

November 8, 2011

Dear fellow Horseplayers:

I was recently asked by several of you to investigate the situation with the Texas Racing Commission (TRC) and the letter that was sent to the ADWs in regards to HB 2271 that became effective on September 1, 2011.

Each government agency in Texas during the bi-annual legislative session goes through a Sunset Commission review every ten years. This commission reviews the agencies to see if they should continue to remain in existence, still serve the purpose for which they were created and should continue to receive funding. They also can make changes to rules and regulations of which each is required to enforce. The TRC went through the Sunset review this past session that ended in May 2011. During that time certain language was added to allow the TRC to enforce the prohibition of ADW wagering in Texas. Please understand that ADW wagering has never been legal in Texas. However, the TRC rules did not have specific language addressing this issue. Now it does. A few weeks ago, the TRC sent letters to many of the ADWs requesting they stop accepting wagers from account holders in Texas and to cease in opening any new accounts.

Many of the players were upset and felt the Texas race tracks were behind this bill. The fact is they were not. For those of you who do not know much about our current Governor. It is no secret that Rick Perry is very anti-gaming of any kind and does not want any further expansion of gaming in Texas. Had he been Governor at the time of their introduction, horse racing or the lottery would have probably never passed. Many of the current TRC board members are appointees by Mr. Perry. They are also very loyal to him and his beliefs. It is also no secret that horse racing in Texas (like many states) is in serious trouble. Two of the major tracks are now owned (or partially) by gaming companies. They obviously want some type of casino games made legal at Texas race tracks. However, they realize as long as Mr. Perry is Governor that will be a difficult task. In order to obtain some additional revenue, the tracks did request that ADW wagering be made legal in Texas. They lobbied this would not be an expansion of gaming since horse racing was already legal. They used the example of the lottery which adds new games all the time. They felt ADW wagering was no different. Unfortunately, the Texas Legislature and Mr. Perry did not agree. Instead of making it legal, they inserted the new language that specifically made it illegal. The race tracks were put into a "no win situation". If they had lobbied to fight the bill, they ran the risk of the Legislature abolishing the TRC (under Sunset rules) which would have forced all the tracks to close.

As with all state agencies, they only have authority in their respective state. The TRC certainly has no jurisdiction over any ADW licensed in another state. As of now, they have only sent out the letter. It is unknown at this point what will happen next. I would expect the TRC will monitor the situation and see how the ADWs respond. If things continue as they are, the TRC will probably seek the help of the Texas Attorney General to help with enforcement. It remains to be seen just how much time and money the AG will spend on this issue. As with most things involving the Internet, enforcement is difficult, time consuming, and very expensive.

Texas currently ranks second (behind California) in the dollar volume of ADW wagers each year. The amount of money is very large and represents a significant portion of the ADW's revenue. I would expect many of the larger companies will not go down without a lengthy legal fight.

I will certainly follow this situation and report any new developments. The next few months promise to be very interesting.

Sincerely,

Mike Mayo