommy
25 Azopardi. Also, John Cardwell from Lone Star Park is here

1 today as well, and he's been working with us on this RFP.

2 I stand for any questions that you may have.

3 CHAIRMAN STEEN: Can you just briefly describe
4 the changes that you're recommending?

5 MR. AZOPARDI: It's our understanding that one
6 of the biggest problems with the last RFP that resulted in
7 not getting any bids on the RFP was the onerous provisions
8 in there that are triggered whenever you call this and
9 actually go through a per se audit, and I think what the
10 industry had wanted all along, going back to our early
11 discussions in addressing the agency's funding, was
12 strictly a review, an efficiency and effectiveness review,
13 much like the legislature does when they put agencies
14 through Sunset Review and look at the overall operations
15 of the agency and see if there's any way we can get
16 funding.

17 We believe that the RFP that you have in front
18 of you reflects the review process more than the auditing
19 and would not require as many of the onerous aspects as
20 the previous RFP did.

21 CHAIRMAN STEEN: Perhaps, Devon and Gerry,
22 could you guys describe some of the potential changes that
23 we can or cannot make to the original proposal?

24 MS. BIJANSKY: And going back to the summary
25 that you sent, the items that you listed included a limit

1 of \$100,000 and that's fine, although I think we were
2 advised by was it the Comptroller not to include a dollar
3 limit in the RFP, so that would be our recommendation on
4 this change. The elimination of the requirement for a HUB
5 plan, and again, we're required to notify -- I think we
6 direct -- can you speak on this?

7 MR. DUBE: Yes.

8 MS. BIJANSKY: Thank you.

9 Gerry is a lot more knowledgeable about these
10 requirements than I am.

11 MR. DUBE: I can inform you on some of the more
12 mundane bureaucratic details, I guess.

13 We still have to put within the RFP information
14 that a HUB program exists in the State of Texas and that
15 contractors are encouraged to look at that. So if the
16 RFP, if the proposer, the vendor has a proposal that's
17 under \$100,000, let's say, they don't have to hire a HUB
18 vendor or bring a HUB vendor onboard, but they do have to
19 look at the HUB plan, preferably call the HUB program and
20 find out if there is something that they can do with the
21 HUB program, but they don't have to hire a HUB
22 subcontractor.

23 So we still have to put the information in
24 there with the website and a place where the vendors can
25 go, we have to notify them that this is an option and that

1 it's available and that at a certain dollar point then
2 they have to seriously look at bringing on HUB
3 subcontractors. So it's really going to be more
4 informational in the RFP the way we're going to put it
5 together. They're not required under \$100,000 but they do
6 have to look at the plan and consider it, I guess is the
7 best way to put it. Does that make sense?

8 COMMISSIONER EDERER: What's a HUB?

9 MR. DUBE: Oh, I'm sorry. So HUBs are
10 underutilized businesses, usually --

11 MS. BIJANSKY: Historically underutilized
12 businesses.

13 MR. DUBE: Exactly.

14 COMMISSIONER EDERER: Say again.

15 MS. BIJANSKY: Historically underutilized
16 businesses, minority or woman-owned businesses.

17 COMMISSIONER HICKS: Minority.

18 MR. DUBE: There you go. Historically
19 underutilized businesses, minority and woman-owned, I
20 guess is the official definition, and so vendors are
21 encouraged to use HUBs, these historically underutilized
22 businesses, as subcontractors if they can.

23 COMMISSIONER HICKS: Not required, if they can.

24 COMMISSIONER EDERER: Okay. So all you're
25 saying is that it has to be included in the RFP.

1 MR. DUBE: Exactly.

2 COMMISSIONER EDERER: Just the language has to
3 be included.

4 MR. DUBE: Exactly.

5 COMMISSIONER EDERER: And that should be very
6 simple to do.

7 MR. DUBE: And there were a couple of other
8 things. One was an insurance requirement, and we inquired
9 with SORM, the State Office of Risk Management. They
10 still say we have to put an insurance requirement in
11 there, but we can negotiate that with the vendor. So if
12 you have a smaller vendor who is maybe a single
13 individual, you can reduce the amounts of that insurance
14 requirement, and we can make that known in the RFP but we
15 still have to put in there that there's an insurance
16 requirement, the coverages can be reduced depending on the
17 size of the vendor.

18 There is a financial ability to perform. In
19 other words, they have to have the wherewithal financially
20 to do the job. They don't have to provide a big corporate
21 audit to us, they can provide their annual tax return. So
22 again, if it's a smaller vendor who's just -- and we can
23 put this in there.

24 We can also have an informational meeting, this
25 is another thing. You know, before we put this out or as

1 part of the RFP we can put in there that we're going to
2 have an informational meeting where we can answer some of
3 these vendor questions about, you know, how much insurance
4 and what are we required to present for fiscal ability to
5 perform. We can have one of those meetings with potential
6 vendors, so we can make that part of the RFP.

7 So we can soften those requirements, I guess is
8 the best way to put it, and allay some of the fears that
9 vendors may have by having just a small informational
10 meeting as part of the process of the RFP.

11 COMMISSIONER EDERER: So what you're saying is
12 you need a few words in there talking about insurance in
13 your RFP.

14 MR. DUBE: Yes.

15 COMMISSIONER EDERER: And you can do that and
16 it's very simple.

17 MR. DUBE: Yes.

18 COMMISSIONER EDERER: Now you're saying you
19 want to have another meeting. Why do we have to have a
20 meeting? Isn't that just a further delay of getting the
21 ball rolling, so to speak?

22 MR. DUBE: It would delay, but a lot of times
23 the Comptroller --

24 COMMISSIONER EDERER: It would delay or
25 wouldn't? I didn't understand what you said.

1 MR. DUBE: It would delay. It would delay
2 probably by a week, but the Comptroller thinks that
3 particularly if you've had difficulty getting certain
4 types of bids, like we did in the first round --

5 COMMISSIONER EDERER: The Comptroller thinks
6 and told you this?

7 MR. DUBE: Yes, that it's recommended. We
8 don't have to do it, it's just recommended.

9 CHAIRMAN STEEN: You're talking about just more
10 of a Q&A session before we actually go through the bid
11 process.

12 MR. DUBE: Exactly.

13 COMMISSIONER EDERER: But that's going to delay
14 it a week?

15 MR. DUBE: It would delay it a week. We don't
16 have to repost this for a full 30 days either. That's
17 another component that some folks have issue with. We can
18 post it for a shorter period of time.

19 COMMISSIONER KLEINSCHMIDT: Will the new RFP
20 entirely omit the word "audit" or will it say "audit or
21 review" or what?

22 MR. DUBE: We can omit the word "audit." There
23 are two components, though, in terms of if it's a review
24 it becomes a consulting service. Any consulting service
25 does have to -- it's considered a major consulting

1 service, and this is from the state procurement guide, any
2 consulting service \$15,000 or above is considered a major
3 consulting contract, and so we do have to notify the LBB
4 and the Governor's Office pre-award, and we have to obtain
5 a finding of fact from the Governor's Budget and Planning
6 Office as well. We're informed by the CPA that we also
7 have to have this delegated by the Comptroller's office.
8 So each of those reviews would take about a week, they can
9 happen simultaneously, we can send it to the CPA and the
10 Governor's Office, as far as we know, but those are
11 additional steps that we have to do, but that's what's
12 required in a review or a consulting type of contract.

