

Association Recommended Allocation of 2014 Simulcast Purse Funds

Association Name: Sam Houston Race Park

Rule §321.505 (a) (1) stipulates that an association shall recommend the percentages by which it will divide the purse revenue generated from simulcasting among the various breeds of horses. The recommended percentages are subject to the approval of the Commission.

Recognized Breeds of Horses	Recommended Allocation Percentages
Arabian	1.40%
Paint Horse	0.60%
Quarter Horse	21.56%
Thoroughbred	76.44%

Rule §321.505 (a) (2) stipulates that at least 30 days before recommending the percentages, the association shall begin negotiations with the organizations recognized by the Commission or in the ACT as representatives of horse owners, trainers, and/or breeders. Indicate in the box below, what recognized organizations the association negotiated with prior to filing the recommended allocation percentages above.

Negotiations Conducted	
<input checked="" type="checkbox"/> Texas Arabian Breeders' Association	<input checked="" type="checkbox"/> Texas Paint Horse Breeders Association
<input checked="" type="checkbox"/> Texas Thoroughbred Association	<input checked="" type="checkbox"/> Texas Quarter Horse Association
<input checked="" type="checkbox"/> Texas Horsemen's Partnership	

Prepared by: _____

Date: _____

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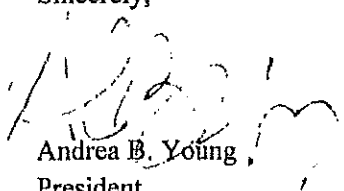
Mr. Sammy Jackson
Deputy Director
8505 Cross Park Drive
Austin, TX 78754

Dear Mr. Jackson:

Please find attached Sam Houston Race Park's analysis of Rules 321.505 and 321.509 regarding allocation of purses and the escrowed purse account distribution. Our request for 2014 comes after an internal review and discussions with both horse breeds. Sam Houston Race Park (SHRP) is sympathetic to the relentless pressure placed on Texas horse tracks and horsemen of both breeds by the un-level playing field Texas racing faces everyday. Neighboring states, all of which offer additional forms of gaming at in-state racetracks, have higher purses and stronger breeder incentives. The position we find ourselves in is a difficult one and represents the dire straits the industry currently faces due to the declining availability of purse dollars. Despite what the criteria may suggest, SHRP believes these are unique times and that any significant changes to the allocations would be detrimental to the 2014 calendar. Dates have already been awarded and plans are already underway. Both breeds have repeatedly asked for more. However, at this time, we believe no change is justified given the pressure facing the industry.

Sam Houston Race Park appreciates the opportunity to present its recommendation to the Commission. Please feel free to contact me should you have any questions or concerns.

Sincerely,



Andrea B. Young,
President

Enclosures

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Allocation of Purses

Sam Houston Race Park has reviewed its operational data and statistics from the Thoroughbred (TB) and Quarter Horse (QH) meets of 2013. Based on local and national interest, the 2014 race dates and the availability and ability to attract competitive horses, SHRP advocates the following splits:

Breed	2014 Proposed	2013 Actual
TB	76.44%	76.44%
QH	21.56%	21.56%
Arabian	1.40%	1.40%
Paint	0.60%	0.60%

Factors for Consideration as Defined By Commission Rule 321.505 And 321.509

1. Earnings

Net commissions represent SHRP's earnings from wagering after mandatory deductions and other track fees. The combined net commissions earned from live, export and simulcast handle by breed year-to-date are listed below:

- Thoroughbred 86.8%
- Quarter Horse 11.6%
- Arabian 1.4%
- Paint 0.2%

Net commissions from Thoroughbred handle are a significant source of revenue for SHRP. The significant premium in earnings is driven in part by higher per caps and overall attendance statistics. In addition, the ability to run one additional day per week during the Thoroughbred meet (more supply) drives a significant difference in operating income between the two meets for SHRP.

For the first three months of 2013 when running primarily Thoroughbreds, SHRP earned more than \$638,000 in positive EBITDA. However, during April and May when running Quarter Horses, SHRP suffered approximately \$140,000 in EBITDA losses despite premium simulcast dates like the Kentucky Derby and Preakness.

2. National Public Interest

National public interest can be clearly demonstrated by export handle. Please note, not all interstate jurisdictions that accept wagering on Texas Thoroughbreds are able to accept wagering on Texas Quarter Horses. The percentage of export handle for 2013 attracted by each breed is listed below.

- Thoroughbred 83.7%
- Quarter Horse 13.6%
- Arabian 2.5%
- Paint 0.2%

SHRP's daily export handle for the Thoroughbred meet averaged \$1.21 million compared to \$283,000 for the Quarter Horse meet.

3. Local Interest

One way to gauge local interest at SHRP is through simulcast handle as SHRP operates as simulcast-only for about half of the calendar year. Below is simulcast handle for the four breeds year-to-date:

- Thoroughbred 88.4%
- Quarter Horse 10.1%
- Arabian 1.4%
- Paint 0.2%

Another way to gauge interest is through live handle and live attendance. Below is live handle and attendance data for 2013 as percentages:

Live Handle

- Thoroughbred 64.0%
- Quarter Horse 33.3%
- Arabian 2.1%
- Paint 0.7%

Live Attendance

- Thoroughbred 56.4%
- Quarter Horse 43.6%

Over the past three years, SHRP's daily average live handle for Thoroughbreds has grown each and every year bucking all national trends. However, despite an 11% increase in daily purses during the 2013 Quarter Horse meet, daily live handle fell 2% year-over-year. Unfortunately, the results of the QH meet are consistent with national trends.

The average live handle on an “apples to apples basis” for Fridays and Saturdays during the 2013 Thoroughbred meet was approximately \$173,000 per day compared to only \$114,000 for the Quarter Horse meet, a difference of about 51%.

Both meets enjoy similar marketing budgets. However, the Quarter Horse meet enjoys the unique advantages created by post-race concerts, and premium simulcast days like the Kentucky Derby and Preakness.

4. Race Date Request

SHRP has been granted 32 Thoroughbred race days and 24 Quarter Horse race days for 2014. These dates translate into the following percentages:

- Thoroughbred 57%
- Quarter Horse 43%

5. Availability and Ability to Attract Competitive Horses

A four-day race week allows SHRP to maximize its assets and turn a profit while three-day race weeks struggle. Below please find statistics from SHRP’s 2013 racing season:

- Thoroughbred, 8.7 runners per race, 4 days per week
- Quarter Horse, 8.1 runners per race, 3 days per week

Escrowed Purse Account

Sam Houston Race Park, at this time, does not recommend changing the splits for the Escrowed Purse Account. The criteria listed in rule 321.509 are similar to those in rule 321.505. Despite the criteria in rule 321.509 clearly favoring a majority split to the Thoroughbred breed, the current allocation overwhelmingly favors the Quarter Horse breed. However, the industry is working against an un-level playing field with our competitors in neighboring states. SHRP acknowledges that a change in the splits would impact the Texas Quarter Horse breed significantly given the limited purse structure. Thus, SHRP recommends the following splits:

Breed	2014 Proposed	2013 Actual
TB	20.925%	20.925%
QH	72.075%	72.075%
Arabian	3.50%	3.50%
Paint	3.50%	3.50%