

# Association Recommended Allocation of 2014 Simulcast Purse Funds

Association Name: Lave STAR PARK AT GRAND PRAIRIE

*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	1.00%
Paint Horse	.25%
Quarter Horse	18.2875%
Thoroughbred	80.4625%

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

Prepared by: SCOTT WELLS, PAULA NEWMAN Date: 9/24/13



**LONE STAR PARK**  
at Grand Prairie

*Our Mission:*  
*Create Winning Experiences.*

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TEXAS RACING

September 24, 2013

Sammy Jackson  
Deputy Director  
Texas Racing Commission

Dear Mr. Jackson,

Included herein are Lone Star Park at Grand Prairie's recommendations for allocation to the various breeds of 2014 simulcast funds, as well as our plans for distribution of the escrowed purse account.

As you are no doubt aware, discussion regarding the percentage distribution for simulcast funds has been an ongoing process. My predecessor, Drew Shubeck, as well as the Chief Operating Officer of Global Gaming LSP, LLC, Robert "Skip" Lannert were involved in these discussions dating back to previous years and including the prior months of 2013 leading up to this deadline. My employment by Lone Star Park at Grand Prairie only began a few weeks ago; however, I was present for one respectful meeting between the various entities involved. That meeting underlined the unwillingness of the respective breed associations to compromise further on what we all agree is a critical matter.

Despite my brief tenure here, I can fully appreciate the difficulties inherent in this debate, having endured a similar process in Oklahoma in 2007. Unfortunately, the situation facing Texas horseracing is much more about the survival of the respective breeding programs in this state than it is about dividing up a growing pie, as was the case in Oklahoma. After listening to the pleas of the breed organization representatives and after extensive internal discussions, it is the recommendation of Lone Star Park at Grand Prairie to continue in 2014 the allocation percentages approved by the Texas Racing Commission for 2013.

Despite the temporary and/or long term implications of our required recommendations, we support the mission of the Texas Racing Commission and will respectfully comply with your final decisions regarding this and all other pertinent matters.

Sincerely,

Scott Wells  
President and General Manager

## Allocation of Purses

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Lone Star Park at Grand Prairie (LSP) has reviewed its operational data and statistics from the Thoroughbred (TB) and Quarter Horse/Mixed Breed (QH) meets for 2013 and 2012. Based on local and national interest, the 2014 race dates and the availability and ability to attract competitive horses, LSP advocates the following splits:

<u>Breed</u>	<u>2014 Proposed</u>	<u>2013 Actual</u>
TB	80.4625%	80.4625%
QH	18.2875%	18.2875%
Arabian	1.00%	1.00%
Paint	.25%	.25%

## Factors for Consideration as Defined by Commission Rule 321.505 and 321.509

### 1. Earnings

Net commissions represent LSP's earnings from wagering after mandatory deductions and other track fees. The combined net commissions earned from live and export handle by breed are as follows:

▪ Thoroughbred	83.05%
▪ Quarter Horse	13.34%
▪ Arabian	2.55%
▪ Paint	1.06%

Net commissions from Thoroughbred handle are a significant source of revenue for LSP. The substantial premium in earnings is driven in part by higher per caps as well as overall higher attendance. The ability to run one additional day per week during 8 of the 14 weeks during the 2014 Thoroughbred drives a substantial difference in operating income between the two race meets for LSP.

During the 2013 Thoroughbred meet, LSP generated more than \$410,000 in positive EBITDA. However during the 2012 QH meet, LSP experienced approximately \$725,000 in EBITDA losses. LSP is working to reduce this tendency during the 2013 QH meet.

## 2. National Public Interest

National public interest can be demonstrated in the export handle. It should be noted, 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 2013TB meet and 2012 QH meet are as follows:

▪ Thoroughbred	84.69%
▪ Quarter Horse	14.26%
▪ Arabian	.75%
▪ Paint	.30%

LSP's daily export handle for the 2013 Thoroughbred meet averaged \$685,000 compared to \$238,000 for the 2012 Quarter Horse meet.

## 3. Local Interest

Following is the on track Live Racing Handle and Live Racing Attendance for the 2013 Thoroughbred meet and 2012 Quarter Horse/Mixed Breed meet:

### Live Handle

▪ Thoroughbred	86.25%
▪ Quarter Horse	13.01%
▪ Arabian	.39%
▪ Paint	.35%

### Live Attendance

▪ Thoroughbred	87.88%
▪ Quarter Horse	12.12%

The average live handle on a comparative basis for Fridays and Saturdays during the 2013 TB meet was \$ 309,000 per day compared to \$98,000 per day average for the 2012 QH meet.

## 4. Race Date Request

LSP has been granted 50 Thoroughbred race days and 26 Quarter Horse race days for 2014. The dates translate to the following percentages:

▪ Thoroughbred	65%
▪ Quarter Horse	35%

## 5. Availability and Ability to Attract Competitive Horses

Following are the statistics for LSP's 2013 TB season and 2012 QH season:

- Thoroughbred, 8.3 runners per race
- Quarter Horse, 8.4 runners per race

### Allocation of Escrowed Purse Account

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Lone Star Park at Grand Prairie does not recommend changing the breed splits for the 2014 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 significantly favors the Quarter Horse breed. However the industry is working against an un-level playing field with our competitors in neighboring states. LSP acknowledges that a change in the splits would impact the Texas Quarter Horse breed significantly given the limited purse structure. Therefore, LSP recommends the splits remaining constant with 2013 as follows:

<u>Breed</u>	<u>2014 Proposed</u>	<u>2013 Actual</u>
TB	20.925%	20.925%
QH	72.075 %	72.075%
Arabian	3.50%	3.50%
Paint	3.50%	3.50%