13 So there's still bureaucratic hoops to go
14 through.

15 COMMISSIONER EDERER: Yes, I can see that.

16 MR. DUBE: Yes.

17 COMMISSIONER EDERER: You say that it's
18 required. Where is it required?

19 MR. DUBE: It's required in statute,
20 specifically it says right here, Chapter 2254, Subchapter
21 B of the Texas Government Code. Agencies are authorized
22 to procure consulting services pursuant to that chapter,
23 and all of these particular notations regarding pursuing
24 consulting services are in that chapter of the Texas Code.

25 A major consulting services contract means a consulting

1 services contract which is reasonably foreseeable that the
2 value of the contract will exceed \$15,000 for a state
3 agency or \$25,000 for a higher education or junior college
4 institution. Those are the requirements; there are other
5 requirements here as well.

6 COMMISSIONER EDERER: My concern is that the
7 bureaucracy is ridiculous for this small contract. As Mr.
8 Azopardi will tell us, the whole industry is behind it.
9 All we're trying to do is accomplish the task, and it's
10 not a very big task. I just don't want us to add to the
11 bureaucracy or the delay, I want us to be on the other
12 side, expediting as much as we possibly can.

13 MR. DUBE: And you know, the staff are here to
14 work for you. I think the only thing I'm going to say is
15 that we have to work within the rules and that protects
16 you and the state.

17 MS. BIJANSKY: Commissioners, as you're aware,
18 changing from an audit to a review would require the rule
19 providing authority for us to assess a fee to the tracks,
20 it requires a change to that rule. All these steps that
21 Gerry has outlined can take place while that's pending, so
22 there wouldn't be a ton of time lost.

23 MR. DUBE: No. I think we can still do this in
24 a reasonable amount of time.

25 COMMISSIONER EDERER: What's a reasonable

1 amount of time?

2 MR. DUBE: I'm going to say about 60 days,
3 maybe, for the posting, the vote, the review.

4 MS. BIJANSKY: If a rule is adopted at the next
5 meeting, it would take effect around the end of October or
6 beginning of November, so that would be as soon as we
7 could post.

8 MR. DUBE: As soon as we could post.

9 COMMISSIONER EDERER: So we can't even post
10 until November?

11 MR. DUBE: That's what it sounds like.

12 MS. BIJANSKY: It would need to wait until we
13 have authority to charge for the audit -- or for the
14 review before we can post it, is my understanding.

15 MR. DUBE: So it's the funding component that
16 we're waiting on, not the posting. I mean, we can only
17 post when we have the money officially. You can't
18 advertise for a contract unless you have the money for it;
19 otherwise, you're essentially putting up state money
20 without actually having it authorized.

21 CHAIRMAN STEEN: So then tell us the activities
22 between now and the end of October.

23 MR. DUBE: We could get the new RFP drafted and
24 reviewed by the CPA and the Governor really in pretty
25 short time. After that we're just waiting for the

1 official notifications and whatnot.

2 CHAIRMAN STEEN: So then we get to October 9
3 approval and then we have to wait 20 days, October 9 being
4 the next meeting?

5 MS. BIJANSKY: Right, and we would file the
6 adopted rule on that day and so 20 days later it would
7 take effect. We would probably need some amount of time
8 to bill the tracks and get the funds, but once that's
9 done, yes, we could go ahead and post it at that time.

10 MR. DUBE: Staff could get this to the CPA and
11 the Governor's Office in a week, I'm sure; after the
12 director reviews and whatnot, I'm sure we could get it out
13 the door. The issue is the timing for the regulatory
14 issues, I guess, in terms of posting for the funding and
15 whatnot.

16 CHAIRMAN STEEN: So what's the earliest we
17 could do that if we wanted to move the meeting?

18 MS. BIJANSKY: It looked like October 2 was
19 probably the earliest that that meeting could take place,
20 so that's one week earlier.

21 CHAIRMAN STEEN: That gives enough time for the
22 posting to have run?

23 MS. BIJANSKY: Just barely. I think the 30
24 days would expire on September 30 which is a Sunday.

25 CHAIRMAN STEEN: What action do we need to take

1 today, if any, on the subject?

2 MS. BIJANSKY: You can direct staff to proceed
3 in a certain direction with regard to the audit or the
4 review. And then with regard to the rule, that's a couple
5 of items down, you would propose a change to the rule to
6 add the word "review."

7 COMMISSIONER EDERER: Just a quick question.
8 Let's leave it as it is, not add the word "review," go on
9 with the audit, wouldn't that make things happen a whole
10 lot faster?

11 MR. DUBE: We could just post it.

12 COMMISSIONER EDERER: So we could post it
13 tomorrow.

14 MR. DUBE: Correct. We could make some of the
15 amendments on the insurance requirement, we could clarify
16 that, we could still clarify the issue on the fiscal
17 ability to perform requirement, we could still make those
18 adjustments as we had discussed at, I guess, the last
19 meeting, the last Commission meeting.

20 MS. BIJANSKY: But as an audit, only CPAs or
21 certified internal auditors would be eligible to apply.

22 COMMISSIONER EDERER: So?

23 COMMISSIONER HICKS: They're not going to do it
24 for \$100,000. They wouldn't do it for \$200,000.

25 CHAIRMAN STEEN: Tommy, do you want to comment

1 on that possibility of one versus the other?

2 MR. AZOPARDI: Yes, sir. I do believe that
3 changing it back to audit and triggering the requirements
4 of the State Auditing Act would put us back in the same
5 position we were before where we probably wouldn't have
6 anybody that would submit a bid, and if they did, it would
7 be at a very elevated expense.

8 I think I can definitely assure what Vice-
9 Chairman Ederer said a while ago, and that is the
10 industry, all ten licenses are very much in favor of
11 continuing down this path and getting a review. Many of
12 us have recognized that the staff has done a very good job
13 of cutting out a lot of the budget that could be trimmed.

14 We think there may be some savings that could still be
15 realized but we recognize also that the bulk of these
16 changes will probably come in a review as a recommendation
17 that would require statutory changes in the act, and I
18 think the reason that all of us are very much in favor of
19 having this report done, the study done is that it would
20 give a nice tool to the legislature as a roadmap of what
21 needs to be done to help our industry.

22 My feeling is the reality is such that if the
23 legislature is not going to give this industry the tools
24 to be competitive with our surrounding states through
25 forms of alternative gambling, then we have to recognize,

1 the legislature has to recognize that this industry isn't
2 strong enough to support stand-alone regulation, it's just
3 that simple. And I think this independent review
4 commissioned by the Commission itself would go a long way
5 in helping the legislature with that, so that's why we're
6 very much in favor of it.

