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# Lawmaker Runs Inside Track At Texas Racing Commission

*The Texas Observer* ran a shorter version of this article on December 12, 2008.

A state lawmaker and a big-donor dentist appear to have sought preferential treatment in pressing the Texas Racing Commission for a racetrack license. While some Racing Commission employees have balked at the duo's requests, the political appointees who run the agency may be more receptive to Dallas Democratic Rep. Yvonne Davis and dental-clinic mogul David Alameel.

Alameel, who owns the Dallas-based Jefferson Dental Clinic chain, put up most of the money for the racetrack. Davis, who runs her own PR firm,<sup>1</sup> has a 5 percent stake in the venture and the Alameel family owns the rest, Racing Commission records indicate. Rep. Davis sits on the House Ways and Means Committee that oversees the state revenues upon which the Racing Commission feeds.<sup>2</sup>

Alameel and Davis have pressed the Racing Commission to depart from normal agency policies to expedite their track license, retaining ex-state Rep. Ron Wilson to make their case (Wilson helped Speaker Tom Craddick assert "absolute" parliamentary rule over a mutinous House in 2007). As Alameel trades lawsuits with former partners who say he cheated them out of their track interest, the dentist has sought to bypass an agency policy of postponing any litigation-clouded track applications.

Introduced by Wilson at a Racing Commission meeting last October, Rep. Davis acknowledged "a lot of innuendos and conversations about who, what, why." Countering any notion that her application posed "a conflict with my role as a legislator," Davis said that she had a letter from the Texas Ethics Commission (which also relies on state revenues) that said "there's no prohibition for me to be part of this."

Alameel and Davis are seeking title to the Longhorn Downs track license, which is now formally controlled by a company called Austin Jockey Club, Ltd. Investors from San Antonio's Retama Park racetrack control Austin Jockey. San Antonio Republican Rep. Joe Straus III and his father—who chairs Retama's board—each own stakes in Austin Jockey, according to Racing Commission records. Lacking industry experience of their own, Alameel and Davis have proposed hiring Retama's management to help run the track that they want to build outside Dallas.

Rep. Straus, a former Craddick ally who recently announced that he has enough support to be elected Speaker when the House convenes next week, said Davis crossed a line when she appeared before the Racing Commission. "The issue of gaming and licensing from the government is a public-trust issue," said Straus. "I would never appear before a government

regulatory body as a sitting lawmaker to make a request such as that.”

Dallas attorney C. Gregory Shamoun, who is helping Alameel and Davis obtain a track license, told *Lobby Watch* that Rep. Davis application to the Racing Commission is “no different than you and I buying stock in Exxon.” Shamoun called Rep. Davis’ actions “ethical and transparent.”

Austin Jockey owns the 20-year-old license for the so-called Longhorn Downs track, which has never been built. Opposition from local communities and the existing Manor Downs Race Track scuttled two efforts to build the track in the Austin area earlier in the decade. After attempts to build the track in Pflugerville flopped in 2005, Austin Jockey ostensibly sold its track license to an outfit called Dallas City Limits (DCL).<sup>3</sup> Billy Bob Barnett, a founder of Billy Bob’s Texas honky tonk in Fort Worth, controlled 60 percent of DCL’s stock. The Alameel family claimed another 25 percent.

As David Alameel launched what he said has become a \$16 million racing investment, he spent almost \$1 million on Texas’ 2006 state elections—four times what he sunk into the 2004 elections. Alameel placed almost half of this political cash on a bet that then-

Comptroller Carole Keeton Strayhorn would win the Governor’s Cup (he then spent \$50,000 more on Governor Rick Perry’s victory bash). Over the past six years Alameel has given more than \$1.6 million to state candidates and committees, including contributions totaling \$525,000 to both Strayhorn and Lieutenant Governor David Dewhurst. (Billy Bob Barnett gave Dewhurst another \$15,000 in 2006).

DCL fared about as well as Strayhorn’s campaign. The company asked the City of Dallas for \$20 million in subsidies to build a racetrack entertainment complex near the Dallas Convention Center. In 2006 city officials openly questioned if DCL’s investors had enough money to take the project to the finish line. DCL next took its pitch to the nearby City of Irving, where voters approved a special tax in November 2007 to finance an entertainment venue next to Irving’s convention center.<sup>4</sup> Yet Irving officials halted talks with DCL in early 2008 as the company’s finances cratered and DCL investors sued each other for control of the remaining assets.<sup>5</sup>

Two Dallas courts ruled last June that Alameel acquired all claims to the track license (which officially remains in Austin Jockey’s name) from Barnett and other partners in a foreclosure sale that DCL held in 2007 to payoff escalating debts.