7 But we don't want to spend \$200-, \$300,000 for
8 a report that comes back and says maybe you could save
9 another \$150-, \$200,000 from the Commission's budget. So
10 we're very much in favor of doing an efficiency and
11 effectiveness review, keeping the cost contained on that
12 as much as possible, and getting it done hopefully prior
13 to the beginning of the legislative session.

14 CHAIRMAN STEEN: So understanding that we may
15 have a delay here for the rule change, that looks like in
16 order to change from an audit to a review, you're still
17 supportive, or the ten licenses are still -- obviously
18 that's not optimal, but it looks like the path that we
19 would have to take here -- are you still supportive of
20 that given that it looks like the direction we'd have to
21 go.

22 MR. AZOPARDI: We are, and Mr. Cardwell is back
23 here and he can answer for Lone Star Park.

24 I would also offer, you know, this is a very
25 high level issue. When the agency ran out of funding, as

1 we've struggled moving forward, members of the Governor's
2 Office are fully aware of this situation, members of the
3 Comptroller's Office are fully aware of the situation, the
4 industry is willing to cooperate with the staff, as well,
5 to see if there are any other options that may be
6 available as far as procuring the money for this for the
7 short term so we could go ahead and post the study early.

8 It doesn't hurt to ask those offices if there's any way
9 we can come up with alternatives for this, and we're
10 certainly willing to do this.

11 I know Mr. Cardwell has had several meetings
12 with members of the Governor's Office, as have I, as has
13 Andrea Young, so we're willing to continue that dialogue
14 and see if we can get any relief out of the Governor's
15 Office or the Comptroller's Office. I don't think it
16 hurts to ask.

17 CHAIRMAN STEEN: Thank you.

18 Any further discussion?

19 (No response.)

20 CHAIRMAN STEEN: So, Devon, if we wanted to
21 proceed down that path, direct staff to proceed sort of
22 down the review path, what's a proper motion?

23 MS. BIJANSKY: Someone could make a motion to
24 direct staff to revise the audit RFP to make it an RFP for
25 a review with whatever additional changes you think are

1 important.

2 CHAIRMAN STEEN: Do we need to go through those
3 changes in this format?

4 MS. BIJANSKY: For instance, as I said, staff
5 is disinclined to put a price in the RFP but if someone
6 wants to include that in a motion, that can be done. They
7 had recommended a 60-day time frame instead of 90 days in
8 the original RFP. We're onboard with that, I don't think
9 that you would need to specifically address that.
10 Otherwise, we'll look through our draft and make whatever
11 changes we think we can within the law that support this
12 vision. If there's anything else that's critical to the
13 Commission, you can certainly include that in a motion.

14 COMMISSIONER EDERER: Do we need a motion to go
15 forward?

16 MS. BIJANSKY: I suppose you wouldn't need a
17 motion.

18 COMMISSIONER EDERER: Let's make a motion to go
19 forward.

20 CHAIRMAN STEEN: Okay. So motion made by Vice-
21 Chairman Ederer along the lines of what Devon described?

22 COMMISSIONER EDERER: Yes. A motion to request
23 that staff pursue the review in the most expeditious
24 manner possible, in line with exactly has been set out by
25 the industry as best that we can. Will that do it?

1 MS. BIJANSKY: Yes.

2 COMMISSIONER EDERER: As far as a dollar amount
3 is concerned, I do not think we should put a dollar amount
4 on there, and we should go for the 60 days. If that is
5 all in the form of a motion, I so move.

6 COMMISSIONER KLEINSCHMIDT: I second.

7 CHAIRMAN STEEN: Okay. Motion made by Vice-
8 Chairman Ederer, seconded by Commissioner Kleinschmidt.

9 All in favor signify by saying aye.

10 (A chorus of ayes.)

11 CHAIRMAN STEEN: Any opposed?

12 (No response.)

13 CHAIRMAN STEEN: The motion carries. Thank
14 you.

15 The next item is agenda item IV.B. Discussion
16 and possible action on proposed amendments to Rule 309.8,
17 Racetrack License Fees.

18 Devon, will you please present this item?

19 MS. BIJANSKY: Yes, sir.

20 At the June meeting you proposed these
21 amendments to extend the current fees through February to
22 allow more time to identify a more sustainable fee
23 structure. Under the proposed amendments, the Class 1 fee
24 rather than reverting back to \$500,000, it would become
25 \$540,000 as of March 1, and the base fee would include 25

1 race days.

2 We've only received one comment generally
3 expressing support for the proposed changes as long as the
4 extension of the current fees is only temporary, but also
5 proposing language to clarify how the fees will be
6 calculated when that transition happens March 1. We agree
7 with that proposed clarification and it's reflected in the
8 draft in your materials at the bottom of page 145, so this
9 item is for final action before you today.

10 CHAIRMAN STEEN: Thank you, Devon.

11 Commissioners, is there any further discussion?

12 (No response.)

13 CHAIRMAN STEEN: Any public comment?

14 MS. COOK: No, sir.

15 COMMISSIONER EDERER: I will say that this was
16 thoroughly discussed at the Rules Committee meeting and
17 the industry is in support, they're in support reluctantly
18 but they know that it has to go forward.

19 CHAIRMAN STEEN: Thank you.

20 In that case, is there a motion?

21 COMMISSIONER KLEINSCHMIDT: I move to adopt
22 amendments to 16 TAC Rule 309.8, Racetrack License Fees,
23 with the changes as recommended.

24 CHAIRMAN STEEN: Motion made by Commissioner
25 Kleinschmidt.

1 COMMISSIONER MARTIN: Second.

2 CHAIRMAN STEEN: Seconded by Commissioner
3 Martin.

4 All in favor signify by saying aye.

5 (A chorus of ayes.)

6 CHAIRMAN STEEN: Any opposed?

7 (No response.)

8 CHAIRMAN STEEN: The motion carries. Thank you.
9 The next item is agenda item IV.C. Discussion
10 and possible action to propose amendments to Rule 309.13,
11 Supplemental Fee.

12 Devon, would you please present this item?

13 MS. BIJANSKY: Yes, sir.

14 As we just discussed a few minutes ago, these
15 amendments would simply add "or review" to the
16 Supplemental Fee rule that currently provides authority to
17 charge the tracks for an audit, and it would let the
18 review that you just authorized go forward. So this is
19 action to propose the amendments for public comment.

20 CHAIRMAN STEEN: Thank you, Devon.

21 Commissioners, any discussion on this item?

22 (No response.)

23 CHAIRMAN STEEN: Any public comment?

24 MS. COOK: No, sir.

25 CHAIRMAN STEEN: In that case, is there a

1 motion on this item?

2 COMMISSIONER MARTIN: So moved.

3 CHAIRMAN STEEN: Motion made by Commissioner
4 Martin.

5 COMMISSIONER HICKS: Second.

6 CHAIRMAN STEEN: Seconded by Commissioner
7 Hicks.

8 All in favor signify by saying aye.

9 (A chorus of ayes.)

10 CHAIRMAN STEEN: Any opposed?

11 (No response.)

12 CHAIRMAN STEEN: The motion carries. Thank
13 you.

14 The next item is agenda item V.A.1. Discussion
15 and possible action to adopt amendments to Rule 311.5,
16 License Categories and Fees.

17 Devon, will you please present this item?

18 MS. BIJANSKY: Yes, sir.

19 At the June meeting you proposed these
20 amendments that would waive license fees for chaplains,
21 assistant chaplains, adoption personnel and test barn
22 techs. The first three categories serve in essentially a
23 nonprofit capacity, and test barn techs, while they
24 technically are employed by the tracks, they work under
25 the supervision of Commission staff. These people would

1 still be subject to all the same background check
2 requirements and they would still hold licenses.

3 There were no comments in response to this
4 posting and so it's before you today for final action.

5 CHAIRMAN STEEN: Thank you, Devon.

6 Commissioners, any questions on this item?

7 (No response.)

8 CHAIRMAN STEEN: If not, do we have any public
9 comment signed up?

10 MS. COOK: No, sir.

11 CHAIRMAN STEEN: If not, I'll entertain a
12 motion to adopt the amendments to Rule 311.5.

13 COMMISSIONER EDERER: So moved.

14 CHAIRMAN STEEN: Motion made by Vice-Chairman
15 Ederer.

16 COMMISSIONER HICKS: Second.

17 CHAIRMAN STEEN: Seconded by Commissioner
18 Hicks.

19 Any further discussion?

20 (No response.)

21 CHAIRMAN STEEN: If not, we'll take it up for a
22 vote. All in favor please signify by saying aye.

23 (A chorus of ayes.)

24 CHAIRMAN STEEN: Any opposed?

25 (No response.)

1 CHAIRMAN STEEN: That motion carries. Thank
2 you.

3 The next item is agenda item V.D.2. Discussion
4 and possible action to adopt amendments to Rule 311.104,
5 Trainers.

6 Devon, will you please present this item?

7 MS. BIJANSKY: Yes, sir.

8 At the last meeting you proposed these
9 amendments that would expand the prohibition on who can
10 take over for a suspended trainer. Currently the
11 prohibition only extends to parents, children and spouses
12 of a suspended trainer. These amendments would extend
13 that to any relative and anyone who has worked for the
14 trainer within the last year. It also includes an
15 exception if the executive director gives the person
16 written permission.

17 There were no comments in response to this
18 posting and so it's before you today for final action.

19 CHAIRMAN STEEN: Commissioners, any questions?

20 (No response.)

21 CHAIRMAN STEEN: If not, I'll entertain a
22 motion to adopt the amendments to Rule 311.104.

23 COMMISSIONER KLEINSCHMIDT: I move to adopt the
24 amendments to 16 TAC Rule 311.104 as to Trainers.

25 CHAIRMAN STEEN: Motion made by Commissioner

1 Kleinschmidt.

2 COMMISSIONER EDERER: Second.

3 CHAIRMAN STEEN: Seconded by Vice-Chairman
4 Ederer.

5 Any further discussion?

6 (No response.)

7 CHAIRMAN STEEN: If not, we'll take it up for a
8 vote. All in favor please signify by saying aye.

9 (A chorus of ayes.)

10 CHAIRMAN STEEN: Any opposed?

11 (No response.)

12 CHAIRMAN STEEN: The motion carries.

13 The next item is agenda item V.A.3. Discussion
14 and possible action to adopt amendments to Rule 313.168,
15 Scale of Weights for Age.

16 Devon, will you please present this item?

17 MS. BIJANSKY: Yes, sir.

18 And these amendments were also proposed in June
19 and they would simply add two to four pounds to the
20 maximum weight of a jockey, depending on the age of the
21 horse.

22 Again, there were no comments in response to
23 this posting and it's before you today for final action.

24 CHAIRMAN STEEN: Commissioners, any questions?

25 (No response.)

1

2

CHAIRMAN STEEN: If not, I'll entertain a motion to adopt the amendments to Rule 313.168.

3

4

COMMISSIONER MARTIN: So moved.

5

6

CHAIRMAN STEEN: Motion made by Commissioner Martin.

7

COMMISSIONER EDERER: Second.

8

9

CHAIRMAN STEEN: Seconded by Vice-Chairman Ederer.

10

Any discussion?

11

(No response.)

12

CHAIRMAN STEEN: All in favor please signify by saying aye.

14

(A chorus of ayes.)

15

CHAIRMAN STEEN: Any opposed?

16

(No response.)

17

18

CHAIRMAN STEEN: The motion carries. Thank you.

19

20

The next item is agenda item V.A.4. Discussion and possible action to adopt amendments to Rule 319.3, Medication Restricted.

21

22

Devon, will you please present this item?

23

MS. BIJANSKY: Yes, sir.

24

25

At the June meeting you also proposed amendments to the medication rule that would ban

1 clenbuterol at all times with an exception for legitimate
2 medical need provided that the horse is placed on the
3 vet's list for at least 30 days following the last
4 administration and provided that it tests negative for
5 clenbuterol before being taken off the vet's list.

6 Dr. James is here and can speak on it if you
7 have any more technical questions, but there were no
8 comments in response to this posting and so we're
9 recommending an effective date of September 10 in order to
10 fall between the Retama meet and the Lone Star meet.

11 CHAIRMAN STEEN: Commissioners, any questions
12 of Devon or Dr. James on this item?

13 (No response.)

14 CHAIRMAN STEEN: Any public comment?

15 MS. COOK: No, sir.

16 CHAIRMAN STEEN: If not, I'll entertain a
17 motion to adopt the amendments to Rule 319.3.

18 COMMISSIONER HICKS: I make a motion.

19 CHAIRMAN STEEN: Motion made by Commissioner
20 Hicks.

21 COMMISSIONER EDERER: Second.

22 CHAIRMAN STEEN: Seconded by Vice-Chairman
23 Ederer.

24 Any discussion?

25 (No response.)

1 CHAIRMAN STEEN: Okay. We'll take this up for
2 a vote. All in favor please signify by saying aye.

3 (A chorus of ayes.)

4 CHAIRMAN STEEN: Any opposed?

5 (No response.)

6 CHAIRMAN STEEN: The motion carries. Thank
7 you.

8 The next item is agenda item V.B.1. The closure
9 of rule reviews of Chapters 309 and 311.

10 Devon, will you please present this item?

11 MS. BIJANSKY: Yes, sir. And you can take
12 these together, if you'd like.

13 CHAIRMAN STEEN: Let's do that then. Which
14 ones are we taking together then?

15 MS. BIJANSKY: B.1. and 2.

16 CHAIRMAN STEEN: Okay.

17 MS. BIJANSKY: The Government Code requires
18 each state agency to review all of its rules at least once
19 every four years. During the review, the Commission must
20 assess whether the reasons for adopting the rules continue
21 to exist.