### **Top Politicians Favored By David Alameel’s Purse (2003 to Nov. 2008)**

<b>Amount</b>	<b>Recipient</b>	<b>Identification</b>
\$525,000	David Dewhurst (R)	Lieutenant Governor
\$525,000	Carole Keeton Strayhorn (R)	Ex-Comptroller
\$150,000	Greg Abbott (R)	Attorney General
\$150,000	Texans for Economic Development	Gambling PAC
\$75,000	Texas Democratic Party	Democratic Party
\$36,300	Dallas Co. Republican Party	Republican Party
\$25,000	Michael Williams (R)	Railroad Commissioner
\$20,000	Jon Cole (R)	Lost '08 primary to Rep. Jerry Madden
\$20,000	Texas 2020 PAC	Supports House Democrats
\$15,000	Patrick Rose (D)	House Rep. from Dripping Springs
\$11,500	Yvonne Davis (D)	House Rep. from Dallas
\$11,000	Roberto Alonzo (D)	House Rep. from Dallas
\$10,000	Marc Veasey (D)	House Rep. from Fort Worth
\$5,000	Rafael Anchia (D)	House Rep. from Dallas
\$5,000	Jim Dunnam (D)	House Rep. from Waco
\$5,000	Katy Hubener (D)	Lost to Rep. Ray Allen in 2004
\$5,000	Mexican American Leg. Caucus	Mexican American Leg. Caucus
\$5,000	Mark Strama (D)	House Rep. from Austin
\$5,000	Texas Conservative Coalition	Texas Conservative Coalition

Note: Donations from David & Martha Alameel, Alameel Family Partners and AtlanGroup.

## Billy Bob Entertains Irving

The legal settlement between former partners Billy Bob Barnett and David Alameel appears to have granted Barnett the right to pursue the stalled entertainment complex in Irving. Barnett and his sister, Wynona Winters, were major donors to Irving Mayor Herbert Gears, who was reelected a month before the DCL settlement in June 2008. Winters then formed Las Colinas Group, LP last July. Fronted by Dallas developer Bill Beuck, Las Colinas Group resumed talks with Irving officials to build an entertainment complex featuring a concert hall, recording studio, restaurants and shops—but no racetrack. The Irving City Council voted in December 2008 to commit \$5 million in public funds to pre-development work for the project. If the \$200 million project flies, developers will put up \$40 million and the city will fund the rest of the complex, which will be city owned.■

Squabbling between Barnett and Alameel undermined DCL's regulatory application for the Longhorn Downs track license. The Racing Commission considered legal action against DCL in 2007 and agency officials wrote in September of that year that they had cause to deny the application. Grounds cited by the agency included: DCL asserting control over the license without obtaining regulatory approval; Alameel's failure to cooperate with background checks; and ongoing litigation between DCL investors.

Ron Wilson cited a couple of these issues in a letter that he sent to the Racing Commission last September. The letter suggests that Wilson had unsuccessfully floated the idea that Alameel could get the track license without a background check. Wilson's letter said Racing Commission General Counsel Mark Fenner told him "DPS would not likely proceed if there was pending litigation involving the license."

Seeking to dispel this concern, Wilson wrote in the letter, "While we have received correspondence from counsel representing [DCS limited partners] Mike Gallagher and Mr. [Russell] Serafin we have not been made aware of *any litigation filed on their behalf* that would preclude DPS from proceeding" (emphasis added). Wilson's claim was literally true yet deceptive. Just five days earlier, Alameel had filed a lawsuit in state district court against Gallagher and Serafin (who are partners in one of Houston's leading plaintiff firms) and Bryan-based insurance executive Phil Adams.<sup>6</sup> That pending litigation alleges that these investors—who owned 15 percent of DCL—have no surviving claim to the Longhorn Downs license.<sup>7</sup>

The three defendants counter-sued Alameel and Rep. Davis last October. Their complaint alleges that Alameel fraudulently conspired to chisel them out of their interest in DCL.

Adams and the trial lawyers allege that Alameel, as DCL's decision-making general partner, ran the company into the ground so that he could foreclose on it and sell DCL's claim to the track license to himself. Their complaint alleges that DCL paid Austin Jockey \$1.5 million for the Longhorn Downs license in 2005 and then Alameel sabotaged regulatory approval of the license transfer by refusing to submit to a Department of Public Safety background check. DCL burned through \$10 million from 2005 through 2007 with little to show for it, according to the lawsuit. To stay afloat, it borrowed \$5 million from Alameel's Cedars Entertainment. DCL was obligated to repay this loan in June 2008—or earlier in the event of such "defaults" as company indebtedness.<sup>8</sup>

The trial lawyers and Adams allege that Alameel invoked the debt-default clause in April 2007 when he produced a \$400,000 bill from Andrews Kurth law firm that DCL could not pay. Alameel then blocked the partners' efforts to tackle these bills, the lawyers allege, and spurned the law firm's offer to extend the debt. Instead, Alameel foreclosed on DCL and sold its assets to one of his own companies: AtlanGroup. The trial lawyers said in an interview that alleged evidence of Alameel's double dealing will play well before a jury.