22 The Commission opened the review of Chapters
23 309 and 311 last December. No requests for rule changes
24 were received in response to the publication of the notice
25 in the *Texas Register*, so at this time the staff

1 recommends that you re-adopt the rules in Chapters 309 and
2 311.

3 And then part 2 is we concluded our last review
4 of Chapters 313 and 315 in August of 2014. Those sections
5 are listed in your materials. But at this time we're
6 recommending publishing Chapters 313 and 315 in the
7 *Register* to start the process of rule review for these
8 chapters.

9 CHAIRMAN STEEN: Commissioners, any questions?

10 (No response.)

11 CHAIRMAN STEEN: If not, I'll entertain a
12 motion to re-adopt Chapters 309 and 311 and entertain a
13 motion simultaneously to open the review of Chapters of
14 313 and 315.

15 COMMISSIONER MARTIN: So moved.

16 CHAIRMAN STEEN: Motion made by Commissioner
17 Martin.

18 COMMISSIONER EDERER: Second.

19 CHAIRMAN STEEN: Second by Vice-Chair Ederer.
20 Any further discussion?

21 (No response.)

22 CHAIRMAN STEEN: If not, we'll take it up for a
23 vote. All in favor please signify by saying aye.

24 (A chorus of ayes.)

25 CHAIRMAN STEEN: Any opposed?

1 (No response.)

2 CHAIRMAN STEEN: The motion carries. Thank
3 you.

4 The next item on the agenda is discussion and
5 possible action on Gillespie County's request for approval
6 of amendments to tote services agreement with United Tote.

7 Curley, will you please present this item?

8 MR. TRAHAN: Good morning again, commissioners.

9 In the confidential folder at your seats you
10 will find the first amendment to tote services agreement
11 between United Tote Company and Gillespie County Fair and
12 Festival Association. This amendment and the agreement to
13 which it refers covers totalisator operations for the live
14 racing meets at Gillespie County Fairgrounds. Rule
15 309.162 of the Texas Rules of Racing require Commission
16 approval for all totalisator services contracts.
17 Gillespie County Fair and Festival Association is
18 requesting Commission approval for this first amendment in
19 accordance with those rules.

20 This amendment makes changes to two separate
21 changes of the original agreement, as outlined in the
22 agency memorandum included on page 171 of your agenda
23 packet. The original agreement was approved by the
24 Commission on June 9, 2015. Upon approval of this first
25 amendment, the contract term date will be extended through

1 January 31, 2021.

2 Staff has completed its review of this
3 amendment to the contract and finds it to be in compliance
4 with both the Texas Racing Act and the Texas Rules of
5 Racing. Staff recommends approval for the amendment.
6 Although the specifics of the contract cannot be discussed
7 in open meetings, I would be happy to try to answer any
8 questions.

9 CHAIRMAN STEEN: Commissioners, do you have any
10 questions?

11 (No response.)

12 CHAIRMAN STEEN: If not, I'll entertain a
13 motion to approve Gillespie County's amendments to tote
14 services agreement with United Tote.

15 COMMISSIONER KLEINSCHMIDT: So moved.

16 CHAIRMAN STEEN: Motion made by Commissioner
17 Kleinschmidt.

18 COMMISSIONER HICKS: Second.

19 COMMISSIONER MARTIN: Second.

20 CHAIRMAN STEEN: Second made by Commissioner
21 Hicks. Tie goes to you.

22 Any discussion?

23 (No response.)

24 CHAIRMAN STEEN: We'll take this up for a vote.
25 All in favor please signify by saying aye.

1 (A chorus of ayes.)

2 CHAIRMAN STEEN: Any opposed?

3 (No response.)

4 CHAIRMAN STEEN: That motion carries.

5 Thank you, Curley. Are you on the next one as
6 well?

7 MR. TRAHAN: I am.

8 CHAIRMAN STEEN: All right. The next item on
9 the agenda is discussion and possible action on Gulf
10 Greyhound Park's request for approval of amendments to
11 tote services agreement with United Tote.

12 Curley, will you please present this item?

13 MR. TRAHAN: Yes, sir.

14 Also in the confidential folder at your seats
15 you will find a fourth amendment to tote services
16 agreement between United Tote Company and Gulf Greyhound
17 Park. This amendment and the original agreement to which
18 it corresponds covers totalisator operations for the live
19 and simulcast operations at Gulf Greyhound Park in
20 addition to the simulcast operations at The Race Barn at
21 Gillespie County Fairgrounds. As with the previous item,
22 approval by the Commission is required. Gulf Greyhound
23 Park is requesting Commission approval for this fourth
24 amendment in accordance with the rules.

25 The amendment makes changes to three separate

1 sections of the original agreement, as outlined in the
2 agency memorandum included on page 172 of your agenda
3 packet. The original agreement to which this amendment
4 pertains was approved by the Commission on March 22, 2012,
5 with subsequent amendments being approved on three
6 separate occasions. Upon approval of this fourth
7 amendment, the contract term date will be extended through
8 May 14, 2022.

9 Staff has completed its review of this
10 amendment to the contract and finds it to be in compliance
11 with both the Texas Racing Act and the Texas Rules of
12 Racing. Staff recommends approval of the amendment. I'd
13 be happy to answer any questions.

14 CHAIRMAN STEEN: Commissioners, any questions?

15 (No response.)

16 CHAIRMAN STEEN: If not, I'll entertain a
17 motion to approve Gulf Greyhound's amendments to tote
18 services agreement with United Tote.

19 COMMISSIONER MARTIN: So moved.

20 CHAIRMAN STEEN: Motion made by Commissioner
21 Martin.

22 COMMISSIONER HICKS: Second.

23 CHAIRMAN STEEN: Seconded by Commissioner
24 Hicks.

25 Any further discussion?

1 (No response.)

2 CHAIRMAN STEEN: We'll take this up for a vote.

3 All in favor please signify by saying aye.

4 (A chorus of ayes.)

5 CHAIRMAN STEEN: Any opposed?

6 (No response.)

7 CHAIRMAN STEEN: That motion carries. Thank
8 you.

9 The next item on the agenda is discussion and
10 possible action on Retama Park's request for approval of a
11 majority change of ownership.

12 Devon, will you please present this item?

13 MS. BIJANSKY: Commissioners, feel free to make
14 yourselves comfortable. The materials on this item begin
15 on page 174 of the packet.

16 On June 21, the Commission received a request
17 from Penn National Gaming and the Retama Development
18 Corporation for approval of a transaction that has arisen
19 out of Penn National's pending acquisition of Pinnacle
20 Entertainment. These types of ownership changes require
21 an in-depth review of the proposed transaction, including
22 the owners and ownership structure, the exact location of
23 the track, whether the facility is leased or owned, we
24 have to identify all the beneficial owners, we look at the
25 assets and liabilities and the tote management and

1 concession contracts.

2 The current ownership and management of Retama
3 Park is described in Exhibit B-1 on page 208 of your
4 materials. You'll note that while Pinnacle Retama
5 Partners holds nominal legal title to the license, 100
6 percent of the beneficial interests in the horse racing
7 aspects of the license actually belong to Retama
8 Development Corporation which is a local development
9 corporation established by the City of Selma for the
10 purpose of operating the racetrack.