Attorney Gregory Shamoun countered that the former limited partners' claims to the track license were liquidated in the foreclosure sale that legally transferred DCL's assets to Alameel. Far from seeking special regulatory treatment, Shamoun said that his clients have faced "obstruction" from "outside influences" that hold sway at the Racing Commission. Shamoun said that Phil Adams is known in Austin to have major influence with Governor Rick Perry, who appoints seven of the nine members of the Racing Commission (the Comptroller and Agriculture Commissioner are *ex officio* members). Adams gave Perry's campaign \$125,600, which is most of what this businessman has given to state PACs and candidates since 2005.

## Top Politicians Favored By Gallagher Law Firm's Purse (2005 to Nov. 2008)

Amount	Recipient	Identification
\$200,000	David Dewhurst (R)	Lieutenant Governor
\$200,000	Texans for Insurance Reform	Trial lawyer PAC
\$50,000	Carole Keeton Strayhorn (R)	Ex-Comptroller
\$15,000	House Demo. Campaign Com.	Democratic Party
\$15,000	John Whitmire (D)	Houston Senator
\$10,447	Juan Hinojosa (D)	McAllen Senator
\$10,000	Joseph Jaworski (D)	Lost to Sen. Mike Jackson in 2008
\$10,000	Yvonne Gonzalez Toureilles (D)	House Rep. from Alice
\$6,110	Texas Trial Lawyers Assn. PAC	Trial lawyer PAC
\$5,000	Susan Criss (D)	212 <sup>th</sup> District Judge Galveston
\$5,000	Rodney Ellis (D)	Houston Senator
\$5,000	Mario V. Gallegos (D)	Houston Senator
\$5,000	Sharon S. McCally (R)	334 <sup>th</sup> District Judge Houston
\$5,000	Elizabeth Ray (R)	Ex-165th District Judge Houston
\$5,000	Mauricio Rondon (R)	234 <sup>th</sup> District Judge Houston
\$5,000	Kirk Watson (D)	Austin Senator
\$5,000	Randall Wilson (R)	157 <sup>th</sup> District Judge Houston

Includes contributions by Mike Gallagher personally.

In between lawsuits, Alameel and Davis applied in July 2008 to the Racing Commission for the Longhorn Downs license. Racing Commission spokesperson Jean Cook said that application was on hold pending a routine DPS background check to ensure that the applicants have enough cash to get a track running and do not have criminal records (contradicting this, Shamoun told *Lobby Watch* that the DPS check is done). Asked if it was a departure from normal rules to conduct a DPS background check on a litigation-clouded application, Cook said background checks are halted when there's litigation between general partners, such as Alameel and Barnett, but not for litigation involving limited partners. This is a bizarre distinction, especially when limited partners allege that a track applicant defrauded them out of an investment.

In a letter last September and at a Racing Commission meeting in October, Ron Wilson urged the commission to first transfer the track license to his clients and later determine where to put the track. In Wilson's diplomatic phrasing, "We'd ask that you bifurcate that process." Yet granting the license without a thorough vetting of the track's location departs from agency policy—and common sense.

The Alameel-Davis application proposes building a track south of Dallas within the extra-territorial jurisdiction of the City of Lancaster. Lancaster is about 20 miles from the existing Lone Star Park track in Grand Prairie. With racetrack revenues falling statewide, why would the state approve a new track so

close to an existing one? And, a la Pflugerville, will Lancaster welcome pari-mutuel betting? Alameel and Davis apparently want to postpone these issues for another day. Nobody has initiated track discussions with the City of Lancaster, according to the office of Lancaster Mayor Marcus Knight.

The staff of the Texas Sunset Advisory Commission, which periodically reviews whether state agencies are earning their keep, issued a July 2008 report that urges lawmakers to preserve the Racing Commission. Yet that report also suggests ways to improve the agency. One problem cited is the agency's practice of issuing track licenses in perpetuity. The report notes that the Racing Commission granted licenses in 1989 for Longhorn Downs and Amarillo-based Saddle Brook Park yet neither license has laid a foot of track. In the meantime, the Racing Commission has spent state funds off and on for 20 years on tracks that do not exist—much less produce state revenue.