11 So the Retama Development Corporation owns the
12 land the track sits on, the facilities at Retama Park, and
13 the rights to the income stream that come from the horse
14 racing that takes place there, but the RDC doesn't own any
15 of the enhanced gaming rights that may arise under the
16 license at some point in the future. A hundred percent of
17 those rights are owned by Pinnacle Retama Partners, 75.5
18 percent of which is in turn owned by PNK(SA), a wholly
19 owned subsidiary of Pinnacle Entertainment, so that's the
20 interest that Penn would be stepping into through its
21 acquisition of Pinnacle.

22 However, the rules of racing don't allow any
23 one person to own an interest of more than 5 percent in
24 more than three racing licenses, and Penn already owns
25 interests of more than 5 percent in Sam Houston Race Park,

1 Valley Race Park and Manor Downs. It's hard to say
2 exactly what percent of the Retama license Pinnacle owns,
3 given the 75.5 percent nominal interest versus the zero
4 percent beneficial interest, but this transaction would
5 arguable run afoul of that rule. So what they are
6 proposing is that Pinnacle Retama Partners would undertake
7 what's called a divisional merger to essentially spin off
8 a new entity they're proposing to call they're proposing
9 to call Retama Nominal Holder, LLC. That step is shown in
10 Exhibit B-2 on page 209 of your materials and Exhibit B-3
11 on page 210 shows the Retama license allocated to that new
12 entity.

13 To deal with the issue of owning interests in
14 four tracks, PNK(SA), the Pinnacle subsidiary that owns
15 the 75.5 interest in Pinnacle Retama Partners, will then
16 give 74.5 percent of that 75.5 percent to the Retama
17 Development Corporation so that when Penn acquires
18 Pinnacle and its subsidiaries it will only step into a 1
19 percent interest in the nominal title to the license, and
20 that's shown in Exhibit B-4 on page 211 of the materials.

21 So that's the hard part. Are there any
22 questions about that that I can try to answer before we
23 move on? And we've also got some representatives of Penn
24 and Retama who can probably answer any questions you have
25 better than I can.

1 (No response.)

2 MS. BIJANSKY: No? Okay.

3 The new entity that will hold the racing
4 license, Retama Nominal Holder, will be managed by a
5 three-member management committee made up of two people
6 appointed by the RDC and one person appointed by RPL
7 Holdings Ltd. which owns the other 24.5 percent of the
8 legal title to the license. Those people are Phillip
9 Swinney and Kenneth Polasek of the RDC and Joe Straus for
10 RPL Holdings. All three of these men have been through
11 DPS background checks which revealed no disqualifying
12 information.

13 Pinnacle also owns two other entities, PNK(SAM)
14 and PNK(SAZ) which handle the management and concessions
15 at Retama Park, and the parties intend to keep those
16 contracts in place with those entities which would also
17 become Penn subsidiaries. They also anticipate keeping
18 the current tote contract in place. As far as race dates,
19 Retama has requested a total of 28 days, 14 for
20 thoroughbred and 14 for quarter horse, which is similar to
21 their meet this year.

22 The application included five-year financial
23 projections based on this year's meeting which is
24 currently underway, and it looks like those projections
25 are reasonable, although, of course, they do reflect a

1 downward trend and a continuation of the ongoing losses.
2 Now, your review of the materials, you probably noted that
3 the RDC has quite a bit of debt and that may be a concern
4 to you, but that's already the situation, that wouldn't
5 change with this transaction, so in our review that didn't
6 strike us as a cause for concern.

7 So all in all, we believe that all of the
8 elements needed for the review have been checked and we
9 don't find anything in the application that's
10 disqualifying.

11 Again, if you have any questions, I'm happy to
12 try and answer, or the representatives of Penn and Retama
13 I'm sure are as well.

14 CHAIRMAN STEEN: So if we don't have any
15 questions for Devon right now, just as far as public
16 comment goes, we've got Marnie McCormick, from Penn
17 National, for, but available for questions; Brenda
18 Barrett, from Penn National Gaming, for, also available
19 for questions; and Bill Belcher, with Pinnacle, also for,
20 available to answer questions; and then finally, Chris
21 Rogers, from Penn National, for, wishing to testify.

22 So Chris, if you don't mind stepping up.

23 MR. ROGERS: Thank you, and thank you,
24 Commission, for all the time and attention on this matter.
25 A lot of work went into this. Thank you in particular to

1 staff and Ms. Bijansky. This was much appreciated.

2 So what we're asking today is for an approval
3 for a part of a much larger transaction which is the
4 combination of Penn National Gaming and Pinnacle
5 Entertainment. That combination is valued at about \$2.8
6 billion of the transaction and will create the largest
7 regional casino operator in the United States, with 40
8 properties across 18 different jurisdictions. The
9 transaction will also further cement Penn's position as
10 one of the largest and most established racing operators
11 in North America.

12 Penn National began as a racing organization.
13 In fact, when the company went public in the '80s, it was
14 on the strength of a single racetrack in central
15 Pennsylvania, and it was another racetrack in West
16 Virginia that really put Penn National on the map as a
17 company. We continue to invest in racing today. We've
18 recently developed two new tracks in Ohio and acquired
19 another track in Massachusetts over the last five years,
20 and we have not forgotten our racing heritage. We also,
21 obviously, are very familiar with the racing landscape in
22 Texas from our partnership with MAXXAM at Sam Houston.

23 We have seen some encouraging things from
24 Pinnacle and Retama in particular and there's a lot of
25 challenges facing our industry, as we all know, and

1 although we do not have the answers for all of those, we
2 are very excited about the opportunity to step in and
3 continue the work that Pinnacle has been doing with Retama
4 and working with our partners, our local partners in the
5 City of Selma and at Retama and leveraging Penn's
6 experience in racing to try to maximize revenues for
7 Retama Park.

8 So again, thank you for your time. Happy to
9 answer any questions.

10 CHAIRMAN STEEN: Commissioners, any questions?

11 (No response.)

12 CHAIRMAN STEEN: So just to confirm, Devon,
13 staff confirms that this fully meets the requirements in
14 our opinion?

15 MS. BIJANSKY: Yes, sir. Our review revealed
16 no issues of concern.

17 CHAIRMAN STEEN: So I guess with that, if no
18 further discussion, I'll entertain a motion to approve the
19 requested majority change in ownership.

20 COMMISSIONER MARTIN: So moved.

21 CHAIRMAN STEEN: Motion made by Commissioner
22 Martin.

23 COMMISSIONER EDERER: Second.

24 CHAIRMAN STEEN: Seconded by Vice-Chair Ederer.
25 Any further discussion?

1 (No response.)

2 CHAIRMAN STEEN: We'll take this up for a vote.

3 All in favor please signify by saying aye.

4 (A chorus of ayes.)

5 CHAIRMAN STEEN: Any opposed?

6 (No response.)

7 CHAIRMAN STEEN: The motion carries. Thank
8 you.

9 The next item on the agenda is discussion and
10 possible action on Retama Park's request for approval of
11 changes in the management committee.

12 Devon, will you please present this item?

13 MS. BIJANSKY: Yes, sir.

14 Before I move on, I'd just like to recognize
15 Curley. He has an already very heavy workload and his
16 contributions on this were very significant, and I
17 wouldn't have been able to do it without him, so I just
18 wanted to let you know that I really appreciate that.

19 CHAIRMAN STEEN: Thank you, Curley.

20 MS. BIJANSKY: All right. Approval of changes
21 to the Retama Park management committee. This item has a
22 few parts. The first is the approval of the management
23 committee of the new entity to be formed to hold the
24 Retama license, Retama Nominal Holder, LLC. As I
25 mentioned earlier, the parties have named Phillip Swinney,

1 Kenneth Polasek, and Joe Straus, Jr. to those positions.
2 Staff and DPS have completed their reviews and found no
3 disqualifying information.

4 I think you can handle all three of these
5 together. The second part relates to a separate request
6 the Commission received for approval of changes to the
7 management committees of two Pinnacle Entertainment
8 entities. This is on page 212. Pinnacle Retama Partners,
9 LLC proposes replacing H. Drake Leddy with Mr. Joe Straus,
10 Jr. on its management committee, and PNK(SAM), LLC which
11 manages Retama Park, replaced Kevin Whalen with Bill
12 Belcher in June of 2017. Both of these men are already
13 licensed by the Texas Racing Commission, and so all three
14 of those approvals are before you now.

15 CHAIRMAN STEEN: Any questions, Commissioners?

16 (No response.)

17 CHAIRMAN STEEN: Any public comment on this
18 item, Jean?

19 MS. COOK: No, sir.

20 CHAIRMAN STEEN: If not, I'll entertain a
21 motion to approve the requested changes in the management
22 committees.

23 COMMISSIONER HICKS: I'll make the motion.

24 COMMISSIONER EDERER: Second.

25 CHAIRMAN STEEN: Motion made by Commissioner

1 Hicks, seconded by Vice-Chair Ederer.

2 Any further discussion?

3 (No response.)

4 CHAIRMAN STEEN: Okay. Let's take this up for
5 a vote. All in favor please signify by saying aye.

6 (A chorus of ayes.)

7 CHAIRMAN STEEN: Any opposed?

8 (No response.)

9 CHAIRMAN STEEN: The motion carries. Thank
10 you.

11 MS. BIJANSKY: Thank you.

12 CHAIRMAN STEEN: the next item on the agenda is
13 discussion and possible action on race dates, E.1.
14 Allocation of live race dates for horse tracks for the
15 period beginning January 1, 2019 and ending August 31,
16 2020.

17 Ricky Walker, chief steward, will present this
18 item. Thank you.

19 MR. WALKER: Good morning, commissioners. I'm
20 Ricky Walker, chief steward for the Texas Racing
21 Commission.

22 On pages 214 and 215 are race date calendars
23 for 2019 and 2020 which show granted, amended and
24 requested race dates.

25 On pages 216 through 225, Lone Star Park has

1 requested 44 race dates for a thoroughbred meet to be run
2 from 4/18/19 through July 21, '19, and a 16-day quarter
3 horse meet which would run from 9/20/19 to 11/9/19. On
4 pages 226 through 229 are letters of support from TTA,
5 TPHBA and the THP.

6 On pages 230 through 236, Retama Park has
7 requested a 28-day mixed meet that would run from July 4,
8 2019 through 9/11/2019. This mixed meet will consist of
9 14 quarter horse dates and 14 thoroughbred dates. The
10 quarter horse races will be conducted on Fridays and
11 Saturdays and thoroughbreds would run on Tuesdays and
12 Wednesdays. Retama will have three Fridays and four
13 Saturdays dark during the meet to avoid overlap with the
14 Gillespie County Fair. On pages 237 and 238 are letters
15 of support from the TTA, THP. TTA stated in their letter
16 they were not prepared to issue a statement of support for
17 Retama Park's race date request at this time.

18 On pages 239 through 245, Sam Houston Race Park
19 has requested to amend their already approved 2019 race
20 dates for thoroughbreds to run from 1/25/19 through
21 3/30/19 instead of 1/18/19 through 3/16/19, and quarter
22 horses to run from 4/12/19 through 5/25/19. This will not
23 change the number of race days, just the scheduled race
24 dates. This amendment has the support of the TTA and the
25 THP.

1 On pages 248 through 254, Sam Houston Race Park
2 requests approval of 32 race dates for thoroughbreds to be
3 run from 1/24/2020 until 3/28/2020, and a 20-day meet for
4 quarter horses to be run from 4/10/2020 until 5/23/2020.
5 Support letters from the TTA and THP are on pages 246 and
6 247.

7 On pages 255 through 260, Gillespie County Fair
8 race dates for '19 have already been approved and has the
9 support of TTA, TQHA, THP, and TABA.

10 On pages 264 through 268, Gillespie County Fair
11 has requested 2020 race dates of July 4 and 5, July 18 and
12 19, August 8 and 9, and August 22 and 23. On pages 261
13 through 263 are letters of support from the TTA, TQHA and
14 TABA.

15 Are there any questions?

16 CHAIRMAN STEEN: Commissioners, do you have any
17 questions?

18 SPEAKER FROM AUDIENCE: [inaudible].

19 CHAIRMAN STEEN: Would you come up, please.

20 MS. ROUNTREE: Marsha Rountree with the THP.

21 There's a letter in the packet from the Quarter
22 Horse Board of the THP disallowing or not giving their
23 approval for the requested quarter horse dates at Lone
24 Star park for that 16-day meet. They didn't support it or
25 approve it for this year and the meet has not yet been

1 run, it's untested format, and so the Quarter Horse Board
2 could not give their approval for next year's requested
3 dates based on the same information that we have for the
4 meet this year. It's untested, it's cutting 40 percent of
5 our race days, and it's a very short meet. We don't know
6 how successful a 16-day meet is going to be.

7 So just for the record, there is a letter in
8 the packets stating that the Quarter Horse Board of the
9 THP does not support or approve that request.

10 CHAIRMAN STEEN: And that's for Lone Star Park?

11 MS. ROUNTREE: Lone Star Park. I'm sorry.
12 Yes, Lone Star Park. Thank you.

13 CHAIRMAN STEEN: Thank you.

14 MR. WALKER: Thank you.

15 CHAIRMAN STEEN: Commissioners, any further
16 questions?

17 (No response.)

18 CHAIRMAN STEEN: If no further discussion, I'll
19 entertain a motion to approve the requested race dates.

20 COMMISSIONER MARTIN: So moved.

21 CHAIRMAN STEEN: Motion made by Commissioner
22 Martin. Do I have a second?

23 COMMISSIONER KLEINSCHMIDT: Second.

24 CHAIRMAN STEEN: Seconded by Commissioner
25 Kleinschmidt.

1 Any further discussion?

2 (No response.)