While some Racing Commission employees appear to have concerns about the Longhorn Downs license, the political appointees controlling the nine-member commission may be more receptive. In December the commissioners appointed a committee to consider changing how the agency grants new track licenses and reviews applications to change track locations or track ownership. That committee's designated co-chairs are Racing Commissioners Robert Schmidt and Tom Clowe, the Public Safety Commission's *ex officio* member of the Racing Commission.<sup>9</sup>

At a December commission meeting, Clowe asked about the scope of his new committee's charge. Addressing Ron Wilson's bifurcation issue, agency General Counsel Mark Fenner told Clowe that state law appears to treat a track's location as an integral part of any application for a track license. Yet Commission Chair Rolando Pablos<sup>10</sup> urged Clowe to make recommendations on all aspects of track licensing—including old licenses for nonexistent tracks such as Longhorn Downs.

Before Governor Rick Perry appointed him to the Public Safety Commission last March, Clowe chaired the Texas Lottery Commission, where he aggressively promoted the industry that he regulated. Gambling opponents at the Baptist Christian Life Commission filed an agency complaint last year about Clowe's advocacy for a proposed agency rule to expand electronic bingo games. Christian Life Commission Director Suzii Paynter told *Lobby Watch* that the Lottery Commission and Racing Commission compromise their regulatory roles when they become cheerleaders for the gambling industry. Paynter said these agencies "spend a lot of time creating exceptions

to things that are supposed to be enforced," sometimes usurping legislative powers.<sup>11</sup>

Longhorn Downs has had 20 years to come out of the gates. As the recent *Sunset* report notes, the Racing Commission needs authority to put old nags like this one down. The agency also needs commissioners who can independently administer such euthanasia in the face of strong political pressure. ■

### Dallas City Limits-Related Lobbyists

Lobbyist	Max Value of Contracts	No. of Contracts
Mark D. Harkrider	\$650,000	7
Cal E. Varner	\$500,000	3
Reginald G. Bashur	\$400,000	2
Walter Fisher	\$400,000	3
John C. Johnson, Jr.	\$400,000	2
David H. Cain	\$300,000	3
Mario A. Martinez	\$300,000	2
Nicholas K. Kralj	\$200,000	1
Deborah C. Ingersoll	\$150,000	1
Michael Toomey	\$50,000	2
<b>TOTAL:</b>	<b>\$3,350,000</b>	<b>26</b>

### Dallas City Limits-Related Lobby Contracts

Lobby Client	Min. Value of Contracts	Max. Value of Contracts	No. of Contracts	Contract Year(s)
Big City Capital, LLC	\$1,970,000	\$3,000,000	22	'04/'05/'06
Dallas Founders at Trinity Crossing	\$50,000	\$100,000	1	'07
Atlan Group	\$100,000	\$200,000	2	'05/'08
Dallas City Limits, LLC	\$25,000	\$50,000	1	'06
<b>TOTAL:</b>	<b>\$2,145,000</b>	<b>\$3,350,000</b>	<b>26</b>	

### Notes

<sup>1</sup> YD Associates.

<sup>2</sup> The Texas Racing Commission's revenue is derived from fees and fines on the racing industry. During fiscal 2007 the commission spent more than \$4.5 million of this revenue and generated an additional \$4.3 million for the state. See "Sunset Staff Review of the Texas Racing Commission," *Sunset Advisory Commission*, July 2008.

<sup>3</sup> Dallas City Limits' boasted a complex corporate lineage. DCL was a subsidiary of Dallas Founders at Trinity Crossing, Ltd., which was controlled by general partner DFTC-GP, LLC, which was under the wing of Barnett's Big City Capital, LLC. To avoid confusion, this report uses DCL as shorthand for the various Barnett-Alameel tentacles that pursued a racetrack deal in Dallas and then in Irving.

<sup>4</sup> In December 2006 Barnett and Alameel created a special corporate vehicle for the Irving deal called Texas Spirit! LLC. An amended Texas Spirit! filing in June 2007 drops Barnett's name, putting Alameel's AtlanGroup in control.

<sup>5</sup> "Irving again discusses entertainment complex next to convention center," *Dallas Morning News*, July 24, 2008.

<sup>6</sup> *Dallas City Limits Property Co., L.P. v. Russell Serafin, Philip Adams, Mike Gallagher and Galena Park Investments, Ltd.*, 160<sup>th</sup> District Court, Dallas Co., Cause No. 08-11846.

<sup>7</sup> Racing Commission records indicate that Gallagher owns 9 percent of DCL's parent company (Dallas Founders at Trinity Crossing, Ltd.) and Serafin and Adams each own 3 percent.

<sup>8</sup> The lawsuit lists the recipient of this loan as DCL parent company Dallas Founders at Trinity Crossing, Ltd.

<sup>9</sup> Ron Wilson unsuccessfully jockeyed for a Public Safety Commission appointment in 2007.

<sup>10</sup> Pablos is a former general counsel of a lottery company Oberthur Gaming Technologies.

<sup>11</sup> See also "Agency may lower bar to gambling business," *Austin American-Statesman*, January 4, 2008.