3 CHAIRMAN STEEN: We'll take this up for a vote.

4 All in favor please signify by saying aye.

5 (A chorus of ayes.)

6 CHAIRMAN STEEN: Any opposed?:

7 (No response.)

8 CHAIRMAN STEEN: The motion carries. Thank
9 you.

10 The next item on the agenda is discussion and
11 possible action on live race dates for greyhound
12 racetracks for the period beginning January 1, 2019 and
13 ending August 31, 2020.

14 Ricky Walker, chief steward, will present this
15 item.

16 MR. WALKER: Good morning again, commissioners.

17 On pages 269 and 270 are greyhound race date
18 calendars, granted, requests to amend and requested 2019
19 and 2020 race dates. On pages 271 through 275, Gulf
20 Greyhound Park has requested to run a total of five race
21 dates beginning 8/26/2020 through 8/30/2020. On pages 276
22 through 282, Gulf Coast Racing has requested live dates to
23 be run 8/4/2020 through 8/8/2020. On pages 283 through
24 290, Valley Greyhound Park has requested to amend their
25 already approved 2019 race dates, August 23, 2019 through

1 August 31, 2019, to December 27, 2019 through December 29,
2 2019. And on pages 291 through 296, Valley Greyhound Park
3 has also requested 33 race dates from 1/1/2020 through
4 2/26/2020.

5 Are there any questions?

6 CHAIRMAN STEEN: Commissioners, any questions?

7 (No response.)

8 CHAIRMAN STEEN: Anyone signed up for public
9 comment on this item?

10 MS. COOK: No, sir.

11 CHAIRMAN STEEN: If not, I'll entertain a
12 motion to approve the requested race dates.

13 COMMISSIONER HICKS: I'll make the motion.

14 CHAIRMAN STEEN: Motion made by Commissioner
15 Hicks.

16 COMMISSIONER EDERER: Second.

17 CHAIRMAN STEEN: Seconded by Vice-Chair Ederer.
18 Any further discussion?

19 (No response.)

20 CHAIRMAN STEEN: If not, we'll take this up for
21 a vote. All in favor please signify by saying aye.

22 (A chorus of ayes.)

23 CHAIRMAN STEEN: Any opposed?

24 (No response.)

25 CHAIRMAN STEEN: The motion carries.

1 The next item on the agenda is discussion and
2 possible action on designating an application period for
3 live race dates under Rule 303.41.

4 Devon will present this item.

5 MS. BIJANSKY: Gulf Coast Racing, which has
6 been granted dates to hold a meet this upcoming winter,
7 has notified the Commission that they will not be holding
8 the meet. Gulf Greyhound has expressed willingness to
9 hold the meet instead, and the TGA a week or two ago sent
10 us a letter of support for that plan. This item would
11 open an application period for greyhound race dates for
12 the period from January 1, 2019 through August 31, 2020.

13 Now, yesterday we received a letter from the
14 TGA opposing the opening of an application period. I
15 forwarded you that letter yesterday, but if you don't have
16 a copy or didn't receive it, I have a copy that I can hand
17 you. But staff is recommending opening an application
18 period for the dates I said for a period leading up to the
19 October meeting.

20 CHAIRMAN STEEN: For public comment we have
21 Tommy Azopardi for but not wishing to testify. And then
22 Sally Briggs, for and wishing to testify.

23 Sally, would you please come up for us?

24 MS. BRIGGS: Good morning, Mr. Chairman and
25 commissioners. I am Sally Briggs, representing Gulf

1 Greyhound Park and Gulf Cost Racing.

2 As we discussed in the Rules Committee meeting
3 a couple of weeks ago, we are very willing to run these
4 races at Gulf Greyhound Park. I am a little concerned
5 because I do need to start hiring, especially in our
6 racing department for managers, et cetera. So if there's
7 going to be any objections, then I would like to know as
8 soon as possible because I am going to start spending
9 money to run these races.

10 On another note, Ms. Bijansky, we were going to
11 run the four dates in December of this year, so do we need
12 to amend that to include December this year so we can
13 transfer those four dates from Gulf Coast to Gulf
14 Greyhound?

15 MS. BIJANSKY: Yes. Thank you for mentioning
16 that. The dates can't be transferred but the application
17 period can include some time in December of this year.

18 MS. BRIGGS: Okay. So like I said, we're very
19 willing to run these dates at Gulf Greyhound Park, and if
20 anybody has any questions about anything, I'll be happy to
21 answer them.

22 CHAIRMAN STEEN: Any questions?

23 COMMISSIONER HICKS: Sally, what were the dates
24 for December this year?

25 MS. BRIGGS: It would be the four days

1 beginning December 26.

2 MS. BIJANSKY: And actually, commissioners, I
3 misspoke. The memo in your materials does actually say
4 December 1 of this year through August 31 of 2020, so it
5 does address that already.

6 MS. BRIGGS: And then we would run 32 days in
7 January and February. So if that is approved, that is the
8 dates that we will be turning in.

9 CHAIRMAN STEEN: Thank you.
10 Any further questions?

11 (No response.)

12 MS. BRIGGS: Thank you.

13 COMMISSIONER HICKS: Thank you.

14 CHAIRMAN STEEN: Any further public comment?

15 MS. COOK: No, sir.

16 CHAIRMAN STEEN: If not, I'll entertain a
17 motion to approve the requested race dates.

18 COMMISSIONER EDERER: So moved.

19 COMMISSIONER HICKS: Second.

20 CHAIRMAN STEEN: Motion made by Vice-Chairman
21 Ederer, seconded by Commissioner Hicks.

22 MS. BIJANSKY: May I clarify that that motion
23 was to open an application period for greyhound race
24 dates?

25 CHAIRMAN STEEN: Yes.

1 COMMISSIONER EDERER: Yes.

2 MS. BIJANSKY: Run as described in the memo?

3 COMMISSIONER EDERER: Yes, that's the motion.

4 MS. BIJANSKY: Thank you.

5 CHAIRMAN STEEN: Okay. We'll take this up for
6 a vote. All in favor please signify by saying aye.

7 (A chorus of ayes.)

8 CHAIRMAN STEEN: Any opposed?

9 (No response.)

10 CHAIRMAN STEEN: The motion carries. Thank
11 you.

12 We will not be entering into executive session
13 today.

14 The next meeting is scheduled for Tuesday,
15 October 9.

16 The time is now 11:38. With all business
17 completed, we are now adjourned. Thank you.

18 (Whereupon, at 11:38 a.m., the meeting was
19 adjourned.)

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C E R T I F I C A T E

MEETING OF: Texas Racing Commission
LOCATION: Austin, Texas
DATE: August 14, 2018

I do hereby certify that the foregoing pages,
numbers 1 through 63, inclusive, are the true, accurate,
and complete transcript prepared from the verbal recording
made by electronic recording by Nancy H. King before the
Texas Racing Commission.

DATE: August 17, 2018

/s/ Nancy H. King
(Transcriber)

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7703 N. Lamar Blvd., Ste 515
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